



27th February 2012

The Manager
Company Announcements
Australian Securities Exchange
Level 6, Exchange Centre,
20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam,

Re: Appendix 4D and Financial Report for the Half Year Ended 31 December 2011

Attached for immediate release is the Austbrokers Holdings Limited (AUB):

1. Appendix 4D – Half-Year Report 31 December 2011 and
2. Attachment A to Appendix 4D – Financial Statements for the half year ended 31 December 2011

The following associated documents will be provided separately:

- Media Release
- Presentation on the Half Year results

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'SR' followed by a stylized flourish.

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

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

ASX DISCLOSURE – APPENDIX 4D

Half-Year Report – 31 December 2011

Under Listing Rule 4.2.A.3 of the Australian Stock Exchange Limited (the “ASX”), the following information must be given to the ASX.

1. Reporting Period

Current reporting period – six months ended 31 December 2011

Previous corresponding period – six months ended 31 December 2010

2. Results for Announcement to the Market

			\$000
2.1	Revenue from ordinary activities	up 10.5% to	59,386
2.2	Profit from ordinary activities after tax attributable to members	up 29.0% to	11,214
2.3	Net profit attributable to members	up 29.0 % to	11,214
2.4	Dividends		

	Amount Per Security	Franking at 30% Tax Rate	Franked Amount Per Security
Interim Dividend	9.5 cents	100%	9.5 cents

Record date for determining entitlement to the interim dividend.

Tuesday, 10 April 2012

A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood is contained in the Directors’ Report section of the Half-Year Report – 31 December 2011 attached as Attachment A.

3. Net Tangible Assets Per Security

31 December 2011	\$1.430
31 December 2010	\$1.195

4. Entities Over Which Control has been Gained or Lost During the Period

Control has been gained or lost over the following entities during the period.

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

	Date	Contribution to Profit	
		2011	2010
		\$	\$
Austbrokers Gladstone Pty Ltd	November 2011	Nil	Nil
Austbrokers Financial Services (Gladstone) Pty Ltd	November 2011	Nil	Nil
Longitude Insurance Pty Ltd	July 2011	Nil	Nil

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

None

5. Dividends

On 27 February 2012, the Directors declared a fully franked interim dividend of 9.5 cents per share. This dividend is payable on 27 April 2012. Based on issued shares of 55,545,576 shares, this dividend will total \$5,276,830.

6. Dividend Reinvestment Plan

The proposed dividend of 9.5 cents per share will be eligible for reinvestment under the Company's Dividend Reinvestment Plan (DRP). The DRP will be open to future dividends until further notice.

For shareholders to be eligible for the DRP in relation to the interim dividend for the year ended 30 June 2012 elections will need to be received by the share registry by 5pm on 9 April 2012.

If a shareholder has previously submitted an election to participate in the DRP, those instructions will apply to the forthcoming interim dividend and all future dividends. If a shareholder wishes to vary its participation status, a notice of variation must be received by the share registry by 5pm on 11 April 2012 in order to be effective for the forthcoming interim dividend.

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

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

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

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

7. Associates and Joint Venture Entities

Details of associates are shown in the Half-Year Financial Report.

8. Accounting Standards Applied to Foreign Entities

Not Applicable.

9. Audit Dispute or Qualification

There is no audit dispute or qualification. Refer to the Independent Review Report to the members of Austbrokers Holdings Limited dated 27 February 2012 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2011 attached as Attachment A.

Austbrokers Holdings Limited

ABN 60 000 000 715

Appendix 4D Attachment A

Financial Report
for Half-Year Ended
31 December 2011

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2011



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

	PAGE
DIRECTORS' REPORT	1-2
INCOME STATEMENT	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF CASH FLOWS	6
STATEMENT OF CHANGES IN EQUITY	7-8
NOTES TO THE FINANCIAL STATEMENTS	
Note 1 Corporate information	9
Note 2 Basis of preparation of half year financial statements	9
Note 3 Changes in accounting policies and disclosures, interpretations and new accounting standards,	9
Note 4 Revenue and expenses	10
Note 5 Income tax	11
Note 6 Earnings per share	11
Note 7 Cash and cash equivalents	12-15
Note 8 Dividends paid and proposed	16
Note 9 Trade and other receivables (current)	16
Note 10 Other financial assets (current)	16
Note 11 Trade and other receivables (non-current)	17
Note 12 Investment in associates	17-18
Note 13 Other financial assets (non-current)	18
Note 14 Shares in controlled entities	18
Note 15 Plant and equipment	19
Note 16 Intangible assets and goodwill	19
Note 17 Share-based payment plans	20
Note 18 Trade and other payables	20
Note 19 Provisions	21
Note 20 Interest bearing loans and borrowings	21
Note 21 Issued capital	22
Note 22 Segment information	23
Note 23 Commitments and contingencies	23
Note 24 Subsequent events	23
 DIRECTORS' DECLARATION	 24
INDEPENDENT REVIEW REPORT	25
AUDITOR'S INDEPENDENCE DECLARATION	26

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Directors' Report

Your directors submit their report for the half-year ended 31 December 2011.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for the whole period unless otherwise stated.

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

REVIEW AND RESULTS OF OPERATIONS

Results for Half-year

Net profit after tax attributable to equity holders of the parent increased by 29% to \$11,214 million (2010: \$8,695 million). This profit includes after tax profits on sale of interests in associates and controlled entities and an adjustment to the contingent consideration on the acquisition of a controlled entity. The profit for the half year also includes an income tax credit arising from recognition of a deferred tax asset in relation to prior years' share based payment expense. If the above mentioned items, together with the amortisation of intangibles are excluded (as shown in the table below), the net profit (Adjusted NPAT) was \$11,461 million in 2011 (2010: \$9,799 million). In the table below, the Adjusted NPAT of \$11,461 million is reconciled to the net profit attributable to equity holders of the parent as reported in the Income Statement.

