



25th February 2015

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

Dear Sir / Madam,

Re: Appendix 4D and Financial Report for the Half Year Ended 31st December 2014

Attached for immediate release is the Austbrokers Holdings Limited (AUB):

1. Appendix 4D – Half-Year Report 31st December 2014 and
2. Attachment A to Appendix 4D – Financial Statements for the half year ended 31st December 2014

The following associated documents will be provided separately:

- Media Release
- Presentation on the Half Year results

Yours faithfully,

A handwritten signature in blue ink, appearing to read '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



Austbrokers Holdings Limited

ABN 60 000 000 715

ASX Disclosure – Appendix 4D

ASX DISCLOSURE – APPENDIX 4D

Half-Year Report – 31 December 2014

Under Listing Rule 4.2.A.3 of the Australian Stock Exchange Limited (the “ASX”), the following information must be given to the ASX. The information should be read in conjunction with the financial report for the year ending 30 June 2014.

1. Reporting Period

Current reporting period – six months ended 31 December 2014

Previous corresponding period – six months ended 31 December 2013

2. Results for Announcement to the Market

			\$000
2.1	Revenue from ordinary activities	up 9.8 % to	101,216
2.2	Profit from ordinary activities after tax attributable to members	up 8.3 % to	13,853
2.3	Net profit attributable to members	up 8.3 % to	13,853
	Net profit of \$13,853,000 includes fair value adjustment of \$3,525,000		

2.4 Dividends

	Amount Per Security	Franking at 30% Tax Rate	Franked Amount Per Security
Interim Dividend	12.0 cents	100%	12.0 cents

Record date for determining entitlement to the interim dividend.

Monday, 13 April 2015

A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood is contained in the Directors’ Report section of the Half-Year Report – 31 December 2014 attached as Attachment A.

3. Net Tangible Assets Per Security

31 December 2014	\$1.560
31 December 2013	\$1.530

4. Entities Over Which Control has been Gained or Lost During the Period

Control has been gained or lost over the following entities during the period.

Details of entities over which control has been gained during the period.

	Date	Contribution to Profit	
		2014 \$'000	2013 \$'000
Asia and Mid-East Insurance and Reinsurance Pty Ltd	July 2014	(31)	0
NZ Brokers Holdings Limited	November 2014	(468)	0
BrokerWeb Management Limited	November 2014	0	0
Citycover (Aust) Pty Ltd	December 2014	208	262

Details of entities over which control has been lost during the period.

Nil

5. Dividends

On 25 February 2015, the Directors declared a fully franked interim dividend of 12.0 cents per share. This dividend is payable on 30 April 2015. Based on issued shares of 61,740,597 shares, this dividend will total \$7,408,872.

6. Dividend Reinvestment Plan

The proposed dividend of 12.0 cents per share will be eligible for reinvestment under the Company's Dividend Reinvestment Plan (DRP). The DRP will be open to future dividends until further notice.

For shareholders to be eligible for the DRP in relation to the interim dividend for the year ended 30 June 2015 elections will need to be received by the share registry by 5pm on 14 April 2015.

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 14 April 2015 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 the year to 30 June 2015, 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.

7. Associates and Joint Venture Entities

Details of associates are shown in the Half-Year Financial Report.

8. Accounting Standards Applied to Foreign Entities

Not Applicable.

9. Audit Dispute or Qualification

There is no audit dispute or qualification. Refer to the Independent Auditor’s Review Report to the members of Austbrokers Holdings Limited dated 25 February 2015 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2014 attached as Attachment A.

Austbrokers Holdings Limited

ABN 60 000 000 715

Appendix 4D Attachment A

Financial Report
for Half-Year Ended
31 December 2014

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2014



AUSTBROKERS HOLDINGS LIMITED**A.B.N. 60 000 000 715****TABLE OF CONTENTS**

	PAGE
DIRECTORS' REPORT	1-2
INCOME STATEMENT	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF CASH FLOWS	6
STATEMENT OF CHANGES IN EQUITY	7-8
NOTES TO THE FINANCIAL STATEMENTS	
Note 1 Corporate information	9
Note 2 Summary of significant accounting policies	9
Note 3 Changes in accounting policies and disclosures, interpretations and new accounting standards,	9
Note 4 Revenue and expenses	10
Note 5 Income tax	11
Note 6 Cash and cash equivalents	11
Note 7 Business combinations	12-13
Note 8 Dividends paid and proposed	14
Note 9 Trade and other receivables (current)	14
Note 10 Other financial assets (current)	14
Note 11 Trade and other receivables (non-current)	14
Note 12 Investment in associates	15-16
Note 13 Other financial assets (non-current)	16
Note 14 Shares in controlled entities	16
Note 15 Plant and equipment	17
Note 16 Intangible assets and goodwill	17
Note 17 Share-based payment plans	18
Note 18 Trade and other payables	19
Note 19 Provisions	19
Note 20 Interest bearing loans and borrowings	19-20
Note 21 (a) Issued capital	20
Note 21 (b) Earnings per share	21
Note 22 Commitments and contingencies	21
Note 23 Operating segments	21
Note 24 Fair values of recognised assets and liabilities	21
Note 25 Subsequent events	21
 DIRECTORS' DECLARATION	 22
INDEPENDENT AUDITOR'S REVIEW REPORT	23 -24
AUDITOR'S INDEPENDENCE DECLARATION	25

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Directors' Report

Your directors submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for the whole period unless otherwise stated.

R A Longes (Chairman)
M P L Searles (Chief Executive)
D C Clarke
R J Carless
D J Harricks (retired 26 November 2014)
R J Low

REVIEW AND RESULTS OF OPERATIONS

Results for Half-year

Net profit after tax attributable to equity holders of the parent increased by 8.3% to \$13.853 million (2013: \$12.791 million). The profit for the current period included a fair value adjustment to the carrying value of associates on the date at which they became controlled entities of \$3.525 million. If the above mentioned item, together with the amortisation of intangibles are excluded (as shown in the table below), the net profit (Adjusted NPAT) was \$12.447 million in 2014 (2013: \$14.607 million) an decline of 14.8%. In the table below, the Adjusted NPAT of \$12.447 million is reconciled to the net profit attributable to equity holders of the parent as reported in the Income Statement.

