



26th February 2009

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

Dear Sir / Madam,

**Re: Market Announcement on Results for the Half Year ended
31 December 2008**

Attached for immediate release is Austbrokers Holdings Limited (AUB)
Market Announcement in relation to the results for the Half Year ended 31
December 2008.

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



ASX release

26 February 2009

Austbrokers increases interim profit by 14.3%

Highlights:

- 14.3% increase in Net Profit After Tax¹ for HY to 31 December 2008 to \$6.7million (HY to 31 December 2007 \$5.9 million)
- 12.6% increase in Net Profit After Tax but before profits on sale of interests in associates and controlled entities and amortisation of intangibles (Adjusted NPAT) to \$7.3 million (HY to 31 December 2007 \$6.5 million)
- 7.7% increase in Half Year Dividend to 7.0 cents per share payable 24 April 2009

Austbrokers Holdings Limited (ASX: AUB) today announced a 14.3% increase in profit¹ to \$6.7 million for the six months ending 31 December 2008 (HY to 31 December 2007 \$5.9 million). This result included \$0.5 million in profit arising from the sale of interests in associates and controlled entities compared to \$0.3 million in the corresponding six months last year.

Shareholders will benefit from an interim dividend of 7.0 cents per share fully franked for the half year, payable on 24 April 2009. This is an increase of 7.7% on the previous years' interim dividend.

Adjusted NPAT was \$7.3 million for the first half of the financial year compared to that for the same period last year of \$6.5 million, an increase of 12.6%. This increase largely resulted from organic growth in the broker network including acquisitions within the network, an improvement in the underwriting agencies results and a lower tax charge compared to the prior period.

Before income tax, the increase over FH 2008 was 8.3%, with direct acquisitions (net of funding costs) generating 1% of the increase, increases in profits from existing brokers 11.3% and underwriting agencies 2% with these increases being partially offset by an increase in borrowing costs and corporate expenses.

Due to a heavier weighting of insurance business to the latter half of the financial year, the first half profit has historically been approximately 42% to 43% of the full year's profit.

Chief Executive Lachlan McKeough said that he was again very pleased with the performance of the broking network.

"Our core business is our insurance broking network, with 39 broking firms operating throughout Australia," said Mr. McKeough. "The network has performed very well with broking operations across the network achieving a 10% growth in premiums placed generating a 7% increase in commission and fee income in a market where premium rate increases are only recently beginning to become evident and not yet across all classes of business.

¹ Profit from ordinary activities after tax attributable to members

We are particularly pleased with the Austagencies underwriting agency business which has shown a 11% increase in revenue despite the loss of one small agency in March 2008.”

In the six months to 31 December 2008, the company has continued to make acquisitions including SRG Corporate in Perth and a number of smaller businesses and portfolios within the broker network. The attractiveness of the Austbrokers owner-driver model is expected to generate further acquisition opportunities as the age demographics of the broking industry drive the need for succession solutions.

The loan facility of \$44 million provided by St George Bank which extends to August 2013 has been drawn down to \$31.6 million at 31 December 2008. After allowing for estimated future earn out payments on completed acquisitions a further \$8 million will be available from the facility for future acquisitions.

The broker network overall has increased profits over the prior period and a review of the testing carried out at 30 June 2008 taking into account updated results indicated that there was no impairment of the carrying values of intangibles or investments in associates.

Austbrokers HY Results breakdown (six months to 31 December 2008)

	2008	2007	Variance
	\$' 000	\$' 000	%
Revenue from ordinary activities	46,060	39,917	15.4%
Expenses from ordinary activities - Expenses	(36,180)	(31,058)	16.5%
Borrowing Costs	(1,182)	(820)	44.1%
	<u>8,698</u>	<u>8,039</u>	<u>8.2%</u>
Profit from sale of interests in associates and controlled entities	540	-	
Profit before tax	9,238	8,039	14..9%
Income tax expense	1,615	1,490	8.4%
Net profit	<u>7,623</u>	<u>6,549</u>	<u>16.4%</u>
Profit attributable to minority interest	(934)	(696)	34.2%
Net Profit attributable to members	<u>6,689</u>	<u>5,853</u>	<u>14.3%</u>

Notes

1. The after tax profits include profits on sale of interests in associates and controlled entities of \$0.5 million on which no tax is payable due to carried forward capital losses. These profits result from restructures in equity holdings and may occur from time to time. In HY 2008 \$0.3 million was included as a tax credit arising from capital losses utilized as a deduction against previous year's capital gains and is included as a reduction of tax expense.
2. Subsidiaries acquired during the period, which resulted from increases in equity in companies that were previously associates, have contributed the majority of the increases in both consolidated income and expenses.
3. Revenue from ordinary activities includes the Group's share of post tax earnings from associates which are companies.