	2011 \$'000	2010 \$'000	INCREASE %
Adjusted NPAT from operations attributable to equity holders of the parent	11,461	9,799	17.0%
Adjustment to contingent consideration on acquisition of controlled entity (no income tax applicable*)	398	-	
Net Profit after tax on sale or reduction of interests in associates and controlled entities*	-	165	
Income tax credit arising from recognition of deferred tax asset on prior years share based payment expense*	631	-	
Net Profit after tax from operations before amortisation of intangibles	12,490	9,964	
Less Amortisation of intangibles (net of tax credit)*	(1,276)	(1,269)	
Net profit attributable to equity holders of the parent as reported in the Income Statement	11,214	8,695	29.0%

*This information has been extracted from the consolidated financial statements which have been subject to review by the company's auditors

Overview

Excluding items shown in the above table which are not necessarily recurring income and amortisation of intangibles which is a non-cash expense, Adjusted NPAT increased by 17% over the corresponding period last year. Growth from the existing broker network, including bolt on acquisitions made, was the main driver for this profit growth, contributing to the increase in profit over the corresponding prior period of 14.7%. This included a contribution of 1.5% from the acquisition of Country Wide Insurance Brokers.

Total commission and fee income in the broker network increased by 15.6% and total income by 12.9% over the prior period reflecting the contribution from direct and bolt on acquisitions as well as growth in existing businesses. Expenses increased by 12.8% reflecting acquisitions, direct expenses relating to income growth and inflation.

Underwriting agency profits were 59% above last year due to acquisitions and growth in business. Income overall increased by 53% with commission and fees excluding profit commissions increasing by 55%. Expenses increased by 46% due to acquisitions and additional resourcing to support growth. Excluding acquisitions the growth in profit was 25%. The increase in profit contributed 5.3% of the overall profit growth.

Corporate expenses excluding borrowing costs were 11.0% above the corresponding prior period reflecting higher IT costs and some administration expenses which reduced overall profit growth by 3.4%.

Corporate interest earned increased due to the increase in the amount of cash held. This increase had the effect of increasing overall profit growth by 1.1%.

The Group's results compared to the prior corresponding period reflect the growth achieved in the underlying broking businesses including bolt on acquisitions and the increase in underwriting agency profits also including direct acquisitions. This growth has been achieved with only moderate premium rate increases, largely in the property classes, and places the Group in a good position for the remainder of the year.

Directors' Report (continued)

DIVIDEND PAYMENTS

A final dividend of \$9.421 million was paid in October 2011.

The Directors have declared a fully franked interim dividend of 9.5 cents per share payable to shareholders at the record date of 10 April 2012 which will be paid 27 April 2012.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events occurring after the balance date

ROUNDING

The amounts contained in the half-year financial report and this report have been 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

Signed in accordance with a resolution of the directors.



W L McKeough

Director

Sydney, 27 February 2012

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		Consolidated	
		6 months ended	6 months ended
	Notes	31 December 2011	31 December 2010
		\$'000	\$'000
Revenue	4 (i)	46,804	42,537
Other income	4 (ii)	3,441	3,244
Share of profit of associates	4 (iii)	8,743	7,696
Other expenses	4 (iv)	(42,432)	(39,520)
Finance costs	4 (v)	(1,241)	(1,224)
Profit from sale of interests in controlled entities, associates and broking portfolios and adjustment in contingent consideration on acquisition of controlled entity	4(vi), 7	398	249
Profit before income tax		15,713	12,982
Income tax expense	5	2,821	2,856
Net Profit after tax for the period		12,892	10,126
Net Profit after tax for the period attributable to:			
Equity holders of the parent		11,214	8,695
Non-controlling interests		1,678	1,431
		12,892	10,126
Basic earnings per share (cents per share)	6	20.36	16.29
Diluted earnings per share (cents per share)	6	20.14	16.07

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Notes	Consolidated	
		6 months ended 31 December 2011 \$'000	6 months ended 31 December 2010 \$'000
Net Profit after tax for the period		12,892	10,126
Other comprehensive income			
Revaluation adjustments on (disposal) / step-up acquisition of broking subsidiaries during the period		-	(4)
Income tax revenue relating to components of other comprehensive income		-	1
Other comprehensive (expense) after tax for the period		-	(3)
Total comprehensive income after tax for the period		12,892	10,123
Total comprehensive income after tax for the period attributable to:			
Equity holders of the parent		11,214	8,695
Non-controlling interests		1,678	1,428
		12,892	10,123

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		Consolidated	
	Notes	As at 31 December 2011 \$'000	As at 30 June 2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	41,033	37,326
Cash and cash equivalents - Trust	7	65,474	65,008
Trade and other receivables	9	62,668	102,090
Other financial assets	10	1,221	679
Total Current Assets		170,396	205,103
Non-current Assets			
Trade and other receivables	11	1,372	173
Investment in associates	12	76,829	78,690
Other financial assets	13	173	182
Property, plant and equipment	15	5,028	4,508
Intangible assets and goodwill	16	75,628	74,961
Deferred income tax asset		4,227	3,710
Total Non-current Assets		163,257	162,224
TOTAL ASSETS		333,653	367,327
LIABILITIES			
Current Liabilities			
Trade and other payables	18	123,846	160,017
Income tax payable	5	2,690	4,718
Provisions	19	7,436	8,194
Interest bearing loans and borrowings	20	899	622
Total Current Liabilities		134,871	173,551
Non-current Liabilities			
Trade and other payables	18	-	-
Provisions	19	1,795	1,510
Deferred tax liabilities		3,898	4,671
Interest bearing loans and borrowings	20	33,792	34,279
Total Non-current Liabilities		39,485	40,460
TOTAL LIABILITIES		174,356	214,011
NET ASSETS		159,297	153,316
EQUITY			
Issued capital	21	73,139	70,750
Retained earnings		68,757	65,349
Share based payments reserve		2,370	2,255
Asset revaluation reserve		2,375	2,656
Equity attributable to equity holders of the parent		146,641	141,010
Non-controlling interests		12,656	12,306
TOTAL EQUITY		159,297	153,316

