



27th August 2012

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

Dear Sir / Madam,

Re: Market Announcement on Results for the Year ended 30th June 2012

Attached for immediate release is Austbrokers Holdings Limited (AUB) Market Announcement in relation to the results for the Year ended 30th June 2012.

Yours faithfully,

A handwritten signature in blue ink, appearing to be '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

Austbrokers increases profit for FY2012 by 20% to \$25.6 million

Highlights:

- 20% increase in consolidated Net Profit After Tax for FY2012 to \$25.6 million (FY2011 \$21.4 million)
- Final fully franked dividend of 21.5 cents per share, bringing the total distribution for FY 2012 to 31.0 cents per share, up 21.6% on FY2011
- 15% increase in Adjusted NPAT for FY2012 to \$27.4 million (FY 2011 \$23.8 million)

Austbrokers Holdings Limited (ASX: AUB) today announced a FY2012 Net Profit After Tax (NPAT) of \$25.6 million up 20% on the prior year.

Shareholders will benefit from a final dividend of 21.5 cents per share fully franked, payable on 24 October 2012. This brings the dividend for the 2012 financial year to a total of 31.0 cents per share – a 21.6% increase on FY2011.

The Net Profit After Tax of \$25.6 million included 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. It also included an income tax credit arising from the 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, the net profit after tax (Adjusted NPAT) was \$27.4 million in 2012 (2011: \$23.8 million), an increase of 15.0%.

An increase in earnings per share of 16.8% (11.9% based on Adjusted NPAT) over the prior year was achieved.

The insurance broking network contributed 10.7% to the 15% growth, 2.2% of which resulted from acquisitions. Underwriting agencies contributed 6.2%, to which acquisitions made a significant contribution. These increases were partially offset by increases in corporate expenses, finance costs and a higher effective tax rate due to the non deductibility of acquisition costs as well as an increase in other non deductible expenses.

While premium rates increased during the year, the increases were largely confined to property classes with liability rates either flat or slightly down resulting in only moderate increases overall. Economic conditions were difficult for SME's and there were also instances of clients lost through insolvencies. In this context increases in commission and fee income in the broking network (including acquisitions) of 13.9% was an excellent achievement reflecting the business model and the resilience of the network.

The acquisitions of CEMAC last year and Film Insurance Underwriting Agency in January 2012, which both complemented existing businesses and provided revenue synergies, boosted Austagencies results as it continued to build resources for future growth.

Despite the uncertain economic outlook, Austbrokers expects to continue its growth in FY2013 in both its agency and broker operations and is budgeting to achieve growth in Adjusted NPAT for FY 2013 of between 5% and 10% over FY 2012.

Shareholder Returns

The Group's total shareholder return and share price performance to 30 June 2012 has exceeded that achieved by the S&P / ASX 200 Index and the S&P / ASX All Ordinaries Index over one three and five year periods as set out in the table below.

Annualised Performance to 30 June 2012	1 Year % pa	3 Years % pa	5 Years % pa
Total shareholder return			
Austbrokers	13.5	31.2	16.8
S & P / ASX All Ordinaries Index	-9.5	7.1	-4.2
S & P / ASX 200 Index	-9.0	6.8	-4.2
Price performance			
Austbrokers	9.3	25.2	11.9
S & P / ASX All Ordinaries Index	-13.7	2.7	-8.2
S & P / ASX 200 Index	-13.4	2.2	-8.4

Austbrokers FY 2012 Results

	2012 \$' 000	2011 \$' 000	Increase / (Decrease) %
Revenue from ordinary activities	125,430	114,288	9.7
Expenses from ordinary activities	(88,254)	(82,409)	7.1
	37,176	31,879	16.6
Profit from sale of interests in controlled entities and portfolios and adjustments to contingent consideration payments	192	249	(22.9)
Profit before tax	37,368	32,128	16.3
Income tax expense	(7,697)	(7,109)	8.3
Net profit	29,671	25,019	18.6
Profit attributable to minority interest	(4,031)	(3,654)	10.3
Net Profit attributable to members	25,640	21,365	20.0

