



24th February 2011

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
31 December 2010**

Attached for immediate release is Austbrokers Holdings Limited (AUB)
Market Announcement in relation to the results for the Half Year ended 31
December 2010.

Yours faithfully,

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

Stephen Rouvray
Company Secretary
Austbrokers Holdings Limited

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

ASX release

24 February 2011

Austbrokers increases interim profit by 26%

Highlights:

- 26% 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 \$9.8 million (six months to 31 December 2009 \$7.8 million)
- Net Profit After Tax¹ was \$8.7 million (six months to 31 December 2009 \$7.2 million) up 21%
- 13% increase in interim dividend to 8.5 cents per share, payable on 29 April 2011

Austbrokers Holdings Limited (ASX: AUB) today announced a profit¹ of \$8.7 million for the six months ending 31 December 2010 (six months to 31 December 2009 \$7.2 million).

Shareholders will benefit from an interim dividend of 8.5 cents per share fully franked for the half year, payable on 29 April 2010. This is an increase of 13.3% on the previous year's interim dividend per share.

Adjusted NPAT was \$9.8 million for the six months to 31 December 2010 compared to the same period last year of \$7.8 million, an increase of 25.9%.

Earnings per share increased by 15.6% (20% based on Adjusted NPAT) over the prior period.

Chief Executive Lachlan McKeough said "Our insurance broking network, with 40 broking firms operating throughout Australia, has again performed strongly, generating an excellent result for the half year considering there were no major acquisitions completed.

"Although a number of acquisitions made within the broking network have made some contribution to this growth, the bulk of it has come from increased commission and fee income across the broking network. The increase has been largely from additional business although there has been some firming of premium rates. The increase in interest rates over the corresponding prior period has also made a significant contribution to profit growth.

The Austagencies underwriting agency business has shown a 27% increase in commission and fee revenue and with further resourcing occurring in the period is well placed for further growth in the second half."

In the six months to 31 December 2010, the company has acquired CEMAC Pty Ltd, a plant and equipment underwriting agency which will be rolled into Austagencies, along with smaller businesses

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

and portfolios within the broker network. Acquisition activity has again been relatively moderate. There appears to be more opportunities presenting in the market over the last six months but it takes some time to work through these with the owners.

The loan facility of \$44.3 million provided by St George Bank which extends to August 2013 was drawn down to \$33.9 million at 31 December 2010. As such \$10 million will be available from the facility for future acquisitions which, together with funds held also available, would give a total capacity of \$25 million.

Premium rates have increased only moderately over the past six months due largely to strong competition among the insurers. The recent high level of natural disasters may result in greater increases being sought by insurers as a result of the significant losses incurred and potential increased reinsurance costs.

The second half year will have some uncertainty over profit commissions to be received by the brokers and will be impacted by the loss by one of our brokers of a major client due to it being placed in receivership. Interest rates will again be higher in the second half than in the same period last year but the increase is likely to be considerably less than in the first half year.

Based on past experience approximately 50% of our profit is earned in the final three months of the financial year. Given this and the current outlook we have increased our earnings guidance for FY2011 to be 10% to 15% growth in Adjusted NPAT over FY2010 from the previous guidance of 5% to 10%. The guidance does not assume any benefit from increases in premium rates that may occur in response to the recent natural disasters around the country.

Austbrokers Half-Year Results breakdown (six months to 31 December 2010)

| | 1HY2011 | 1HY2010 | Variance |
|---|----------------|----------------|-----------------|
| | \$' 000 | \$' 000 | % |
| Revenue from continuing operations | 53,477 | 49,162 | 8.8 |
| Expenses from continuing operations - Expenses | (39,520) | (37,984) | (4.0) |
| Borrowing Costs | (1,224) | (1,218) | (0.5) |
| Profit from continuing operations | 12,733 | 9,960 | 27.8 |
| Profit from sale of interests in associates and controlled entities | 249 | 642 | |
| Profit before tax | 12,982 | 10,602 | 22.4 |
| Income tax expense | (2,856) | (2,162) | |
| Net profit after tax | 10,126 | 8,440 | 20.0 |
| Profit attributable to non-controlling interests | (1,431) | (1,272) | |
| Net Profit attributable to equity holders of the parent | 8,695 | 7,168 | 21.3 |

Notes

1. The after tax profits include profits on sale of interests in associates and controlled entities in 1HY2011 of \$0.2 Million (1HY2010 \$0.6 million). These profits result from restructures in equity holdings and may occur from time to time. The profit in 1HY2010 resulted largely from a revaluation on a subsidiary becoming an associate due to the dilution of shareholding.