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		Consolidated	
		6 months ended	6 months ended
	Notes	31 December 2011	31 December 2010
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		49,837	49,646
Net increase in cash held in customer trust accounts		466	1,118
Dividends/trust distributions received		11,044	9,533
Interest received		3,441	2,224
Management fees received from associates / related entities		952	751
Payments to suppliers and employees		(43,563)	(41,990)
Interest paid		(1,171)	(1,224)
Income tax (paid)		(5,248)	(3,836)
NET CASH FLOWS FROM OPERATING ACTIVITIES		15,758	16,222
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payment for increase in interests in controlled entity	7 (b)	-	(164)
Payment for new broking portfolios purchased by members of the economic entity	7 (d)	(1,525)	(292)
Payment for new associates	7 (e)	(184)	-
Payment for new consolidated entity, net of cash acquired	7 (g)	-	(2,157)
Proceeds from sale of consolidated broking portfolios	7 (h)	-	35
Proceeds from reduction in interest of controlled entity	7 (a) (i)	498	1,461
Payment for purchase of other financial assets		(1)	(143)
Proceeds from sale of plant and equipment		89	106
Payment for plant and equipment		(1,199)	(588)
Advances of mortgages to associates / related entities		(1,807)	(246)
Proceeds from mortgage repayments from associates / related entities		1,275	388
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(2,854)	(1,600)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid to shareholders		(9,421)	(4,566)
Dividends paid to shareholders of non controlling interests		(1,531)	(1,472)
Payment for deferred settlement on prior year acquisitions		(12)	(1,312)
Proceeds from issue of share capital resulting from options exercised		2,389	223
Net proceeds from issue of share capital resulting from underwritten dividend reinvestment plan		-	4,453
Net decrease in borrowings and lease liabilities		(210)	(4)
Repayments from related entities		54	495
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(8,731)	(2,183)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,173	12,439
Cash and cash equivalents at beginning of the period		102,334	80,987
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	106,507	93,426

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Issued Capital \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Share based payment reserve \$'000	Total \$'000	\$'000	\$'000
CONSOLIDATED							
At 1 July 2010	60,844	56,387	3,234	1,833	122,298	12,276	134,574
Profit for the period	-	8,695	-	-	8,695	1,431	10,126
Reversal of revaluation adjustments on step up acquisition relating to acquisition of additional equity of controlled entity	-	-	-	-	-	(4)	(4)
Tax effect of revalued broking register	-	-	-	-	-	1	1
Total comprehensive income for the six months 1 July 2010 to 31 December 2010	-	8,695	-	-	8,695	1,428	10,123
Adjustment to non-controlling interests from loss of control on sale of controlled entity	-	-	-	-	-	(426)	(426)
Adjustment to asset revaluation reserve on acquisition of non-controlling interests on step up acquisitions that occurred in prior periods.	-	-	3	-	3	(3)	-
Transfer to retained earnings on acquisition of additional equity of controlled entity	-	(125)	-	-	(125)	(39)	(164)
Transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	-	418	(418)	-	-	-	-
Tax effect on transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	-	(126)	126	-	-	-	-
Share-based payment expense	-	-	-	213	213	-	213
On 14 July 2010 allotted 45,000 shares at an issue price of \$2.00 on exercise of options	90	-	-	-	90	-	90
On 14 July 2010 allotted 38,300 shares at an issue price of \$3.47 on exercise of options.	133	-	-	-	133	-	133
Issued capital resulting from net proceeds from Dividend Reinvestment Plan	7,798	-	-	-	7,798	-	7,798
Equity dividends	-	(7,911)	-	-	(7,911)	(1,472)	(9,383)
At 31 December 2010	68,865	57,338	2,945	2,046	131,194	11,764	142,958
Total comprehensive income for the six months 1 January 2011 to 30 June 2011	-	12,670	-	-	12,670	2,226	14,896
Issue of shares to non controlling interests relating to new acquisitions	-	-	-	-	-	90	90
Adjustment to asset revaluation reserve on acquisition of non-controlling interests on step up acquisitions	-	-	5	-	5	-	5
Transfer to retained earnings on acquisition of additional equity of controlled entity	-	(335)	-	-	(335)	(75)	(410)
Transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	-	420	(420)	-	-	-	-
Tax effect on transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	-	(126)	126	-	-	-	-
Share-based payment expense	-	-	-	209	209	-	209
Issued capital resulting from net proceeds from Dividend Reinvestment Plan	1,885	-	-	-	1,885	-	1,885
Equity dividends	-	(4,618)	-	-	(4,618)	(1,699)	(6,317)
At 30 June 2011	70,750	65,349	2,656	2,255	141,010	12,306	153,316

