29th September 2008

The Company Announcements Platform
Australian Stock Exchange

AUSTBROKERS ANNUAL REPORT 2008

Please find attached the Austbrokers Annual Report 2008.

Yours sincerely,

S.S. Rouvray
Company Secretary
Austbrokers Holdings Limited

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This announcement may contain forward looking statements relating to future matters, which are subject to known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Austbrokers and the Austbrokers Group to be materially different from those expressed in this announcement. Except as required by law and only to the extent so required, neither Austbrokers nor any other person warrants that these forward looking statements relating to future matters will occur.

austbrokers

ANNUAL REPORT 2008

STATEMENT OF PURPOSE

Austbrokers is a leading network of insurance broking firms focused on servicing more than 200,000 clients across Australia, with a particular focus on small to medium sized businesses.

The Austbrokers equity partnership business model allows member firms to benefit from the strength and scale of a national company, while still retaining the personalised service, specialisation and local knowledge that the brokers foster.

Austbrokers also offers underwriting agency services to brokers through its Austagencies subsidiary, and is continually developing and expanding the company's presence in other financial services sectors such as life insurance, superannuation and financial planning.

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ABN 60 000 000 715

This annual report covers both Austbrokers Holdings Limited as an individual entity and the consolidated entity comprising Austbrokers Holdings Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

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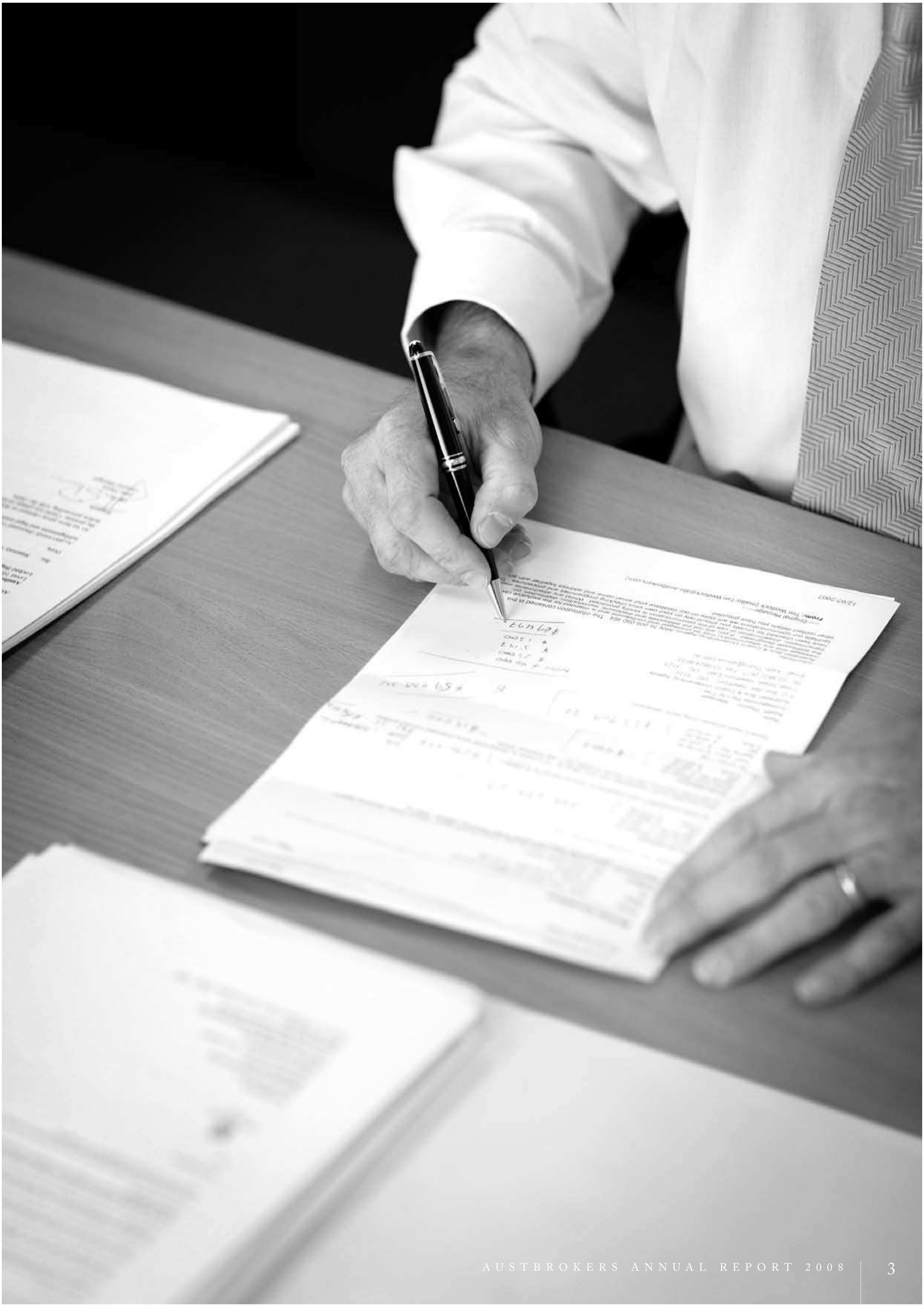
VISION & MISSION

> *National strength linked with individual commitment*

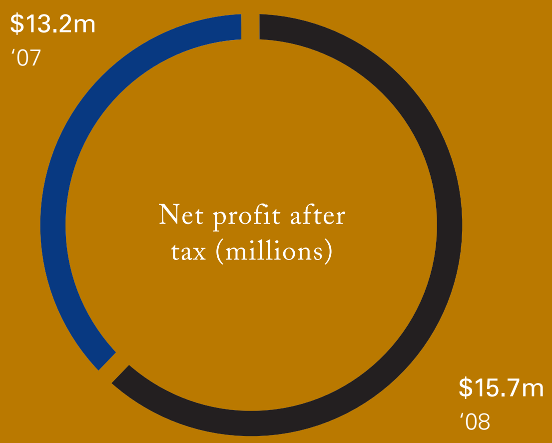
Austbrokers' mission is to create a leading national insurance broking and financial services network, providing members of that network with all the back-office and marketing support they require, allowing them to focus on more important things like customer service, innovation and growth.

In doing so, Austbrokers is building a unique network of independently operated businesses, with every member of that network committed to meeting each client's needs.

By partnering with business operators all over the country, Austbrokers delivers value to customers, shareholders, employees and the proprietors themselves.

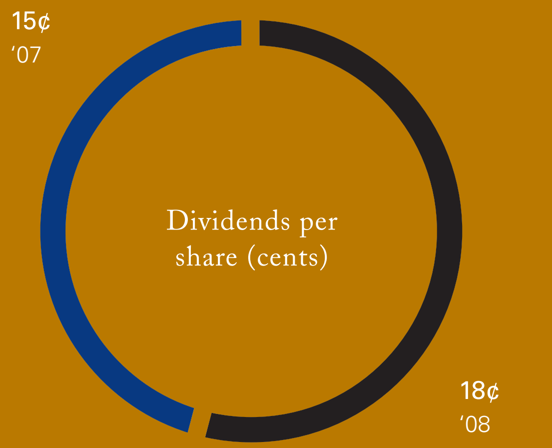


HIGHLIGHTS

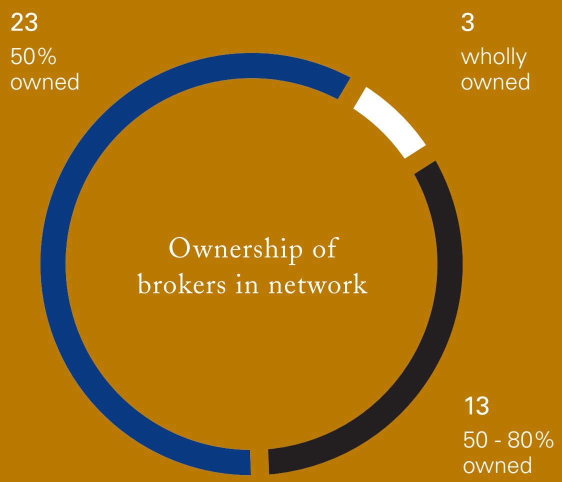


18.5% INCREASE
IN ADJUSTED NET PROFIT AFTER TAX (NPAT) TO
$15.7 MILLION
FOR THE YEAR ENDED 30 JUNE 2008

FULL YEAR FULLY FRANKED DIVIDEND OF
18.0 CENTS PER SHARE



SHAREHOLDERS
WHO HAVE BEEN WITH US SINCE THE TIME OF LISTING ON THE ASX THREE YEARS AGO HAVE ENJOYED RETURNS TO
30 JUNE 2008 OF 127%
ON THEIR INITIAL INVESTMENT



MAJOR ACQUISITIONS
OF STRATHEARN INSURANCE
BROKERS & RIVERS INSURANCE BROKERS

CONTINUING ACQUISITIONS
WITHIN THE BROKER NETWORK AND
INCREASES IN EQUITY

CHAIRMAN'S LETTER

Dear Shareholder,

It gives me great pleasure to present on behalf of the Board the Austbrokers annual report for the year ended 30 June 2008, our third year listed on the Australian Stock Exchange (ASX). Austbrokers has continued its strong performance with an adjusted net profit after tax (NPAT) of $15.7 million. This exceeded last year's NPAT by 18.5% and demonstrates why we are the leading independent insurance broking network in Australia.

In light of Austbrokers performance, the Directors have declared a final franked dividend of 11.5 cents per share, payable in October. This, together with the interim dividend of 6.5 cents, is a full year dividend of 18 cents and represents a payout of 57% of NPAT.

Shareholders who acquired shares at the time of listing on the ASX in 2005 have enjoyed a total shareholder return of 127% to 30 June 2008 on their initial investment and despite the severe decline in the sharemarket, the total shareholder return on Austbrokers shares for the financial year was marginally positive.

This year, we have continued our strategic priority of expanding our broking network.

Acquisitions continue to boost growth, underpinned by our unique owner-driver model which has attracted many insurance brokers to the Austbrokers network. During the 2008 financial year, we acquired 50% of domestic and international operator, Strathearn Insurance Brokers. We also acquired 50% of Rivers Insurance Brokers, which operates out of Queensland.

In addition to these major acquisitions, many of our existing members have made their own bolt-on acquisitions benefiting from synergies to their operations. We have also increased our equity in three existing operations.

Marketing initiatives have been developed and implemented across the network with incentives put in place to encourage growth in business. As a result, the network has achieved growth of 9% in commission and fee income.

Alongside our partnerships with brokers, we have continued to see success with the strategic alliances we have developed. In particular, the joint venture with IBNA has been strengthened with the appointment of a General Manager and has achieved significant benefits for both Austbrokers and IBNA brokers in terms of product and income.

The joint venture with Pacific Premium Funding has also contributed significantly to developing the broking network's offer to its clients as well as benefiting income.

These are excellent results in what remained a soft market, and it is pleasing that existing businesses showed a 9% increase in operating income. The market now appears to be stabilising which will be positive for the insurance industry. This should provide a strong basis for future growth notwithstanding difficult economic times in the next twelve months.

Our partners and the staff in the broking network have made an enormous contribution. Their drive and skills are reflected in the excellent results they have achieved, ensuring Austbrokers remains the leading independent broker network in Australia.

The management team and employees at Austbrokers should once again be congratulated on these very good results.

Richard Longes.

RICHARD LONGES
Chairman

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MANAGING DIRECTORS' REPORT

The past year at Austbrokers has seen continued successful development as we sustained the momentum driven by key initiatives.

The network now places premiums in excess of $1 billion, which is a major milestone.

Two significant direct acquisitions were made in the past year, increasing the number of businesses in the network to 39.

The acquisition of 50% of Strathearn Insurance Brokers, a boutique risk consultancy and insurance broker with offices in Perth, Brisbane and Sydney has added significantly to the Austbrokers networks capabilities. Rivers Insurance Brokers, also 50%, has added geographical diversification through offices in Brisbane, Cairns and Innisfail.

In addition to this, we are pleased that a number of our existing network members have made their own bolt-on acquisitions and developed partnerships with other broking firms, generating additional revenue and synergies.

Once again we have been pleased to assist network members with succession. As a result we have increased our equity in McNaughton Gardiner Insurance to 70%, to 60% in Salisbury Payne Tinslay and to 100% in Austbrokers City State.

Austbrokers will continue to grow through considered, quality, long term acquisitions based on the strict criteria Austbrokers has developed to ensure maximum returns for shareholders.

The retention of individual broker independence, while still being part of a larger group, remains the backbone of the Austbrokers model. By acquiring equity in insurance brokers throughout Australia, and collaborating with owners who retain a significant equity stake, our partners are motivated and rewarded to grow their business.

We have provided assistance through marketing initiatives and incentives to achieve this growth. We have also focused on the provision of additional support services for brokers, where synergies can be achieved, including the transfer of broker IT operations to a Central DataCentre. With the addition of 11 brokers who have transferred from their local servers in FY08, there are now 24 brokers operating on the DataCentre incorporating over 650 individual users. Further brokers will transfer over the coming year.

The Austagencies underwriting business has been further enhanced with the addition of new facilities covering liability, business interruption, professional indemnity, ISR and BusinessPak products. The success of these products has been encouraging and we are looking at creating other tailored products to be released over the coming year, including Commercial Motor, Corporate Travel and Engineering.

Once again this year, we have emphasised innovative strategic alliances. We developed our partnership with Pacific Premium Funding in order to ensure our broker network achieves maximum growth from this activity.

We cemented our relationship with IBNA Limited through a joint venture vehicle, A&I Member Services Pty Ltd (AIMS). AIMS has enhanced our partnerships with major insurers including QBE, CGU (subsidiary of IAG), Zurich, Allianz and Vero (Suncorp). A positive response has been received to the AIMS value proposition and we believe this will increase the broking network's income.

We have planned for growth through AIMS over the next financial year by focusing on additional products, developing a state of the art Intranet Site/ Portal for member use, continuing to identify network synergies and further enhancing member services generally.

Our brokers, being regionally diverse, continue to be deeply embedded within their local communities and make a significant contribution to them. We are pleased to encourage each of the brokers in our network to support their community on a local grassroots level, as well as other charitable organisations.

FY2008 has reinforced the strength of the Austbrokers network and the owner-driver model. In FY2009 we look forward to another successful year in which we will build on the strength of the network through initiatives in place and further acquisitions.

Once again this year, we have emphasised innovative strategic alliances. We developed our partnership with Pacific Premium Funding in order to ensure our broker network achieves maximum growth from this activity.

– Lachlan McKeough

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INSURANCE BROKING OPERATIONS

Management team

OPERATIONAL REPORT

Insurance broking

Insurance broking is Austbrokers' core business, generating 95% of the company's revenues for the year ending 30 June 2008.

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

The brokers derive the bulk of their revenue from a mixture of commission and fees – split approximately 63% in commissions from underwriters and 37% in fees charged to client.

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

Business is placed with all major insurers including QBE, CGU (as subsidiary of IAG), Allianz, Zurich, Suncorp and with Lloyds of London.

Currently there are 39 brokers in the Austbrokers network;

> 3 – wholly owned
> 13 – 50% - 80% owned
> 23 – 50% owned

During the year Austbrokers made a number of acquisitions, two major and several smaller ones by brokers within the network. The major acquisitions were;

> Strathearn, a boutique risk consultancy and insurance broker which specialises in mining, construction and surety products.
> Rivers Insurance Brokers, which has been operating since 1982

Other acquisitions made within the network have been;

> MGA Management Services acquired a 75% stake in Portfolio Planners
> Austbrokers Central Coast acquired Gosford Insurance Brokers and John Tarrant Insurance Consultants
> Austbrokers AEI Transport acquired Transcom Insurance Services
> Phillips Financial Services acquired a 50% stake in Australian Compensation Services

Equity was increased in McNaughton Gardiner Insurance Brokers from 50% to 70% and on 1 July, equity has also been increased in two other existing network members;

> Salisbury Payne Tinslay increased from 50% to 60%
> Austbrokers City State increased from 80% to 100%

On 1 July, Austbrokers Financial Services (Syd) acquired 50% of SPT Financial Services, a company specialising in life risk and superannuation.

During the year two brokers merged with DF McGarry joining with Citycover realising synergies from the combination of operations.

A specialist professional indemnity broker, Austbrokers Professional Services, has been successfully established with Austbrokers holding an 80% shareholding.

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BROKING FIRM PRESENCE

The map shows over 80 locations in which the member firms are represented.

New South Wales

Metropolitan

Artarmon
Campbelltown
Castle Hill
Hurstville
Hornsby
Manly
Miranda
Mona Vale
North Sydney (4)
St Leonards (2)

Regional

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

South Australia

Metropolitan

Dulwich
Mile End

Regional

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

Queensland

Metropolitan

Brisbane (3)
Toowong
Upper Mount Gravatt
West End (2)
Woolloongabba

Regional

Cairns
Innisfail
Mackay
Miami
Maroochydore
Toowoomba
Roma

Northern Territory

Metropolitan

Darwin

Regional

Alice Springs

Victoria

Metropolitan

Box Hill
Cheltenham
Frankston
Hawthorn East
Surrey Hills

Regional

Ballarat
Bendigo
Geelong
Maryborough
Mildura
Portland
Traralgon
Warrnambool
Wodonga

Western Australia

Metropolitan

Perth
West Perth (2)

Regional

Broome
Bunbury

ACT

Fyshwick

BROKING FIRMS

Operating within the Austbrokers Network

Austbrokers AEI Transport

Austbrokers AEI Transport is a "Heavy Transport Specialist" that has been involved in the transport arena for over 20 years.

During this time, Austbrokers AEI Transport has grown to be one of the most respected professional insurance brokers within this niche in Australia.

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

Its team of staff have a commitment to the industry and attend regional and national workshops to keep informed of sector concerns and developments and to assist clients in arranging appropriate insurance solutions.

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

With the security and support of the Austbrokers network, Austbrokers AEI Transport recently made its second acquisition, purchasing Transcom, another heavy transport broking specialist, which has further lifted the firm's profile and capabilities, as well as providing the platform for future opportunities as the company develops and continues to grow.

