



27 February 2017

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

FOR RELEASE TO THE MARKET

Dear Sir / Madam,

Re: Appendix 4D and Financial Report for the Half Year Ended 31st December 2016

Attached for immediate release is the AUB Group Limited (AUB):

- Appendix 4D – Half-Year Report 31st December 2016 and
- Attachment A to Appendix 4D – Financial Report for the half year ended 31st December 2016.

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 'J2 Coss'.

Justin Coss
Company Secretary

For further information, contact Justin Coss

Tel: (02) 9935 2224

justinc@aubgroup.com.au

AUB Group Limited

Level 10, 88 Phillip Street,
Sydney, NSW, 2000.

ABN 60 000 000 715
ACN 000 000 715

aubgroup.com.au



AUB Group Limited

ABN 60 000 000 715

ASX Disclosure – Appendix 4D

ASX DISCLOSURE – APPENDIX 4D
Half-Year Report – 31 December 2016

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 2016.

1. Reporting Period

Current reporting period – six months ended 31 December 2016

Previous corresponding period – six months ended 31 December 2015

2. Results for Announcement to the Market

				\$'000
2.1	Revenue from ordinary activities ¹	up	15.0%	to 121,825
2.2	a) Profit (loss) from ordinary activities after tax attributable to members	down	47.9%	to 12,404
	b) Total comprehensive income after tax attributable to members	down	47.2%	to 12,473
2.3	Net profit (loss) attributable to members	down	47.9%	to 12,404

2.4 Dividends

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Interim dividend paid	12.5 cents	100%	12.5 cents

2.5 Record date for determining entitlement to the interim dividend Friday 7 April 2017.

2.6 A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood is contained in the Directors' Report section of the Half-Year Report – 31 December 2016 attached as Attachment A.

¹ Revenue from ordinary activities includes: Revenue, Other income, and Profits from Associates.

3. Statement of Financial Performance

The Statement of Financial Performance is contained in Attachment A – Financial Statements.

4. Statement of Financial Position

The Statement of Financial Position is contained in Attachment A – Financial Statements.

5. Statement of Cash Flows

The Statement of Cash Flows is contained in Attachment A – Financial Statements.

6. Dividends

On 27 February 2017, the Directors declared a fully franked interim dividend of 12.5 cents per share. This dividend is payable on 28 April 2017. Based on issued shares of 63,846,476 shares, this dividend will total \$7,980,810.

7. Dividend Reinvestment Plan

The board has determined to continue to suspend the Dividend Reinvestment Plan (DRP) until further notice in accordance with clause 9.1 of the Plan Rules and accordingly, the DRP will not apply to the interim dividend.

8. Movements in Retained Earnings

An analysis of the movements through Retained Earnings is shown in Attachment A - Financial Statements.

9. Net Tangible Assets Per Security

31 December 2016	\$1.65
31 December 2015	\$1.80

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

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

Acquisitions	Date	Contribution to Profit	
		2016	2015
		\$'000	\$'000
PeopleSense Pty Ltd	01/07/16	277	Nil

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

Disposal	Date	Contribution to Profit	
		2016	2015
		\$'000	\$'000
N/A	N/A	Nil	Nil

11. Associates and Joint Venture Entities

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

12. Any other Significant Information

Any other significant information needed to make an informed assessment of the financial performance and financial position is included in Attachment A – Financial Report.

13. Accounting Standards Applied to Foreign Entities

Not Applicable.

14. Commentary on the Results for the Period

A commentary on the results for the period is contained in the Directors Report section of Attachment A – Financial Report.

15. Audit Dispute or Qualification

There is no audit dispute or qualification. Refer to the Independent Auditor's Review Report to the members of AUB Group Limited dated 27 February 2017 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2016 attached as Attachment A.

ATTACHMENT A

AUB GROUP LIMITED

A.B.N. 60 000 000 715

FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2016



AUB GROUP LIMITED
A.B.N. 60 000 000 715
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AUB GROUP LIMITED
A.B.N. 60 000 000 715
DIRECTORS REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Your Directors present their report with the consolidated financial statements of AUB Group Limited for the six months ended 31 December 2016.

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.

D C Clarke (Chair)

M P L Searles (Chief Executive Officer and Managing Director)

R J Carless

P A Lahiff

R J Low

REVIEW AND RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE HALF YEAR

In the half year ended 31 December 2016 (1H17) net profit after tax (Reported NPAT) attributable to equity holders of the parent was \$12.4 million (1H16: \$23.8 million), a decrease on the prior period due to non-recurring profits on the sale of an investment that were included in the half year ended 31 December 2015.