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	<i>Attributable to equity holders of the parent</i>					<i>Non-controlling interest</i>	<i>Total equity</i>
	Issued Capital \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Share based payment reserve \$'000	Total \$'000	\$'000	\$'000
CONSOLIDATED							
At 1 July 2011	70,750	65,349	2,656	2,255	141,010	12,306	153,316
Profit for the period	-	11,214	-	-	11,214	1,678	12,892
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the six months 1 July 2011 to 31 December 2011	-	11,214	-	-	11,214	1,678	12,892
Adjustment to asset revaluation reserve on part sale of controlled entity	-	-	(6)	-	(6)	6	-
Profit on part sale of controlled entity treated as a transaction between owners and credited directly to retained earnings (see note 7 (a))	-	186	-	-	186	-	186
Transfer to non controlling interest on 10% share of net assets on part sale of controlled entity (see note 7(a))	-	-	-	-	-	197	197
Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	392	(392)	-	-	-	-
Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	(117)	117	-	-	-	-
Cost of share-based payment	-	-	-	115	115	-	115
Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options	-	760	-	-	760	-	760
Tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense). See note 2	-	394	-	-	394	-	394
On 21 September 2011 allotted 420,850 shares at an issue price of \$2.00	842	-	-	-	842	-	842
On 21 September 2011 allotted 279,250 shares at an issue price of \$3.47	969	-	-	-	969	-	969
On 21 September 2011 allotted 60,600 shares at an issue price of \$4.20	254	-	-	-	254	-	254
On 12 December 2011 allotted 16,524 shares at an issue price of \$4.22	70	-	-	-	70	-	70
On 12 December 2011 allotted 38,900 shares at an issue price of \$3.47	135	-	-	-	135	-	135
On 12 December 2011 allotted 30,150 shares at an issue price of \$4.20	127	-	-	-	127	-	127
Share issue expenses	(8)	-	-	-	(8)	-	(8)
Equity dividends	-	(9,421)	-	-	(9,421)	(1,531)	(10,952)
At 31 December 2011	73,139	68,757	2,375	2,370	146,641	12,656	159,297

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

The financial report of Austbrokers Holdings Limited for the six months ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 27 February 2012.

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

The principal activities during the period 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

Basis of preparation of the half year financial statements

The general purpose condensed financial statements for the half year ended 31 December 2011 have been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

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

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except as noted below.

- During the period, Austbrokers Holdings Ltd, has established an employee share trust to acquire shares, either issued to it by Austbrokers Holdings Limited, or purchased on the open market, to satisfy option grants. This trust overcomes the restriction on entities having direct holdings of their own shares, enables shares to be purchased and held to satisfy option grants. Austbrokers Holdings Limited is entitled to a tax deduction for the amount paid to the trust to enable the acquisition of shares, reduced by the amounts received from employees in relation to the option exercise price

A Deferred Tax Asset and corresponding tax credit has been recognised during the period for the share based payments expense, relating to unexercised options. The estimated future tax benefit booked as a deferred tax asset is based on the expectation that Austbrokers Holdings Limited will become entitled to a tax deduction as the options are exercised. The tax benefit booked in the income statement is limited to the tax credit on the amount expensed in the profit and loss account as required to be recognised by AASB2 in respect of those options issued. Any tax benefit arising in excess of the amount booked in the income statement will be credited directly to equity.

A Deferred Tax Asset has been recognised for the tax benefit arising from the expected future payments to be made to acquire shares to satisfy the exercise of options. The tax benefit has been calculated on vested and partially vested options, which were unexercised at balance date using the share price on that date. The tax benefit is recorded in equity and calculated net of the total of the option exercise price and the amount previously included in the share based payment expense.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated group as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Austbrokers Holdings Limited in accordance with the continuous disclosure obligations of the ASX listing rules.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES, INTERPRETATIONS AND NEW ACCOUNTING STANDARDS,

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

- The definition now identifies a controlled entity and an associate with the same investor as a related party of each other
- Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other
- The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

The adoption of the amendment did not have any impact on the financial position or performance of the Group

- (b) There were no other changes to accounting policies and disclosures during the six months ended 31 December 2011. All accounting policies and disclosures are included in the 30 June 2011 annual report.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	6 months ended	6 months ended
	31 December 2011	31 December 2010
	\$'000	\$'000
4. REVENUE AND EXPENSES		
(i) Revenue		
Commission, Brokerage and Fee Income	45,852	41,786
Management fees	952	751
Total revenue	46,804	42,537
(ii) Other income		
Dividends from controlled entities	-	-
Interest from related	48	64
Interest from other persons / corporations	2,580	2,160
Other income	813	1,020
Total other income	3,441	3,244
(iii) Share of profit of associates		
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	9,432	8,328
Amortisation of Intangibles - Associates	(689)	(632)
Total share of profit of associates	8,743	7,696
(iv) Other expenses		
Amortisation of Intangibles - controlled entities	1,198	1,243
Salaries and wages	26,706	24,250
Share-based payments	115	213
Audit fees	391	356
Travel/Telephone/ Motor/Stationery	2,103	1,849
Depreciation of property plant and equipment	590	759
Other expenses	5,186	4,870
Rent (operating leases)	2,235	2,092
Commission expense	2,764	2,739
Insurance	1,144	1,149
Total other expenses	42,432	39,520
(v) Finance costs		
Borrowing costs	1,241	1,224
Total finance costs	1,241	1,224
(vi) Profit from sale of interests in associates and controlled entities/adjustment to contingent consideration on acquisition		
Profit from sale of interests in associates and controlled entities (see note 7(h),(i))	-	249
Adjustment to contingent consideration on acquisition of controlled entity (see note 7(g))	398	-
Total Profit from sale of interests in associates and controlled entities	398	249

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	6 months ended 31 December 2011 \$'000	6 months ended 31 December 2010 \$'000
5. INCOME TAX		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:		
Profit before income tax	15,713	12,982
At the company's statutory income tax rate of 30% (2010:30%)	4,714	3,895
Non assessable income from associated entities	(1,221)	(1,112)
Capital gains tax	-	62
Under/(Over) provision prior year	37	(142)
Adjustment to contingent consideration on acquisition of controlled entity	(119)	-
Income tax credit arising from recognition of deferred tax asset on prior years' share based payment expense	(631)	-
Share based payments	-	63
Non deductible expenses/other	41	90
Income tax expense reported in the consolidated income statement	2,821	2,856
	31 December 2011 \$'000	30 June 2011 \$'000
Provision for income tax	2,690	4,718

6. EARNINGS PER SHARE (EPS)

(a) Earnings used in calculating EPS

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

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 period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(b) Changes in weighted average number of shares

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	As at 31 December 2011 \$'000	As at 31 December 2010 \$'000
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	41,033	35,161
Cash and cash equivalents - Trust	65,474	58,265
Total cash and cash equivalents	106,507	93,426

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

Business combinations

All the business combinations referred to in note 7(a) - 7(g) relate to insurance broking or underwriting agency businesses.