Austbrokers ALIB

Austbrokers ALIB Pty Ltd transacts all classes of general insurance for its clients and provides additional broking expertise in workers compensation, superannuation and associated products.

Based in St Leonards in Sydney's North, Austbrokers ALIB specialises in the bus and coach industry and uses the registered name of ALIB Businsure in this area. Having over 20 years experience in this field, the firm services the majority of New South Wales based bus and coach operators.

A high profile presence throughout the bus and coach industry has resulted in continued growth for this arm of the business. Austbrokers ALIB has been appointed as the insurance broker to the Bus and Coach Association of NSW and continues to be an active member of the national body, the Bus Industry Confederation.

The past year has seen the establishment of a dedicated workers compensation division that offers consulting services for clientele in claims and risk management, rehabilitation and return to work advice and OH&S services. The division operates both on a stand alone basis while also complementing both the bus and coach and the expanding commercial divisions.

Employing 16 staff, Austbrokers ALIB's strategy of establishing these specialist divisions has placed the company in a position to actively seek new business opportunities.

Austbrokers BHI Insurance Brokers

Austbrokers BHI Insurance Brokers (BHI) was established in the NSW Central West region in 1985. Operating from offices in Dubbo and Orange, it provides a full range of general insurance services to the local region.

BHI boasts a portfolio of over 3000 clients, with a focus on SME businesses in the commercial, retail, professional and industrial markets.

BHI has consistently delivered strong profit returns, which can be attributed to organic growth, expense management and acquisitions. In the coming financial year, BHI will look to grow through marketing and further acquisitions, specifically targeting growth from the Orange region, whilst driving opportunities through Dubbo and Central West areas.

Austbrokers Canberra

Austbrokers Canberra Pty Ltd provides insurance solutions and protection in both general insurance and financial service products.

Austbrokers Canberra has continued to develop by concentrating within the niche areas of the building and construction industry through strengthening ties with the Master Builders Association of ACT and the SME & corporate businesses within the ACT and Regional NSW.

Austbrokers Canberra has concentrated on enhancing its staff's sales and marketing skills in order to grow the business and strengthen existing client relationships. The firm has six qualified insurance brokers along with six internal broking staff to service its 1900 clients.

This year has seen the majority of its existing clients purchase additional insurance protection through some new products introduced in both the general insurance and financial services markets.

Austbrokers Canberra's outlook for the next 12 months is positive based upon their continual focus on equipping its staff with advanced sales and marketing techniques and strategies.

Austbrokers Carriers Insurance Brokers

In March 2007, Carriers Insurance Brokers Pty Ltd (Carriers) joined the Austbroker network under the Austbrokers AEI Transport banner.

Similar to AEI, Carriers Insurance Brokers is a Heavy Transport Specialist that has been involved in the Transport Industry for the past 30 Years. Their growth during this period has been purely through referrals from existing clients.

The difference between the two businesses is that Carriers main client base is the local transport operator where AEI have traditionally operated in the long-haul transport sector. Carriers also have a large following of owner-drivers whereas the bulk of AEI's income comes from larger Fleet owners.

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

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

Carriers Insurance Brokers have a high rate of staff retention which allows clients continuity of service from a team of highly skilled specialists.

Austbrokers Central Coast

Austbrokers Central Coast Pty Ltd (ABCC) was established in 2003 to service the Central Coast area of NSW, a fast growing coastal region both in terms of the business community and general population. The business provides general insurance services and financial services offering life risk products and financial planning/wealth creation advice.

The strength of the business is the dedicated and loyal staff members who strive constantly to improve professional standards through training and self development to enable the provision of an excellent level of service to clients. Education and training is encouraged, both in-house and externally to further these commitments.

The major milestones during this financial year have been the amalgamation and integration of Gosford Insurance Brokers effective 1st July 2007 and John Tarrant Insurance Consultants effective from 1st October 2007, making ABCC the largest insurance brokerage on the Central Coast. Both businesses came with their principals still actively involved in servicing the respective portfolios.

As a young, progressive company, brand awareness has been aggressively pursued in the Central Coast community with advertising and sponsorship opportunities in business, sports and recreational activities. This in turn leads to new business growth opportunities while strengthening ties with the existing client base. Further opportunistic business acquisitions whilst continuing strategic marketing and sales initiatives are the key strategies for the future.

BROKING FIRMS

Operating within the Austbrokers Network

Austbrokers CE McDonald

Austbrokers CE McDonald Pty Ltd (CEM) is a niche broker specialising in the motor dealer business.

CEM services a significant number of new and used motor dealerships, being the single largest motor insurance broker in Queensland and are regarded as experts in the industry. The majority of new business comes through referral from existing clients.

CEM liaise with the Motor Traders Association and the Department of Transport, along with the Department of Fair Trading in regard to legislation requirements and changes, which could affect dealerships and their insurance programmes.

CEM prides itself on its customer service and support systems which assist clients in situations where claims, particularly from the major risk of hail, can be quickly resolved and paid.

Austbrokers City State

Austbrokers City State's client base is spread throughout the Illawarra region. With a strong referral business over the years, the firm has developed a strong presence throughout Western Sydney and beyond.

While traditionally Austbrokers City State has specialised in heavy vehicle insurance, the firm has segregated into three business units – transport; commercial SME and corporate – in order to maximise workflow efficiencies.

Austbrokers City State currently employs 12 staff with over 100 years of broking experience, which has been vital in negotiating with insurers on behalf of clients.

Austbrokers City State has increased its profile in the Illawarra area through sponsorship of the Wollongong Wolves Soccer Club, the Wollongong Golf Club and a number of junior sporting teams throughout the Illawarra.

Austbrokers City State is well positioned for future growth in the Illawarra and South Coast regions.

Austbrokers Coast to Coast

Austbrokers Coast to Coast has a loyal client base comprised mainly of SME clients. The firm's clients are serviced by a group of experienced and dedicated insurance professionals.

In 2007, Austbrokers Coast to Coast sought out specialised broking staff to deal with growing corporate, franchise, and risk management areas. Austbrokers Coast to Coast continues to achieve success in difficult areas such as large petroleum risks due to the increasing expertise of its corporate team.

Over the last five years, Austbrokers Coast to Coast has grown its business through a number of acquisitions, making the firm one of the largest on the Gold Coast, with offices at Miami and Tweed Heads.

Austbrokers Countrywide

Austbrokers Countrywide is "More Than Just An Insurance Broker" as it provides access to personal protection advice, lifestyle financial planning, general insurance, corporate superannuation and risk services to all clients.

Its specialisation model is the Austbrokers Countrywide point of difference whether it be an individual gaining advice on home insurance or a corporation seeking solutions to their business risks – it can provide the answers.

Austbrokers Countrywide also has exclusive niche products for engineers, IT consultants, marketing and HR consultants, hairdressers and the retail sectors.

From its base in Surrey Hills, Victoria, Austbrokers Countrywide employs a team of 55 staff who offer professional service to over 10,000 clients.

Austbrokers Countrywide continues to strive to build lasting business relationships as the foundation of its ongoing success and to provide career pathways for the team.

Austbrokers Finsura

Austbrokers Finsura (Finsura) provides general insurance broking, life insurance, financial planning and finance broking services and endeavour to provide its clients with comprehensive financial packages tailored to their individual needs.

Finsura's broad spectrum of services negates the need for the firm's clients to source different providers.

Finsura Financial Planning division continues to enjoy strong growth for the 2008 financial year having recently appointed an additional planner within its Castle Hill office.

In FY2008, Finsura launched a new facility specialising in commercial ski lodges underwritten by Active Underwriting Agencies – this product being exclusive to the Finsura Group.

Nannysure again enjoyed growth over the last financial year and is now a significant player within the market.

In the past financial year, Finsura has continued to grow its presence in regional country NSW through an authorised representative.

Austbrokers HCI

Austbrokers HCI is based in Toowoomba, Queensland and provides specialised professional insurance services to a wide range of clients throughout the Darling Downs and surrounding areas.

The business was established in 1982 as a general insurance agency and has diversified through natural growth and acquisition to become a major provider of both general and life insurance products.

Austbrokers HCI credits its growth and success to the innovative approach the dedicated and experienced staff take to meet client needs.

BROKING FIRMS

Operating within the Austbrokers Network

Austbrokers North Coast

Austbrokers North Coast (ANC) was established in Lismore in 1977. With offices in Lismore and Ballina it is well placed to service the growing population in the New South Wales North Coast region.

ANC aims to provide its clients with all risk management requirements and offers complete financial services to the SME market.

A staff restructure was undertaken during the financial year and a total of ten staff now service in excess of 5,000 clients from two locations.

During the year the business published a book called "The Key To The Door", a guide to buying and financing a home, to fill a void in the market for such information. This publication has been well received by real estate agents, solicitors and borrowers who are all involved in property purchase transactions.

Greenslip access was also introduced on the ANC website, to facilitate provision of such cover easily and efficiently.

Austbrokers Northern Tablelands

Austbrokers Northern Tablelands (ANT) was established in 1982 as Hutchison & Harlow Insurance Brokers. The firm's name was changed in 2001 with the acquisition of Roundtable Insurance Brokers.

ANT is now the largest general insurance brokerage in the New England region, with a key strength being the number of qualified and experienced senior staff.

ANT has built a reputation for ethical practice and friendly, responsive service. The business is based on professional integrity and long term client relationships.

In the past financial year, ANT has strengthened its position in the local market by completing two acquisitions.

Austbrokers Phillips

Austbrokers Phillips (Phillips) was established with Austbrokers as a founding partner in 1988 in the Melbourne suburb of Cheltenham.

Phillips is a truly integrated financial services licensee, advising clients in general and life insurance, superannuation and financial planning and now workers compensation.

During the year a 50% interest was acquired in Australian Compensation Services (ACS), a specialist workers compensation adviser to medium and larger employers in Victoria and NSW. The principal and professional staff continue to operate the business, rebadged as Austbrokers Compensation Services and co-located with Phillips.

The acquisition of ACS cushioned the impact of the soft general insurance market and the sub-prime crisis on its investment advice business to post revenue growth of 15% in 2008.

In March, Phillips identified cross selling services across its three business divisions: general insurance, workers compensation and financial planning, and that is already creating new revenue opportunities, especially with Phillips and ACS corporate clients who are also significant buyers of superannuation.

Austbrokers Premier

Operating since 1985, Austbrokers Premier is one of the largest general insurance brokerages in Brisbane.

Austbrokers Premier is well positioned within the Queensland market with a focus on industry affiliations and new business growth over the next few years.

The brokerage's turnover figure is likely to exceed $20 million within the next financial year. With a client base of more than 5,000 and growing, the company's prime objectives are to retain and grow existing portfolios through active cross selling and implementing a customer centric distribution channel. Additional business will be generated through new strategic alliances and referrals from existing advocates.

There are 30 dedicated and experienced staff members working within the Austbrokers Premier family offering their clients continuity, understanding and insurance solutions tailored to their individual needs. Austbrokers Premier is a SME brokerage servicing a diverse range of clients from all industry sectors.

Austbrokers Professional Services

Austbrokers Professional Services Pty Ltd (APS) was established on 1 September 2007. It is based in North Sydney and operates as an authorised representative of Austbrokers Sydney. APS is a specialist broker advising businesses and their professionals on professional risk management and insurance solutions covering a variety of specialist areas including:

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

Austbrokers RWA

Austbrokers RWA has an annual turnover of approximately $20 million and has offices in Manly and Tamworth.

Approximately 80 per cent of the firm's income is derived from the Manly office where the business was established in 1972.

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

The establishment of Austbrokers RWA Financial Services has allowed the firm to make life products available to existing and new clients. In addition, Austbrokers RWA is also actively seeking acquisitions in the country and city.

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

BROKING FIRMS

Operating within the Austbrokers Network

Austbrokers Southern

For 25 years, M & F Agencies was one of the South Coast's leading insurance brokers providing insurance for businesses and individuals. Originally based in Bega the business has grown rapidly to capture market share from Eden to Ulladulla and across to Canberra. In FY2007 the name was changed to Austbrokers Southern to show continuing support and growth to the South Coast of NSW.

Austbrokers Southern is more than just a provider of insurance products. Its close working relationship with insurance providers, the diversity of its teams experience plus a dedicated claims department means clients have an insurance partner not just an insurance broker. This has been highlighted with the positive response to marketing campaigns highlighting new options, offering the competitive edge clients are seeking.

The IT platform and acceptance of technology has proven to be the corner stone of the business with the ability to look at new and varying options within all areas of the industry. We now process over 65% of all policies electronically on the system.

Southern prides itself on its compliance culture and business ethics, along with a strong commitment to the local community though a comprehensive sponsorship program ranging from Surf Life Saving Clubs to the Lions Club and Relay for Life.

In the future, Austbrokers Southern will strive to continue building on its expertise through developing new markets, training opportunities and strategic alliances.

Austbrokers SPT

After commencing business in 1975 as Salisbury Payne Tinslay Pty Limited, Austbrokers SPT (SPT) has progressively broadened its service offerings to accommodate clients both nationally and internationally.

As the appointed Australian broker to IBA, an international broker group, SPT is able to offer services to its local clients who operate overseas, as well as providing facilities for inbound clientele referred through the network.

In October 2007, a web placing system for personal watercraft (jet skis) was introduced. This facility enables clients to enquire, place and pay for insurance online. The facility has also been expanded to provide service to dealers and will shortly be released to other insurance brokers. The cost of the web based system was recouped through additional sales in the first six months.

Other specialist areas of business include professional indemnity and services to the restaurant and hospitality industries.

Staff at SPT continue to expand their horizons. This has resulted in a productive and progressive working environment, as well as client satisfaction.

In spite of a soft insurance market SPT increased its profit over the last financial year and seeks to capitalise on various initiatives for future growth.

Austbrokers Stateplan

Austbrokers Stateplan operates a network of branches throughout the key regional growth areas of Victoria and southern NSW including Geelong, Ballarat, Maryborough, Bendigo, Traralgon, Wodonga and Albury. In the past 12 months the business has acquired 50% of Financial Insurance Services Pty Ltd (FIS) in Box Hill and has opened a green fields business in Epping to extend its reach into metropolitan Melbourne.

Austbrokers Stateplan acts as the service provider for its branches including IT systems management, compliance, training, HR, marketing, accounting and administration support and claims management allowing them to focus on servicing and growing their clients.

In addition to the merger with FIS and the opening of its Epping branch other developments included:

- appointment nationally to both the Master Grocers Association and the National Tax & Accountants Association, thereby reinforcing Austbrokers Stateplan's organic growth strategies to develop more Association partners
- establishment of RetireInvest Life Risk and Financial Planning businesses in both Geelong and Epping to cater for the provision of the full spectrum of financial services across the network
- establishment of a mortgage broking business in Geelong
- establishment of a workplace consulting service to provide specialised workplace advice to its broad client base.

Austbrokers Financial Services (Syd)

Austbrokers Financial Solutions (SYD) (AFS) was formed by the merging of three existing businesses in 2006. AFS operates under a separate AFS Licence and works closely with the general broking business, Austbrokers Sydney. The merged operation provides a full range of advisary services across the wealth protection and wealth creation disciplines.

AFS acquired a 50% interest in SPT Financial Services Pty Limited on 1 July 2008 and that company will continue to operate under its existing management structure, further reinforcing the Austbrokers Holdings owner-driver model.

AFS has in excess of $180 million in funds under management and over $8 million in force life insurance premiums for clients.

The AFS offers advice ranging from individual personal life insurance requirements to the business needs of corporate Australia. They include Corporate Superannuation, Business Succession Planning or Group Insurance Plans through to the Financial Planning requirements of individuals.

AFS has an experienced advising team which is dedicated to developing a career path for younger advisers to grow with its business and enable us to provide a long term advice relationship with clients.

Austbrokers Sydney

Austbrokers Sydney Pty Ltd, (Austbrokers Sydney) was formed by the merger of three existing businesses in January 2006. The experienced staff provide clients with a dedication to service that has been a renowned strength in the past two decades.

Austbrokers Sydney has built successful partnerships within a number of specialised fields including: bloodstock, commercial and industrial risk, strata title, the plastics industry, franchise/affinity groups and motor dealers.

Within more than 130 staff in three offices situated in both Metropolitan and Regional locations in NSW, Austbrokers Sydney has the expertise to cater for all situations and opportunities, yet still provide personalised service. The firms broad knowledge of the market place and ever changing products have enabled it to identify and accurately assess clients' needs, tailor effective solutions to those needs and provide regular reviews.

Austbrokers Terrace

Austbrokers Terrace was formed in September 2005 following the merger of two long-time Austbrokers members, Terrace Insurance Brokers and AHL Insurance Brokers (SA) Pty Ltd.

Austbrokers Terrace's 18 staff members service local SME clients with whom they have formed strong relationships, particularly those in the 'hotel market', focusing on risk management.

The firm insures 80 per cent of South Australia's dentists and other professionals under their niche market 'Professional Persons' package. Austbrokers Terrace also provides life risk and superannuation through its financial services operations.

During the year, longstanding key management personnel became shareholders in the business which reflects the ongoing developments of the AUB owner-driver model.

BROKING FIRMS

Operating within the Austbrokers Network

Austbrokers Trade Credit

Austbrokers Trade Credit is a specialist credit insurance broker. The firm has grown steadily to become a substantial credit insurance broker. It actively supports Austbrokers' clients and over 90 per cent of its business is from referrals.

Austbrokers Trade Credit's clients range from small to medium sized businesses to multinational companies across a range of industries, locally and internationally. The firm has built up a portfolio of large primary producer exporters and specialises in export credit insurance.

Austbrokers Trade Credit is committed to assisting its clients in protecting cash flow and trade debtor assets by securing trade cover to allow prudent growth in often volatile markets.

Citycover (Aust)

Now in its 26th year, Citycover (Aust) Pty Ltd (Citycover) continues to be an important business partner to its clients. Following the merger with another long established Brisbane based insurance brokerage, DF McGarry & Associates, during the year, the company has doubled in size and now provides insurance broking services to over 4,500 clients. The client base following the merger now dates back 35 years, and the staff enjoy the privilege of continuing to look after their needs, aswell as their families growing insurance requirements.

