



25th February 2014

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 Half Year Ended
31st December 2013**

Attached for immediate release is Austbrokers Holdings Limited (AUB)
Market Announcement in relation to the results for the Half Year ended 31st
December 2013.

Yours faithfully,

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

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

ASX release

25 February 2014

Austbrokers announces interim profit for half year to 31 December 2013

Summary:

- Net Profit After Tax¹ for 1HY 2014 was \$12.8 million (1HY 2013 \$24.5 million which included a net \$12.2 million benefit from adjustments relating to acquisitions).
- 6.2% increase in underlying Net Profit After Tax for 1HY 2014 (Adjusted NPAT²) to \$14.6 million (1HY 2013 \$13.8 million)
- 9.1% increase in interim dividend to 12.0 cents per share, payable on 30th April 2014

Austbrokers Holdings Limited (ASX: AUB) today announced a profit² of \$12.8 million for the six months ending 31st December 2013. The profit for the six months to 31st December 2012 was \$24.5 million which included a fair value adjustment to the carrying value of associates and an adjustment to the contingent consideration for acquisitions as set out in Table 1. If these items, together with the amortisation of intangibles are excluded, the AUB net profit after tax (Adjusted NPAT) was \$14.607 million in 1HY2014 compared to 1HY 2013 Adjusted NPAT of \$13.759 million), an increase of 6.2%.

Earnings per share for the period was 21.8 cents (1HY 2013 43.4 cents) but based on Adjusted NPAT was 24.9 cents, an increase of 2% over the prior period.

The Company has declared an interim dividend of 12.0 cents per share fully franked for the half year, payable on 30th April 2014. This is an increase of 9.1% on the previous year.

The increase in Adjusted NPAT was achieved largely through organic growth. Significant in the achievement of these results were the following:

- Austbrokers share of broker profits was up 3.5% in a flat premium market with a small contribution from acquisitions. Due to the pattern of earnings, acquisitions are expected to make a larger contribution in the second half.
- Austagencies continued its strong growth during the period with profit contribution up 20.5% on 1HY13.
- Lower interest rates reduced broker interest earnings by 15.7% (before acquisitions).
- Increased expenses were absorbed resulting from the strategic decision to build management and systems capability to underpin future growth.

¹ Net Profit after tax attributable to equity holders of the parent

² AUB net profit after tax attributable to equity holders of the parent excluding fair value adjustments to the carrying value of associates, adjustments to the contingent consideration for acquisitions, and amortisation of intangibles. See Table 2 for a reconciliation to net profit after tax

1HY 2014 Results (six months to 31 December 2013)

Table 1

	1HY2014	1HY2013	Variance
	\$' 000	\$' 000	%
Revenue from operations	92,184	80,690	14.2
Expenses			
Expenses from operations	(70,551)	(58,700)	(20.2)
Borrowing Costs	(1,476)	(1,547)	4.6
Profit before acquisition adjustments	20,157	20,443	(1.4)
Fair value adjustment to the carrying value of associates on the date at which they became controlled entities		12,630	
Adjustment to contingent consideration		(490)	
Profit before tax	20,157	32,583	(38.1)
Income tax expense	(4,241)	(5,269)	19.5
Net profit after tax	15,916	27,314	(41.7)
Profit attributable to non-controlling interests	(3,125)	(2,825)	(10.7)
Net Profit attributable to equity holders of the parent	12,791	24,489	(47.8)

Notes

1. Revenue from operations 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. Comparative performance as shown above can be distorted by associates converting from trusts to companies, associates becoming controlled entities and the weighting of profit growth in a period shifting between consolidated entities and associates.
2. The acquisition of InterRISK on 13th June 2013, which earns its profits in the second half of the year, has distorted the growth in expenses relative to the growth in revenue. Excluding the contribution of InterRISK, revenue increased by 7.3% and expenses by 10.5%.

Reconciliation of Reported Net Profit after Tax to Adjusted NPAT

Profits on sale of equity interests and fair value adjustments to carrying value of associates at the date at which they became subsidiaries 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 and to facilitate succession. Also profits and losses can arise from over or under estimation of contingent consideration for acquisitions. These profits (or losses) 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 clearer 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:

Table 2

	1HY2014	1HY2013	Increase
	\$' 000	\$' 000	%
Net Profit after tax attributable to equity holders of the parent	12,791	24,489	
Less Fair value adjustments to the carrying value of associates on the date at which they became controlled entities*	0	(12,630)	
Add losses from variation in contingent consideration (net of non controlling interests)*	0	414	
Net Profit from operations	12,791	12,273	4.2
Add back Amortisation of intangibles net of tax*	1,816	1,486	(22.2)
Adjusted NPAT	14,607	13,759	6.2

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

Review of performance

To give a more comprehensive view of the performance of Austbrokers and its associates, the following table aggregates 100% of the equity accounted brokers' and underwriting agencies revenues and expenses with those of the consolidated brokers before deducting other equity interests. This eliminates the distortion that results from associates becoming controlled entities during the period and movements in the level of equity held.