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

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

Equity transactions between owners - current year

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

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

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

7. CASH AND CASH EQUIVALENTS (Continued)
Business combinations (continued)

Equity transactions between owners - previous year

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

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

	Carrying value \$'000
Cash	491
Receivables	42
Intangibles	210
TOTAL ASSETS	743
Payables and provisions	285
Deferred Tax Liabilities	63
TOTAL LIABILITIES	348
NET ASSETS	395
Non controlling interest share - acquired	39
Purchase price - cash paid	164
Transfer to reserves	125

New business combinations -current year

- c) During the current period, the consolidated entity acquired 100% of three newly incorporated entities, Austbrokers Gladstone Pty Ltd, Austbrokers Financial Services (Gladstone) Pty Ltd and Longitude Insurance Pty Ltd for \$100 each.
- d) The Consolidated Entity acquired broking portfolios by way of business combinations as follows:

The controlled entities below acquired 100% of broking portfolios which included an element of contingent consideration which is finally determined on a multiple of commission and fees achieved in the financial year immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between \$185,000 and \$264,000. The fair value of this contingent consideration has been estimated as \$211,000

	<i>Austbrokers RWA Pty Ltd</i>	<i>Austbrokers Terrace Insurance Brokers Pty Ltd</i>	Consolidated Fair value recognised on acquisition	
	<i>Portfolio acquired 1 October 2011 \$'000</i>	<i>Portfolio acquired 1 July 2011 \$'000</i>	Total 6 months ended 31 December 2011 \$'000	Total 6 months ended 31 December 2010 \$'000
Intangibles	273	157	430	208
Deferred tax liabilities	(82)	(47)	(129)	(63)
Fair value of assets acquired	191	110	301	145
less:				
Purchase price - cash paid	895	630	1,525	292
contingent consideration on portfolio acquisition	211	-	211	-
Goodwill arising on acquisition	915	520	1,435	147

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.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of associates during current year

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

Business combinations - previous period

- f) During the previous period, the consolidated entity acquired 51% of two newly incorporated entities, Construction Underwriting Pty Ltd and Breakdown Underwriting Pty Ltd for \$51 each.
- g) On 30 November 2010, the Consolidated Entity acquired 100% of the voting shares of Cemac Pty Ltd for \$4,617,029

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

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

The acquisition of 100% of Cemac Pty Ltd was effective on 30 November 2010. The acquisition contributed \$21,000 to prior period net profit before tax and \$61,000 to revenue. Had the acquisition taken place at the beginning of the prior period, the profit before tax contribution would have increased by \$306,000 and revenue by \$542,000.

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

The contingent consideration was revised at 31 December 2011. The actual commission and fee income on which the contingent consideration was based was less than originally estimated resulting in a reduction of \$398,168 which has been included in the income statement for the current period.

The deferred payment for net tangible assets of \$11,462 was paid in December 2011.

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.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

7. CASH AND CASH EQUIVALENTS (Continued)

	Consolidated 6 months ended 31 December 2011 \$'000	6 months ended 31 December 2010 \$'000
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Disposals - previous period

- h) The Consolidated Entity disposed of broking portfolios as follows:

Book value of assets disposed
Intangibles net of amortisation
Goodwill

	-	-
	-	-

Book value assets disposed.

	-	-
--	---	---

Proceeds from sale of broking portfolio

	-	35
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Profit on sale of broking portfolio

	-	35
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The Consolidated Entity disposed of controlled entities as follows:

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

Carrying value of interest disposed

	-	1,033
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Unrealised profit on sale of controlled entity to associate

	-	214
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Proceeds received on disposal of controlled entity

	-	1,461
--	---	-------

Profit on sale (pre tax)

	-	214
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Cash outflow on disposal is as follows;

Net cash reduction on deconsolidation of controlled entity

	-	-
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Cash received on disposal of controlled entity

	-	1,461
--	---	-------

Net cash inflow

	-	1,461
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Total profit on disposals

see note

7 (h) (i)

	-	249
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AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	6 months ended 31 December 2011 \$'000	6 months ended 31 December 2010 \$'000
8. DIVIDENDS PAID AND PROPOSED		
Equity dividends on ordinary shares:		
(a) Dividends paid during the period		
Final franked dividend for financial year ended 30 June 2010: 15.0 cents	-	7,911
Final franked dividend for financial year ended 30 June 2011: 17.0 cents	9,421	-
Total dividends paid in current period	9,421	7,911
In addition to the above, dividends paid to non controlling interests totalled \$1,531,000 (2010: \$1,472,000).		
(b) Dividends proposed and not recognised as a liability		
Interim franked dividend for financial year ended 30 June 2011: 8.5 cents	-	4,619
Interim franked dividend for financial year ended 30 June 2012: 9.5 cents	5,277	-
	5,277	4,619
Dividends paid per share (cents per share)	17.0	15.0
Dividends proposed per share (cents per share) not recognised at balance date	9.5	8.5

	Consolidated	
	As at 31 December 2011 \$'000	As at 30 June 2011 \$'000
9. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	7,025	6,676
Amount due from customers on broking/underwriting agency operations	55,140	94,739
Related party receivables		
- other related	503	675
Total receivables (current)	62,668	102,090

The reduction in receivables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year.