Based in Brisbane's Fortitude Valley, the business remains focused on SME clients, and provides specialist insurance solutions to specific segments, such as transport, plant and machinery, caravan yards, concrete pumpers, restaurants, hairdressers, personal lines and eco tourism. The core focus of the business is insurance broking, but Citycover does offer other financial services products, such as income protection and life insurance products.

The brokerage currently employs 20 staff, and is focused on growing its insurance broking business predominantly through organic growth strategies. The extensive client base will also provide the business with an opportunity to further develop its focus to be a recognised financial services provider, especially with life risk products.

Citycover's professional advice and service standards are a direct result of its experienced team. Staff from both the merged companies have stayed with the business and continue to take the Citycover client value proposition to a higher level. The business is committed to employees personal development and training, ensuring they remain a highly skilled team of professionals.

Comsure Insurance Brokers

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

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

Comsure thrives on the difficult and unusual risks that its clients face and the risk management and insurance placement services that are provided that sets the company apart from its competitors. It is also testament to the strong client retention and success over the past 34 years.

Over the past 12 months Comsure has developed an alliance with the Australian Amusement Leisure and Recreation Industry (AALARA). This alliance has seen the development of a liability amusement facility with exclusive policy coverage benefits to their members via the Comsure scheme. The Comsure board and AALARA are pleased with the development of the product and see the alliance as part of a growth strategy which will increase coverage benefits offered to AALARA members.

This, as well as a move into new target markets planned for next year has seen an internal restructure undertaken.

Comsure in the past 12 months has maintained growth of 6% in soft market conditions, and is looking forward to meeting stronger targets over the coming year and beyond.

Fergusons Financial Services

Fergusons Financial Services was established as a general insurance brokerage in 1974 and has operated from its present location in the bayside suburb of Frankston, the gateway to the Mornington Peninsula, for the past 10 years.

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

With almost 5,000 clients across Australia and a clear focus on satisfying the needs of small to medium businesses, Fergusons has a broad and diverse range of customers built on specialist expertise in the hydraulics, construction, transport and manufacturing industries.

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

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

Insurance Advisernet Australia

Insurance Advisernet Australia (IAA) was established in 1996 to allow local insurance advisers to reach into a national buying group for products and services.

IAA was the first general insurance broker to implement the dealer group/ authorised representative model in Australia. and recently commenced operations in New Zealand to capitalise on opportunities.

IAA is the leading authorised representative network in Australia with 105 corporate authorised representatives and 300 advisers who have over 30,000 clients with premiums in excess of $180 million.

IAA recently launched the IAA Succession Planning Package, which guarantees acquisition of the firm's authorised representative's client register in the event of death, total permanent disablement or retirement.
This secures the future for IAA and its authorised representatives.

BROKING FIRMS

Operating within the Austbrokers Network

JMD Ross Insurance Brokers

JMD Ross Insurance Brokers (JMD Ross) is a prominent Sydney based insurance broking practice providing quality risk and insurance services to industrial, commercial and personal lines to clients.

JMD Ross currently has development programs to encourage private companies to evaluate management liability insurance, a valuable product designed to respond to the complex threats of litigation and crime that may expose their bottom line as well as reviewing their business interruption (consequential loss insurance) exposures.

JMD Ross has particular capabilities in professional indemnity insurance where services are provided to accounting and other professions.

Its joint-venture partner Griffiths & Armour Professional Risks (Griffiths & Armour) further developed their account in Australia providing professional indemnity insurance to engineers and architects. Griffiths & Armour, based in the UK, arrange insurance for over 3,000 firms of engineers, architects and surveyors.

Additionally, JMD Ross provides risk and insurance services to the tourism, jewellery and meat industries.

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

Markey Group

Markey Group is the largest general insurance provider in the Newcastle and Hunter Valley area. Markey has serviced clients in this region for over 36 years and earned a reputation for reliability and professionalism. Over 5,000 clients are serviced from the Newcastle office which now employs 43 staff in the general insurance arena and three others providing financial services through a related entity.

Over the past year the business has been working closely with a business coach and marketing consultants. This has assisted Markey Group to implement focused marketing campaigns and to devote time to the development and efficiencies of the business. Some of the marketing taking place now includes mid term approaches to clients on increasing indemnity limits, awareness of the effects of underinsurance with an aim to increase sums insured, sales of management liability and corporate travel policies.

Other campaigns launched include follow-up of "lost clients". These are businesses which have been insured with Markey at some time but are no longer. This has shown great potential with the proactive calls being received very positively.

In order to drive growth, tools have been developed and training conducted, to help focus staff on referrals. Markey Group has identified referrals as one area for future strong development.

Markey Group supports charities which have meaning to their staff. An example of this came as a result of a 19 year old staff member passing away due to asthma related complications in 2007. Markey Group held a charity golf day in April 2008 and $40,200 was raised and donated to HMRI for asthma research.

McNaughton Gardiner Insurance Brokers

McNaughton Gardiner Insurance Brokers Pty Ltd (MGIB) commenced operation in 1981 servicing the south west of Western Australia with an office located in Bunbury.

Whilst Bunbury remains the Head Office, MGIB has grown to employ 28 staff who service over 7,500 clients state-wide with offices in West Perth, Manjimup and most recently Broome, in the northy west of the state.

MGIB has its core operation in the general insurance market offering tailored risk management solutions to a diverse client base over a large demographic. Having a strong financial services division also allows MGIB to be the complete broker.

MGIB is recognised as a leading specialist in the tourism, hospitality and events industry, where it has developed many niche products which are exclusive to the group's clients.

The variety of services provided, the size of the business, the strong relationships and the experience and stability of the staff, have together ensured that MGIB is a major force in Western Australia. Succession agendas were also addressed this year with a key operative taking on shareholding and the business commencing its future leadership transition.

MGA Insurance Brokers

MGA Insurance Brokers Pty Ltd (MGA) is a national broking firm with 24 branches in offices throughout Australia. MGA has this year acquired two portfolios and businesses, and opened an operation in Roma in rural Queensland.

The company's IT platform, MGA Smartbroker, gives authorised representatives access to back office administration functions, accounting capabilities and management support allowing them to focus on servicing their clients and growing the income. 2008 has seen additional authorised representatives attracted to MGA's model.

MGA continues to rank in the top 10 insurance broking firms in Australia. With over 150 staff and representatives across its numerous offices throughout the country making MGA well positioned to continue to grow its business.

Oxley Insurance Brokers

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

With 50 staff located within Forster, Taree, Port Macquarie, Kempsey and Coffs Harbour, OIB provides specialist services to the NSW Mid North Coast business community. These services include general insurance, life risk insurance (as managed by Oxley Life Solutions), specialised workers compensation advice and a premium funding division.

OIB's premium turnover is in the range of $30 million, making it one of the largest regional insurance brokerages in Australia.

OIB is well structured with a qualified management team and several long term staff who have been employees for over 20 years. The strong relationships with their clients are supported by continued dealings with customers who have been with OIB since 1976 and remain loyal and valued clients to this day.

OIB and its staff are also involved in supporting many charities and community events in local regions and are represented at local BNI and BEC networking business meetings.

OIB has plans for further growth through aggressive marketing strategies and acquisitions.

BROKING FIRMS

Operating within the Austbrokers Network

Peter L Brown and Associates

Peter L Brown and Associates Pty Ltd (PLB&A) was established in 1982 and joined the Austbrokers network in 1987, making it one of the longest serving members of the group.

The company's Head Office is in Wagga but it also operates branches at both Griffith and Tumut. With nine qualified brokers on staff, and support staff of 15, the company boasts a professional ability generally only found in the capital cities.

Additional to PLB&A's qualified staff, the company employs, on a consultancy basis, a highly professional and experienced technical adviser for corporate and major client accounts, a full time claims manager, and a workers compensation claims consultant.

With an annual turnover in direct and indirect premiums of $22 million, PLB&A is a major regional broking house. Principally handling SME and rural/farm insurance, the company has developed a niche for water delivery bodies, being appointed by Murrumbidgee Irrigation Ltd in 2005, and Coleambally Irrigation Co-operative Ltd in 2007. As well, PLB&A act for a number of large legal and accounting firms and other major local businesses. Recently, the company negotiated the first insurance contract to be written in the US by a US subsidiary of QBE, for a major export client.

Rivers Insurance Brokers

Rivers Insurance Brokers Pty Ltd was formed in 1981. Through branch offices in Brisbane, Cairns and Innisfail, which trade under the name Far North Insurance Brokers, it caters for all general insurance needs.

Within the organisation there is specialist expertise to handle agriculture, aviation, construction, marine and general business requirements.

The Brisbane office has handled many of the major construction projects in the city and the Gold Coast, from Expo '88, Lang Park and the Gabba redevelopments, to major office and apartment buildings which dominate the CBD skyline. The business also focuses on commercial and manufacturing businesses, in addition to a specialist agricultural division, which has a facility at Lloyds and also places business in the local market. This division is currently developing a special product for the burgeoning carbon credit industry.

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

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

At an organisational level, the focus is on providing a level of service and expertise which competitors would find difficult to match, and this has led to retention of many of the accounts who were clients at the start in 1981.

SGP Insurance Brokers

SGP Insurance Brokers (SGP) has been a member of the Austbrokers network since 1990.

SGP services the SME market in the Macarthur district of South Western Sydney, an area that provides a growing client base with good opportunities.

SGP offers a fully integrated financial services package to its clients through general insurance brokers.

STRATHEARN

WESTERN UNITED
FINANCIAL SERVICES PTY LTD
AFS Licence No. 244620

Strathearn Insurance Brokers

Strathearn Insurance Brokers (Strathearn) is a boutique risk consultancy and insurance broker with offices in Perth, Sydney and Brisbane. The company's focus is on corporate accounts which require innovate risk solutions to complex issues.

Strathearn's client base is not limited to Australia, with many clients operating globally. In addition to its core corporate focus, Strathearn's recognised insurance and risk expertise includes construction, mining, healthcare, political risk, life sciences and surety bonds.

In its 15 year history Strathearn has successfully competed against international broking firms to secure large corporate and publicly listed clients.

Strathearn's capabilities and reputation have enabled the company to become involved in large complex placements.

In the future, Strathearn will continue to build on its existing expertise and with Austbrokers as an equity partner, looks forward to leveraging its expertise into the network and creating new mutual opportunities for all involved.

Western United Financial Services

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

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

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

Western United is committed to providing a personalised service to clients, understanding their business, recognising their needs and working with them. It strives to achieve high and consistent levels of customer service and is committed to placing client's needs first.

This year the endeavour and focus has also enabled Western United's new business division to introduce significant new clients and income growth which has exceeded previous year's benchmarks.

To augment one of its growing income streams, the business introduced a new division, Western United Transport, which specialises in the heavy transport industry. This has helped the company become one of the most recognised names in transport insurance. Through this division Western United continues its sponsorship of industry specific events, such as the Australian Livestock Transport Industry of which Western United has been a member and sponsor for the past 16 years.

OPERATIONAL REPORT

Austagencies

Introduction

Austagencies Pty Ltd is an underwriting agency which is a wholly owned member of the Austbrokers Group. The role of the underwriting agency is to underwrite, and to distribute and manage specific insurance products and portfolios on behalf of insurance companies.

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

Gross premium written by Austagencies in the past financial year was $61 million.

The Austbrokers network is the single largest supplier of business to Austagencies.

Business Model

Austagencies offers 15 specialised product lines transacted through insurance brokers and tailored to the needs of their clients.

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

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

> Insured clients are delivered a policy that responds specifically to their exposures

> Insurance brokers receive strategic input on opportunities for new business and the retention of existing business

> Insurers are able to sidestep the high degree of commoditisation which is evident in the insurance market by using an external agency

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

Growth

Austagencies continues to deliver growth to Austbrokers through the following initiatives:

Acquisitions

In October 2007, Austagencies acquired a 60% interest in Dolphin Underwriting Agency, based in Perth. Dolphin has built a niche insurance position in the tourism, accommodation, hospitality and entertainment events sectors. This business is consistent with the high specialisation model which drives the Austagencies brand.

New product lines

Austagencies identified demand from the broker network for underwriting facilities to respond to complex and high exposure Public and Products Liability risks.

Two complementary liability facilities have been established. One has a focus on accident and injury risks; the second concentrates on the risks of products manufactured or supplied.

A Professional Indemnity binder has been commenced which is dedicated to the Austbrokers network.

Business Interruption (Loss of Profits) is a key element in the insurance protection needed by businesses large and small. A new simplified Business Interruption product has been added to the Austagencies offerings to the broker market.

A dedicated suite of products – Industrial Special Risks; General Liability and Commercial Insurance Package has been developed to provide a new niche market.

Marketing

The high broker and client profile of the individual product names is being maintained under the Austagencies name as the principal brand.

BRANDS

Austagencies businesses operate under the following brands:

5 Star Underwriting Agency

> Motor dealership house accounts

Austagencies Combined General Liability

> Products Liability exposures

Australian Bus & Coach

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

Cinesure

> Film and television production.

CPE

Contractor's plant and equipment (including high-risk building and mining industries).

Dolphin Underwriting

> Tourism, Accommodation, Hospitality programs

Latitude Underwriting

Industrial Special Risks, General Liability and Commercial Insurance Package products for the general business sector

Sentinel

> Snowfields properties

Sentinel Special Risks

> Builders' warranty, marine cargo, entertainment event cancellation and abandonment, prize indemnity.

Unitas Combined General Liability

> Personal accident and injury risks

OPERATIONAL REPORT

A & I Member Services

A & I Member Services Pty Ltd (AIMS) was established on 1 July, 2007 as a joint venture between Austbrokers Holdings Limited and IBNA Limited. AIMS provides a range of services to broker network members and develops stronger relationships with the major insurers associated with the network. In October, AIMS gained traction with the appointment of General Manager, Jeff Howells.

The four core objectives of AIMS are to:

> Increase member income

> Identify synergies within the network and to develop strategic alliances with chosen partners to reduce members' costs

> Develop and launch new products into the market

> Provide a high standard of training to support new products, and focus on broking and soft skills to encourage new business success

AIMS major achievements over the year include:

> Launch of BusinessPak, Home and Motor Products in December 2007 / January 2008. ISR and Liability products are about to be released to be followed by the next suite of products being Commercial Motor, Corporate Travel and Engineering

> An AIMS value proposition was developed and presented to the five major insurers in late February 2008 and received a positive response. When finally agreed it has the potential to increase the broker networks' income

> A new and combined Professional Indemnity Insurance program was negotiated for the network which increased insured limits, broadened coverage and reduced premium rates

- A national training program for BusinessPak was implemented and this model will be continued for the other products as they are launched
- A number of strategic alliances have been established resulting in significant cost savings in the areas of travel, accommodation, vehicles, stationery and training
- A successful inaugural AIMS convention was held in Macau in late February 2008 with 428 delegates attending

Over the next twelve months AIMS will be:

- Presenting the value proposition to the next tranche of insurers
- Completing its Products and Training offering
- Developing a state of the art Intranet Site / Portal for member use
- Continuing to identify network synergies and strategic alliances
- Further enhancing and refining member services

OPERATIONAL REPORT

Group Services and Support

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

Information Technology

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

DataCentre

The IT datacentre is located in North Sydney and houses the network members central data storage requests. Currently there are over 60% of members on the network and the remaining member brokers will migrate to the datacentre over the next twelve to eighteen months.

Co-location and Disaster Recover

Plans are underway for the datacentre to co-locate to Telstra's datacentre in Ultimo during the second half of 2008 calendar year.

This will provide the group with immediate disaster recovery back up services through the Austbrokers site in North Sydney.

Data Mining Reporting

Data mining capability provides network members with overnight reporting on all aspects of client policy, servicing and marketing. Network members have tailor made reporting to review and analyse current client insurance policies and to determine both adequacy of cover and pricing for each client renewal.

Risk Management & Compliance

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

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

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

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

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

Best Practice

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

Financial & Other Services

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

Financial Services

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

The life insurance and superannuation businesses operate through a joint venture with Millennium 3, (owned by ING) and under its financial services licence.

On a smaller scale some of the businesses have financial planning operations, including RetireInvest franchises and two operating under their own licence, which are able to market to the broker's client base.

Premium Funding

The brokers continue to promote premium funding, which is essentially short term financing for commercial insurance premiums, allowing businesses to pay premiums in monthly installments.

Austbrokers joint venture with Pacific Premium Funding (owned by GE) has developed this business significantly since its inception in 2005 providing, $180 million in funding in the 2008 financial year and making a substantial contribution to brokers income.

Community

In FY08 all Austbrokers Network Members have supported local community events and organisations, including sporting clubs, locally based charities and also national organisations.

Some of the major assistance provided includes:

> MGA Management Services continuing to be a significant supporter of Sunrise Kids orphanages in Cambodia. Austbrokers also assisted by sponsoring a video produced to show the achievements and work being undertaken

> Insurance Advisernet Australia provided in excess of $80,000 to Reach, an organisation which assists teenagers to develop the self esteem necessary to achieve their goals

> The Royal Flying Doctor Services was supported through sponsorships of MGA Management Services and Austbrokers ALIB principals undertaking the Kokoda Trail and Outback Trek respectively

> Austbrokers Stateplan provides significant support to the local community in Geelong culminating in its recognition as the 2007 Community Business of the Year

> Markey Group held a charity golf day raising $40,000 for HMRI for asthma research

Other support provided by members include fundraising for medical equipment, donations to charities including The Smith Family, Salvation Army, Ambulance Service, Playgroup organisations, Children's Hospitals and a host of local sporting organisations.

BOARD OF DIRECTORS

Richard Longes
Chairman

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

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

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

Age 63

Lachlan McKeough
Chief Executive Officer

Lachlan has over 35 years' experience in the general insurance and insurance broking industries. Lachlan commenced the Austbrokers business in 1985 and has been the CEO since that time.

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

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

Age 58

Leonard Francis Earl
Non-Executive Director

Frank has over 40 years' experience in the general insurance industry.

He was Managing Director of Minet Professional Services Limited from 1988 to 1997 and Managing Director of Minet Australia Limited (including the Australian broking operations) from 1994 to 1997.