To better reflect the underlying performance of the business and to align with the management and Board's review of business performance, we have presented an Adjusted NPAT (as shown in the table below). Adjusted NPAT was \$14.5 million in 1H17 up 12.7% on the prior comparable period 1H16: \$12.9 million.

AUB GROUP LIMITED
A.B.N. 60 000 000 715
DIRECTORS REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT ⁽¹⁾	1H17	1H16	Variance
	\$ 000	\$ 000	%
Net Profit after tax attributable to equity holders of the parent	12,404	23,788	-47.9%
Reconciling items net of tax and non-controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates (net of non-controlling interests) ²	142	(1,691)	-108.4%
Add back offsetting impairment charge to the carrying value of associates & goodwill, related to above ²	-	1,691	-100.0%
Net adjustment	142	-	n/a
Plus loss / less (profit) on sale of insurance portfolios and associates net of tax ³	40	(6,318)	-100.6%
Adjustment to carrying value of entities(to fair value) on date they became deconsolidated ⁴	-	(6,504)	-100.0%
Net Profit from operations	12,586	10,966	14.8%
Add back amortisation of intangibles net of tax ⁵	1,933	1,919	0.7%
Adjusted NPAT	14,519	12,885	12.7%

¹ The financial information in this table has been derived from the financial statements, reviewed by the auditors. The adjusted NPAT is non-IFRS financial information.

² The Group's acquisition policy is to defer a component of the purchase price, which is determined by future financial results. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change, or payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate or payment is reduced, an offsetting adjustment (impairment) may be made to the carrying value.

³ During the prior comparable period the Group sold its entire shareholdings in three associates and sold part of its shareholding in another, resulting in profits on sale. These may not occur in a future periods unless similar transactions occur.

⁴ The adjustments to carrying values of associates or controlled entities arise where the Group increases its equity in associates whereupon they became controlled entities or decreases its equity in a controlled entity and it becomes an associate (deconsolidated). As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in net profit. Such adjustments will only occur in future if further acquisitions or sales of this type are made.

⁵ The expense is a non-cash item.

The increase in Adjusted NPAT continues the trend of year on year growth since listing. This result demonstrates the benefits of executing the Group's strategy, with growing contributions from Risk Services and New Zealand. The market environment in Australia and New Zealand remains challenging, with evidence of premium rate increases in certain areas and for certain risks, and continued competition and rate pressure in other areas.

The Group has benefited from a number of acquisitions by business partners in Australia and New Zealand. There have been changes to estimates of deferred consideration amounts over the period, and where there have been reductions to the estimates, a corresponding decrease in the carrying value of the asset is recorded. There have been no impairment charges recognised in the half year.

RESULTS BY OPERATING SEGMENT

Insurance intermediaries:

Australian Broking – pre-tax profit for the half year increased by 0.4% over the prior comparable period to \$19.1million. The result has been impacted by the sale of the 50% interest in the Strathearn Insurance Group Pty Ltd (Strathearn) in December 2015, which contributed to profit in the prior comparable period. Excluding the impact of the divested operations, the pre-tax profit contribution was up 3.8%. This improved growth is in the context of premium rate variability, with an average premium rate increase of 1-2% experienced across the portfolio. Partner businesses continued to make small acquisitions, completing two transactions in the half.

New Zealand Broking – pre-tax profit for the half year increased to \$2.5 million up significantly on the prior comparable period, due to the six month contribution (net of additional interest costs) from Runacres & Associates, a business acquired in January 2016, and solid organic growth. Our associate BWRS acquired two businesses in the period.

Underwriting Agencies – pre-tax profit of \$4.3 million for the half year was up 21%, driven by policy growth of 12%, which more than offset the impact of continued competitive pricing, with average premium rates down 2.3%. Premium rate increases were experienced in some portfolios however generally rates remain competitive. Profits were impacted by the divestment of an associate which was included in the prior comparable period.

Risk Services

Pre-tax profit for the half year increased to \$3.5 million, up 11% over the prior comparable period. The Risk Services businesses continue to grow through expanded insurer relationships, entering new states, providing additional services and through acquisitions.