10. OTHER FINANCIAL ASSETS (CURRENT)		
Mortgages - related entities (amortised cost)	1,221	679
Mortgages - other (amortised cost)	-	-
Total other financial assets (current)	1,221	679

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

			Consolidated	
			As at 31 December 2011 \$'000	As at 30 June 2011 \$'000
11. TRADE AND OTHER RECEIVABLES (NON CURRENT)				
Trade receivables			1,239	40
Loans to associated entities			133	133
Total receivables (non current)			1,372	173
12. INVESTMENT IN ASSOCIATES				
Investments at equity accounted amount:				
Associated entities - unlisted shares			76,829	78,690
Equity accounted				
Name	Dec-11 %	Jun-11 %	As at 31 December 2011 \$'000	As at 30 June 2011 \$'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,981	3,173
Adroit Insurance Brokers Pty Ltd	49.9	49.9	2,259	2,192
Austbrokers RIS Pty Ltd	49.9	49.9	2,259	2,374
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	-	-
Bruce Park Pty Ltd trading as Fergusons Financial Services	49.9	49.9	1,426	1,364
Citycover (Aust) Pty Ltd	49.9	49.9	1,650	1,693
Comsure Insurance Brokers Pty Ltd	49.9	49.9	792	746
Insurance Advisemet Australia Pty Ltd/ Insurance Advisemet				
Australia Unit Trust and controlled entity	49.9	49.9	15,045	15,659
Insurance Advisemet Holdings Unit Trust	49.9	49.9	367	317
Insuries Pty Ltd	50.0	50.0	1,219	1,247
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	806	751
Markey Group Pty Ltd	49.9	49.9	2,699	2,961
MGA Management Services Pty Ltd	49.9	49.9	6,289	6,090
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	12	22
Northlake Holdings Pty Ltd trading as Country Wide Insurance				
Brokers	50.0	50.0	4,668	4,664
Peter L Brown & Associates Pty Ltd	49.9	49.9	438	616
Power Insurance Brokers Pty Ltd and controlled entity	49.9	49.9	-	895
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,461	3,138
Secure Enterprises Pty Ltd / Strathearn Insurance Brokers Unit				
Trust	49.9	49.9	17,934	18,266
Parkstar Enterprises Pty Ltd / Strathearn Insurance Brokers				
(Qld) Unit Trust	49.9	49.9	4,680	5,044
Supabrook Pty Ltd trading as Austbrokers HCI	49.9	49.9	778	785
SRG Group Pty Ltd	50.0	50.0	2,015	1,983
Western United Financial Services Pty Ltd and controlled				
entity	49.9	49.9	927	1,013
Countrywide Tolstrup Financial Services Group Pty Ltd /				
Countrywide Tolstrup Group Unit Trust	49.9	49.9	1,820	1,875
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance				
Brokers Unit Trust and consolidated entities	49.9	49.9	457	264
Oxley Insurance Brokers Pty Ltd /Coffs Harbour Unit Trust	37.5	37.5	148	90
Tasman Underwriting Agency Pty Ltd	50.0	50.0	434	412
Millennium Underwriting Agency Pty Ltd *	18.4	0.0	224	-
Celestial Underwriting Agency Pty Ltd	50.0	50.0	1,041	1,056
			76,829	78,690

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

12. INVESTMENT IN ASSOCIATES (continued)

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

- (a) The principal activity of each associate - insurance broking, except for Tasman Underwriting Agency Pty Ltd, Celestial Underwriting Agency Pty Ltd and Millennium Underwriting which are underwriting agents.
- (b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust where voting power is 37.5% and Millennium Underwriting where the voting power is 18.36%.
- (c) The reporting date of each associate is 31 December 2011 (prior period reporting date 31 December 2010).
- (d) There have been no significant subsequent events affecting the associates' profits for the period.
- (e) There were no impairment issues relating to the investment in associates.
- (f) All associates, including unit trusts, were incorporated or established in Australia.

	Consolidated 6 months ended 31 December 2011 \$'000	6 months ended 31 December 2010 \$'000
(g) The group's share of associates' profits/(losses)		
Share of associates':		
Revenue	41,223	35,601
Operating profits before income tax	11,381	10,172
Amortisation of intangibles	(689)	(632)
Net profit before income tax	10,692	9,540
Income tax expense attributable to operating profits	(1,949)	(1,844)
Share of associates' net profits	8,743	7,696

13. OTHER FINANCIAL ASSETS (NON CURRENT)

	As at 31 December 2011 \$'000	As at 30 June 2011 \$'000
Mortgages - related entities (amortised cost)	50	60
Mortgages - other (amortised cost)	-	-
Other	123	122
	173	182

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

14. SHARES IN CONTROLLED ENTITIES

A full list of controlled entities is contained in the 30 June 2011 financial statements..

During the current period, the following transactions occurred;

- The consolidated entity acquired 100% of three newly incorporated entities, Austbrokers Gladstone Pty Ltd, Austbrokers Financial Services (Gladstone) Pty Ltd and Longitude Insurance Pty Ltd for \$100 each.
- On 1 July 2011, the Consolidated entity disposed of 10% of the voting shares of Austbrokers Citystate Pty Ltd for \$497,691 reducing the equity to 90%.
- Austbrokers Holdings Limited established an employee share trust, to acquire shares, either issued to it by Austbrokers Holdings Limited, or purchased on the open market, to satisfy option grants.

During the prior period, the following transactions occurred;

- On 17 August 2010, the Consolidated group acquired a further 10% equity interest in Austbrokers Trade Credit Pty Ltd for \$164,000.
- The Consolidated group acquired 51% interests in two newly incorporated entities, Construction Underwriting Pty Ltd and Breakdown Underwriting Pty Ltd for \$51 each.
- On 30 November 2010, the Consolidated group disposed of 100% of its voting shares in Adroit Hume to an associated group for \$1,460,783
- On 30 November 2010, the Consolidated group acquired 100% of the voting shares in Cemac Pty Ltd for \$4,617,029 including a contingent consideration on this acquisition of \$1,442,029. The contingent consideration is expected to be paid by March 2012. At 31 December 2011, the contingent consideration was reduced by \$398,168 after taking into account actual commission and fee income booked during the period 1 December 2010 and 30 November 2011. The reduction in contingent consideration has been included in the income statement for the current period (see note 4(vi)).