Frank was Managing Director of Arthur J.Gallagher (Aus) Pty Limited from 1998 to 2004. He is a past President of NIBA and is currently a Director of NIBA.

Frank holds a Diploma of Financial Services (Insurance Broking) and is a Qualified Practising Insurance Broker, and a Fellow of the Australian Institute of Company Directors.

Age 61

Phillip Shirriff *Richard Longes* *Lachlan McKeough*

> *Over the past year, partnerships and innovation have been important strategic themes for Austbrokers*
>
> \- Richard Longes

Phillip Shirriff

Non-Executive Director

Phillip has 43 years' experience in the financial services industry and was formerly the Chief Executive Officer of ING Financial Services International - Asia/Pacific and a director of NG. From 1985 to 1995, Phillip was Managing Director of the Mercantile Mutual Group (now ING).

Phillip has been on the board of Austbrokers since 1986.

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

He is also Chairman of Glebe Administration Board (including subsidiaries and certain committees).

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

Age 62

David Harricks

Non-Executive Director

D.J.Harricks was a Financial Services Partner at PricewaterhouseCoopers for 23 years, specialising in the Insurance Industry. He has been a director of a number of companies including Lumley General Insurance Ltd. Until recently he was also a member of three Compliance Committees of the Commonwealth Bank of Australia Group. He is currently a director of Twilight Aged Care.

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

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

Age 63

Leonard Francis Earl

David Harricks

Stephen Rouvray

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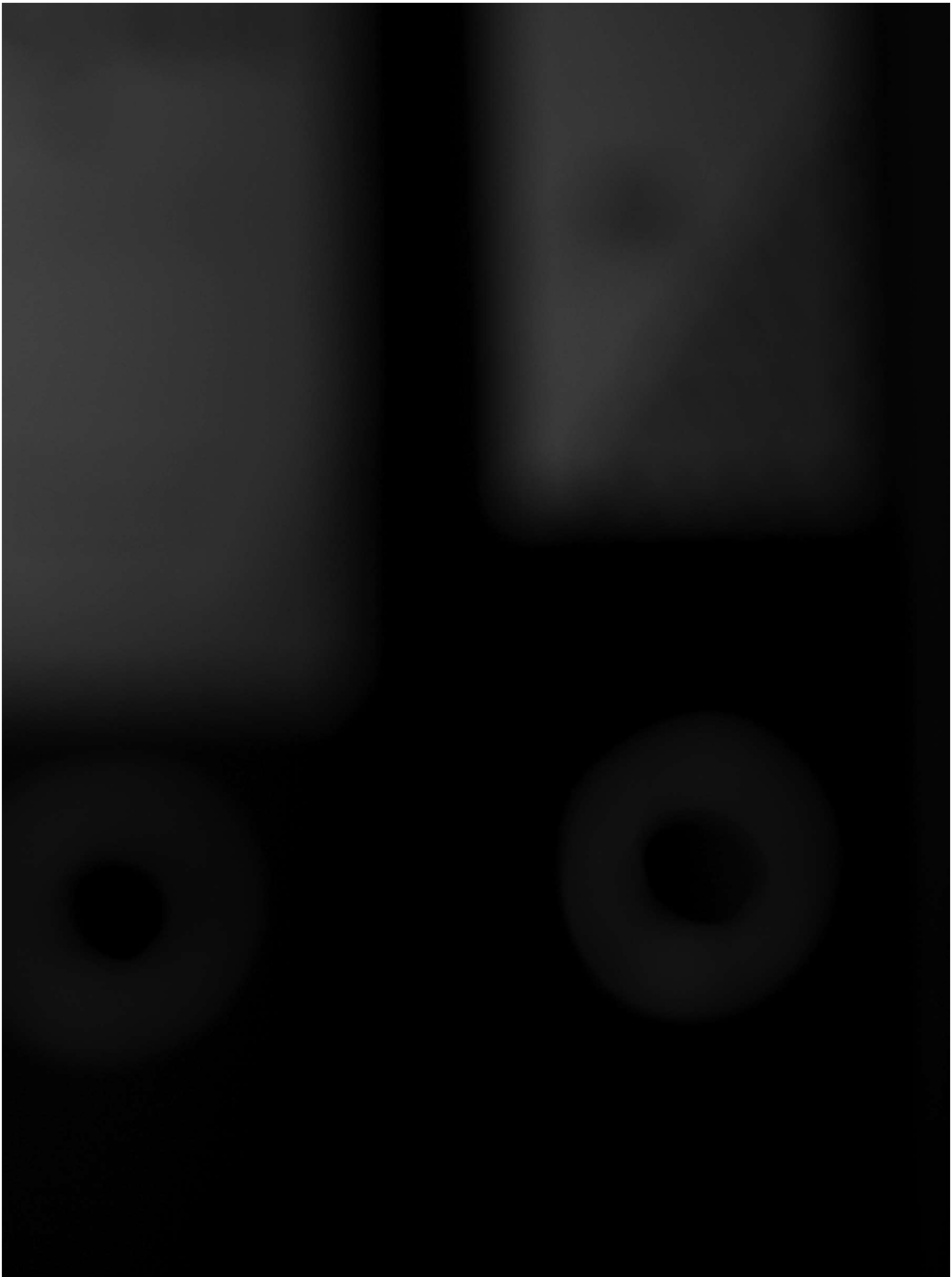
FINANCIAL REPORT

For the year ended 30 June 2008



DIRECTORS' REPORT

For the year ended 30 June 2008

Your Directors submit their report for the year ended 30 June 2008.

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)

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

Presently, he is the Group Chairman and also serves on the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committee of the Group. During the past three years Mr. Longes has also served as a Director of the following other listed companies:

> Lend Lease Corporation Limited
> Boral Limited*
> Metcash Limited*
> Viridis Clean Energy Group

** denotes current Directorship*

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

W.L. McKeough (QPIB, MAICD, FAIM)
(Director and Chief Executive Officer)

W.L. 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 40 years experience in the general insurance industry.

L.F. Earl (QPIB, FAICD)

L.F. Earl has over 40 years experience in the general insurance industry. He was Managing Director of the Minet Professional Services from 1988 - 1997 and Managing Director of Minet Australia Limited from 1994 - 1997. He was also Managing Director of Arthur J Gallagher (Aust) Pty Ltd from 1998 - 2004. He is a past President of NIBA and currently a Director of NIBA and a Non-executive Director of IBL Limited. Presently he is a Member of the Remuneration and Succession Planning and Nomination Committees.

D.J. Harricks (BA, BCom, FCA)

D.J.Harricks was a Financial Services Partner at PricewaterhouseCoopers for 23 years specialising in the Insurance Industry. He has been a director of a number of companies including Lumley General Insurance Ltd. Until recently he was also a member of three Compliance Committees of the Commonwealth Bank of Australia Group. He is currently a director of Twilight Aged Care. Presently he is the Chairman of the Audit and Risk Management Committee.

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

P.R. Shirriff has had over 40 years experience in the financial services sector and was formerly Chief Executive Officer for ING Financial Services International – Asia / Pacific and from 1985 – 1995 Managing Director of Mercantile Mutual (now ING). He currently holds a number of Directorships including ING Bank (Australia) Limited, ING Australia Limited and ING NZ (Holdings) Limited. He is also Chairman of Glebe Administration Board. Presently he is a member of the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committees.

Company secretary

S.S. Rouvray (BEc, CA, FCIS)

S.S. Rouvray has been the Company Secretary of Austbrokers Holdings Limited for 21 years. He is also Chief Financial Officer and Manager of Investor Relations. A Chartered Accountant for over 30 years, he was previously Company Secretary of ING Australia Holdings Limited and a number of ING Group companies from 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	100,000	–
W.L. McKeough	85,000	1,010,100
L.F Earl	22,000	–
D.J. Harricks	20,000	–
P.R. Shirriff	100,000	–

DIVIDENDS	Cents	$000
Final dividends recommended		
– on ordinary shares	11.5	5,765
Dividends paid in the year		
– on ordinary shares - interim	6.5	3,258
– on ordinary shares - final	9.5	4,762
		8,020

Principal activities

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

– the provision of general insurance broking services and distribution of ancillary products;

– conducting underwriting agency businesses.

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

Operating and financial review

Group Overview

The Company invests in general insurance brokers and underwriting agencies. Equity is held in 39 insurance broking operations with a 50% holding in 23, a 100% holding in 3 and a 51% to 80% holding in 13. The Company's preferred "owner driver" model is for equity to be held by the management of the business on a 50% shareholding basis.

The Company's underwriting agencies operate in niche markets and include Australian Bus & Coach, Cinesure, Sentinel, Sentinel Special Risks, CPE, Unitas, and 5 Star that specialises in motor dealers.

The principal activities of the Austbrokers group and its associated entities during the year include;

- Insurance broking
- Financial services
- Underwriting agency operations

During the year the company and its associates made a number of acquisitions of insurance broking businesses;

- 50% of Strathearn Insurance Brokers
- 50% of Rivers Insurance Brokers

In addition smaller acquisitions were made by Austbrokers Network Members.

The Austbrokers Group and its associates employ over 1,200 people and operates in over 80 locations.

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. Key management monitors KPIs 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.

Shareholder Returns

Despite the volatile sharemarket conditions during the year the total shareholder return for the year ending 30 June 2008 was a positive 0.46%. The return in 2007 was 42.38%

Dynamics of the Business

The Company operates in the general insurance market sector. Revenue is largely from commissions and fees on insurance policies and is impacted by movements in premium rates. Despite a generally soft or flat rate environment increases in commissions and fees have been achieved during the year through initiatives undertaken to increase business and acquisitions (net of funding costs) within the broker network. The Company has made a number of major acquisitions during the year and the previous year which have also contributed significantly to the increased earnings.

Operating Results for the Year

The Group's net profit for the year after income tax is $14,316,000 representing an increase of 13.7% over the previous year. The above figure includes:

- Profits on a post-tax basis from sale of businesses of $489,000 (2007 $672,000). These profits resulted from the sale of individual portfolios.

Net profit from operations excluding non-recurring items and gains on disposal of business and before amortisation of intangibles was $15,690,000 (2007 $13,244,000) representing an 18.5% increase over last year.

Net profit from total operations is reconciled to net profit from operating activities as follows:

	2008 $'000	2007 $'000	Increase
Net profit after tax from total operations	14,316	12,590	13.7%
Gain on sale of businesses / portfolios	(489)	(672)	–
Amortisation of intangibles	1,863	1,326	–
Net profit after tax from operating activities	**15,690**	**13,244**	**18.5%**

The increase in profit was achieved through both acquisitions and the growth in existing insurance broking businesses. Major acquisitions contributed approximately 60% of growth in the company's net profit before tax over the previous year while the existing broking businesses net of the increase in corporate expenses contributed the remainder. A higher taxation expense due to non recurring taxation benefits in 2007 reduced the after-tax growth to 18.5% over 2007.

Corporate expenses increased largely due to higher cost of long term and short term incentives due to the strong performance for the period and higher funding costs due to increased borrowings.

Use of Cash

Cash and assets in a form readily convertible to cash held at 16 November 2005 (date of admission to the ASX) were used in a way consistent with the business objectives of the Group.

Risk Management

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.

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 subcommittee.

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 full Board. The Board Audit and Risk Management Committee also oversees the adequacy and comprehensiveness of risk reporting from management.

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

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

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

- loss of key employees
- increasing employment costs
- significant consolidation of underwriters
- significant increase in premium rates reducing demand
- acquisition risk
  - availability
  - performance
- licensing and regulatory compliance breaches

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

Detailed internal control questionnaires are completed by key finance managers in relation to financial and other 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

DIRECTORS' REPORT

For the year ended 30 June 2008

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 management committees also meet regularly to deal with specific areas of risk such as compliance, OH&S and financial risk.

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

The Group will provide updates on any changes in its circumstances in press releases on the investor section of the company's website.

Significant changes in the state of affairs

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

Total equity increased to $103,669,000 from $94,730,000. The main reason for the increase was the profit for the year less dividends paid.

Significant events after the balance date

On 28 August 2008 the Directors of Austbrokers Holdings Limited declared a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $5,764,935 which represents a fully franked dividend of 11.5 cents per share.

Likely developments and expected results

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

Although the market is showing some initial signs of firming premium rates, it is not expected that substantial rate increases will occur across all business lines in the short term. In this environment and with some uncertainty over the extent of an economic slow down in Australia, it is expected that growth excluding acquisitions will again be fairly modest over the 2009 financial year.

Also additional funding costs to be incurred from significant deferred acquisition payments will offset some of the growth expected to be achieved.

Share options

Unissued shares

As at the date of this report, there were 2,137,300 unissued ordinary shares under options (2,137,300 at the reporting date). 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.

The earliest vesting date for the first tranche of 740,000 options is 5 October 2008. All options must be exercised no later than 5 October 2012. The exercise price of each option is $2.00.

The earliest vesting date for the second tranche of 734,200 options is 25 September 2009. All options must be exercised no later than 25 September 2013.The exercise price for each option was $3.47.

The earliest vesting date for the third tranche of 663,100 options is 14 September 2010. All options must be exercised no later than 14 September 2014. The exercise price for each option was $4.20.

Shares issued as a result of the exercise of options

During the financial year, employees and executives have not exercised any options.

Indemnification and insurance of directors and officers

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

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

Remuneration report

This remuneration report ending on page 43, which has been subject to audit outlines the remuneration arrangements in place for Directors and Executives of Austbrokers Holdings Limited (the company).

Remuneration philosophy

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

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

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

Remuneration and Succession Planning Committee

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

Remuneration structure

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

Non-executive Director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was set out in the Constitution at an aggregate remuneration of $400,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process. The fees are to be increased annually based on the CPI increase for the previous year with the first increase being implemented from 1 July 2008 based on the CPI increase for the year ended 30 June 2007.

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.

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

The remuneration of Non-executive Directors for the period ending 30 June 2008 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

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

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms, including cash and fringe benefits such as motor vehicles.

It is 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 40.

Remuneration consists of the following key elements:

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

Fixed Remuneration

Objective

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

Structure

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

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

Variable Remuneration – Short Term Incentive (STI)

Objective

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

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the Group is approved by the Remuneration Committee. The individual performance of each executive is also rated and taken into account when determining the amount, if any, of the short term incentive pool that is to be allocated to each executive. This process usually occurs within 3 months after the reporting date.

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

For the 2007 financial year, all of the STI cash bonus provided in the financial statements was paid in the 2008 financial year. The Remuneration Committee will consider the STI payments for the 2008 financial year in September 2008. The amount anticipated to be paid for the 2008 financial year is $1,794,000 which has been provided for in the 2008 financial year. This is the estimate of the maximum that can be granted in respect of this financial year, with the minimum being zero if no performance conditions are met.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan 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.

Structure

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

The use of Earnings Per Share Growth (EPSG) was selected for the long term incentive plan. 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.

DIRECTORS' REPORT

For the year ended 30 June 2008

Option exercise conditions

Exercise conditions:

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

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

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

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

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

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

Employment contracts

The CEO, Mr. McKeough is employed under contract. The current employment contract commenced on 16 November 2005 and terminates on 16 November 2010, at which time the Group may choose to commence negotiation to enter into a new employment contract with Mr. McKeough.

– From 1 July 2008, Mr. McKeough receives fixed remuneration of $475,000 per annum. Since 16 November 2005 Mr. McKeough has also had the right to receive a $50,000 per annum living away from home allowance in certain circumstances. To date he has received no payment nor has he an entitlement to any payment in relation to this allowance.

– Mr. McKeough may resign from his position and thus terminate this contract by giving 6 months written notice. On resignation any options will be forfeited.

– The company may terminate this employment agreement after 3 years providing 12 months' written notice or providing payment in lieu of the notice period (based on the fixed component of Mr. McKeough's remuneration). On termination on notice by the company, any LTI options that have vested or that will vest during the notice period will be released.