	2014 \$'000	2013 \$'000	CHANGE %
Adjusted NPAT from operations attributable to equity holders of the parent	12,447	14,607	-14.8%
Fair value adjustment to the carrying value of associates on the date at which they became controlled entities (no income tax applicable)*	3,525		
Net Profit after tax from operations before amortisation of intangibles	15,972	14,607	9.3%
Less Amortisation of intangibles (net of tax credit)*	(2,119)	(1,816)	-16.7%
Net profit attributable to equity holders of the parent as reported in the Income Statement	13,853	12,791	8.3%

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

Overview

The fair value adjustment of \$3.525 million arose as a result of the Group increasing its equity in an associate when it became a controlled entity. As required by accounting standards the carrying value for the existing investment has been adjusted to fair value and the increase included in Net profit. Such adjustments will only occur in future if further acquisitions of this type are made.

Excluding items shown in the above table, which are not considered operating nor necessarily recurring income, and amortisation of intangibles which is a non-cash expense, Adjusted NPAT decreased by 14.8% over the corresponding period last year. The Group's results were impacted by reducing insurance premium rates in the insurance broking sector which reduced brokers' commission income on renewal of business however this was offset by other income and new business growth with the supporting expense creating short term margin pressure. There was also some deferral of broking income from the first half to the second as a result of changes to renewal dates. Acquisitions also had a negative impact on growth for the year with acquisition costs including finance expense offsetting the income generated.

The lower broker profits contributed 13.9% to the decline in overall profit growth with the acquisitions, related borrowing costs and deferral of income referred to above accounting for almost 7% of this decline. The remainder of the overall 14.8% Adjusted NPAT decline was largely due to the impact of the soft premium rate environment on broker performance, a slight decline in underwriting agency contribution and an increase in corporate costs which were partially offset by the contribution of Risk Services for the first time.

Excluding direct acquisitions, total commission and fee income in the broker network decreased by 0.5% and total income by 0.7% compared to the prior period. Expenses in the network increased by 1.7% excluding acquisitions. Policy count and the number of policies increased. As a result margins in the broking sector were under pressure with lower premiums reducing the commission earnings on existing business.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

REVIEW AND RESULTS OF OPERATIONS

Overview (cont)

Underwriting agency profits were 3% below last year. Income overall increased by 21% with commission and fees excluding profit commissions increasing by 26%. Expenses increased by 35% due to additional resourcing to support growth, costs of development of new products and acquisition expenses. Acquisitions did not contribute to growth for the period but will do so in the second half year. The decline in underwriting agency profit contributed 0.6% of the overall profit decline.

Corporate expenses increased by \$0.74 million or 12.5% above the corresponding prior period reflecting the full period cost of resourcing made during the previous financial year and business technology investment to underpin the efficiency and effectiveness of the individual broking and agency businesses and their growth. The increase in these costs reduced overall profit growth by 3.5%.

Borrowing costs were higher due to additional funding for acquisitions (including amortisation of the discount on contingent consideration payments) but this cost was largely offset by an increase in corporate income, these contributing a net 0.1% to profit growth.

DIVIDEND PAYMENTS

A final dividend of \$15.924 million was paid in October 2014.

The Directors have declared a fully franked interim dividend of 12.0 cents per share payable to shareholders at the record date of 13 April 2015 which will be paid on 30 April 2015.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than as disclosed in Note 25 to the Financial Statements, there were no significant events occurring after the balance date.

ROUNDING

The amounts contained in the half-year financial report and this report have been rounded to the nearest \$1000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

Signed in accordance with a resolution of the directors.



M P L Searles
Managing Director



R A Longes
Chairman

Sydney, 25 February 2015

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Notes	Consolidated	
		6 months ended 31 December 2014 \$'000	6 months ended 31 December 2013 \$'000
Revenue	4 (i)	85,167	78,725
Other income	4 (ii)	3,376	3,477
Share of profit of associates	4 (iii)	9,148	9,982
Expenses	4 (iv)	(79,804)	(70,551)
Finance costs	4 (v)	(1,795)	(1,476)
		<u>16,092</u>	<u>20,157</u>
Income arising from adjustments to carrying values of associates, sale of interests in associates and broking portfolios			
- Adjustments to carrying value of associates	4(vi)	<u>3,525</u>	<u>-</u>
Profit before income tax		19,617	20,157
Income tax expense	5	<u>2,956</u>	<u>4,241</u>
Net Profit after tax for the period		<u>16,661</u>	<u>15,916</u>
Net Profit after tax for the period attributable to:			
Equity holders of the parent		13,853	12,791
Non-controlling interests		<u>2,808</u>	<u>3,125</u>
		<u>16,661</u>	<u>15,916</u>
Basic earnings per share (cents per share)	21 (b)	22.8	21.8
Diluted earnings per share (cents per share)	21 (b)	22.7	21.6

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Consolidated	
	6 months ended	6 months ended
	31 December 2014	31 December 2013
Notes	\$'000	\$'000

Net Profit after tax for the period	16,661	15,916
--	---------------	---------------

Other comprehensive income

Other comprehensive income during the period	-	-
--	---	---

Income tax revenue relating to components of other comprehensive income	-	-
---	---	---

Other comprehensive (expense) after tax for the period	-	-
---	----------	----------

Total comprehensive income after tax for the period	16,661	15,916
--	---------------	---------------

Total comprehensive income after tax for the period attributable to:

Equity holders of the parent	13,853	12,791
------------------------------	--------	--------

Non-controlling interests	2,808	3,125
---------------------------	-------	-------

16,661	15,916
---------------	---------------

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

		Consolidated	
	Notes	As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	37,905	43,970
Cash and cash equivalents - Trust	6	104,895	108,187
Trade and other receivables	9	124,852	182,763
Other financial assets	10	128	44
Total Current Assets		267,780	334,964
Non-current Assets			
Trade and other receivables	11	29	44
Investment in associates	12	131,021	103,301
Other financial assets	13	665	620
Property, plant and equipment	15	8,275	8,157
Intangible assets and goodwill	16	193,700	174,220
Deferred income tax asset		5,493	5,175
Total Non-current Assets		339,183	291,517
TOTAL ASSETS		606,963	626,481
LIABILITIES			
Current Liabilities			
Trade and other payables	18	212,187	263,540
Income tax payable	5	3,635	5,617
Provisions	19	10,383	10,182
Interest bearing loans and borrowings	20	13,098	11,562
Total Current Liabilities		239,303	290,901
Non-current Liabilities			
Trade and other payables	18	23,099	12,264
Provisions	19	2,439	2,520
Deferred tax liabilities		8,972	8,904
Interest bearing loans and borrowings	20	46,528	42,313
Total Non-current Liabilities		81,038	66,001
TOTAL LIABILITIES		320,341	356,902
NET ASSETS		286,622	269,579
EQUITY			
Issued capital	21 (a)	124,644	108,339
Retained earnings		112,522	114,836
Share based payments reserve		5,502	5,296
Asset revaluation reserve		753	1,000
Equity attributable to equity holders of the parent		243,421	229,471
Non-controlling interests		43,201	40,108
TOTAL EQUITY		286,622	269,579