Corporate Expenses

Corporate expenses have increased over the prior comparable period due to increased technology costs, rent costs and increased staff incentive provisions due to improved company performance which have been partly offset by reductions in interest and acquisition costs. AUB Group remains focused on managing the group cost to income ratio, which has enabled continued investment in infrastructure as the group strategy leads to greater diversification into new segments and geographies.

AUB GROUP LIMITED
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DIRECTORS REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

A reconciliation of the operating results presented above to the Half Year Report operating segments is set out below.

RECONCILIATION OF OPERATING SEGMENTS	Consolidated			Consolidated		
	1H17			1H16		
	Insurance Intermediary \$'000	Risk Services \$'000	Total \$'000	Insurance Intermediary \$'000	Risk Services \$'000	Total \$'000
Profit before tax and after non-controlling interests from:						
Insurance broking - Australia	19,085	-	19,085	18,999	-	18,999
Insurance broking - New Zealand	2,503	-	2,503	572	-	572
Underwriting agencies	4,338	-	4,338	3,590	-	3,590
Risk Services	-	3,534	3,534	-	3,188	3,188
	25,926	3,534	29,460	23,161	3,188	26,349
Corporate income	1,068	-	1,068	876	-	876
Corporate expenses	(9,345)	-	(9,345)	(9,093)	-	(9,093)
Group Consolidated Profit before tax and after non-controlling interests	17,649	3,534	21,183	14,944	3,188	18,132
Tax	(5,516)	(1,148)	(6,664)	(4,259)	(988)	(5,247)
Adjusted NPAT	12,133	2,386	14,519	10,685	2,200	12,885
Less amortisation expense (net of tax)	(1,933)	-	(1,933)	(1,794)	(125)	(1,919)
Less non controlling interests in relation to contingent adjustments ¹	-	(15)	(15)	-	-	-
Less tax expense in relation to adjustments ¹	(39)	-	(39)	(2,613)	-	(2,613)
Profit after income tax and non controlling interests (refer Financial Statements note 21- Operating Segments)	10,161	2,371	12,532	6,278	2,075	8,353

¹ This includes adjustments to carrying value of associates, contingent consideration payments and profit on sale (see Financial Report note 4 (vi), (vii)).

On a Reported NPAT basis, earnings per share was 19.4 cents for the half year, below the prior comparable period, due to the prior period including profits on the sale of an associate. Earnings per share based on Adjusted NPAT increased by 10.5% to 22.7 cents.

Shareholders' equity increased to \$354.4 million (from \$351.2 million at 30 June 2016), predominantly due to the recognition of non-controlling interests on reduction of equity ownership in partner businesses and on new acquisitions.

Gearing is stable at 20.0% at 31 December 2016 (30 June 2016: 20.2%).

AUB GROUP LIMITED
A.B.N. 60 000 000 715
DIRECTORS REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

DIVIDEND PAYMENTS

A final dividend for the period ended 30 June 2016 of \$17.9 million was paid in October 2016. The Directors have declared a fully franked interim dividend of 12.5 cents per share payable to shareholders at the record date of 7 April 2017 which will be paid on 28 April 2017.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than disclosed in note 24 to the financial report, there were no significant events occurring after the balance date.

ROUNDING

The financial report is presented in Australian dollars (\$) and all values are rounded to the nearest \$1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Company under ASIC instrument "Rounding in Financial / Directors' Reports" 2016/191. The Company is an entity to which the class order applies.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of directors.



D C Clarke
Chairman



M P L Searles
Chief Executive Officer and Managing Director

Sydney: 27 February 2017

Auditor's Independence Declaration to the Directors of AUB Group Limited

As lead auditor for the review of AUB Group Limited for the financial half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AUB Group Limited and the entities it controlled during the financial period.



Ernst & Young



David Jewell
Partner
27 February 2017

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		Consolidated	
		6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
	Notes		
Revenue	4 (i)	108,827	93,906
Other income	4 (ii)	3,254	2,295
Share of profit of associates	4 (iii)	9,744	9,737
Expenses	4 (iv)	(98,474)	(87,265)
Finance costs	4 (v)	(2,026)	(2,358)
		21,325	16,315
Income arising from adjustments to carrying values of associates, controlled entities and profit from sale of interests in controlled entities and associates			
- Adjustments to carrying value of associates, controlled entities and contingent consideration payments	4(vi)	(158)	6,313
- Profit from sale of interests in controlled entities, broking portfolios and associates	4(vii)	30	9,122
Profit before income tax		21,197	31,750
Income tax expense	5	4,447	5,187
Net Profit after tax for the period		16,750	26,563
<i>Net Profit after tax for the period attributable to:</i>			
Equity holders of the parent		12,404	23,788
Non-controlling interests		4,346	2,775
		16,750	26,563
Basic earnings per share (cents per share)	20	19.4	38.0
Diluted earnings per share (cents per share)	20	19.3	37.8