– The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

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

Remuneration of Directors and named Executives

Table 1: Compensation of Key Management Personnel for the year-ended 30 June 2008 (Consolidated)

	Short-term			Post employment	Share-based Payment		
	Salary & fees	Cash short term incentive	Non monetary benefits	Superannuation	Equity options	Total	Total performance related
30 June 2008	**$**	**$**	**$**	**$**	**$**	**$**	
Directors							
R.A. Longes Chairman	120,000	–	–	–	–	120,000	–
W.L. McKeough Chief Executive	279,763	194,400	60,507	99,730	343,434	977,834	55.00%
L.F. Earl Non-executive Director	69,800	–	–	–	–	69,800	–
D.J. Harricks Non-executive Director	60,000	–	–	–	–	60,000	–
P.R. Shirriff Non-executive Director	60,000	–	–	–	–	60,000	–
Executives							
S.S. Rouvray Chief Financial Officer/ Company Secretary	209,455	99,545	35,277	36,933	58,395	439,605	35.93%
G Lambert General Manger - Austbrokers Sydney	241,084	50,000	-	23,916	30,753	345,753	23.36%
G.J. Arms National Operations Manager	150,098	70,100	45,485	29,417	32,640	327,740	31.35%
J. Howells* General Manager - A & I Member Services	169,116	-	22,891	11,607	20,400	224,014	9.11%
F. Gualtieri National Manager - Premium Finance, Risk, IT, and Admin. Services	166,968	66,800	32,762	15,969	31,314	313,813	31.27%
Total	**1,526,284**	**480,845**	**196,922**	**217,572**	**516,936**	**2,938,559**	**–**

** J Howells was employed on 29 October 2007.*

Remuneration of Directors and named Executives

Table 1: Compensation of Key Management Personnel for the year-ended 30 June 2007 (Consolidated)

	Short-term			Post employment	Share-based Payment		
	Salary & fees	Cash short term incentive	Non monetary benefits	Superannuation	Equity options	Total	Total performance related
30 June 2007	**$**	**$**	**$**	**$**	**$**	**$**	
Directors							
R.A. Longes Chairman	120,000	–	–	–	–	120,000	–
W.L. McKeough Chief Executive	250,622	222,681	49,014	100,366	242,424	865,107	53.76%
L.F. Earl Non-executive Director	60,000	–	–	–	–	60,000	–
D.J. Harricks Non-executive Director	60,000	–	–	–	–	60,000	–
P.R. Shirriff Non-executive Director	60,000	–	–	–	–	60,000	–
Executives							
S.S. Rouvray Chief Financial Officer/ Company Secretary	198,787	75,525	38,852	35,826	54,684	403,674	32.26%
G.J. Arms National Operations Manager	136,066	68,170	41,780	27,154	28,692	301,862	32.09%
F. Gualtieri National Manager - Premium Finance, Risk, IT, and Admin. Services	150,315	74,082	39,374	15,010	28,656	307,437	33.42%
R.W. Broadbent Regional Operations Manager	107,310	53,405	34,609	43,274	25,992	264,590	30.01%
F. Pasquini Regional Operations Manager	148,764	53,683	19,570	17,825	25,992	265,834	29.97%
Total	**1,291,864**	**547,546**	**223,199**	**239,455**	**406,440**	**2,708,504**	

Remuneration of Directors and named Executives

Table 2: Options granted as part of remuneration

30 June 2008	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							
W.L. McKeough	336,700	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
Executives							
S.S. Rouvray	57,250	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
G. Lambert	30,150	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
F. Gualtieri	30,700	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
J. Howells	20,000	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
G.J. Arms	32,000	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
Total	**506,800**						
30 June 2007							
Director							
W.L. McKeough	336,700	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
Executives							
S.S. Rouvray	75,950	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
F. Gualtieri	39,800	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
G.J. Arms	39,850	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
F. Pasquini	36,100	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
R.W. Broadbent	36,100	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
Total	**564,500**						

Table 3: Options granted as part of remuneration to Key Management Personnel (Consolidated)

30 June 2008	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised and lapsed during the year	Total remuneration consisting of options for the year	Remuneration consisting of options for the year
Director						
W.L. McKeough	343,434	–	–	343,434	977,834	35.12%
Executives						
S.S. Rouvray	58,395	–	–	58,395	439,605	13.28%
G. Lambert	30,753	–	–	30,753	345,753	8.89%
F. Gualtieri	31,314	–	–	31,314	313,813	9.98%
J. Howells	20,400	–	–	20,400	224,014	9.11%
G.J. Arms	32,640	–	–	32,640	327,740	9.96%
Total	**516,936**	**–**	**–**	**516,936**	**2,628,759**	

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

DIRECTORS' REPORT

For the year ended 30 June 2008

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	8	6	1	2
No. of meetings attended				
R.A. Longes	8	5	1	2
W.L. McKeough	8	–	–	–
L.F Earl	7	–	1	2
D.J. Harricks	8	6	–	–
P.R. Shirriff	8	6	1	2

All Directors were eligible to attend all meetings held.

Committee membership

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

Audit	Remuneration	Nomination
D.J. Harricks (Chairman)	R.A. Longes (Chairman)	R.A. Longes (Chairman)
R.A. Longes	L.F. Earl	L.F. Earl
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 45 of the directors report.

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 2008.

Signed in accordance with a resolution of the Directors.

W L McKeough
Director

Sydney, 28 August 2008

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 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

P Gayden
Partner

Sydney, 28 August 2008

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 Corporate Governance Council's principles and recommendations, which are as follows;

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Promote ethical and responsible decision making
Principal 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Encourage enhanced performance
Principle 9.	Remunerate fairly and responsibly
Principle 10.	Recognise the legitimate interests of stakeholders

Austbrokers Holdings Limited's corporate governance practices were in place throughout the year ended 30 June 2008 and were fully compliant with the Council's best practice recommendations.

For further information on corporate governance policies adopted by Austbrokers Holdings Limited, refer to our website:

www.austbrokers.com.au

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 are considered to be independent:

Name	Position
R.A. Longes	Chairman, Non-executive Director
L.F. Earl	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	3 years
W.L. McKeough	17 years
L.F. Earl	3 years
D.J. Harricks	3 years
P.R. Shirriff	23 years

For additional details regarding Board appointments, please refer to our website.

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 comprises Non-executives Directors. The Nomination Committee comprises of the following:

R.A. Longes	(Committee Chairman)
L.F. Earl	
P.R. Shirriff	

Audit and Risk Management Committee

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

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

The members of the Audit and Risk Management Committee during the year were:

D.J. Harricks	(Committee Chairman)
R.A. Longes	
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.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted performance evaluations 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.

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 three Non-executive Directors. Members of the Committee throughout the year were:

R.A. Longes	(Committee Chairman)
L.F. Earl	
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.

INCOME STATEMENT

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Revenue	4(i)	64,938	58,788	–	–
Other income	4(ii)	5,982	5,173	16,030	9,869
Share of profit of associates	4(iii)	12,636	8,620	–	–
Other expenses	4(iv)	(61,843)	(56,707)	(483)	(246)
Finance costs	4(v)	(1,685)	(1,480)	(50)	(31)
Profit before tax and sale of associates		**20,028**	**14,394**	**15,497**	**9,592**
Profit from sale of interest in controlled entities, associates and broking portfolios		265	861	406	–
Profit before income tax		**20,293**	**15,255**	**15,903**	**9,592**
Income tax expense	5	4,084	2,158	96	82
Net Profit for the period		**16,209**	**13,097**	**15,807**	**9,510**
Profit attributable to minority interest		1,893	507	–	–
Net profit attributable to members of parent		**14,316**	**12,590**	**15,807**	**9,510**
Basic earnings per share (cents per share)	6	28.6	25.1	31.5	19.0
Diluted earnings per share (cents per share)	6	28.3	24.4	31.2	18.4
Dividends paid per share (cents per share)	8	16.0	13.5	16.0	13.5
Dividends proposed per share (cents per share) not recognised at balance date	8	11.5	9.5	11.5	9.5

BALANCE SHEET

As at 30 June 2008

	Notes	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
		$'000	**$'000**	**$'000**	**$'000**
ASSETS					
Current Assets					
Cash and cash equivalents	7	23,640	25,250	9,289	3,919
Cash and cash equivalents - Trust	7	35,016	32,912	–	–
Trade and other receivables	9	69,621	55,417	8,140	10,384
Other financial assets	10	2,297	4,055	–	–
		130,574	117,634	17,429	14,303
Non-current asset classified as held for sale		–	1,002	–	–
Total Current Assets		**130,574**	**118,636**	**17,429**	**14,303**
Non-current Assets					
Trade and other receivables	11	67	84	165	390
Investment in associates	12	53,848	27,329	13,438	11,054
Other financial assets	13	1,390	1,648	–	–
Shares in controlled entities	14	–	–	51,077	50,014
Plant and equipment	15	4,544	4,897	–	–
Intangible assets and goodwill	16	60,676	57,352	–	–
Deferred income tax asset	5	2,195	1,680	–	–
Total Non-current Assets		**122,720**	**92,990**	**64,680**	**61,458**
TOTAL ASSETS		**253,294**	**211,626**	**82,109**	**75,761**
LIABILITIES					
Current Liabilities					
Trade and other payables	19	112,718	89,241	1,109	3,723
Income tax payable	5	3,663	1,307	1,469	767
Provisions	20	5,020	3,562	–	–
Interest bearing loans and borrowings	21	501	404	–	–
Total Current Liabilities		**121,902**	**94,514**	**2,578**	**4,490**
Non-current Liabilities					
Trade and other payables	19	78	202	–	–
Provisions	20	2,446	2,820	–	–
Deferred tax liabilities	5	4,983	4,944	19	27
Interest bearing loans and borrowings	21	20,216	14,416	–	–
Total Non-current Liabilities		**27,723**	**22,382**	**19**	**27**
TOTAL LIABILITIES		**149,625**	**116,896**	**2,597**	**4,517**
NET ASSETS		**103,669**	**94,730**	**79,512**	**71,244**
EQUITY					
Issued capital	22	49,707	49,707	49,707	49,707
Retained earnings		41,097	34,102	28,989	21,203
Share based payments reserve		816	334	816	334
Asset revaluation reserve		3,278	3,376	–	–
Parent interests		**94,898**	**87,519**	**79,512**	**71,244**
Minority interests		**8,771**	**7,211**	**–**	**–**
TOTAL EQUITY		**103,669**	**94,730**	**79,512**	**71,244**

CASH FLOW STATEMENT

For the year ended 30 June 2008

	Notes	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
		$'000	**$'000**	**$'000**	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Dividends received		10,377	7,007	14,864	9,556
Interest received		5,982	4,449	377	307
Interest paid		(1,685)	(1,480)	(50)	(31)
Receipts from customers		59,141	57,805	275	8
Payments to suppliers and employees		(52,394)	(52,533)	–	(162)
Management fees received from / (paid to) associates / related entities		919	652	–	(230)
Income tax (paid)		(2,937)	(3,588)	(884)	(1,406)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**7(a)**	**19,403**	**12,312**	**14,582**	**8,042**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for new broking portfolios purchased by members of the economic entity	7(e)	(2,995)	(801)	–	–
Payment for new associates		(10,642)	(4,923)	(1,751)	(728)
Payment for deferred settlement on prior year acquisitions		(4,885)	(2,765)	(4,170)	(2,114)
Proceeds from sale of consolidated broking portfolios	7(b)	425	3,114	–	–
Proceeds from sale of controlled entity	7(c)	–	–	810	–
Net cash reduction on sale of controlled entity	7(c)	(584)			
Proceeds from sales or part sales of associates			149	–	–
Proceeds from / (payments for) changes in interest in controlled entities	7(d)	473	3,589	473	–
Net proceeds received/(payments) for new consolidated entities, net of cash acquired	7(f),(g),(h),(i)	1,653	(3,745)	(1,152)	(3,694)
Proceeds from sale of other financial assets		11	620	–	–
Proceeds from / (payments for) investment held for sale		1,002	(1,002)	–	–
Proceeds from Sale of plant and equipment		417	977	–	–
Payment for plant and equipment		(1,527)	(2,830)	–	–
Advances of mortgages		(30)	(1,500)	–	–
Proceeds from mortgage repayments		2,035	3,415	–	–
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(14,647)**	**(5,702)**	**(5,790)**	**(6,536)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to shareholders		(8,021)	(6,757)	(8,021)	(6,757)
Dividends paid to minority shareholders		(871)	(447)	–	–
Proceeds from borrowings		5,994	1,338	–	–
(Advances to) / repayments from related entities		(1,364)	(627)	4,599	1,556
NET CASH FLOWS (USED IN) /FROM FINANCING ACTIVITIES		**(4,262)**	**(6,493)**	**(3,422)**	**(5,201)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**494**	**117**	**5,370**	**(3,695)**
Cash and cash equivalents at beginning of the period		58,162	58,045	3,919	7,614
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7(a)**	**58,656**	**58,162**	**9,289**	**3,919**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Attributable to equity holders of the parent					Minority interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
COMPANY	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2006	**49,207**	**18,450**	**–**	**82**	**67,739**	**–**	**67,739**
Profit for the year	–	9,510	–	–	9,510	–	9,510
Total income and expense for the year	**–**	**9,510**	**–**	**–**	**9,510**	**–**	**9,510**
Other equity movements							
Cost of share-based payment	–	–	–	252	252	–	252
On 9 November 2006 allotted shares at an issue price of $3.85 (refer note 22 (i))	500	–	–	–	500	–	500
Equity dividends	–	(6,757)	–	–	(6,757)	–	(6,757)
At 30 June 2007	**49,707**	**21,203**	**–**	**334**	**71,244**	**–**	**71,244**
Profit for the year	–	15,807	–	–	15,807	–	15,807
Total income and expense for the year	**–**	**15,807**	**–**	**–**	**15,807**	**–**	**15,807**
Other equity movements							
Cost of share-based payment	–	–	–	482	482	–	482
Equity dividends	–	(8,021)	–	–	(8,021)	–	(8,021)
At 30 June 2008	**49,707**	**28,989**	**–**	**816**	**79,512**	**–**	**79,512**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Attributable to equity holders of the parent					Minority interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2006	**49,207**	**27,639**	**4,006**	**82**	**80,934**	**3,534**	**84,468**
Profit for the year	–	12,590	–	–	12,590	507	13,097
Total income and expense for the year	**–**	**12,590**	**–**	**–**	**12,590**	**507**	**13,097**
Other equity movements							
Issue of shares to minority interests by subsidiaries and minority interests relating to new acquisitions	–	–	–	–	–	3,617	3,617
Transfer from asset revaluation for amortisation of broking register on step acquisition of broking subsidiaries	–	730	(730)	–	–	–	–
Tax effect on transfer from asset revaluation for amortisation of broking register on step acquisition of broking subsidiaries	–	(219)	219	–	–	–	–
Transfer from asset revaluation resulting from sale of subsidiary	–	169	(169)	–	–	–	–
Tax effect of transfer from asset revaluation resulting from sale of subsidiary.	–	(50)	50	–	–	–	–
Cost of share-based payment	–	–	–	252	252	–	252
On 9 November 2006 allotted shares at an issue price of $3.85	500	–	–	–	500	–	500
Equity dividends	–	(6,757)	–	–	(6,757)	(447)	(7,204)
At 30 June 2007	**49,707**	**34,102**	**3,376**	**334**	**87,519**	**7,211**	**94,730**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Attributable to equity holders of the parent					Minority interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2007	**49,707**	**34,102**	**3,376**	**334**	**87,519**	**7,211**	**94,730**
Profit for the year	–	14,316	–	–	14,316	1,893	16,209
Minority interest adjustment in respect of asset revaluation reserve resulting from part sale of subsidiary	–	27	31	–	58	(31)	27
Revaluation on step up acquisition of broking subsidiaries during the year	–	–	777	–	777	333	1,110
Tax effect of revalued broking register	–	–	(233)	–	(233)	(100)	(333)
Total income and expense for the year	**–**	**14,343**	**575**	**–**	**14,918**	**2,095**	**17,013**
Other equity movements							
Issue of shares to minority interests by subsidiaries and minority interests relating to new acquisitions/sales	–	–	–	–	–	336	336
Transfer from asset revaluation resulting from sale of subsidiary	–	333	(333)	–	–	–	–
Tax effect of reversal of step up on acquisition of broking subsidiaries on sale of subsidiary	–	(100)	100	–	–	–	–
Transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	629	(629)	–	–	–	–
Tax effect on transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	(189)	189	–	–	–	–
Cost of share-based payment	–	–	–	482	482	–	482
Equity dividends	–	(8,021)	–	–	(8,021)	(871)	(8,892)
At 30 June 2008	**49,707**	**41,097**	**3,278**	**816**	**94,898**	**8,771**	**103,669**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. Corporate information

The financial report of Austbrokers Holdings Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 28 August 2008.

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

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

2. 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 and Australian Accounting Standards.

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.

Where necessary comparatives have been reclassified and repositioned for consistency with current year disclosures.

(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 material 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.

Minority 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 balance sheet. When the Group acquires a minority interest, the difference between purchase price and recorded value of minority interest is taken to goodwill.

(d) Earnings per share

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

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

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

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

(e) Significant accounting judgements, estimates and assumptions

(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 is 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. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 18.

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.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprises of 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) 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.

Group as a lessee

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.

(j) 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.

(k) Investment in associates

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

The investment in associates is carried in the consolidated balance sheet 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 consolidated statement of changes in equity.

(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.

(m) 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.

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.

(n) Business combinations

The purchase 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 plus costs directly attributable to the combinations.

Except for non-current assets or disposal groups classified as held for sale (which are measured at the lower of carrying value and fair value less costs to sell), 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 minority interests.

(i) Goodwill

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

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

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

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

The useful lives of these intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life, currently estimated to be 10 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an 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 intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

Revaluation

When a business combination involves more than one exchange transaction, the acquiree's identifiable assets and liabilities are notionally restated to their fair value at the date of each exchange transaction to determine the amount of any goodwill associated with each transaction. Any adjustment to those fair values relating to previously held interests of the acquiree is accounted for as a revaluation. This revaluation which relates to broking registers is credited to the asset revaluation reserve included in the equity section of the balance sheet.

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.

(o) Held for sale investments

Assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

(p) 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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(q) 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.

(r) 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.

(s) Impairment of assets

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

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

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

(t) 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.

(u) Issued capital

Ordinary share capital is recognised at the fair value of the consideration received by the company.

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.

(v) Share-based payment transactions

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

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

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

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

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

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

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

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).

(w) 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 are 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.

(x) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date 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 balance sheet 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 balance sheet 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 balance sheet date.

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

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

(y) Other taxes

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

– when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– receivables and payables, which are stated with the amount of GST included.

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

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

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

(z) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments.