Notes

1. The after tax profits for FY2012 include a profit on adjustment of contingent consideration for an acquisition of \$0.2 million. Profits or losses may occur in future years where actual contingent payments vary from amounts originally estimated.
2. The after tax profits include profits on sale of interests in associates and controlled entities in FY2011 of \$0.2 Million (FY2012 Nil). These profits result from restructures in equity holdings and may occur from time to time.
3. Income tax expense includes a credit of \$0.6 million resulting from the recognition of a deferred tax asset in relation to prior years' share based payments expenses.
4. Revenue from ordinary activities includes the Group's share of net profit after tax from associates which are companies and the Group's share of net profits before tax from associates which are unit trusts.

Analysis of underlying profits

Profits on sale of equity interests occur from time to time as a result of the Company's owner driver strategy and the need to introduce new shareholders to businesses within the group. Also profits and losses can arise from over or under estimation of contingent consideration for acquisitions. These profits (or losses), together with the income tax credit relating to the recognition of a deferred tax asset resulting from prior years' share based payments expense, are not part of the regular trading activities and can distort the underlying performance of the business. Also amortisation of intangibles is a non cash expense and can vary due to the level of acquisitions and as existing intangibles are fully amortised.

These items have been eliminated to provide a clear representation of the underlying trading performance. This measure is referred to as the Adjusted NPAT.

Reconciliation of reported Net Profit after Tax attributable to equity holders to Adjusted NPAT is set out below:

	FY2012 \$' 000	FY2011 \$' 000	Increase %
Net Profit after tax attributable to equity holders of the parent	25,640	21,365	20.0
Less Profits after tax on sale of interests in associates and controlled entities*	0	(105)	
Less Profits from variation in contingent consideration*	(192)	0	
Less income tax credit relating to prior years*	(631)	0	
Net Profit from operations	24,817	21,260	16.7
Add back Amortisation of intangibles net of tax*	2,578	2,553	1.0
Adjusted NPAT	27,395	23,813	15.0

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

Analysis of results on an Adjusted NPAT basis

Adjusted NPAT for FY 2012 increased by 15.0% over the corresponding prior period as a result of:

- The acquisition of Country Wide Insurance Brokers in April 2012 and the Dittman & Associates acquisition in January 2012 contributed \$0.5 million after acquisition costs representing 2.2 % of the total increase for the period.
- Existing broker network growth, including that from bolt on acquisitions, contributed 8.5% to the overall profit growth. Total commission and fee income in the broker network increased by 13.9%, to which the bolt on acquisitions contributed. Total income increased by 12.5% (9.8% excluding direct acquisitions) over the prior period. Premium funding income grew 16% (12% excluding acquisitions) however profit commissions were down by 49% due to the higher losses experienced by insurers in 2011.
- Profit growth of 6.2% was generated through an increase in underwriting agency profits of 54.4% with approximately half from acquisitions which included achieving revenue and expense synergies in relation thereto.

- Broker network expenses increased by 13.1% (10.4% excluding direct acquisitions) as a result of acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.
- Corporate expenses increased by 4.2% over the corresponding prior period due to IT and administrative costs offset by variable incentive costs which decreased in line with the increase in profit compared to the prior year. This offset 0.8% of profit growth.
- The amortisation of the discount on contingent consideration payments for the first time this year increased borrowing costs offsetting profit growth by 0.5%.
- Corporate income was by 18% up on last year due to interest earned as a result of increased cash held and loans to the network for acquisitions. This contributed 1.0% to growth.
- The effective tax rate was marginally higher, largely due to non deductible acquisition costs required to be expensed for the first time this year, which offset 1.4% of profit growth.
- Growth in Adjusted NPAT would have been almost 2% higher if not for the amortization of the discount on contingent consideration liabilities for the first time and the expensing of non tax deductible acquisition costs.
- Amortisation of intangibles was in line with the corresponding prior period.