Table 3

	1HY2014	1HY2013	Variance	Contribution
	\$' 000	\$' 000	%	to increase in
				Adjusted
				NPAT %
Insurance broking revenue	147,425	131,213	12.4	
Insurance broking expenses	(107,864)	(94,117)	(14.6)	
Net profit	39,561	37,096	6.6	
Profit attributable to other equity interests	(16,860)	(15,168)	(11.2)	
Austbrokers net profit from insurance broking	22,701	21,928	3.5	3.9
Underwriting agencies net income	17,787	12,945	37.4	
Underwriting agencies expenses	(12,652)	(9,070)	(39.5)	
Net profit	5,135	3,875	32.5	
Profit attributable to other equity interests	(1,231)	(635)	(93.9)	
Austbrokers net profit from underwriting agencies	3,904	3,240	20.5	3.4
Net profit before corporate income / expenses	26,605	25,168	5.7	7.3
Corporate expenses	(6,040)	(5,405)	(11.7)	(3.2)
Corporate finance costs	(870)	(988)	11.9	0.6
Corporate income	1,035	1,058	(2.2)	(0.1)
Net corporate expenses	(5,875)	(5,335)	(10.1)	(2.7)
Net profit before tax	20,730	19,833	4.5	4.6
Income tax expense	(6,123)	(6,074)	(0.8)	1.6
Adjusted NPAT	14,607	13,759	6.2	6.2

Adjusted NPAT for 1HY2014 increased by 6.2% over the corresponding prior period:

- Growth attributable to earnings from the broker network, including acquisitions, was 3.9% in Adjusted NPAT over the corresponding prior period. Direct acquisitions contributed one quarter of this before funding costs. The solid growth was negatively impacted by the slow down in mining in WA, materially affecting the results of one larger broker.

Compared to the prior period, total commission and fee income increased by 14.6% (6.5% excluding direct acquisitions) and total income by 12.4% (5.2% excluding acquisitions). Expenses increased by 14.6% (6.0% excluding acquisitions). The profits to be contributed by acquisitions, including InterRISK, are expected to largely flow in the second half and this has caused the expense increase to be relatively high compared to the increase in broking revenue.

The increase in total income was impacted by lower interest rates which reduced interest income by 8.5% (16.5% excluding acquisitions).

- Underwriting agency profits were 20.5% above last year due largely to growth in the business gained by adding new agencies. Income overall increased by 37.4% with commission and fees excluding profit commissions increasing by 39%. Expenses increased by 39.5% due to acquisitions and additional resourcing to service the expanding business. Acquisitions did not contribute to growth in the first half. Underwriting agencies contributed 3.4% to the growth in Adjusted NPAT.
- As foreshadowed in the 2013 Annual Report, corporate expenses increased by \$635,000 or 11.7% above the corresponding prior period as a result of the additions to the management team to improve the bench strength of the Company and for the program of systems development to underpin future growth. These increases were partially offset by lower incentive provisions. This net increase reduced overall profit growth by 3.2%.
- Borrowing costs were down due to lower interest rates. This contributed 0.6% to Adjusted NPAT growth.
- The effective rate of income tax is lower compared to last year due to a lower level of non deductible items and some small adjustments relating to prior periods. This increased Adjusted NPAT growth by 1.6%.

Outlook

The second half is expected to continue to show a growth in commission and fee income similar to the first half. Results will also benefit from profits from last year's InterRISK acquisition flowing through and the recent acquisition of the Procure Group which was announced on 19th February and is expected to add 1.5% earnings per share growth over a full year.

Underwriting agencies are expected to continue their solid growth although the softening of premium rates may impact some classes of business.

Corporate expenses for the full year are expected to increase to reflect the additions to management and the building of business technology resources. It is not proposed to increase the management team further but it is expected that it will take some time for the developments to show through in future growth.

As indicated in previous years, there are inherent uncertainties related to the second half with a large weighting of renewal dates of insurance policies to the last quarter of the financial year. The broker network also receives profit commissions from insurers, the amount of which will not be known until later in the second half.

Taking these factors into account, we expect an improvement in results in the second half but are maintaining our earnings guidance for FY2014 at 5% to 10% increase in Adjusted NPAT over FY2013 before taking account of the impact of the Procure Group acquisition.

Dividend

On 25th February 2014 the Directors declared a fully franked interim dividend of 12.0 cents per share. This dividend is payable on 30th April 2014. Based on issued shares of 59,642,171 shares, this dividend will total \$7,157,061. The record date will be 10th April 2014.

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 interim dividend for FY2014 elections will need to be received by the share registry by 5pm on 11th April 2014.

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 11th April 2014 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 FY2014, 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.

– Ends –

Mark Searles, CEO & Managing Director and Steve Rouvray, Chief Financial Officer & Company Secretary will host a webcast today at 10.00am AEST followed by a Q&A session – details below:

- <http://www.media-server.com/m/p/wot4fvrd>
- Australia Access: 1800 153 721
- New Zealand: 0800 442 709
- International: +61 2 8212 8333
- Pin code: 219825#

For further information please contact:

Stephen Rouvray
Chief Financial Officer
T: 02 9935 2201
M: 0412 259 158
E: steve@austbrokers.com.au

Mark Searles
CEO & Managing Director
T: 02 9935 2255
E: marks@austbrokers.com.au

-
- 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.
 - In terms of percentage variances shown in the tables positive variances indicate an increase in profits and those in brackets a decrease.