Analysis of underlying profits

A more informative representation of Austbrokers' performance is seen after removing:

- Profits on sale of interests in associates and controlled entities
- Amortisation of intangibles

Reconciliation of reported result to Adjusted NPAT from continuing operations before amortisation of intangibles:

	2008	2007	Increase
	\$' 000	\$' 000	%
Net Profit attributable to Members	6,689	5,853	14.3%
Less Profits after tax on sale of interests in associates and controlled entities	(540)	-	
Less Tax effect of prior year capital losses utilised	-	(281)	
Net Profit from continuing operations	6,149	5,572	10.4%
Add back Amortisation of intangibles net of tax	1,121	884	
Adjusted NPAT	7,270	6,456	12.6%

To give a more comprehensive view of overall movements, the following table aggregates 100% of the equity accounted brokers' revenues and expenses with those of the consolidated brokers and corporate before deducting minority interests.

	2008	2007	Variance
	\$' 000	\$' 000	%
Revenue	95,691	86,959	10.0%
Expenses	(75,463)	(68,728)	9.8%
Profit before tax	20,228	18,231	11.0%
Profit attributable to minority interest	(9,988)	(8,780)	13.8%
Net profit	10,240	9,451	8.3%
Income tax expense	(2,970)	(2,995)	(0.8)%
Adjusted NPAT	7,270	6,456	12.6%

Assessment of results

Adjusted NPAT for FHY 2009 increased by 12.6% over the corresponding prior period as a result of:

- Direct acquisitions represented 1% of the 12.6% growth.
- Growth from the existing broker network, including acquisitions made, contributed 11.6% to the profit growth. Although the market did not show signs of any significant increase in premium rates until recently, the network growth in premiums placed was 10% and base commission and fee income increased by 5% (excluding direct acquisitions). Total commission and fee income increase by 7.1% and total income by 7.6% over the prior period also excluding direct acquisitions. Premium funding income was up 17% due to the ongoing successful development of the alliance with Pacific Premium Funding.
- Profit growth of 2% was generated through an increase in underwriting agency profits resulting from increasing its income by 11% and its profit by 14.5 % largely through organic growth in agency business.
- Expenses in the broker network increased by 6.9% (excluding direct acquisitions). This reflects some increase as a result of acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.
- Corporate expenses were 6.2% up on the corresponding prior period due to a provision for network marketing incentives, IT costs incurred up front with the development of the central data centre and its co-location at a Telstra facility and normal salary increases offset by lower incentive provisions. This increase deducted 2.7% from profit growth.
- Borrowing costs have increased and interest earned decreased due to additional earnout payments on acquisitions in previous years and payments for new acquisitions made during the period. This together with the transfer of life income, previously earned at corporate level direct to the brokers, eroded growth by 3.4%.
- Lower non deductible expenses and a tax credit of \$155,000 from prior year reduced tax expense compared to last year by \$262,000 constituting 4.1% of the increase in after tax profits.

Outlook

Recently there have been indications that that premium rates are starting to show increases which should, when realised, result in increased commission earnings on business placed.

The organic growth being achieved in the broker network is expected to continue although this may be partially offset in the second half of FY 2009 by reduced profit commissions due to deterioration in insurers claims experience and lower interest earnings on funds held to pay underwriters following recent interest rate reductions. Acquisitions made in the first half year will continue to contribute to profit growth.

The economic conditions for the next 12 months are expected to be very difficult for business and depending on the severity of the downturn in business activity, could result in a reduced amount of insurance business available in the market which could also impact the second half of the year.

Insurance is however a necessary expenditure and perhaps even more essential for businesses to survive in the current environment.

Given these circumstances the Company is maintaining its previous earnings guidance for FY 2009 of Adjusted NPAT growth before amortisation of intangibles and profits on sale of interests in associates and controlled entities of 5% - 10% over FY 2008. This guidance is subject to economic conditions not resulting in a significant level of business failures or reduced insurance coverage, particularly in the SME sector.

Dividend

On 26 February 2009, the Directors declared a fully franked interim dividend of 7.0 cents per share. This dividend is payable on 24 April 2009. Based on issued shares of 50,238,170 shares, this dividend will total \$3,516,672.

– Ends –

For further information please contact:

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