Adjusted NPAT for the six months to 30 June 2012 was \$15.9 million compared to \$14 million in 2011 – a 13.6% increase. Growth was 17% for the first half - the lower growth rate in the second half was due to a shift in business to the first half which gave a larger increase on a lower base and lower interest rates in the second half.

A number of the businesses are associates and not consolidated in the financial statements. In order to give a more comprehensive view of overall movements, the following table aggregates 100% of these brokers' revenues and expenses with those of the consolidated brokers and corporate income and expenses before deducting outside shareholder interests. This provides a view as to the growth in the network without potential distortion from shareholding changes that may move entities from consolidated to associates or visa versa.

	FY2012 \$' 000	FY2011 \$' 000	Increase %
Revenue	278,396	241,795	15.1
Expenses	(206,443)	(179,875)	14.8
Profit before tax	71,953	61,920	16.2
Profit attributable to minority interest	(32,048)	(27,717)	15.6
Net profit	39,905	34,203	16.7
Income tax expense	(12,510)	(10,390)	20.4
Adjusted NPAT	27,395	23,813	15.0

Assessment of results

The results were very pleasing in the current economic environment.

The increase in profit was achieved largely through the contribution from acquisitions in the underwriting agencies and the growth in existing insurance broking businesses including acquisitions made by them. While premium rates did firm during the year this was largely in the property classes and would have only made a moderate contribution to the results. Profit commissions were lower than last year due to higher claims arising from significant storms and floods in the period.

The growth in Austagencies was lifted by acquisitions but also assisted by higher profit commissions as well as growth in existing businesses and through the development of new initiatives. This was partially offset by increased costs in building resources for future growth and higher incentive costs linked to the outstanding performance.

Dividend and Dividend Reinvestment Plan

On 27 August 2012, the Directors declared a fully franked final dividend of 21.5 cents per share. This dividend is payable on 24 October 2012 to shareholders on the record date of 5 October 2012. Based on issued shares of 55,999,095 shares, this dividend will total \$12,039,805.

The dividend will be eligible for re-investment under the Company's Dividend Reinvestment Plan (DRP). For shareholders to be eligible for the DRP in relation to the final dividend for FY2012 elections will need to be received by the share registry by 5pm on 4 October 2012.

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

The price for Austbrokers shares allocated under the DRP will be the "price" determined under the DRP rules (being the daily volume weighted average market price of all ordinary shares sold in the ordinary course of trading on the ASX during the 5 day trading period starting on the second business day following the record date of the dividend) less any applicable discount determined by the Austbrokers' board. For the forthcoming final dividend for FY2012, ordinary shares will be issued at a 2.5% discount to the relevant "price". Austbrokers may determine a different discount for subsequent dividends.

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

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

Outlook

We are planning on continued growth notwithstanding uncertainty in the economy. Austbrokers will maintain its successful 2012 strategy of driving growth in the broking network through acquisitions and by working with brokers to develop their businesses through marketing initiatives and further bolt on acquisitions. Competition for acquisitions appears to be increasing with other parties entering the market.

In addition, Austagencies' resources will be boosted with additional expertise and the development of the underwriting agency business will continue through the addition of new products and by acquisition of additional agencies where opportunities arise.

We anticipate a reduction in income from interest on cash deposits due to lower deposit rates following reductions in the official cash interest rate.

We again budget to bolster organic growth with acquisitions to maintain growth in Adjusted NPAT (as defined above) at between 5% to 10% over FY 2012. Ultimately the degree of growth that can be achieved will depend market conditions including acquisition opportunities, premium rate movements, whether there are further interest rate reductions, the level of profit commissions and the impact of prevailing economic conditions on the SME sector.

Annual General Meeting

The Annual General Meeting will be held at the Intercontinental Hotel (117 Macquarie Street, Sydney) on 28th November 2012 at 10.00am.



W.L. McKeough
Chief Executive Officer

For further information, contact Lach McKeough Tel (02) 9935 2202
Steve Rouvray Tel (02) 9935 2201

- Ends -

This release 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.