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

		Consolidated	
		6 months ended	6 months ended
	Notes	31 December 2014	31 December 2013
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		82,538	79,579
Dividends/trust distributions received		9,924	9,406
Interest received		2,030	2,273
Management fees received from associates / related entities		4,927	3,121
Payments to suppliers and employees		(76,139)	(66,046)
Interest paid		(1,496)	(1,476)
Income tax (paid)		(6,817)	(6,763)
Net cash from operating activities before customer trust account movements		14,967	20,094
Net (decrease) in cash held in customer trust accounts		(3,292)	(8,504)
NET CASH FLOWS FROM OPERATING ACTIVITIES		11,675	11,590
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from new shares issued to non controlling interests	7 (c),(d)	-	2,846
Payment for increase in interests in controlled entities	7 (a),(b)	(989)	-
Payment for new consolidated entities, net of cash acquired	7 (c), (f), (g), (h), (i)	(3,533)	(142)
Payment for new broking portfolios purchased by members of the economic entity		(33)	(234)
Payment for new associates	12	(16,423)	(4,916)
Proceeds from disposal of broking portfolio by a member of the economic entity		-	122
Proceeds from disposal of associate by a member of the economic entity	12	-	220
(Payment) for / proceeds from purchase of other financial assets		(159)	217
Proceeds from sale of plant and equipment		-	40
Payment for plant and equipment		(730)	(1,212)
(Advances) / proceeds from mortgage repayments from associates / related entities		(84)	300
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(21,951)	(2,759)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Dividends paid to shareholders		(6,824)	(6,666)
Dividends paid to non controlling interests		(3,605)	(3,700)
Net Proceeds from issue of share capital		7,205	6,950
Payment for deferred settlement on prior year acquisitions		(1,491)	(3,732)
Decrease in borrowings and lease liabilities		(1,826)	(759)
Increase in borrowings and lease liabilities		7,286	-
Repayments / (advances) to related entities		174	(1,698)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		919	(9,605)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,357)	(774)
Cash and cash equivalents at beginning of the period		152,157	150,693
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	142,800	149,919

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED							
At 1 July 2014	108,339	114,836	1,000	5,296	229,471	40,108	269,579
Profit for the period	-	13,853	-	-	13,853	2,808	16,661
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period 1 July 2014 to 31 December 2014	-	13,853	-	-	13,853	2,808	16,661
Adjustment relating to an increase in the voting shares in controlled entities. This adjustment was treated as transaction between owners and adjusted directly to retained earnings (see note 7(a),(b))	-	(490)	-	-	(490)	(499)	(989)
Non controlling interests relating to new acquisitions (see note 7(e),(f),(g),(h))	-	-	-	-	-	4,389	4,389
Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	351	(351)	-	-	-	-
Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	(104)	104	-	-	-	-
Cost of share-based payment	-	-	-	246	246	-	246
Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options	-	-	-	255	255	-	255
Adjustment to tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense).	-	-	-	(295)	(295)	-	(295)
On 15 October and 24 October 2014, 696,147 and 928,220 shares were issued respectively at \$9.8016 as a result of a Dividend Reinvestment Plan (see note 21)	15,924	-	-	-	15,924	-	15,924
On 11 September 2014 allotted 132,800 shares at an issue price of \$4.20 (see note 21)	558	-	-	-	558	-	558
On 16 December 2014 allotted 27,834 shares at an issue price of \$NIL (see note 21)	-	-	-	-	-	-	-
Share issue expenses	(177)	-	-	-	(177)	-	(177)
Equity dividends	-	(15,924)	-	-	(15,924)	(3,605)	(19,529)
At 31 December 2014	124,644	112,522	753	5,502	243,421	43,201	286,622

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Attributable to equity holders of the parent					Non-controlling interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED							
At 1 July 2013	90,586	100,390	1,500	5,173	197,649	32,749	230,398
Profit for the period	-	12,791	-	-	12,791	3,125	15,916
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period 1 July 2013 to 31 December 2013	-	12,791	-	-	12,791	3,125	15,916
Adjustment resulting from a controlled entity issuing additional shares to non controlling interests. The dilution in voting shares is treated as a transaction between owners and the resulting adjustment is recognised directly in retained earnings (see note 7(c),(d))	-	719	-	-	719	2,079	2,798
Non controlling interests relating to disposals of broking portfolios and investment in associates	-	-	-	-	-	97	97
Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	361	(361)	-	-	-	-
Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	(108)	108	-	-	-	-
Cost of share-based payment	-	-	-	386	386	-	386
Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options	-	-	-	340	340	-	340
Adjustment to tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense)	-	-	-	(195)	(195)	-	(195)
On 12 September 2013 allotted 49,350 shares at an issue price of \$3.47 (see note 21)	171	-	-	-	171	-	171
On 12 September 2013 allotted 70,100 shares at an issue price of \$4.20 (see note 21)	295	-	-	-	295	-	295
'On 11 September 2013 allotted 3,305 shares at an issue price of \$NIL (see note 21)	-	-	-	-	-	-	-
On 28 November 2013 allotted 57,591 shares at an issue price of \$NIL (see note 21)	-	-	-	-	-	-	-
On 16 October and 24 October 2013, 612,902 and 699,903 shares were issued respectively at \$10.8727 as a result of a Dividend Reinvestment Plan (see note 21)	14,275	-	-	-	14,275	-	14,275
Share issue expenses	(180)	-	-	-	(180)	-	(180)
Equity dividends	-	(14,277)	-	-	(14,277)	(3,700)	(17,977)
At 31 December 2013	105,147	99,876	1,247	5,704	211,974	34,350	246,324

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

The financial report of Austbrokers Holdings Limited for the six months ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 25 February 2015.