A geographical segment is a distinguishable component of the entity that is engaged in providing products and services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

3. New accounting standards and UIG interpretations

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the yearend reporting period 30 June 2008. 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 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 Jan 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 Jul 2009
AASB 2007-6 /AASB123	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 Jan 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 Jul 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.	1 Jan 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.	1 Jul 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 Jul 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 Jul 2009
AASB3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 Jul 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 Jul 2009

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	**$'000**	**$'000**	**$'000**
4. Revenue and expenses				
(i) Revenue				
Commission, Brokerage and Fee Income	64,019	58,136	–	–
Management fees received	919	652	–	–
Total revenue	**64,938**	**58,788**	**–**	**–**
(ii) Other income				
Dividends received from controlled entities	–	–	10,678	4,785
Dividends received from associates	–	–	4,972	4,771
Profit on sale of property	–	13	–	–
Interest from other persons / corporations	4,308	4,449	369	304
Other income	1,674	711	11	9
Total other income	**5,982**	**5,173**	**16,030**	**9,869**
(iii) Share of profit of associates				
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	13,465	8,875	–	–
Amortisation of Intangibles - Associated Entities	(829)	(255)	–	–
Total share of profit of associates	**12,636**	**8,620**	**–**	**–**
(iv) Other expenses				
Amortisation of Intangibles - controlled entities	1,833	1,917	–	–
Salaries and wages	37,385	31,289	–	–
Share-based payments	483	252	483	252
Audit	983	1,176	–	–
Travel/Telephone/ Motor/Stationery	3,252	2,720	–	–
Depreciation of property plant and equipment	1,716	1,368	–	–
Doubtful Debts	–	(309)	–	–
Other expenses	7,448	9,923	–	(236)
Rent (operating lease)	3,289	3,155	–	–
Commission Paid	3,919	3,314	–	–
Insurance	1,535	1,902	–	–
Management fees paid to related entities	–	–	–	230
Total other expenses	**61,843**	**56,707**	**483**	**246**
(v) Finance costs				
Borrowing costs	1,685	1,480	50	31
Total finance costs	**1,685**	**1,480**	**50**	**31**

	Consolidated 2008	2007	Company 2008	2007
	$'000	**$'000**	**$'000**	**$'000**

5. Income tax

Major components of income tax expense

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Income statement				
Current income tax				
Current income tax charge	4,088	4,017	107	12
Adjustment for prior years	(212)	(301)	(3)	(5)
Deferred tax expense				
Origination and reversal of temporary differences	208	(1,558)	(8)	75
Total income tax expense in income statement	**4,084**	**2,158**	**96**	**82**

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:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Profit before income tax	20,293	15,255	15,903	9,592
At the company's statutory income tax rate of 30% (2007: 30%)	6,088	4,577	4,771	2,878
Rebateable dividends	–	–	(4,695)	(2,866)
Non assessable income from associated entities	(1,906)	(1,841)	–	–
Non-taxable gains/losses on sale	(146)	(410)	(121)	–
(Under)/ over provision prior year	(56)	(301)	(3)	(5)
Prior year capital losses utilised during the period	(156)	–	–	–
Share based payments	144	75	144	75
Non deductible expenses/other	116	58	–	–
Income tax expense reported in the consolidated income statement	**4,084**	**2,158**	**96**	**82**
Provision for income tax	**3,663**	**1,307**	**1,469**	**767**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	Balance Sheet 2008	Balance Sheet 2007	Income Statement 2008	Income Statement 2007
	$'000	**$'000**	**$'000**	**$'000**
5. Income tax (continued)				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liability				
Income accrued not assessable	1,033	986	(47)	694
Tax effect of broking registers	4,626	4,695	–	–
Tax credit on amortisation expense	(676)	(737)	(676)	737
Gross deferred income tax liabilities	**4,983**	**4,944**		
Deferred tax asset				
Provisions and accruals not claimed for tax purposes	2,175	1,651	524	119
Borrowing costs not claimed	20	29	(9)	8
Gross deferred income tax assets	**2,195**	**1,680**		
Deferred tax income/(expense)			**(208)**	**1,558**
COMPANY				
Deferred tax liability				
Income accrued not assessable	19	27	8	27
Gross deferred income tax liabilities	**19**	**27**		
Deferred tax asset				
Creditors in accounts not claimed for tax purposes	–	–	–	(102)
Gross deferred income tax assets	**–**	**–**		
Deferred tax income/(expense)			**8**	**(75)**

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

(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) Weighted average number of shares

There have been no 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		Company	
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
Net profit attributable to ordinary equity holders of the parent	14,316	12,590	15,807	9,510
	2008 Thousands Shares	2007 Thousands Shares	2008 Thousands Shares	2007 Thousands Shares
Weighted average number of ordinary shares for basic earnings per share	50,130	50,083	50,130	50,083
Effect of dilution				
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	540	388	540	388
Weighted average number of ordinary shares adjusted for the effect of dilution	**50,670**	**50,471**	**50,670**	**50,471**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
7. Cash and cash equivalents				
a) Reconciliation of profit after tax to net cash flows from operations				
Profit after tax	16,209	13,097	15,807	9,510
(Profit)/loss on sale of broking portfolios	(265)	(861)	(406)	–
(Profit)/loss on sale of investments	–	(13)	–	–
Equity accounted (profits) after income tax	(12,636)	(8,620)	–	–
Dividends/trust distributions received from associates	10,377	7,007	–	–
Amortisation of intangibles	1,833	1,917	–	–
Depreciation of fixed assets	1,716	1,368	–	–
Share options expensed	483	252	483	252
Changes in assets and liabilities				
(Increase) / decrease in trade and other receivables	(9,996)	(1,039)	(646)	(1,003)
(Decrease)/increase in provisions	922	320	–	–
(Decrease)/increase in other payables	9,613	400	133	(343)
Decrease/(Increase) in future income tax benefit	(345)	127	–	102
Increase (Decrease) in deferred tax liability	(634)	145	(8)	27
Increase/ (decrease) in provision for tax	2,126	(1,788)	(781)	(503)
Net cash flows from operating activities	**19,403**	**12,312**	**14,582**	**8,042**
Cash and cash equivalents	23,640	25,250	9,289	3,919
Cash and cash equivalents - Trust	35,016	32,912	–	–
Total cash and cash equivalents	**58,656**	**58,162**	**9,289**	**3,919**

Due to acquisitions of new consolidated entities during the year, some changes in assets and liabilities shown above will not agree to the movements in the Balance Sheet.

Business combinations

b) The group disposed of broking portfolios as follows:

	Book value of assets disposed	
	2008	2007
	$'000	**$'000**
Intangibles net of amortisation	–	338
Goodwill	425	1,516
Book value assets disposed.	425	1,854
Proceeds from sale of broking portfolio	(425)	(3,114)
Elimination of group profit after sales to associated entity	–	534
Profit on sale of broking portfolio	**–**	**726**

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000

7. Cash and cash equivalents (continued)

Business combinations (continued)

c) During the year, the company reduced its equity in Tealrose/Financial Insurance Services (Brokers) Pty Ltd from 75% to 25%, at which time it ceased to be a subsidiary.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Carrying value of interest sold	751	–	642	–
Cash received	810	–	810	–
Profit on sale (pre tax)	**59**	**–**	**168**	**–**
Cash received on sale of controlled entity	(810)	–	–	–
Cash reduction on deconsolidation of controlled entity	1,394	–	–	–
Net cash reduction on sale of controlled entity	**584**	**–**	**–**	**–**

d) During the year, the company reduced its equity in Terrace Insurance Brokers Pty Ltd from 100% to 85%.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Carrying value of interest sold	240	–	235	–
Minority interest adjustment in respect of asset revaluation reserve resulting from part sale of subsidiary	27	–	–	–
Cash received	473	–	473	–
Profit on sale (pre tax)	**206**	**–**	**238**	**–**

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

	CONSOLIDATED Fair value recognised on acquistion 2008 $'000	2007 $'000
Intangibles	837	120
Deferred tax liabilities	(251)	(36)
Fair value of assets acquired	586	84
Less:		
Purchase price - cash paid	2,995	801
Purchase price - deferred	94	–
Goodwill arising on acquisition	**2,503**	**717**

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

7. Cash and cash equivalents (continued)

Business combinations (continued)

f) During the year, the company acquired an additional 20% interest in McNaughton Gardiner Insurance Brokers Pty Ltd for $1,152,000 bringing the total equity to 70%.

Net assets of controlled entity acquired

	MGIB INSURANCE BROKERS PTY LTD	
	Fair value recognised on acquistion	**Carrying value**
	2008	2007
	$'000	**$'000**
Cash	2,996	2,996
Receivables	2,440	2,440
Plant and equipment	310	310
Deferred tax asset	164	164
Intangibles	1,389	1,685
TOTAL ASSETS	**7,299**	**7,595**
Payables	5,251	5,251
Provisions	212	212
Tax liabilities	260	259
Deferred Tax Liabilities	416	–
TOTAL LIABILITIES	**6,139**	**5,722**
NET ASSETS	**1,160**	**1,873**
Fair value of assets acquired	232	
Purchase price - cash paid	1,152	
Goodwill arising on acquisition	920	
Goodwill recognised in previous exchange transactions	511	
Total Goodwil	**1,431**	
Cash outflow on acquisition is as follows;		
Net cash acquired with the subsidiary	2,996	
Cash paid	(1,152)	
Net cash inflow	**1,844**	

The acquisition of the McNaughton Gardiner Insurance Brokers Pty Ltd was effective on 1 October 2007 and the acquisition contributed $305,997 to net profit after tax and $3,141,243 to revenue. Had the acquisition taken place at the beginning of the period, the profit before tax contribution would have been $934,667 and revenue would have been $4,498,877.

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.

g) During the year, the group incorporated a controlled entity, Dolphin Insurance Pty Limited (Dolphin) in order to acquire a broking portfolio. The Group paid $191,000 for 60% of the issued capital of Dolphin. The acquisition contributed $25,829 to net profit and $706,680 to revenue. The Group acquired $322,000 goodwill on acquisition of Dolphin.

7. Cash and cash equivalents (continued)

Business combinations (continued)

h) During the year, the group incorporated a controlled entity, Austbrokers Professional Services Pty Limited. The Group paid $16 for 80% of the issued capital of Austbrokers Professional Services Pty Limited. The acquisition contributed $34,097 to net profit after tax and $231,121 to revenue.

i) On 1 July 2006, the company acquired a 100% interest in Shield Underwriting Holdings Pty Limited and Shield Shared Services Pty Ltd, (collectively "Shield Group").

On 1 April 2007, the consolidated group acquired a 54% interest in Carriers Insurance Brokers Pty Limited.

Net assets of controlled entities acquired

	SHIELD GROUP		CARRIERS INSURANCE BROKERS PTY LTD	
	Fair value recognised on acquistion	**Carrying value**	**Fair value recognised on acquistion**	**Carrying value**
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
Cash	508	508	745	745
Receivables	940	940	345	345
Plant and equipment	48	48	20	20
Deferred tax asset	256	256	53	53
Intangibles	–	–	1,028	–
TOTAL ASSETS	**1,752**	**1,752**	**2,191**	**1,163**
Payables	1,270	1,270	830	830
Provisions	119	119	194	194
Future income tax liability	–	–	313	76
Interest bearing loans and borrowings	69	69	–	–
TOTAL LIABILITIES	**1,458**	**1,458**	**1,337**	**1,100**
NET ASSETS	**294**	**294**	**854**	**63**
Less: minority	–		393	
Fair value of assets acquired	294		461	
Purchase price - cash paid	3,694		1,304	
Purchase price - accrued	3,219		440	
Total purchase price	**6,913**		**1,744**	
Goodwill on acquisition	**6,619**		**1,283**	
Cash outflow on acquisition is as follows;				
Net cash acquired with the subsidiary	508		745	
Cash paid	(3,694)		(1,304)	
Net cash outflow	**(3,186)**		**(559)**	

From 1 July 2006 (acquisition date) to 30 June 2007, the acquisition of the Shield Group contributed $761,191 to net profit and $3,432,773 to revenue.

From the date of acquisition to 30 June 2007, Carriers Insurance Brokers Pty Limited contributed $63,453 to the net profit of the group and $251,248 to revenue. Had the acquisition taken place at the beginning of the year, the profit contribution of Carriers Insurance Brokers Pty Limited would have been $222,501 and revenue would have been $1,235,197.

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

8. Dividends paid and proposed

Equity dividends on ordinary shares:

(a) Dividends paid during the year

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Final franked dividend for financial year ended 30 June 2006: 8.0 cents	–	4,000	–	4,000
Interim franked dividend for financial year ended 30 June 2007: 5.5 cents	–	2,757	–	2,757
Final franked dividend for financial year ended 30 June 2007: 9.5 cents	4,762	–	4,762	–
Interim franked dividend for financial year ended 30 June 2008: 6.5 cents	3,259	–	3,259	–
Total dividends paid in current year	**8,021**	**6,757**	**8,021**	**6,757**

(b) Dividends proposed and not recognised as a liability

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Final franked dividend for financial year ended 30 June 2007: 9.5 cents	–	4,762	–	4,762
Final franked dividend for financial year ended 30 June 2008: 11.5 cents	5,765	–	5,765	–
	5,765	**4,762**	**5,765**	**4,762**

Franking credit balance

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
– franking account balance as at the end of the financial year at 30% (2007: 30%)	10,463	8,983	10,463	8,983
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,470	495	1,470	495
The amount of franking credits available for future reporting periods.	**11,933**	**9,478**	**11,933**	**9,478**
– 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.	(2,471)	(2,041)	(2,471)	(2,041)
The amount of franking credits available for future reporting periods after payment of dividend.	9,462	7,437	9,462	7,437

The tax rate at which paid dividends have been franked is 30% (2007: 30%)

Dividends proposed will be franked at the rate of 30% (2007: 30%)

	Consolidated 2008	2007	Company 2008	2007
	$'000	$'000	$'000	$'000

9. Trade and other receivables (current)

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Trade receivables	4,769	4,668	922	50
Amount due from broking operations/underwriting agency receivables	63,318	50,582	–	–
Related party receivables				
– controlled entities	–	–	7,218	10,334
– other related	1,534	167	–	–
Total receivables (current)	**69,621**	**55,417**	**8,140**	**10,384**

10. Other financial assets (current)

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Mortgages - related entities (amortised cost)	1,335	2,915	–	–
Mortgages - other (amortised cost)	962	1,140	–	–
Total other financial assets (current)	**2,297**	**4,055**	**–**	**–**

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)

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Trade receivables	35	84	–	–
Loans to associated entities	32	–	165	390
Total receivables (non current)	**67**	**84**	**165**	**390**

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	$'000	$'000	$'000

12. Investment in associates

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Investments at equity accounted amount:				
Associated entities - unlisted shares	53,848	27,329		
Investments at cost:				
Associated entities - unlisted shares			13,438	11,054

Cost comprises either actual cost or deemed cost
in the year the parent ceased equity accounting.

Investments in associated entities based on percentage
of ordinary shares, except where otherwise stated:

			Equity accounted		At cost	
Name	Jun-08	Jun-07	2008	2007	2008	2007
	%	%	$'000	$'000	$'000	$'000
Aprikeesh Pty Ltd	49.9	49.9	597	442	76	76
Austbrokers ALIB Pty Ltd	49.9	49.9	2,054	1,946	1,862	1,794
Austbrokers Trade Credit Pty Ltd	50.0	50.0	527	429	–	–
BHI Insurance Brokers Pty Limited	49.9	49.9	577	454	579	579
Bruce Park Pty Ltd	49.9	49.9	1,294	1,294	1,161	1,161
Citycover (Aust) Pty Ltd	49.9	49.9	1,658	218	1,467	109
Comsure Insurance Brokers Pty Limited	49.9	49.9	674	763	539	539
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust	49.9	49.9	15,506	7,599	–	–
Insurance Advisernet Holdings Unit Trust	49.9	0.0	7	–	–	–
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	517	474	512	512
Markey Group Pty Ltd	49.9	49.9	1,457	1,016	296	296
McNaughton Gardiner Insurance Brokers Pty Ltd (see notes)	70.0	49.9	–	973	–	834
MGA Management Services Pty Ltd	49.9	49.9	3,932	3,274	1,853	1,853
North Coast Insurance Brokers Pty Ltd	49.9	49.9	125	156	111	111
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	23	46	97	97
Prime Leasing & Finance Pty Ltd	0.0	49.9	–	1,185	–	1,058
Peter L Brown & Associates Pty Ltd	49.9	49.9	397	272	37	37
Power Gold Coast Insurance Brokers Pty Ltd	49.9	49.9	459	373	322	322
Rivers Insurance Brokers Pty Ltd	49.9	0.0	2,821	–	2,727	–
Stateplan Holdings Pty Ltd	49.9	49.9	1,753	1,835	770	770
Stateplan Rural Pty Ltd	0.0	30.0	–	–	–	–
Strathearn Insurance Brokers (see notes)	49.9	0.0	14,606	–	–	–
Supabrook Pty Ltd	49.9	49.9	880	778	642	642
Salisbury Payne Tinslay Pty Ltd	49.9	49.9	1,943	1,911	–	–
Tealrose Pty Ltd / Financial Insurance Services (Brokers) Pty Ltd (see notes)	25.0	75.0	173	–	123	–
Western United Financial Services Pty Ltd	49.9	49.9	143	61	264	264
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	–	–	–	–
Oxley Insurance Brokers Pty Ltd / Coffs Harbour Unit Trust	37.5	37.5	18	11	–	–
Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust	49.9	49.9	1,707	1,819	–	–
			53,848	**27,329**	**13,438**	**11,054**

During the year, the company rolled over its investment in Prime Leasing and Finance Pty Limited into Citycover (Aust) Pty Limited

During the year, Stateplan Rural Pty Ltd, was transferred to Stateplan Holdings Pty Limited for $NIL.

12. Investment in associates (continued)

During the year, the consolidated entity acquired a 49.9% holding in Rivers Insurance Brokers Pty Ltd for $2,517,667 and a 49.9% holding in Strathearn Insurance Brokers (comprising Secure Enterprises Pty Ltd as trustee for Strathearn Unit Trust and Parkstar Enterprises Pty Ltd as trustee for Strathearn Insurance Brokers (Qld) Trading Trust) for $13,462,000. The deferred settlement amount on these acquisitions is $5,937,602 which is payable over 2 years.

On 1 July 2007, the company reduced its equity in Tealrose Pty Ltd/Financial Insurance Services (Brokers) Pty Ltd from 75% to 25% which as a result ceased to be a subsidiary and became an associate.

During the year, McNaughton Gardiner Insurance Brokers Pty Ltd ceased to be an equity accounted associate. The Company increased its shareholding from 50% to 70%.

During the prior year, the consolidated entity acquired a 50% holding in Austbrokers Trade Credit Pty Ltd, a 49.9% holding in Insurance Advisernet Australia Pty Ltd and a 49.9% holding in Prime Leasing & Finance Pty Ltd for $8.4 million of which $2.9 million is payable over 3 years. During the current year the estimated purchase price for Insurance Advisernet Australia Pty Ltd was increased from $6,803,000 to $14,236,000

On 9 November 2006 the Company allotted 129,870 shares at an issue price of $3.85 per share in part consideration for the acquisition of Insurance Advisernet Australia Pty Ltd.

During the prior year, a 50% equity in Financial Lifestyle Partners (Albury) No 2. Pty Ltd was acquired through a subsidiary, Stateplan Hume Financial Services Pty Ltd for $1,002,000. This investment had been disclosed as a held for sale asset. This investment was sold during the current year.

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.

(b) The proportion of voting power is in accordance with the ownership interest of each associate.

(c) The reporting date of each associate is 30 June 2008 (prior year reporting date 30 June 2007).

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

(e) There were no impairment issues relating to the investment in associates.

