27th August 2013

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 2013

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

27th August 2013

Austbrokers continues profit growth in FY2013

Highlights:

- 61% increase in consolidated Net Profit After Tax for FY2013 to $41.2 million (FY2012 $25.6 million)
- Final fully franked dividend of 24.5 cents per share, bringing the total distribution for FY 2013 to 35.5 cents per share, up 14.5% on FY2013
- 17% increase in Adjusted NPAT for FY2013 to $32.1 million (FY 2012 $27.4 million)

Austbrokers Holdings Limited (ASX: AUB) today announced a FY2013 Net Profit After Tax (NPAT) of $41.2 million up 61% on the prior year.

Shareholders will benefit from a final dividend of 24.5 cents per share fully franked, payable on 24 October 2013. This brings the dividend for the 2013 financial year to a total of 35.5 cents per share – a 14.5% increase on FY2012.

The Net Profit After Tax of $41.2 million includes adjustments to the carrying value of associates of $12.0 million, after tax profits on sale of portfolios, interests in associates and controlled entities and contingent consideration adjustments totaling $0.4 million. The profit for last 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 Table 3 below), the net profit (Adjusted NPAT) was $32.1 million in 2013 (2012: $27.4 million), an increase of 17%.

An increase in earnings per share of 56% (13.7% based on Adjusted NPAT) over the prior year was achieved.

The insurance broking network contributed 16.6% to the 17% profit growth, 2.5% of which resulted from stand alone acquisitions and increases in equity in existing brokers, after expensing acquisition costs. Underwriting agencies contributed 3.5%, to which acquisitions and start up business contributed two thirds. This increase in profit was reduced by an increase in corporate expenses resulting from investment in IT and resourcing, administrative costs and variable incentive costs. This offset 5.2% of profit growth. The overall result did benefit from a lower effective tax rate (after allowing for non deductibility of acquisition expenses) contributing 2.2% to growth.

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 conditions restrained growth in new assets and businesses to be insured. In this context increases in commission and fee income in the broking network (including acquisitions) of 6.2% was a good achievement reflecting the business model and the resilience of the network. The result was assisted by an increase in profit commissions received from underwriters as a result of improved underwriting results.

Acquisitions, including increasing equity in existing brokers, were significant during the year with some $40 million expended or committed. These made only a relatively small contribution to profit growth due to their timing largely in the second half and the need to expense acquisition costs. The benefits from acquisitions of 50% of BGA Insurance Brokers, 77.1% of InterRISK, 50% of Dalby Insurance Brokers and WRI Insurance Brokers on 1st July 2013 together with underwriting agencies Lawsons and Guardian will flow on to the next financial year.

Austagencies achieved a 22.7% growth in profits with a strong contribution from existing agencies as well as new start up joint venture agencies.

The next year will be impacted by lower interest rates further decreasing interest earnings and the uncertain economic outlook continues. The strategic review commenced at the beginning of 2013, identified the need to build upon the existing operating model and develop new competencies to support future growth. The first actions resulting from the review have been enacted primarily focused around improving the 'benchstrength' of the management team and the building of the new competencies.

The flow on benefits from FY2013 acquisitions, the investment in the operating model and the continued focus on core business means that 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 2014 of between 5% and 10% over FY 2013.

Shareholder Returns

The Group's total shareholder return and share price performance to 30 June 2013 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.

Table 1

Annualised Performance to 30 June 2013	**1 Year % pa**	**3 Years % pa**	**5 Years % pa**
Total shareholder return			
Austbrokers	**61.7**	**45.9**	**37.6**
S & P / ASX All Ordinaries Index	22.2	7.3	2.1
S & P / ASX 200 Index	23.8	7.7	2.7
Price performance			
Austbrokers	**57.1**	**40.4**	**31.8**

Notes

1. Total Shareholder Return means the pre-tax return to shareholders on shares, calculated as the increase (or decrease) in the share price added to the dividends received during a period divided by the share price at the beginning of the period.
2. Investors should note that past performance is not always a reliable indicator of future performance**.**

Austbrokers FY 2013 Results

Table 2

	2013 $' 000	**2012 $' 000**	**Increase / (Decrease) %**
Revenue from ordinary activities	168,040	125,430	34.0
Expenses from ordinary activities	(121,695)	(88,254)	37.9
	46,345	37,176	24.7
Net Profit after tax on sale of interests in associates. portfolios and controlled entities and contingent consideration adjustments	412	192	
Adjustment to the carrying value of associates (no income tax applicable)	12,001	-	
Profit before tax	58,758	37,368	57.2
Income tax expense	(11,221)	(7,697)	45.8
Net profit	47,537	29,671	60.2
Profit attributable to minority interest	(6,334)	(4,031)	57.1
Net Profit attributable to members	**41,203**	**25,640**	**60.7**

Notes

1. Income tax expense for 2012 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.
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.
3. During the period three former associates became controlled entities and as a result their revenue and expenses are now included in those line items in the above table whereas last year only the share of after tax profits was included in revenue. Consequently increases revenue and expenses and also profit before tax show inflated growth compared to the growth in Adjusted NPAT. An offset for this is in part reflected in the increase in profit attributable to non-controlling interests.

Analysis of underlying profits

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), 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. Furthermore, 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:

Table 3

	FY2013 $' 000	FY2012 $' 000	Increase %
Net Profit after tax attributable to equity holders of the parent	41,203	25,640	60.7
Less Net Profit after tax on sale of interests in associates. portfolios and controlled entities and contingent consideration adjustments *	(276)	(192)	
Less adjustments to the carrying value of associates (no income tax applicable)*	(12,001)		
Less income tax credit relating to prior years*		(631)	
Net Profit from operations	28,926	24,817	16.6
Add back Amortisation of intangibles net of tax*	3,149	2,578	22.1
Adjusted NPAT	32,075	27,395	17.1

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

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.