Austbrokers Holdings Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities during the year of entities within the consolidated group were the provision of insurance broking services, distribution of ancillary products, risk services and conducting underwriting agency businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the half year financial statements

The general purpose condensed financial statements for the half year ended 31 December 2014 have been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

The financial report is presented in Australian dollars (\$) and all values are rounded to the nearest \$1000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated group as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by Austbrokers Holdings Limited in accordance with the continuous disclosure obligations of the ASX listing rules.

There are no changes to significant accounting judgements, estimates and assumptions from those used at 30 June 2014.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES, INTERPRETATIONS AND NEW ACCOUNTING STANDARDS,

The accounting policies and methods of computation are the same as those adopted in prior years except for the adoption of new accounting standards that took effect from 1 July 2014 as detailed in note 3 of the 30 June 2014 Financial Statements. The adoption of these new accounting standards did not have a material effect on the financial position or performance of the Consolidated group.

There are a number of Standards and Interpretations (issued after 1 July 2014), mandatory for annual periods beginning on or after 1 January 2015. The Group has reviewed the impact of these changes and has determined that the adoption of these standards will not have any material effect on the financial position or performance of the Consolidated group.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Consolidated	
	6 months ended	6 months ended
	31 December 2014	31 December 2013
	\$'000	\$'000
4. REVENUE AND EXPENSES		
(i) Revenue		
Commission, Brokerage and Fee Income	80,240	75,604
Management fees	4,927	3,121
Total revenue	85,167	78,725
(ii) Other income		
Dividends from other persons	38	9
Interest from related parties	10	49
Interest from other persons / corporations	2,020	2,224
Other income	1,308	1,195
Total other income	3,376	3,477
(iii) Share of profit of associates		
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	10,445	10,814
Amortisation of Intangibles - Associates	(1,297)	(832)
Total share of profit of associates	9,148	9,982
(iv) Expenses		
Amortisation of Intangibles - controlled entities	2,073	1,955
Salaries and wages	49,733	43,256
Share-based payments	246	386
Audit fees	748	680
Travel/Telephone/ Motor/Stationery	3,370	2,548
Depreciation of property plant and equipment	1,063	875
Rent (operating leases)	4,265	3,906
Commission expense	6,124	5,481
Insurance	2,213	1,779
Other expenses	9,969	9,685
Total expenses	79,804	70,551
(v) Finance costs		
Borrowing costs	1,795	1,476
Total finance costs	1,795	1,476
(vi) Adjustments to carrying value of associates		
Fair value adjustment to carrying value of associates on the date they became a controlled entity (see note 7(f))	3,525	-

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Consolidated	
	6 months ended	6 months ended
	31 December 2014	31 December 2013
	\$'000	\$'000

5. INCOME TAX

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

Profit before income tax	19,617	20,157
At the company's statutory income tax rate of 30% (2013:30%)	5,885	6,047
Rebateable dividends	(11)	(3)
Non taxable share of profits from associated entities	(1,920)	(2,091)
Under/(Over) provision prior year	(215)	186
Fair value adjustment to carrying value of associate on the date it became a controlled entity	(1,057)	-
Non deductible expenses/other	274	102
Income tax expense reported in the consolidated income statement	2,956	4,241

As at	As at
31 December 2014	30 June 2014
\$'000	\$'000
3,635	5,617

Provision for income tax

As at	As at
31 December 2014	31 December 2013
\$'000	\$'000

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	37,905	45,813
Cash and cash equivalents - Trust	104,895	104,106
Total cash and cash equivalents	142,800	149,919

Trust cash cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policyholders.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

7. BUSINESS COMBINATIONS

All the business combinations referred to in note 7(a) - 7(i) relate to insurance broking or underwriting agency businesses.

A major strategy of the Group is to acquire insurance broking portfolios or interests in insurance broking businesses generally ranging from 50% - 100%. The terms of these acquisitions vary in line with negotiations with individual vendors but are structured to achieve the Group's benchmarks for return on investment and to take advantage of the rationalisation in the broking industry where many current owners of businesses are approaching retirement.

Where acquisitions include an element of purchase price contingent on business performance, management has estimated the fair value of these contingent considerations based on a probability weighted best estimates of future outcomes for income or profit, on which the purchase price is determined, discounted to present value. Historical trends and any relevant external factors are taken into account in determining the likely outcome.

For business combinations referred to in notes 7(e), (f), (g), (h), (i), goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits.

Equity transactions between owners - current period

- a) Effective 1 August 2014, the Consolidated entity acquired an additional 10% of the voting shares in Austbrokers Premier Pty Ltd for \$625,000 increasing its equity ownership to 90%.
- b) Effective 1 July 2014, the Consolidated entity acquired an additional 9.1% of the voting shares in Sura Hospitality Pty Ltd as trustee for G.U.S. Trust for \$364,368 increasing its equity ownership to 100%.

	Carrying value of assets acquired in Austbrokers Premier Pty Ltd and Sura Hospitality Pty Ltd
	\$'000
Cash	1,183
Receivables	7,180
Property plant and equipment	111
Intangibles	5,591
TOTAL ASSETS	14,065
Payables and provisions	--
Tax Liabilities	88
TOTAL LIABILITIES	88
NET ASSETS	13,977
 Cash Paid	 989
Adjustment to non controlling interest	(499)
Transfer to retained earnings on acquisition additional voting shares in Austbrokers Premier Pty Ltd and Sura Hospitality Pty Ltd.	 (490)

Equity transactions between owners - previous period

- c) Effective 1 July 2013, the Consolidated entity diluted its voting shares in Austbrokers AEI Transport Pty Ltd (AB AEIT) by 10%, when AB AEIT issued additional shares to existing shareholders for \$2,846,405 reducing the equity ownership to 55%.
- d) Effective 1 July 2013, a controlled entity, Adroit Holdings Limited sold 1.89% of the units in Austbrokers Employee Equity Trust (AEET) decreasing the equity ownership to 74.59%.