2. 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

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 is set out below:

| | 1HY2011 | 1HY2010 | Increase |
|---|----------------|----------------|-----------------|
| | \$' 000 | \$' 000 | % |
| Net Profit after tax attributable to equity holders of the parent | 8,695 | 7,168 | 21.3 |
| Less Profits after tax on sale of interests in associates and controlled entities | (165) | (642) | |
| Net Profit from continuing operations | 8530 | 6,526 | 30.7 |
| Add back Amortisation of intangibles net of tax | 1,269 | 1,260 | |
| Adjusted NPAT | 9,799 | 7,786 | 25.9 |

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.

| | 1HY2011 | 1HY2010 | Variance |
|--|----------------|----------------|-----------------|
| | \$' 000 | \$' 000 | % |
| Revenue | 114,381 | 102,175 | 11.9 |
| Expenses | (87,744) | (80,850) | 8.5 |
| Profit before tax | 26,637 | 21,325 | 24.9 |
| Profit attributable to minority interest | (12,510) | (10,112) | |
| Net profit | 14,127 | 11,213 | 26.0 |
| Income tax expense | (4,328) | (3,427) | |
| Adjusted NPAT | 9,799 | 7,786 | 25.9 |

Analysis of results

Adjusted NPAT for 1HY2011 increased by 25.9% over the corresponding prior period:

- Growth from the existing broker network, including bolt on acquisitions made, was the main driver for this profit growth contributing growth in Adjusted NPAT over the corresponding prior period of 28.7%. Although premium rates increases have only been moderate over the period, total commission and fee income increased by 9.7% and total income by 11.3% over the prior

period. Higher interest earnings in the broker network made up around 10% of the Adjusted NPAT growth.

Expenses in the broker network increased by 7.3%. This increase reflects acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.

- Underwriting agency profits were 13% below last year as a result of lower profit commissions partly due to timing differences in receipt of these from the previous year. Income overall increased by 14% with commission and fees excluding profit commissions increasing by almost 27%. Expenses increased by 23% due to acquisitions and additional resourcing to support growth. The fall in profit reduced Adjusted NPAT growth by 1.7%.
- Corporate expenses excluding borrowing costs were 8.2% above the corresponding prior period reflecting higher incentive provisions required in line with results achieved and reduced Adjusted NPAT growth by 2.9%.
- Corporate interest earned increased due to higher interest rates and higher amount of cash held. This increase had the effect of increasing Adjusted NPAT growth by 1.9%.

Assessment of results

The Group's results compared to the prior corresponding period reflect the growth that has been achieved in the underlying broking businesses including through bolt on acquisitions and have benefited from higher interest rate earnings. This growth has been achieved with only moderate premium rate increases and places the Group in a good position for the remainder of the year.

Outlook

Good growth in commission and fee revenue has been achieved by the broker network in the first half and this is expected to continue into the second half. Growth in income will continue from interest earnings with interest rates above those for the corresponding period last year but the increase will be significantly less than in the first half.

Premium rate increases were expected to be only moderate but the recent spate of natural disasters may lead to insurers seeking greater increases.

It is not expected that any further opportunities for acquisition will be converted in time to make any significant contribution in the remainder of FY 2011.

As in the past a significant amount of insurance business is due late in the second half with 50% of profit earned in the last three months of the year. The broker network also receives profit commissions from insurers, the amount of which will not be known until later in the second half.

In addition one of the brokers has lost a major corporate account which was placed in receivership. This will impact the broker's income and therefore profits in the second half.

Taking these factors into account, the 26% growth in Adjusted NPAT achieved for 1HY 2011 is unlikely to be maintained at that rate for the full year. We are however increasing our earnings guidance for FY 2011 to 10% to 15% growth in Adjusted NPAT over FY2010 from the guidance of 5% to 10% previously given. The guidance does not assume any benefit from increases in premium rates that may occur in response to the recent natural disasters around the country.

Dividend

On 24 February 2011 the Directors declared a fully franked interim dividend of 8.5 cents per share. This dividend is payable on 29 April 2011. Based on issued shares of 54,339,433 shares, this dividend will total \$4,618,852.

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 FY2011, elections will need to be received by the share registry by 5pm on 11 April 2010.

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 2011 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 FY2011, 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 –

For further information please contact:

***Stephen Rouvray
Chief Financial Officer
T: 02 9935 2201
M: 0412 259 158
E: stever@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.