Table 4

	FY2013 $' 000	FY2012 $' 000	Variance %	Contribution to profit increase %	Contribution to after tax profit increase %
Insurance broking revenue	272,967	253,684	7.6		
Insurance broking expenses	(189,023)	(179,732)	5.2		
Net profit	83,944	73,952	13.5		
Profit attributable to other equity interests	(33,559)	(31,100)	7.9		
Austbrokers net profit from insurance broking	**50,385**	**42,852**	**17.6**	**18.9**	**16.6**
Underwriting agencies net income	28,814	22,694	27.0		
Underwriting agencies expenses	(19,368)	(15,753)	23.0		
Net profit	9,446	6,941	36.1		
Profit attributable to other equity interests	(2,091)	(948)	120.6		
Austbrokers net profit from underwriting agencies	**7,355**	**5,993**	**22.7**	**3.4**	**3.5**
Net profit before corporate income / expenses	**57,740**	**48,845**	**18.2**	**22.3**	**20.1**
Corporate expenses	(11,409)	(9,012)	26.6	(6.0)	(5.2)
Acquisition expenses	(432)	(88)	390.9	(0.9)	*
Corporate finance costs	(2,013)	(1,964)	2.5	(0.1)	(0.1)
Corporate income	2,185	2,124	2.9	0.2	0.1
Net corporate expenses	**(11,669)**	**(8,940)**	**30.5**	**(6.8)**	**(5.2)**
Net profit before tax	**46,071**	**39,905**	**15.5**	**15.5**	**14.9**
Income tax expense	(13,996)	(12,510)	11.9	1.6	2.2
Adjusted NPAT	**32,075**	**27,395**	**17.1**	**17.1**	**17.1**

* Included in Austbrokers net profit from insurance broking

<u>Analysis of results on an Adjusted NPAT basis</u>

Adjusted NPAT for FY 2013 increased by 17.1% over the corresponding prior period as a result of:

- Acquisitions of insurance brokers and increases in equity after expensing non tax deducible acquisition expenses, contributed 2.5% of the total increase for the period.
- Existing broker network growth, with assistance from bolt on acquisitions, contributed 14.1% to the overall profit growth. Total commission and fee income in the broker network increased by 6.2% (4.9% excluding stand alone acquisitions), to which the bolt on acquisitions contributed. Total income increased by 7.6% (6.4% excluding acquisitions) over the prior period. Premium funding income grew 19.3% (18.5% excluding acquisitions). Profit commissions were up by almost 200% due to improved claims experience by insurers in 2012.
- Profit growth at Group level of 3.5% was generated through an increase in underwriting agency profits of 22.7% with approximately two thirds from start ups and acquisitions.
- Broker network expenses increased by 5.2% (4.1% excluding direct acquisitions) as a result of bolt on acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.
- Corporate expenses increased by 26.6% (excluding acquisition costs) over the corresponding prior period due to investment in IT and resourcing, administrative costs and variable incentive costs which increased in line with performance compared to the prior year. This offset 5.2% of profit growth.

- The lower effective tax rate, after eliminating the effect of non deductible acquisition expenses, added 2.2% of profit growth. This was due to lower non tax deductible items and the recoupment of tax losses not previously recognised.
- Amortisation of intangibles increased in line with the increased level of acquisitions.

Adjusted NPAT for the six months to 30th June 2013 was $18.3 million compared to $15.9 million in 2012 – a 15.1% increase.

Assessment of results

The results were very pleasing in the current economic environment with lower growth in the SME sector and lower interest rates impacting interest earnings.

The increase in profit was achieved largely through 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 higher than last year due to better underwriter claims experience which also assisted the results.

The growth in Austagencies was lifted by new start up agencies and acquisitions which were partially offset by lower profit commissions. Growth in existing businesses also made a strong contribution.

The Group also invested in strengthening resourcing to build capacity in the areas supporting both the broking network and the underwriting agency business to provide improved services to underpin future growth.

Dividend and Dividend Reinvestment Plan

On 27th August 2013, the Directors declared a fully franked final dividend of 24.5 cents per share. This dividend is payable on 24th October 2013 to shareholders on the record date of 3rd October 2013. Based on issued shares of 58,148,980 shares, this dividend will total $14,246,500.

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 FY2013 elections will need to be received by the share registry by 5pm on 2nd October 2013.

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 2nd October 2013 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 FY2013, ordinary shares will be issued at a 2.5% discount to the relevant "price". Austbrokers may determine a different discount for subsequent dividends.

Subject to reaching satisfactory terms Austbrokers proposes 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 2013 strategy of driving organic growth in the broking network by working with brokers to develop their businesses and supporting local acquisitions. This will be supplemented by executing relevant acquisition opportunities at a Group level. The investment in strengthening the management team and in key competences will support the continued evolution of the operating model with the objective of underpinning growth.

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. The removal of Fire Service Levies in Victoria will also impact interest and premium funding income. In addition the contribution from profit commissions cannot be reliably forecast.

Given the above, we again budget to bolster organic growth with the flow on from FY2013 acquisitions to maintain growth in Adjusted NPAT (as defined above) for FY2014 in the range of 5% to 10% over FY2013. 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 Sofitel Sydney Wentworth Hotel (61-101 Phillip Street, Sydney) on 20th November 2013 at 10.00am.

M. P. L. Searles
CEO & Managing Director

For further information, contact Mark Searles Tel (02) 9935 2255
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.