Cash received on share issue	2,846
Value of net assets disposed	(7)
Adjustment to carrying value	(41)
Adjustment to non controlling interests	2,079
Transfer to retained earnings on dilution of shareholding in controlled entity/adjustment on voting shares	 719

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

7. BUSINESS COMBINATIONS (continued)

Acquisition of new controlled entity - current period

- e) On 1 July 2014, a controlled entity acquired an additional 75% of the voting shares in Asia Mideast Insurance and Reinsurance Pty Ltd (AMIR) for \$2,301,750 which included a deferred consideration payment of \$337,500, payable 12 months after the date of acquisition.
- f) On 31 December 2014, the company owned 50% of the voting shares of Citycover (Aust) Pty Ltd (Citycover). On that date it acquired a further 22.5% interest for \$2,300,000. On 31 December 2014 Citycover ceased to be an associate and became a controlled entity.
- g) Effective 1 November 2014, the company incorporated a new controlled entity in New Zealand, NZ Brokers Holdings Ltd (NZBH) with a share capital of \$4,056,327 in which it has 80% interest in the voting shares. The carrying value of the investment in this company is \$3,245,062. The amount received from non controlling interests amounted to \$811,265.
- h) Effective 1 November 2014, NZ Brokers Holdings Ltd acquired 100% of the voting shares of Brokerweb Management Ltd (BWM) for \$7,675,596 including a contingent consideration payment of \$1,567,116.

Fair values of the identifiable assets and liabilities of acquisitions referred to in (e), (f) and (h) as at the date of acquisition were:

	Citycover Fair value recognised on acquisition \$'000	AMIR Fair value recognised on acquisition \$'000	BWM Fair value recognised on acquisition \$'000
Cash	2,143	3,020	866
Receivables	1,574	3,511	733
Plant and equipment	190	27	233
Deferred tax asset	122	-	-
Intangibles	3,206	-	-
TOTAL ASSETS	7,235	6,558	1,832
Payables and borrowings	4,091	5,733	814
Deferred tax liability	962	133	-
Provision for taxation	266	37	450
Provisions	138	347	-
TOTAL LIABILITIES	5,457	6,250	1,264
NET ASSETS	1,778	308	568
Net assets acquired	1,289	231	568
Purchase price - cash paid	2,300	1,964	6,109
Purchase price - Deferred payment	-	338	1,567
Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))	3,525	-	-
Carrying value of existing share in associate before acquisition	1,586	-	-
Total carrying value after acquisition	7,411	2,302	7,676
Goodwill arising on acquisition relating to the group	6,122	2,071	7,108
Goodwill arising on acquisition relating to the non controlling interests	2,322	690	-
Total goodwill arising on acquisition	8,444	2,761	7,108
Cash inflow on acquisition is as follows;			
Net cash acquired with the controlled entity	2,143	3,020	866
Cash paid	2,300	1,964	6,109
Net cash (outflow) / inflow	(157)	1,056	(5,243)

The acquisition of 75% of AMIR was effective on 1 July 2014. The acquisition contributed a loss \$31,524 to net profit after tax and \$505,085 to revenue.

The fair value of the identifiable net assets acquired of AMIR and BWM were approximately equivalent to the carrying values of assets acquired at the date of acquisition. For Citycover, the fair value of the assets acquired were approximately equivalent to the carrying values of assets except for the identifiable intangibles and associated deferred tax.

The acquisition of an additional 22.5% of Citycover was effective on 31 December 2014. The acquisition did not make a contribution to the current period result other than its 50% contribution as an equity accounted associate.

The acquisition of 80% of the voting shares in the incorporated entity NZBH, was effective 1 November 2014. The acquisition contributed a loss \$382,025 to net profit after tax and \$NIL to revenue.

The acquisition of 100% of BWM by NZBH was effective 1 November 2014. The acquisition contributed a loss of \$386 to net profit after tax and \$286,287 to revenue.

Acquisition of new controlled entity - previous period

- i) On 4 October 2013, a controlled entity acquired an additional 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$300,000 bringing the total equity to 100%. The cash outflow, net cash acquired, was \$142,000

Consolidated	
6 months ended	6 months ended
31 December 2014	31 December 2013
\$'000	\$'000

(a) Dividends paid during the period

- 14,277

15,924 -

15,924	14,277
--------	--------

(b) Dividends proposed and not recognised as a liability

- 7.157

7.409 -

7,409	7,157
-------	-------

26.5	24.5
------	------

12.0 12.0

Consolidated	
As at	As at
31 December 2014	30 June 2014
\$'000	\$'000

19,569	18,448
--------	--------

102,523	161,977
---------	---------

141 27

2,619 2,311

124,852 182,763

10. OTHER FINANCIAL ASSETS (CURRENT)

128 44

128 44

11. TRADE AND OTHER RECEIVABLES (NON CURRENT)

29 44

29 44

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

			Consolidated	
			As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
12. INVESTMENT IN ASSOCIATES				
Investments at equity accounted amount:				
Associated entities - unlisted shares			131,021	103,301
			Equity accounted	
Name	Dec-14 %	Jun-14 %	As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,845	3,036
A & I Member Services Pty Ltd	50.0	50.0	-	-
Austbrokers RIS Pty Ltd	49.9	49.9	2,605	2,586
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	101	122
Bruce Park Pty Ltd	49.9	49.9	1,253	1,421
Brett Grant and Associates Pty Ltd	50.0	50.0	1,570	1,659
Brokerweb Risk Services Ltd *	50.0	0.0	16,695	-
Bluestone Insurance Pty Ltd	50.0	0.0	-	-
Blumberg Pty Ltd	50.0	0.0	103	-
Citycover (Aust) Pty Ltd	72.5	49.9	-	1,740
Austbrokers Dalby Pty Ltd	50.0	50.0	3,011	2,868
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet				
Australia Unit Trust	49.9	49.9	17,174	17,283
Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet				
Holdings Unit Trust	49.9	49.9	764	774
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	837	912
Markey Group Pty Ltd	49.9	49.9	3,436	4,084
Global Assured Finance Pty Ltd	49.9	49.9	-	-
MGA Management Services Pty Ltd	49.9	49.9	9,409	8,749
Nexus Insurance Brokers Pty Ltd	50.0	0.0	12,254	-
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	93	102
Northlake Holdings Pty Ltd	50.0	50.0	5,107	5,232
Peter L Brown & Associates Pty Ltd	49.9	49.9	496	623
Procure Pty Ltd	50.0	50.0	11,438	11,435
Risk Strategies Pty Ltd	50.0	0.0	1,008	-
Rivers Insurance Brokers Pty Ltd	49.9	49.9	2,914	3,044
Strathearn Insurance Group Pty Ltd	49.9	49.9	21,615	21,732
Supabrook Pty Ltd	49.9	49.9	781	986
SRG Group Pty Ltd	50.0	50.0	1,945	1,924
Western United Financial Services Pty Ltd	49.9	49.9	1,685	1,758
WRI Insurance Brokers Pty Ltd	50.0	50.0	4,557	4,398
NRIG Pty Ltd	20.0	20.0	40	40
Countrywide Tolstrup Financial Services Group Pty Ltd /				
Countrywide Tolstrup Group Unit Trust	49.9	49.9	2,236	2,227
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance				
Brokers Unit Trust	49.9	49.9	524	589
Coffs Harbour Unit Trust	37.5	37.5	145	99
Aust Re Brokers Pty Ltd	50.0	50.0	324	291
Tasman Underwriting Pty Ltd	50.0	50.0	544	473
Millennium Underwriting Agency Pty Ltd **	50.0	50.0	248	222
One Liability Underwriting Pty Ltd	50.0	50.0	-	-
Sura Accident and Health Pty Ltd	50.0	50.0	-	-
Longitude Insurance Pty Ltd ***	56.1	56.1	870	530
NewSurety Pty Ltd	50.0	50.0	149	206
Sura Professional Risks Pty Ltd (formerly Mint Plus Pty Ltd)	50.0	50.0	726	772
HQ Insurance Pty Ltd	40.4	40.4	1,519	1,384
			131,021	103,301

