ASX release

31 August 2006

Austbrokers announces $18.1m profit for 2006

Includes $8.1 million one-off profits on sale of businesses

Highlights:

- $11.5 million net profit after tax but before profits on sale of businesses and amortisation of intangibles (Adjusted NPAT) for year to 30 June 2006, 10.6% above Prospectus forecast
- $10.0 million net profit after tax and amortisation of intangibles for 2006 before one-off profits on sale of businesses
- 2006 Adjusted NPAT an increase of 26% over 2005 year (Adjusted for businesses sold)
- Final dividend of 8 cents per share fully franked payable October

Austbrokers Holdings Limited (ASX: AUB) today announced a $18.1 million profit[1] for the year ending 30 June 2006. This result included $8.1 million in one-off profits from the sale of businesses of which $7.5 million was foreshadowed in the Prospectus.

This is the first annual result Austbrokers has reported since listing on the Australian Stock Exchange in November 2005. Shareholders will benefit from a final dividend of 8 cents per share fully franked, payable on 23 October 2006, bringing the dividend for the year to a total of 13 cents per share.

Adjusted NPAT was $11.5 million for the financial year, 10.6% above the Prospectus forecast of $10.4 million. Adjusted NPAT for the second half was $7.4 million.

Adjusted NPAT for 2006 was up 26% on 2005 after adjusting for profits of businesses sold. Approximately half of this increase was due to the contribution from acquisitions in 2005 and 2006. Additional expenses were offset, largely through increased commission income and income from premium funding and life insurance activities.

Chief Executive Lachlan McKeough stated that the performance of the insurance broking network had been excellent particularly in the current soft market conditions.

"Insurance broking is our core business and we currently have a network of 32 broking firms operating throughout Australia," said Mr. McKeough. "In line with the first half of the year the broking network continued to perform well, with broking profits overall in line with forecasts."

"A small number of brokers experienced particular issues, impacting their performance, but nineteen out of twenty eight brokers (excluding those acquired during the past two years) increased their profit over 2005.

"Broking income has been marginally up on 2005 on lower premiums placed and, as flagged in our interim results, expenses continue to be tightly controlled.

"Brokers' and underwriting agencies' contribution to profit before tax was up 3% on forecast due to profit commissions received by the underwriting agency business of $0.6 million before tax, which was not forecast," said Mr McKeough.

[1] Profit from ordinary activities after tax attributable to members

Mr McKeough also commented that the continued rationalisation of the broking industry would present ongoing opportunities for growth through acquisitions, enabling Austbrokers to continue to expand its presence in the general insurance broking sector.

"In the year to 30 June 2006, the company has made a number of acquisitions and we will continue to seek greater scale and cost synergies through this strategy.

"The acquisition of Shield Underwriting Holdings announced 10 August will add to our underwriting agencies through it servicing niche markets in motor dealers, motor trades and real estate sectors," Mr McKeough said.

Austbrokers FY Results breakdown (year to 30 June 2006)

One-off gains on sale of businesses of $8.1 million after tax as anticipated in Prospectus have inflated 2006 year net profits:

	2006 $' 000	**2005 $'000**	
Revenue from ordinary activities	64,673	45,122	
Expenses from ordinary activities	(52,528)	(29,998)	
	12,145	15,124	
Profit from sale of associates	9,274	227	
Profit before tax	21,419	15,351	
Income tax expense	3,078	2,617	
Net profit	18,341	12,734	
Profit attributable to minority interest	231	444	
Net Profit attributable to members	**18,110**	**12,290**	**47% increase**

The increase in revenue and expenses from ordinary activities was the result of the acquisition of further equity in previously 50% owned investments resulting in them becoming subsidiaries in May 2005.

Analysis of underlying profits – removing the effect of profits relating to the businesses sold

We get a more accurate representation of Austbrokers' performance after removing:

- One off profits on sale of businesses
- Profits generated by these businesses in 2005 (corresponding period)
- Amortisation of intangibles

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

	2006 $' 000	**2005 $'000**	**Increase %**
Net Profit attributable to Members	18,110	12,290	
Less Earnings from businesses divested	-	(4,181)	
Less Profits on sale of businesses	(8,108)	(227)	
Net Profit from continuing operations	10,002	7,882	**27**
Add Amortisation of intangibles net of tax	1,482	1,232	
Adjusted NPAT	11,484	9,114	**26**

Assessment of results

Adjusted NPAT increased by 26% on 2005. Acquisitions and synergies realised provided approximately half of the underlying growth in profit. The increase in corporate expenses incurred as the company increased resources and bore the additional expenses necessary as a listed public company were offset by increased income during the year, largely interest earned on loans and funds held.

Dividend

On 31 August 2006, the Directors declared a fully franked final dividend of 8 cents per share. This dividend is payable on 23 October 2006. Based on issued shares of 50,000,000 shares, this dividend will total $4 million.

Outlook

In the current market conditions where premium rates are flat or declining and factoring in acquisitions completed to date we expect growth in NPAT before amortisation of intangibles to increase in the range of 5 – 10% in FY 2007 above the Adjusted NPAT for 2006.

Annual General Meeting

The Annual General Meeting will be held at the Four Seasons Hotel (199 George Street, Sydney) on 8 November 2006 at 10.00am.

Lach McKeough
CEO

– Ends –

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The Austbrokers business was established in 1985 by ING under the strategic guidance and direction of the current Chief Executive Officer, Mr Lachlan McKeough. Through an active acquisition strategy Austbrokers has grown to become one of the leading insurance broking networks in Australia. Austbrokers primarily operates under an 'owner-driver' model, holding an equity interest in 32 insurance broking businesses across the country. Austbrokers provides administrative, management and strategic support which enhances the operations of the network. Austbrokers listed on the Australian Stock Exchange on 16 November 2005 under the trading code 'AUB'. Austbrokers currently has a market capitalisation of approximately $148 million.