(f) All associates were incorporated in Australia.

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

	Consolidated		Company	
	2008	2007	2008	2007
(h) The entity's share of associates' profits/(losses)				
Share of associates':				
Revenue	**62,624**	**54,223**	**–**	**–**
Operating profits before income tax	16,505	11,584	–	–
Income tax expense attributable to operating profits	3,040	2,709	–	–
Operating profits after income tax	**13,465**	**8,875**	**–**	**–**
Adjusted for;				
Amortisation of intangibles	(829)	(255)	–	–
Share of associates' net profits	**12,636**	**8,620**	**–**	**–**
(i) The entity's share of the assets and liabilities of associates in aggregate:				
Current assets	78,373	69,557	–	–
Non-current assets	30,929	27,175	–	–
Current liabilities	74,445	67,330	–	–
Non-current liabilities	9,090	6,000	–	–
Net assets	**25,767**	**23,402**	**–**	**–**

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For the year ended 30 June 2008

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	**$'000**	**$'000**	**$'000**
13. Other financial assets (non current)				
Mortgages - related entities (amortised cost)	529	573	–	–
Mortgages - other (amortised cost)	729	932	–	–
Other	132	143	–	–
	1,390	**1,648**	**–**	**–**

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

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	**$'000**	**$'000**	**$'000**
14. Shares in controlled entities				
Shares in controlled entities - unlisted shares (at cost)*	–	–	51,077	50,014

* All controlled entities are incorporated in Australia and comprise

Name	Equity interest held 2008	Equity interest held 2007	Company - at cost 2008	Company - at cost 2007
	%	**%**	**$'000**	**$'000**
Interests in subsidiaries				
Austbrokers Pty Limited and its controlled entities	100	100	104	104
– Finsura Holdings Pty Ltd	80	80	–	–
Austbrokers Services Pty Limited	100	100	–	–
Adept Insurance Brokers Pty Ltd and subsidiaries	100	100	4,398	4,398
Australian European Insurance Holdings Pty Ltd and subsidiaries	100	100	12,164	12,164
Austbrokers Financial Solutions (Syd) Pty Ltd	100	100	1,117	1,117
Austbrokers Sydney Pty Ltd and its controlled entities	100	100	2,905	2,905
– Austbrokers Canberra Pty Ltd	75	75	–	–
– Austbrokers AEI Transport Pty Ltd	67.5	67.5	–	–
– Carriers Insurance Brokers Pty Ltd	54	54	–	–
AHL Insurance Brokers Pty Ltd and subsidiaries	100	100	7,299	7,299
Austbrokers CE McDonald Pty Limited	100	100	1,580	1,580
Austbrokers Central Coast Pty Limited	80	80	1,543	1,543
M & F Agencies Pty Ltd	80	80	1,052	1,052
Austbrokers RWA Pty Ltd	80	80	2,424	2,424
Drummond Porter Pty Ltd	80	80	520	520
Stateplan Hume Pty Ltd	70	70	889	889
Stateplan Hume Financial Services Pty Ltd	52.5	52.5	–	–
Shield Underwriting Holdings Pty Ltd and subsidiaries	100	100	6,999	6,913
McNaughton Gardiner Insurance Brokers Pty Ltd	70.0	50	1,986	–
MTA Insurance Agency Pty Ltd / MTA Insurance Agency Unit Trust	100	100	–	–
Shield Shared Services Pty Ltd	100	100	–	–
SGP Insurance Brokers Pty Ltd	70	70	744	744
Tealrose Pty Ltd / Financial Insurance Services (Brokers) Pty Ltd (see below)	25	75	–	766
Austbrokers Premier Pty Ltd	80	80	4,024	4,032
Austbrokers Terrace Insurance Brokers Pty Ltd	100	100	1,329	1,564
Carrying value of investments in subsidiaries			**51,077**	**50,014**

14. Shares in controlled entities (continued)

During the year, the company acquired a further 20% interest in McNaughton Gardiner Insurance Brokers Pty Ltd (MGIB) for $1,152,000 increasing the shareholding to 70%. On 1 October 2007, a wholly owned subsidiary, Austagencies Pty Limited, acquired a 60% equity in Dolphin Insurance Pty Limited.

During the year, the company reduced its equity in Tealrose Pty Ltd/Financial Insurance Services (Brokers) Pty Ltd from 75% to 25% which as a result ceased to be a subsidiary on 1 July 2007.

During the prior year the company acquired a 100% interest in Shield Underwriting Holdings Pty Limited (SUH) and Shield Shared Services Pty Ltd for $6.913 million. During the year SUH acquired the remaining 50% of the shares it did not already own in Motor Trader Association Insurance Agency Unit Trust for $1.

During the prior year the Austbrokers Group acquired a 54% interest in Carriers Insurance Brokers Pty Limited through Austbrokers AEI Transport Pty Ltd acquiring an 80% interest for $1.744 million.

During the prior year the company incorporated 3 new controlled entities, Stateplan Hume Financial Services Pty Ltd, Austbrokers Canberra Pty Ltd and Austbrokers AEI Transport Pty Ltd.

15. Plant and equipment

	Consolidated			Company		
Name	Plant and Equipment	Motor vehicle	Total	Plant and Equipment	Motor Vehicle	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Year ended 30 June 2008						
Balance at the beginning of the year	7,716	1,516	9,232	–	–	–
Acquisition of a subsidiary	598	129	727	–	–	–
Additions	1,041	486	1,527	–	–	–
Disposals	(553)	(643)	(1,196)	–	–	–
Plant and equipment at cost	**8,802**	**1,488**	**10,290**	**–**	**–**	**–**
Depreciation						
Balance at the beginning of the year	3,930	405	4,335	–	–	–
Acquisition of a subsidiary	393	28	421	–	–	–
Disposals	(492)	(234)	(726)	–	–	–
Depreciation during year	1,416	300	1,716	–	–	–
Accumulated depreciation	**5,247**	**499**	**5,746**	**–**	**–**	**–**
Summary						
Net carrying amount at beginning of year	3,786	1,111	4,897	–	–	–
Net carrying amount at end of year	**3,555**	**989**	**4,544**	**–**	**–**	**–**
Year ended 30 June 2007						
Balance at the beginning of the year	8,154	1,917	10,071	–	–	–
Acquisition of a subsidiary	125	–	125	–	–	–
Additions	2,214	642	2,856	–	–	–
Disposals	(2,777)	(1,043)	(3,820)	–	–	–
Plant and equipment at cost	**7,716**	**1,516**	**9,232**	**–**	**–**	**–**
Depreciation						
Balance at the beginning of the year	5,087	652	5,739	–	–	–
Acquisition of a subsidiary	59	–	59	–	–	–
Disposals	(2,347)	(484)	(2,831)	–	–	–
Depreciation during year	1,131	237	1,368	–	–	–
Accumulated depreciation	**3,930**	**405**	**4,335**	**–**	**–**	**–**
Summary						
Net carrying amount at beginning of year	3,067	1,265	4,332	–	–	–
Net carrying amount at end of year	**3,786**	**1,111**	**4,897**	**–**	**–**	**–**

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For the year ended 30 June 2008

	Goodwill	Insurance broking registers	Consolidated Total	Company Total
	$'000	$'000	$'000	$'000
16. Intangible assets and goodwill				
Year ended 30 June 2008				
Balance at the beginning of the year	44,157	20,411	64,568	–
Additional businesses and portfolios acquired	4,253	2,223	6,476	–
Disposals of broking portfolios	(902)	(564)	(1,466)	–
Total Intangibles	**47,508**	**22,070**	**69,578**	**–**
Amortisation				
Balance at the beginning of the year	–	7,216	7,216	–
Amortisation current year	–	1,833	1,833	–
Disposals of broking portfolios	–	(147)	(147)	–
Accumulated amortisation	**–**	**8,902**	**8,902**	**–**
Summary				
Net carrying amount at beginning of year	44,157	13,195	57,352	–
Net carrying amount at end of year	**47,508**	**13,168**	**60,676**	**–**
Year ended 30 June 2007				
Balance at the beginning of the year	36,611	20,546	57,157	–
Additional broking portfolios acquired	9,062	427	9,489	–
Disposals of broking portfolios	(1,516)	(562)	(2,078)	–
Total Intangibles	**44,157**	**20,411**	**64,568**	**–**
Amortisation				
Balance at the beginning of the year	–	5,523	5,523	–
Amortisation current year	–	1,917	1,917	–
Disposals of broking portfolios	–	(224)	(224)	–
Accumulated amortisation	**–**	**7,216**	**7,216**	**–**
Summary				
Net carrying amount at beginning of year	36,611	15,023	51,634	–
Net carrying amount at end of year	**44,157**	**13,195**	**57,352**	**–**

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 a period ranging from 1 to 10 years depending on original acquisition date.

Included in the carrying amount of goodwill totalling $47.5 million (2007: $44.2 million) are the following investments which are significant compared to the total carrying value at year end.

	Consolidated	
	2008	2007
	$'000	$'000

16. Intangible assets and goodwill (continued)

Austbrokers Sydney Pty Ltd and its controlled entities	21,552	20,730
Austbrokers Central Coast Pty Ltd	2,497	1,525
Austbrokers RWA Pty Ltd	2,861	2,499
Shield Underwriting Holdings Pty Ltd and its controlled entities	6,555	6,619
Other controlled entities	14,043	12,784
Total	**47,508**	**44,157**

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

The recoverable amount of the equity accounted associates/broking subsidiaries has been determined based on their fair value less cost to sell. The determination of fair value is based on consideration of two measurement bases derived from net profits or commission income of the businesses. The first of the fair value measures is based on actual profits for the previous 12 months, which have been tested against the prior years profits as well as the following years' 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 9.5 times (2007: 9.5 times), based on 10.5% (2007: 10.5%) return, being the calculated cost of capital for Austbrokers Holdings Limited.

A secondary fair value test is applied based on a market multiple of 1.6 times broking revenue (2007: 1.6 times) for general insurance broking businesses and 2.5 times life insurance renewable commissions (2007: 2.5 times), which are valuation bases commonly applied in market acquisitions of similar businesses.

The resulting valuation is compared to the carrying value. In the event that the carrying value exceeds the revised valuation, an impairment loss is recognised.

In determining the total impairment, each subsidiary or associate is considered a separate cash generating unit. Given the similarity of all businesses, consistent assumptions for profit and revenue multiples are used to determine fair values. The revenue multiples are based on externally accessible factors and are considered in the middle of generally accepted market values. The profit multiple based on the cost of capital for the Austbrokers Group is after taking into account the risk free rate, market risks and borrowing capacity for the Group.

18. Share-based payment plans

Employee Share Option Plan

Share options are granted to senior executives by the ultimate parent company Austbrokers Holdings Limited.

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:

	2008	2007	2008	2007
	No.	No.	WAEP($)	WAEP($)
Outstanding at the beginning of the year	1,474,200	771,700	2.73	2.00
Granted during the year	663,100	752,800	4.20	3.47
Lapsed during the year: Options issued during 2006	–	(31,700)	0.00	2.00
Lapsed during the year: Options issued during 2007	–	(18,600)	0.00	3.47
Exercised during the year	–	–	–	–
Outstanding at the end of the year	**2,137,300**	**1,474,200**	**3.19**	**2.73**

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For the year ended 30 June 2008

18. Share-based payment plans (continued)

The outstanding balance as at 30 June 2008 is represented by:

- 771,700 options in the ultimate controlling entity, Austbrokers Holdings Limited granted on 5 October 2005, exercisable 3 years from the issue date at an exercise price of $2.00.
- 675,000 options in the ultimate controlling entity, Austbrokers Holdings Limited granted on 25 September 2006, exercisable 3 years from the issue date at an exercise price of $3.47.
- 77,800 options in the ultimate controlling entity, Austbrokers Holdings Limited granted on 29 January 2007, exercisable 3 years from 25 September 2006 at an exercise price of $3.47.
- 643,100 options in the ultimate controlling entity, Austbrokers Holdings Limited granted on 14 September 2007, exercisable 3 years from the issue date at an exercise price of $4.20.
- 20,000 options in the ultimate controlling entity, Austbrokers Holdings Limited granted on 29 January 2008, exercisable 3 years from 14 September 2007 at an exercise price of $4.20.

50,300 options in the ultimate controlling entity, Austbrokers Holdings Limited lapsed on 29 June 2007 due to retirement of a staff member.

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

For all vesting conditions refer to remuneration disclosures in the Directors Report.

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

The following table lists the inputs to the model used of the options issued in the years ended 30 June 2008 and 30 June 2007.

	2008	2007
Dividend yield (%)	4.03	4.32
Expected volatility (%)	28.00	25.00
Expected life of option (years)	5.00 - 5.50	5.00 - 5.50
Binomial value (fair value) ($)	1.02	0.72
Risk free rate	6.15%	5.64%
Exercise Price	$4.20	$3.47

Options issued under the Austbroker's Senior Executive Option Plan ("the Plan") have a 7 year life. The expected life of the options is 5.00-5.50 years. This assumes that participants will take the opportunity to exercise vested options at an earlier date in the life of the option.

The company has applied a volatility of 28% (2007: 25%) for Austbrokers based on the higher end of the range of volatilities for comparable companies in the insurance sector.

The Binomial value takes into account that the participant can exercise options from year 3 onwards and that there was no cessation of employment of any employee with granted options.

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
19. Trade and other payables				
Current				
Trade payables	6,106	7,726	–	–
Amount payable on broking operations/underwriting agency operations	88,142	74,765	–	–
Other payables	18,470	6,750	1,109	3,723
Related party payables				
– Related entities	–	–	–	–
– wholly owned group	–	–	–	–
	112,718	**89,241**	**1,109**	**3,723**
Non-current				
Trade payables	78	202	–	–
	78	**202**	**–**	**–**

	Employee entitlements	Make good Provision	Total
	$'000	**$'000**	**$'000**

20. Provisions

CONSOLIDATED

	Employee entitlements $'000	Make good Provision $'000	Total $'000
At 1 July 2007	5,620	762	6,382
Arising during the year	928	–	928
Utilised	–	(48)	(48)
Acquired during the year	204	–	204
At 30 June 2008	**6,752**	**714**	**7,466**
Current 2008	5,006	14	5,020
Non-current 2008	1,746	700	2,446
	6,752	**714**	**7,466**
At 1 July 2006	5,462	306	5,768
Arising during the year	–	364	364
Utilised	(160)	–	(160)
Acquired during the year	318	92	410
At 30 June 2007	**5,620**	**762**	**6,382**
Current 2007	3,509	53	3,562
Non-current 2007	2,111	709	2,820
	5,620	**762**	**6,382**

COMPANY

	Employee entitlements $'000	Make good Provision $'000	Total $'000
At 1 July 2007	–	–	–
Arising during the year	–	–	–
At 30 June 2008	**–**	**–**	**–**
Current 2008	–	–	–
Non-current 2008	**–**	**–**	**–**
At 1 July 2006	–	–	–
Arising during the year	–	–	–
At 30 June 2007	**–**	**–**	**–**
Current 2007	–	–	–
Non-current 2007	–	–	–
	–	**–**	**–**

Makegood 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 costs that will ultimately be incurred. During the year further amounts were provided for premises leased during the year.

Current lease durations range from 3 to 5 years and therefore makegood payments will only be made at the end of the lease.

Employee entitlements

Refer to note 2(t) for the relevant accounting policy and a discussion of the significant estimation and assumptions applied in the measurement of this provision.

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
21. Interest bearing loans and borrowings				
Current				
Obligations under finance leases and hire purchase contracts (note 23)	377	268	–	–
Unsecured loan from other related parties	88	86	–	–
Unsecured loan from other parties	36	50	–	–
	501	**404**	**–**	**–**
Non-current				
Obligations under finance leases and hire purchase contracts (note 23)	812	579	–	–
Unsecured loan from other parties	68	313	–	–
Unsecured loan from other related parties	–	–	–	–
Secured bank loan *	19,336	13,524	–	–
	20,216	**14,416**	**–**	**–**

* The Group has an agreement with St George Bank to provide finance facilities to the Austbrokers Holdings Limited Group amounting to $32.931 million. At balance date these facilities have been utilised to the amount of $16 million in a bill acceptance/discount facility and a further $2,728,000 for credit card and other guarantee facilities.

The term of the loan facility is five years from the first drawdown date which was October 2005.

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

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

Interest rates are set at the time of rollover of the bills which is usually at six monthly intervals. Rollover of the bills are guaranteed for the duration of the facility as long as there are no breaches of the agreement. The current effective interest rate is 8.62% per annum (2007 7.62%).

Austbrokers AEI Transport Pty Ltd and Austbrokers Central Coast Pty Ltd have entered into agreements with St George Bank to provide finance facilities amounting to $4.305 and $1.005 million respectively to secure funding for acquisitions. At balance date these facilities have been utilised to the amount of $3.337 million in a bill acceptance/discount facility.

The term of the AEI Transport Pty Ltd loan facility is five years from the first drawdown date which was June 2007.

The term of the Austbrokers Central Coast Pty Ltd loan facility is 10 years from the first drawdown date which was October 2007.

The facilities are secured by registered fixed and floating charges over the assets of the borrowers and cross guarantees and indemnities given by each of the minority shareholders.

Interest rates are set at the time of rollover of the bills which is usually at six monthly intervals. The current effective interest rate is 8.62% per annum (2007: 6.85%).

During the current and prior years, there were no defaults or breaches of any of the loans.

Since year end, the Company has entered into a new agreement with St George Bank to provide finance facilities to the Austbrokers Holdings Limited Group with a limit of $44.1 million. The term of the new facility is for 5 years ending on 25 August 2013.

	Notes	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
		$'000	$'000	$'000	$'000

22. Issued capital and reserves

	Notes	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Ordinary shares fully paid		49,707	49,707	49,707	49,707
On 9 November 2006 the Company allotted 129,870 shares at an issue price of $3.85 per share increasing issued capital by $500,000.					
		Shares	Shares	Shares	Shares
50,129,870 (2007: 50,129,870) ordinary shares fully paid		50,129,870	50,129,870	50,129,870	50,129,870
Movements in shares on issue	Notes				
Beginning of the financial year		50,129,870	50,000,000	50,129,870	50,000,000
On 9 November 2006 allotted shares at an issue price of $3.85	(i)	–	129,870	–	129,870
		50,129,870	**50,129,870**	**50,129,870**	**50,129,870**

(i) On 9 November 2006 the Company allotted 129,870 shares at an issue price of $3.85 per share in part consideration for the acquisition of Insurance Advisernet Australia Pty Ltd.