* The Group has an 80% interest in the controlled entity which has a 50% interest in Brokerweb Risk Services Ltd.

** The controlled entity owns 18.4% of Millennium Underwriting Agency Pty Ltd. The consolidated entity has a further 31.6% interest indirectly through an associate.

*** A controlled entity owns 37.5% of Longitude Insurance Pty Ltd. The consolidated entity has a further 18.58% interest indirectly through an associate.

During the current period, the following transactions occurred;

- On 1 July 2014, the consolidated entity acquired 50% of the voting shares of Nexus Insurance Brokers Pty Ltd for \$12,253,179 which includes an amount of \$6,653,179 that represents the contingent consideration amount payable in the next 2 years.
- On 1 September 2014, the consolidated entity acquired 50% of the voting shares of Risk Strategies Pty Ltd for \$1,083,386 which includes an amount of \$383,386 which represents the contingent consideration payable in 12 months.
- On 1 July 2014, a controlled entity acquired 50% of the voting shares of Bluestone Insurance Pty Ltd and Blumberg Pty Ltd for \$50 and \$103,000 respectively.
- On 1 November 2014, a controlled entity in New Zealand acquired 50% of the voting shares of Brokerweb Risk Services Ltd for \$16,801,889 which includes an amount of \$6,780,164 which represents the contingent consideration payable in the next 2 years.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

12. INVESTMENT IN ASSOCIATES (continued)

During the current period, the following transactions occurred; (continued)

- On 31 December 2014, the company owned 50% of the voting shares of Citycover (Aust) Pty Ltd (Citycover). On that date it acquired a further 22.5% interest for \$2,300,000. Citycover ceased to be an associate and became a controlled entity.

During the previous period, the following transactions occurred

- On 1 July 2013, the consolidated entity acquired 50% of the voting shares of WRI insurance Brokers Pty Ltd for \$4,876,264 which includes an amount of \$876,264 that represents the value of identifiable net assets acquired at the time of acquisition of the business.
- On 1 September 2013, a controlled entity, sold all of the voting shares in Interprac General Insurance Pty Limited for \$300,000 (\$219,600 net of disposal costs).
- On 1 September 2013, a controlled entity, acquired 20% of the voting shares of NRIG Pty Limited for \$40,000.
- On 4 October 2013, a controlled entity, acquired an additional 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$300,000 bringing the total equity to 100%. Celestial Underwriting Agency Pty Ltd ceased to be an associate on that date.

Other information in respect of associated entities which carry on business directly or through controlled entities.

- The principal activity of each associate is insurance broking, except for associates owned by Austagencies Pty Ltd, which are underwriting agents and Procure Pty Ltd and Risk Strategies Pty Ltd which offer insurance related services.
- The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust and Longitude Insurance Pty Ltd where voting power is 37.5%, Millennium Underwriting where the voting power is 18.4%, HQ Insurance Brokers Pty Ltd where the voting power is 40.4% and NRIG Pty Ltd where the voting power is 20%.
- The reporting date of each associate is 31 December 2014 (prior period reporting date 31 December 2013).
- There have been no significant subsequent events affecting the associates' profits for the period.
- There were no impairment issues relating to the investment in associates.
- All associates, including unit trusts, were incorporated or established in Australia except for Brokerweb Risk Services Ltd which is incorporated in New Zealand.

	Consolidated	
	6 months ended 31 December 2014 \$'000	6 months ended 31 December 2013 \$'000
(g) The group's share of associates' profits/(losses)		
Share of associates':		
Revenue	41,323	41,738
Operating profits before income tax	12,990	13,359
Amortisation of intangibles	(1,297)	(832)
Net profit before income tax	11,693	12,527
Income tax expense attributable to operating profits	(2,545)	(2,545)
Share of associates' net profits	9,148	9,982

13. OTHER FINANCIAL ASSETS (NON CURRENT)

	As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
Mortgages - related entities (amortised cost)	213	213
Other	452	407
	665	620

The mortgages are secured by registered fixed and floating charges over assets in the business, securities and supplemented with cross guarantees and indemnities where necessary.

14. SHARES IN CONTROLLED ENTITIES

A full list of controlled entities is contained in the 30 June 2014 financial statements.

Details of increases in equity in controlled entities and acquisition of controlled entities during the current period are disclosed in note 7.

Details of increases and decreases in equity in controlled entities during the prior period are disclosed in note 7.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

		Consolidated	
		As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
15. PLANT AND EQUIPMENT			
Property		730	730
Plant and equipment		20,087	18,946
Motor Vehicles		1,889	1,706
Total cost		22,706	21,382
Depreciation			
Property		109	104
Plant and equipment		13,646	12,465
Motor Vehicles		676	656
Total Accumulated Depreciation		14,431	13,225
Net carrying amount at end of period			
Property		621	626
Plant and equipment		6,441	6,481
Motor Vehicles		1,213	1,050
Net Carrying value		8,275	8,157
16. INTANGIBLE ASSETS AND GOODWILL			
Goodwill		169,605	151,259
Insurance Broking Registers		50,118	46,911
Total cost		219,723	198,170
Amortisation			
Insurance Broking Registers		26,023	23,950
Total Accumulated Amortisation		26,023	23,950
Net carrying amount at end of period			
Goodwill		169,605	151,259
Insurance Broking Registers		24,095	22,961
Net Carrying value		193,700	174,220

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

17. SHARE-BASED PAYMENT PLANS

Employee Share Option Plan

Share options are granted to senior executives by the ultimate parent company Austbrokers Holdings Ltd.