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	As at 31 December 2011 \$'000	As at 30 June 2011 \$'000
15. PLANT AND EQUIPMENT		
Property	703	703
Plant and equipment	11,411	10,845
Motor Vehicles	1,150	1,180
Total cost	13,264	12,728
Depreciation		
Property	65	59
Plant and equipment	7,739	7,742
Motor Vehicles	432	419
Total Accumulated Depreciation	8,236	8,220
Net carrying amount at end of period		
Property	638	644
Plant and equipment	3,672	3,103
Motor Vehicles	718	761
Net Carrying value	5,028	4,508
16. INTANGIBLE ASSETS AND GOODWILL		
Goodwill	64,476	63,041
Insurance Broking Registers	26,397	25,967
Total cost	90,873	89,008
Amortisation		
Goodwill	-	-
Insurance Broking Registers	15,245	14,047
Total Accumulated Amortisation	15,245	14,047
Net carrying amount at end of period		
Goodwill	64,476	63,041
Insurance Broking Registers	11,152	11,920
Net Carrying value	75,628	74,961

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

17. SHARE-BASED PAYMENT PLANS

Employee Share Option Plan

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

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

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

	As at 31 December 2011 No.	As at 30 June 2011 No.
Share Options		
Outstanding at the beginning of the year	2,007,541	2,012,633
Granted during the period: Zero priced options	56,591	78,208
Exercised during the period: Options issued during 2005	(420,850)	(45,000)
Exercised during the period: Options issued during 2006	(318,150)	(38,300)
Exercised during the period: Options issued during 2007	(90,750)	-
Exercised during the period: Options issued during 2008	(57,090)	-
Lapsed during the period: Options issued during 2008	(6,470)	-
Lapsed during the period: Options issued during 2009	(10,287)	-
Lapsed during the period: Options issued during 2010	(10,437)	-
Outstanding at the end of the period	<u>1,150,098</u>	<u>2,007,541</u>

During the period the following options were issued or exercised

- 56,591 Share options were granted on 31 October 2011, exercisable 3 years from 15 October 2011 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$6.28
- 420,850 Share options were exercised on 21 September 2011 at an exercise price of \$2.00. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$6.2981.
- 279,250 share options were exercised on 21 September and 38,900 share options were exercised on 12 December 2011 at an exercise price of \$3.47. The volume weighted average price for 5 business days prior to the date the options were exercised was \$6.2981 and \$6.2397 respectively.
- 60,600 share options were exercised on 21 September and 30,150 share options were exercised on 12 December 2011 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised were \$6.2981 and \$6.2397 respectively.
- 16,524 Share options were exercised on 21 September 2011 at an exercise price of \$4.22. The volume weighted average price for 5 business days prior to the date the options were exercised was \$6.2981.
- 40,566 Share options were exercised on 12 December 2011 at an exercise price of \$NIL. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$6.2397.
- 78,208 Share options were granted on 15 October 2010, exercisable 3 years from 15 October 2010 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$5.06
- 45,000 Share options were exercised on 29 July 2010 at an option price of \$2.00. The average market price on the date the options were exercised was \$4.81
- 38,300 Share options were exercised on 29 July 2010 at an exercise price of \$3.47. The average market price on the date the options were exercised was \$4.81
- Share options were granted during the period on similar terms and conditions as options outstanding at 30 June 2011, as noted in the annual report.
- The share-based payments expense recognised in the consolidated income statement is included in note 4 (iv) Expenses.

18. TRADE AND OTHER PAYABLES

Current

	Consolidated As at 31 December 2011 S'000	As at 30 June 2011 S'000
Trade payables	5,747	7,928
Amount payable on broking/underwriting agency operations	108,759	142,755
Other payables	9,303	9,179
Related party payables		
- Related entities	<u>37</u>	<u>155</u>
	<u>123,846</u>	<u>160,017</u>

Non-current

Trade payables	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The reduction in payables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year and therefore a higher level of payments to insurers are payable.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	As at 31 December 2011 S'000	As at 30 June 2011 S'000
19. PROVISIONS		
Employee entitlements	8,695	9,142
Make good provision	536	562
Balance at the end of the period	9,231	9,704
Current	7,436	8,194
Non-current	1,795	1,510
	9,231	9,704
20. INTEREST BEARING LOANS AND BORROWINGS		
Current		
Obligations under finance leases and hire purchase contracts	378	472
Unsecured loan from other related parties	16	150
Secured bank loan *	505	-
	899	622
Non-current		
Obligations under finance leases and hire purchase contracts	429	481
Unsecured loan from other parties	67	67
Secured bank loan *	33,296	33,731
	33,792	34,279
<i>Summary of secured bank loans</i>		
<i>St George Bank</i>	31,550	31,846
<i>Macquarie Bank</i>	342	382
<i>National Australia Bank</i>	480	-
<i>Commonwealth Bank</i>	1,429	1,503
Total secured bank loans	33,801	33,731

* The Consolidated Entity has negotiated facilities through various banks including St George Bank, Macquarie Bank and Commonwealth Bank. Summary of facilities through St George Bank, Macquarie Bank, National Australia Bank and Commonwealth Bank.

St George Bank Facilities

St George Bank has provided facilities to the Austbrokers Holdings Ltd Consolidated Entity amounting to \$44,091,000 (30 June 2011: \$44,091,000). At balance date these facilities have been utilised to the amount of \$30,655,000 in loan facilities and \$2,332,725 in bill acceptance/discount facilities, bank overdraft facilities and bank guarantees. The undrawn facility at 31 December was \$11,103,275 (30 June 2011: \$11,125,380). In addition to the facilities above, St George Bank have also provided facilities totalling \$1,349,523 (30 June 2011: \$1,349,523) to other controlled entities of which the undrawn amount at balance date was \$454,394 (30 June 2011: \$158,198).