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

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

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record movements in the revalued amounts of broker register acquired through step up acquisition of broking subsidiaries. The current year amortisation expense relating to these step ups is transferred to retained earnings once the amortisation expense is charged to the profit and loss account. The reserve can only be used to pay dividends in limited circumstances.

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.

Minority Interests

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	$'000	$'000	$'000
Interest in: Ordinary shares	–	–	–	–
Retained earnings	8,771	7,211	–	–
	8,771	**7,211**	**–**	**–**

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For the year ended 30 June 2008

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	$'000	$'000	$'000

23. Commitments and contingencies

Finance lease and hire purchase commitments - Group as lessee

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Finance Lease and Hire Purchase Commitments				
Payable				
– Not later than one year	464	319	–	–
– Later than one year and not later than five years	907	609	–	–
– Later than five years	7	42	–	–
Minimum lease and hire purchase payments	1,378	970	–	–
Deduct: Future finance charges	189	123	–	–
Present value of minimum lease and hire purchase payments (refer note 21)	**1,189**	**847**	**–**	**–**

Operating lease commitments - Group as lessee

The Group has entered into leases for premises, commercial leases on certain motor vehicles and items of machinery. 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.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Operating Lease Commitments: Non Cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
– Not later than one year	2,450	2,742	–	–
- Later than one year and not later than five years	4,627	6,713	–	–
- Later than five years	359	–	–	–
	7,436	**9,455**	**–**	**–**

Operating lease commitments - Associates as lessee

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Operating Lease Commitments: Non Cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
– Not later than one year	1,180	1,028	–	–
– Later than one year and not later than five years	1,455	1,329	–	–
– Later than five years	–	–	–	–
	2,635	**2,357**	**–**	**–**

Contingent liabilities

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Austbrokers Holdings Ltd has guaranteed loan facilities provided to an associate in proportion to its shareholding.	1,146	–	–	–

24. Segment information

The group operates in one business segment being insurance brokers and one geographical segment being Australia.

25. Subsequent events

On 28 August 2008 the Directors of Austbrokers Holdings Limited declared a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $5,764,935, which represents a fully franked dividend of 11.5 cents per share. The dividend has not been provided for in the 30 June 2008 financial statements.

Since year end, the Company has entered into a new agreement with St George Bank to provide finance facilities to the Austbrokers Holdings Limited Group with a limit of $44.1 million. The term of the new facility is for 5 years ending on 25 August 2013.

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
26. Auditor's remuneration				
Amounts received or due to Ernst & Young (Australia) for:				
Audit of the financial statements	702,322	565,000	–	–
Other assurance related service	11,056	30,000	–	–
Other - taxation services	48,251	193,780	–	–
Total auditors' remuneration	**761,629**	**788,780**	**–**	**–**
Amounts received or due to non Ernst & Young audit firms for:				
Audit of the financial statements	206,100	228,968	–	–
Other assurance related services	15,400	54,630	–	–
Other - taxation services	–	86,458	–	–
Total auditors' remuneration	**221,500**	**370,056**	**–**	**–**

Audit fees of the parent were paid by a related entity.

27. Related party disclosures

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

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

Entities within the wholly owned group charge/receive management fees for expenses incurred and services rendered. Further entities within the wholly owned group invest in trusts managed by related parties. These transactions are at normal commercial terms and conditions.

Entities within the wholly owned group provide funds to other entities within the group. These funds are non-interest bearing and are repayable on demand.

(ii) Transactions with other related parties.

Entities within the wholly owned group charge associated entities management fees for expenses incurred and services rendered. These fees total $480,336 (2007: $492,126). The fees are at normal commercial terms and conditions.

Members of the economic entity have repaid loans of $1.6 million during the year. The balance outstanding at 30 June 2008 was $1.9 million (2007: $3.5 million).

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

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

27. Related party disclosures (continued)

(b) Details of Key Management Personnel

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

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

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

S.S. Rouvray	Chief Financial Officer and Company Secretary
G. Lambert	General Manager - Austbrokers Sydney
F. Gualtieri	National Manager - Premium Finance, Risk, IT and Administration Services
J. Howells	General Manager - A & I Member Services
G.J. Arms	National Operations Manager

(c) Shareholdings of Key Management Personnel

Shares held in Austbrokers Holdings Limited	Balance at beginning of period 1 July 2007	Shares acquired during year	Options excercised	Balance at end of period 30 Jun 2008
Directors				
R. A. Longes	100,000	–	–	100,000
L. F. Earl	22,000	–	–	22,000
P. R. Shirriff	100,000	–	–	100,000
D. J. Harricks	20,000	–	–	20,000
W.L. McKeough	85,000	–	–	85,000
Executives				
S.S. Rouvray	100,000	–	–	100,000
G. Lambert	–	–	–	–
J. Howells	–	–	–	–
F. Gualtieri	50,000	–	–	50,000
G.J. Arms	30,000	–	–	30,000
Total	**507,000**	**–**	**–**	**507,000**

27. Related party disclosures (continued)

(d) Compensation of Key Management Personnel by Category

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
	$'000	**$'000**	**$'000**	**$'000**
Short-Term	2,204,051	2,062,609	2,204,051	2,062,609
Post Employment	217,572	239,455	217,572	239,455
Other Long-Term	–	–	–	–
Termination Benefits	–	–	–	–
Share-based Payment	516,936	406,440	516,936	406,440
Total	**2,938,559**	**2,708,504**	**2,938,559**	**2,708,504**

(e) Options granted as part of remuneration

Year ended 30 June 2008	Granted No.	Grant Date	Fair value per option at grant date ($) (note 18)	Exercise price per option ($) (note 18)	Expiry Date	First Excerise Date	Last Excerise Date
Director							
W.L. McKeough	336,700	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
Executives							
S.S. Rouvray	57,250	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
G. Lambert	30,150	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
F. Gualtieri	30,700	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
J. Howells	20,000	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
G.J. Arms	32,000	14-Sep-07	1.02	4.20	14-Sep-14	14-Sep-10	14-Sep-14
Total	**506,800**						

Year ended 30 June 2007	Granted No.	Grant Date	Fair value per option at grant date ($) (note 18)	Exercise price per option ($) (note 18)	Expiry Date	First Excerise Date	Last Excerise Date
Director							
W.L. McKeough	336,700	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
Executives							
S.S. Rouvray	75,950	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
F. Gualtieri	39,800	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
G.J. Arms	39,850	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
F. Pasquini	36,100	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
R.W. Broadbent	36,100	25-Sep-06	0.72	3.47	25-Sep-13	25-Sep-09	25-Sep-13
Total	**564,500**						

27. Related party disclosures (continued)

(f) Option holdings of Key Management Personnel at 30 June 2008

	Balance at beginning of period 1 July 2008	Granted as remuneration	Options excercised	Balance at end of period 30 Jun 2008	Total	Non Exercisable
Director						
W.L. McKeough	673,400	336,700	–	1,010,100	1,010,100	1,010,100
Executives						
S.S. Rouvray	184,250	57,250	–	241,500	241,500	241,500
G. Lambert	38,900	30,150		69,050	69,050	69,050
F. Gualtieri	86,500	30,700	–	117,200	117,200	117,200
J. Howells	–	20,000	–	20,000	20,000	20,000
G.J. Arms	83,150	32,000	–	115,150	115,150	115,150
Total	**1,066,200**	**506,800**	**–**	**1,573,000**	**1,573,000**	**1,573,000**

These options have an exercise price ranging from $2.00 for options issued in 2005 to $4.20 for options issued in 2007.

F. Pasquini and R.W. Broadbent have been excluded from opening balances as they are not included in key management personnel disclosures. Options granted in the prior year to G. Lambert have been included in the opening balance to reflect the total number of options outstanding at year end.

(g) No loans have been advanced to key management personnel during the current year.

28. Financial Instruments

Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, mortgages, available for sale investments, 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 with the financial services industry with parties which are considered to be of sufficiently high credit quality. There are no financial assets which are past due or impaired.

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

Insurance Broking Account receivables

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

The Group's asset 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 broking operations payables.

28. Financial Instruments (continued)

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Assets and liabilities relating to Insurance Broking Account				
Broking operations/underwriting activity receivables	63,318	50,582	–	–
Cash held on trust	35,016	32,912	–	–
Broking operations/underwriting activity payables	(88,142)	(74,765)	–	–
Undrawn income	(10,192)	(8,729)	–	–
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 instruments. There is no significant concentration of risks within the Group as financial instruments are spread amongst a number of financial institutions to minimise the risk of defaults by counterparties. Cash and cash equivalents are deposited with Australian Banks. The majority of trade receivables are expected to be collected within 90 days. The remainder of the financial assets are to related entities and are either on call or where loans have a fixed maturity date, are secured by fixed and floating charges (see note 10).

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and cash equivalents	23,640	25,250	9,289	3,919
Trade and other receivables	4,836	4,752	922	50
Related party receivables	1,534	167	7,383	10,724
Loans on mortgage - related entities	1,864	3,488	–	–
Loans on mortgage - other	1,691	2,072	–	–
Other receivables	132	143	–	–
	33,697	**35,872**	**17,594**	**14,693**

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. The terms of these arrangements have been disclosed in Note 21 "Interest bearing loans and borrowings". It is the Group's policy that the facilities expire no less than 13 months from balance date. Where facilities are due to expire, the Group will have new arrangements in place before the borrowing repayments become current. At 30 June 2008 there were no borrowings due to be repaid within 12 months (2007: NIL).

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

The table on the next page reflects all contractually fixed pay-outs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities (excluding Insurance Broking Account payables). Cash flows for financial assets and liabilities without a fixed amount or timing are based on the conditions existing at 30 June 2008 with comparatives based on conditions existing at 30 June 2007.

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

	Consolidated		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Financial Assets				
Due not later than 6 months	31,091	32,112	17,429	14,303
6 months to not later than one year	1,149	2,028	–	–
Later than one year and not later than five years	1,457	1,732	165	390
Later than five years	–	–	–	–
	33,697	**35,872**	**17,594**	**14,693**
Financial Liabilities				
Due not later than 12 months	(26,826)	(16,426)	–	–
Later than one year and not later than five years	(22,626)	(19,515)	–	–
Later than five years	–	–	–	–
	(49,452)	**(35,941)**	**–**	**–**

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.

The Group's liquidity risk relating to payables from broking operations has been excluded from the table above. Should policyholders not pay the premiums due, the insurance policy is cancelled by the insurer and a credit given against the amount due.

(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.

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.

	Carrying value		Fair value	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	23,640	25,250	23,640	25,250
Trade and other receivables	4,836	4,752	4,836	4,752
Related party receivables	1,534	167	1,534	167
Loans on mortgage - related entities	1,864	3,488	1,864	3,488
Loans on mortgage - other	1,691	2,072	1,691	2,072
Loan with associated entities	132	143	132	143
Total financial assets	**33,697**	**35,872**	**33,697**	**35,872**
Financial Liabilities				
Loans and other borrowings	(20,717)	(14,820)	(20,717)	(14,820)
Trade and other payables and accruals	(24,654)	(14,678)	(24,654)	(14,678)
Total financial liabilities	**(45,371)**	**(29,498)**	**(45,371)**	**(29,498)**

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

Shares in controlled entities, shares in Associated entities and amounts due from Insurance Broking Account receivables are not included in financial assets as they are not traded and are not part of the assets available to meet liabilities. Insurance Broking Account liabilities are excluded accordingly.

(d) Market Risk

Interest rate risk

The Group's exposure to interest rate movements relates to cash and cash equivalents held by the Group and the Group's long-term debt obligations. To manage interest rate risk, interest rates on borrowings are fixed for a period depending on market conditions. This risk is minimal as the Group holds cash received from policyholders to pay insurers in excess of the amount of borrowings and therefore the group has a natural hedge against interest rate rises. Loans on mortgage 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		Company	
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Cash and cash equivalents (including trust account balance)	58,656	58,162	9,289	3,919
Loans on mortgage - related entities	1,864	3,488	–	–
Loans on mortgage - other	1,691	2,072	–	–
Total financial assets	**62,211**	**63,722**	**9,289**	**3,919**
Financial liabilities				
Loans and other borrowings	(20,717)	(14,820)	–	–
Net exposure to interest rate movements	**41,494**	**48,902**	**9,289**	**3,919**

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.

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 2007 as 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 prof s and equity would have been affected as follows:

	Post tax profits Higher/Lower		Equity Higher/Lower	
	2008	2007	2008	2007
	$'000	**$'000**	**$'000**	**$'000**
Judgements of reasonably possible movements				
Consolidated				
+1% (100 basis points)	291	342	–	–
-1% (100 basis points)	(291)	(342)	–	–
Parent				
+1% (100 basis points)	65	27	–	–
-1% (100 basis points)	(65)	(27)	–	–

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.

The lower sensitivity in 2008 compared to 2007 is due to the increase in long term borrowings by further utilisation of the St George Bank borrowing facility. The increase in borrowings reduced total net cash and cash equivalents held by the Group.

Price risk

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

At year end, the Group had no exposure to equities other than to shares in associated entities and controlled entities and therefore has no exposure to price risk beyond that has not already been reflected in the financial statements. The Group tests for impairment annually and reviews all investments at least half yearly. The methodology for testing for impairment is shown in note 17. There were no impaired investments at balance date. (2007 : NIL)

The Group had a strategic equity investment at 30 June 2007 which was classified as a held for sale investment. At 30 June 2007, the investment was expected to be sold for the amount held in the financial statements and management did not believe that there was any price risk in respect of this security. This investment was sold in August 2007 for the amount included in the accounts.

(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 2008, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2007.

The gearing ratios at 30 June were as follows;

	Consolidated		Parent Entity	
	2008	2007	2008	2007
Debt to equity ratio	**$'000**	**$'000**	**$'000**	**$'000**
Total borrowings	20,717	14,820	–	–
Total equity	103,669	94,730	79,512	71,244
Total equity and borrowings	124,386	109,550	79,512	71,244
Debt to Equity Ratio	17%	14%	0%	0%

DIRECTORS' DECLARATION

For the year ended 30 June 2008

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 Company and the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.

On behalf of the Board

W L McKeough
Director

Sydney, 28 August 2008

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 balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. 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 financial position of Austbrokers Holdings Limited and the consolidated entity at 30 June 2008 and of their 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.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 43 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Austbrokers Holdings Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

P Gayden

P Gayden
Partner

Sydney, 28 August 2008

ASX ADDITIONAL INFORMATION

For the year ended 30 June 2008

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 12 September 2008.

(a) Distribution of equity securities

Ordinary share capital

– 50,129,870 paid ordinary shares are held by 1,333 individual shareholders.

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

Options

– 2,137,300 options are held by 12 individual option holders.

Options do not carry a right to vote.

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

	Fully paid ordinary shares	**Options**
1 – 1000	187	–
1,001 – 5,000	645	–
5,001 – 10,000	284	–
10,001 – 100,000	193	5
100,001 and over	24	7
	1,333	**12**
Holding less than a marketable parcel	8	–

(b) Substantial shareholders

Ordinary shareholders	Number	**Fully paid** Percentage
QBE Insurance Group Limited (30/05/07)	7,4 69,201	14.90
Paradice Investment Management (17/07/08)	3,867,735	7.72
Westpac Banking Corporation Limited (24/01/08)	3,756,092	7.49
Commonwealth Bank of Australia (22/06/07)	3,699,772	5.31
National Australia Bank Limited (18/07/08)	2,600,838	5.19
Invesco Australia Limited (03/09/08)	2,575,655	5.13
Allianz Australia Insurance Limited (27/08/07)	2,557,000	5.01

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	**Fully paid** Percentage
Citicorp Nominees Pty Limited	8,152,577	16.26
National Nominees Limited	7,227,889	14.42
J P Morgan Nominees Australia Limited	7,030,053	14.02
HSBC Custody Nominees	4,637,667	9.25
Cogent Nominees Pty Limited	2,185,330	4.36
Citicorp Nominees Pty Limited <CFS DEVELOPING COMPANIES A/C>	2,183,029	4.35
Aust Executor Trustees NSW Ltd <Tea Custodians Limited>	1,692,809	3.38
UBS Wealth Management	1,055,833	2.11
Queensland Investment Corporation	890,380	1.78
Citicorp Nominees Pty Limited <CFSIL CFS WS SMALL COMP A/C>	744,013	1.48
Citicorp Nominees Pty Limited <CFSIL CWLTH SMALL CO 7 A/C>	636,058	1.27
Mirrabooka Investments Limited	625,000	1.25
Milton Corporation Limited	607,864	1.22
ANZ Nominees Limited	590,866	1.18
SIB Holdings Pty Ltd <SIB UNIT A/C>	494,882	0.99
Citicorp Nominees Pty Limited <CFSIL CWLTH SML COS 1 A/C>	468,082	0.93
Markey Investments Pty Ltd <TA Markey & Co P/L Staff>	261,215	0.52
JDV Limited	259,197	0.52
Brendon Pty Limited<Ian Carr Super Fund A/C>	129,870	0.26
Allies Holdings Pty Ltd	126,472	0.25

ANNUAL GENERAL MEETING

The Annual General Meeting of Austbrokers Holdings Limited will be held at the Four Seasons Hotel, 199 George Street, Sydney, NSW on Wednesday, the 19th of November 2008 at 10:00am.

CORPORATE DIRECTORY

ABN 60 000 000 716

This annual report covers both Austbrokers Holdings Limited as an individual entity and the consolidated entity comprising Austbrokers Holdings Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

Directors

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

Company Secretary

S.S. Rouvray

Registered Office

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Phone: 61 2 8280 7100

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Sydney, NSW 2000

Bankers

St George Bank Limited
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North Sydney, NSW 2060

Auditors

Ernst & Young
680 George Street
Sydney, NSW 2000