The share-based payments expense recognised in the income statement is included in note 4 (iv) Expenses.

Unless otherwise stated, all options are granted over shares in the ultimate controlling entity, Austbrokers Holdings Ltd.

	As at 31 December 2014 No.	As at 30 June 2014 No.
Share Options		
Outstanding at the beginning of the year	508,834	667,853
Granted during the period - Zero priced options	43,456	41,855
Exercised during the period: Options issued during 2006	-	(49,350)
Exercised during the period: Options issued during 2007	(132,800)	(70,100)
Exercised during the period: Options issued during 2008	-	(3,305)
Exercised during the period: Options issued during 2009	-	(4,730)
Exercised during the period: Options issued during 2010	-	(52,861)
Exercised during the period: Options issued during 2011	(27,834)	-
Lapsed/forfeited during the period: Options issued during 2009	-	(787)
Lapsed/forfeited during the period: Options issued during 2010	(12,969)	(1,941)
Lapsed/forfeited during the period: Options issued during 2011	-	(7,327)
Lapsed/forfeited during the period: Options issued during 2012	-	(6,117)
Lapsed/forfeited during the period: Options issued during 2013	-	(4,356)
Outstanding at the end of the period	<u>378,687</u>	<u>508,834</u>

During the period the following options were issued or exercised

- 43,456 Share options were granted on 31 October 2014, exercisable 3 years from 31 October 2014 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$10.2784. The options were valued using the dividend yield method resulting in an option price of \$9.0892.
- 132,800 Share options were exercised on 12 September 2014 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$10.87.
- 12,969 options lapsed due to vesting conditions over the 4 years ended 30 June 2014, not being met.
- 27,834 Share options were exercised on 16 December 2014 at an exercise price of \$NIL. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$10.08.

During the prior year the following options were issued, exercised, lapsed or forfeited

- 41,855 Share options were granted on 30 October 2013, exercisable 3 years from 30 October 2013 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$11.15. The options were valued using the dividend yield method resulting in an option price of \$10.0575.
- 49,350 Share options were exercised on 11 September 2013 at an exercise price of \$3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$10.89.
- 70,100 Share options were exercised on 11 September 2013 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$10.89.
- 787 options lapsed due to vesting conditions over the 4 years ended 30 June 2013, not being met.
- 3,305 Share options were exercised on 11 September 2013 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$10.89.
- 4,730 Share options were exercised on 30 October 2013 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$11.68.
- 52,861 Share options were exercised on 30 October 2013 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$11.68.
- 19,741 Zero priced options lapsed on 14 April 2014 due to a staff member leaving.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

		Consolidated	
		As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
18. TRADE AND OTHER PAYABLES			
Current			
Trade payables		12,158	12,543
Amount payable on broking/underwriting agency operations		185,068	238,674
Other payables		13,932	11,776
Related party payables			
- Related entities		1,029	547
		<u>212,187</u>	<u>263,540</u>
Non-current			
Other payables		23,099	12,264
		<u>23,099</u>	<u>12,264</u>
The reduction in payables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year and therefore a higher level of payments to insurers are payable.			
19. PROVISIONS			
Employee entitlements		12,107	11,938
Make good provision		715	764
		<u>12,822</u>	<u>12,702</u>
Current		10,383	10,182
Non-current		2,439	2,520
		<u>12,822</u>	<u>12,702</u>
20. INTEREST BEARING LOANS AND BORROWINGS			
Current			
Obligations under finance leases and hire purchase contracts		985	1,022
Unsecured loan from other related parties		45	177
Secured bank loan *		12,068	10,363
		<u>13,098</u>	<u>11,562</u>
Non-current			
Obligations under finance leases and hire purchase contracts		970	1,222
Unsecured loan from other parties		16	35
Secured bank loan *		45,542	41,056
		<u>46,528</u>	<u>42,313</u>
* The Group has negotiated facilities through various banks including St George Bank, Macquarie Bank, Commonwealth Bank, Bendigo Bank and National Australia Bank. Details of those facilities are as follows;			
<i>Summary of secured bank loans</i>			
<i>St George Bank</i>		49,795	43,071
<i>Macquarie Bank</i>		460	370
<i>Commonwealth Bank</i>		1,100	1,167
<i>National Australia Bank</i>		2,152	2,343
<i>Hunter Premium Funding</i>		605	685
<i>Bendigo Bank</i>		3,498	3,783
<i>Total secured bank loans</i>		<u>57,610</u>	<u>51,419</u>
<i>Secured loans at beginning of the period</i>		51,419	
<i>Loan repayments made during period</i>		(1,447)	
<i>Borrowings recognised on consolidation of newly acquired controlled entity</i>		548	
<i>New borrowings during the period</i>		<u>7,090</u>	
<i>Secured loans at end of the period</i>		<u>57,610</u>	

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

20. INTEREST BEARING LOANS AND BORROWINGS (continued)

The facilities are subject to financial undertakings and warranties typical of facilities of this nature and have sub-limits for various purposes including acquisitions.

During the period, the company borrowed an additional \$7 million from St George Bank under the current finance facility at similar terms and conditions as disclosed in the 30 June 2014 financial statements.

Refer to 2014 financial Statements for details of individual loans and arrangements.

During the current and prior periods, there were no defaults or breaches of terms and conditions of any of these facilities.