Macquarie Bank facilities

Aprikeesh Pty Ltd and its controlled entities (Aprikeesh Group), negotiated with Macquarie Bank to provide finance facilities to the Aprikeesh Group amounting to \$550,000 (30 June 2011: \$550,000). At 31 December 2011 these facilities have been utilised to the amount of \$342,000. (30 June 2011: \$382,000) The undrawn amount of the facility at 31 December 2011 was \$208,000 (30 June 2011: \$168,000). The loan facility is for 5 years ending in March 2014.

National Australia Bank facilities

A controlled entity, Austbrokers Terrace Insurance Brokers Pty Ltd, negotiated a \$580,000 (30 June 2011: \$NIL) loan facility that expires on 29 July 2016. The undrawn amount of this facility at 31 December 2011 was \$100,000 (30 June 2011: NIL).

Commonwealth Bank facilities

A controlled entity, North Coast Insurance Brokers Pty Ltd has negotiated a loan facility with Commonwealth Bank for \$1,535,993 (30 June 2011: \$1,502,660) \$558,333 of the loan facility expires in September 2012. The undrawn amount of this facility at 31 December 2011 was \$53,333. The balance of the facility of \$977,660 expires in June 2018. The undrawn amount of this facility at 31 December 2011 was \$53,437. The total drawn down amount of both current and non current facilities at 31 December 2011 was \$1,429,223.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Consolidated	
	As at 31 December 2011 S'000	As at 30 June 2011 S'000
21. ISSUED CAPITAL AND RESERVES		
Issued Capital opening balance	70,750	60,844
On 14 July 2010 allotted 45,000 shares at an issue price of \$2.00	-	90
On 14 July 2010 allotted 38,300 shares at an issue price of \$3.47	-	133
Net Proceeds from Dividend Reinvestment Plan	-	9,683
On 21 September 2011 allotted 420,850 shares at an issue price of \$2.00 (net of issue costs)	839	-
On 21 September 2011 allotted 279,250 shares at an issue price of \$3.47 (net of issue costs)	966	-
On 21 September 2011 allotted 60,600 shares at an issue price of \$4.20 (net of issue costs)	252	-
On 12 December 2011 allotted 40,566 shares at an issue price of \$NIL	-	-
On 12 December 2011 allotted 38,900 shares at an issue price of \$3.47 (net of issue costs)	135	-
On 12 December 2011 allotted 30,150 shares at an issue price of \$4.20 (net of issue costs)	127	-
On 12 December 2011 allotted 16,524 shares at an issue price of \$4.22 (net of issue costs)	70	-
Issued Capital	<u>73,139</u>	<u>70,750</u>
	Shares	Shares
	No.	No.
Number of Shares on Issue (ordinary shares fully paid)	<u>55,545,576</u>	<u>54,658,736</u>
	Shares	Shares
	No.	No.
Movements in shares on issue		
Beginning of the financial year	54,658,736	52,653,687
On 14 July 2010 allotted 45,000 shares at an issue price of \$2.00	-	45,000
On 14 July 2010 allotted 38,300 shares at an issue price of \$3.47	-	38,300
On 18 October 2010, 924,835 shares were issued at \$4.9365 as a result of a Dividend Reinvestment Plan.	-	924,835
On 22 October 2010, 677,611 shares were issued at \$4.94 as a result of a Dividend Reinvestment Plan.	-	677,611
On 29 April 2011, 319,303 shares were issued at \$5.92 as a result of a Dividend Reinvestment Plan.	-	319,303
On 21 September 2011 allotted 420,850 shares at an issue price of \$2.00	420,850	-
On 21 September 2011 allotted 279,250 shares at an issue price of \$3.47	279,250	-
On 21 September 2011 allotted 60,600 shares at an issue price of \$4.20	60,600	-
On 12 December 2011 allotted 40,566 shares at an issue price of \$NIL	40,566	-
On 12 December 2011 allotted 38,900 shares at an issue price of \$3.47	38,900	-
On 12 December 2011 allotted 30,150 shares at an issue price of \$4.20	30,150	-
On 12 December 2011 allotted 16,524 shares at an issue price of \$4.22	<u>16,524</u>	<u>-</u>
Total Shares on Issue	<u>55,545,576</u>	<u>54,658,736</u>

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Consolidated	
As at	As at
31 December 2011	30 June 2011
\$'000	\$'000

22. OPERATING SEGMENTS

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

23. COMMITMENTS AND CONTINGENCIES

Finance lease and hire purchase commitments - Consolidated Group as lessee

The Consolidated 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 group that holds the lease.

Operating lease commitments - Consolidated Group as lessee

The Consolidated 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.

Contingent liabilities

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

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

1,200 1,200

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

260 260

1,460 1,460

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

24. SUBSEQUENT EVENTS

On 27 February 2012 the Directors of Austbrokers Holdings Ltd declared an interim dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is \$5,276,830 which represents a fully franked dividend of 9.50 cents per share. The dividend has not been provided for in the 31 December 2011 financial statements.

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' DECLARATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the 6 months period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (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.

On behalf of the Board



W L McKeough
Director

Sydney, 27 February 2012

To the members of Austbrokers Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austbrokers Holdings Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Austbrokers Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austbrokers Holdings Limited is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink, appearing to read 'Paul Harris'.

Ernst & Young

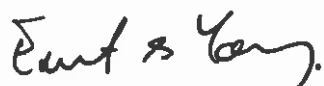
A handwritten signature in black ink, appearing to read 'Paul Harris'.

Paul Harris
Partner
Sydney

27 February 2012

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

In relation to our review of the financial report of Austbrokers Holdings Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Paul Harris'.

Paul Harris
Partner
Sydney
27 February 2012