	Consolidated	
	As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
21(a). ISSUED CAPITAL		
Issued Capital opening balance	108,339	90,586
Net Proceeds from Dividend Reinvestment Plan	15,924	17,476
On 11 September 2014 allotted 132,800 shares at an issue price of \$4.20	558	-
On 16 December 2014 allotted 27,834 shares at an issue price of \$NIL	-	-
On 11 September 2013 allotted 49,350 shares at an issue price of \$3.47	-	171
On 11 September 2013 allotted 70,100 shares at an issue price of \$4.20	-	295
On 11 September 2013 allotted 3,305 shares at an issue price of \$NIL	-	-
On 28 November 2013 allotted 57,591 shares at an issue price of \$NIL	-	-
Share issue expenses	(177)	(189)
Issued Capital	<u>124,644</u>	<u>108,339</u>
	Shares	Shares
	No.	No.
Number of Shares on Issue (ordinary shares fully paid)	<u>61,740,597</u>	<u>59,955,596</u>
	Shares	Shares
	No.	No.
Movements in shares on issue		
Beginning of the financial year	59,955,596	58,148,980
On 11 September 2014 allotted 132,800 shares at an issue price of \$4.20	132,800	-
On 15 October 2014 696,147 shares were issued at \$9.8016 as a result of a Dividend Reinvestment Plan.	696,147	-
On 24 October 2014 928,220 shares were issued at \$9.8016 as a result of a Dividend Reinvestment Plan.	928,220	-
On 16 December 2014 allotted 27,834 shares at an issue price of \$NIL	27,834	-
On 16 October 2013, 612,902 shares were issued at \$10.8727 as a result of a Dividend Reinvestment Plan.	-	612,902
On 24 October 2013, 699,943 shares were issued at \$10.8727 as a result of a Dividend Reinvestment Plan.	-	699,943
On 30 April 2014, 313,425 shares were issued at \$10.2140 as a result of a Dividend Reinvestment Plan.	-	313,425
On 12 September 2013 allotted 49,350 shares at an issue price of \$3.47	-	49,350
On 12 September 2013 allotted 70,100 shares at an issue price of \$4.20	-	70,100
On 12 September 2013 allotted 3,305 shares at an issue price of \$NIL	-	3,305
On 28 November 2013 allotted 57,591 shares at an issue price of \$NIL	-	57,591
Total Shares on Issue	<u>61,740,597</u>	<u>59,955,596</u>

Ordinary shares have the right to receive dividends and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

21(b). EARNINGS PER SHARE (EPS)

Earnings used in calculating EPS

- Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.
- Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Changes in weighted average number of shares

- There have been no significant transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Consolidated	
As at	As at
31 December 2014	30 June 2014
\$'000	\$'000

22. COMMITMENTS AND CONTINGENCIES

Finance lease and hire purchase commitments - Consolidated Group as lessee

The Consolidated Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific group that holds the lease.

Operating lease commitments - Consolidated Group as lessee

The Consolidated Group has entered into leases for premises, commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 7 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Contingent liabilities

Estimates of the maximum amounts of contingent liabilities that may become payable

Austbrokers Holdings Ltd has guaranteed loan facilities provided to associates in proportion to its shareholding.

3,656 3,656

Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding.

1,165 205

4,821 3,861

Austbrokers Holdings Ltd has provided indemnities to other shareholders of related entities and associates in relation to guarantees given by those shareholders, to financiers of or lessors to entities in which Austbrokers has an equity interest. At balance date no liability has arisen in relation to these indemnities.

Austbrokers Holdings Ltd has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to Austbrokers at market values current at the date of exercise of that option. These have been given in relation to shares in the related entity/associate pledged by the borrower as security for funding provided to those shareholders in relation to the acquisition of those shares.

23. OPERATING SEGMENTS

The company's corporate structure includes equity investments in insurance intermediary entities. Discrete financial information about each of these entities is reported to management on a regular basis and accordingly management considers each entity to be a discrete operating segment of the business. The company believes that all of the Group's equity investments in insurance intermediary entities exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the general insurance intermediary sector. This assessment is based on each of the operating segments having similar products and services, similar types of customer, employing similar operating processes and procedures and operating within a common regulatory environment. The group is in the business of distributing and advising on insurance products in Australia and New Zealand.

24. FAIR VALUES OF RECOGNISED ASSETS AND LIABILITIES

There are no material differences between the carrying value and the fair value of all the Group's financial assets. The difference between the fair value and the carrying value of Group's financial liabilities only relates to loans and other borrowings. The fair value of the borrowings has been determined based on current interest rates which are similar to actual interest rates negotiated on current borrowings resulting in fair values being similar to carrying value. There are no differences between the carrying value and the fair value of the Group's trade and other payables.

25. SUBSEQUENT EVENTS

On 25 February 2015 the Directors of Austbrokers Holdings Ltd declared an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$7,408,872 which represents a fully franked dividend of 12.0 cents per share. The dividend has not been provided for in the 31 December 2014 financial statements.

On 30 January 2015, a 60% interest was acquired in Altius Group Pty Ltd through the acquisition of 60% of the shares in its holding company, Foveau Group Holdings Pty Ltd. A cash payment of \$13.6 million was paid with a further \$3.45 million estimated to be paid based on its results for the 2015 financial year. A further final payment will be made in 2016 financial year with a maximum purchase price of \$24 million.

During January 2015, a controlled entity, NZ Broker Holdings Limited, accepted terms for a new \$NZ13 million finance facility with Westpac New Zealand Limited. Legal agreements relating to the facility were completed on 13 February 2015 and the facility was fully drawn down on that date.

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' DECLARATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014


Directors' Declaration

In accordance with a resolution of the directors of Austbrokers Holdings Limited, I state that:

In the opinion of the directors:

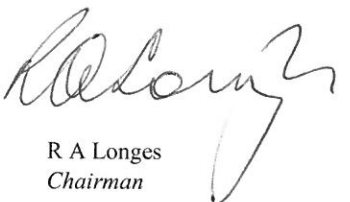
- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the 6 months period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



M P/L Searles
Managing Director

Sydney, 25 February 2015



R A Longes
Chairman

Independent auditor's report to the members of Austbrokers Holdings Limited

To the members of Austbrokers Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austbrokers Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austbrokers Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

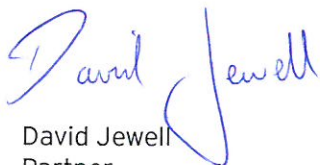
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austbrokers Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



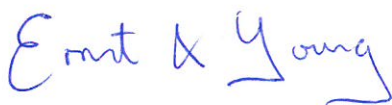
Ernst & Young



David Jewell
Partner
Sydney
25 February 2015

Auditor's Independence Declaration to the Directors of Austbrokers Holdings Limited

In relation to our review of the financial report of Austbrokers Holdings Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



David Jewell
Partner
Sydney
25 February 2015