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Consolidated	
	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
Notes		
Net Profit after tax for the period	16,750	26,563
<i>Other comprehensive income</i>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
- Net movement in foreign currency translation reserve	84	(102)
- Income tax benefit arising from currency translation adjustments	-	(13)
Other comprehensive income / (expense) after tax for the period	84	(115)
Total comprehensive income after tax for the period	16,834	26,448
<i>Total comprehensive income after tax for the period attributable to:</i>		
Equity holders of the parent	12,473	23,625
Non-controlling interests	4,361	2,823
	16,834	26,448

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated	
		As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
	Notes		
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	6	61,027	70,933
Cash and cash equivalents - Trust	6	86,098	87,513
Trade and other receivables	9	123,572	165,801
Other financial assets	10	635	670
Total Current Assets		271,332	324,917
<i>Non-current Assets</i>			
Trade and other receivables	9	43	163
Other financial assets	10	13	40
Investment in associates	11	132,186	133,894
Property, plant and equipment	13	11,558	9,806
Intangible assets and goodwill	14	252,128	246,746
Deferred tax asset		5,425	5,535
Total Non-current Assets		401,353	396,184
TOTAL ASSETS		672,685	721,101
LIABILITIES			
<i>Current Liabilities</i>			
Trade and other payables	16	193,675	239,510
Income tax payable	5	2,666	5,593
Provisions	17	11,699	12,415
Borrowings	18	4,602	4,461
Total Current Liabilities		212,642	261,979
<i>Non-current Liabilities</i>			
Trade and other payables	16	9,271	11,452
Provisions	17	3,576	2,730
Deferred tax liabilities		8,818	9,520
Borrowings	18	84,024	84,185
Total Non-current Liabilities		105,689	107,887
TOTAL LIABILITIES		318,331	369,866
NET ASSETS		354,354	351,235
EQUITY			
Issued capital	19	141,708	141,708
Retained earnings		141,890	146,533
Share based payments reserve		5,732	5,384
Foreign currency translation reserve		317	248
Asset revaluation reserve		284	370
Equity attributable to equity holders of the parent		289,931	294,243
Non-controlling interests		64,423	56,992
TOTAL EQUITY		354,354	351,235

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		Consolidated	
		6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		115,327	91,233
Dividends received from non-related entities		1	51
Dividends/trust distributions received from associates		11,590	11,423
Interest received		1,555	1,365
Management fees received from associates / related entities		5,372	6,634
Payments to suppliers and employees		(96,373)	(88,531)
Interest paid		(1,881)	(1,558)
Income tax paid		(8,200)	(7,487)
Net cash from operating activities before customer trust account movements		27,391	13,130
Net decrease in cash held in customer trust accounts		(1,415)	(5,082)
NET CASH FLOWS FROM OPERATING ACTIVITIES		25,976	8,048
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from reduction in interests in controlled entities	7 (a)	5,213	2,424
Payment for increase in interests in controlled entities	7 (a), (b)	(165)	(291)
Proceeds from new shares issued to non-controlling interests	7 (a), (b)	900	2,624
Payment for new consolidated entities, net of cash acquired	7 (c), (d)	(2,508)	(13,977)
Cash outflow from deconsolidation of controlled entity	7 (e)	-	(10,539)
Payment for new broking portfolios purchased by members of the economic entity		-	(774)
Prepayment for acquisition of controlled entity (including other acquisition costs)		-	(33,974)
Payment for new associates	11	-	(1,748)
Proceeds from disposal of associates	11	-	28,930
Proceeds from sale of other financial assets		43	-
Proceeds from sale of plant and equipment		139	-
Payment for plant and equipment		(3,118)	(1,106)
Proceeds of mortgages to associates / related entities		19	-
Advances for mortgages to associates / related entities		-	(2,192)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		523	(30,623)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Dividends paid to shareholders	8	(17,877)	(8,596)
Dividends paid to non-controlling interests		(4,387)	(1,980)
Payment for deferred settlement on prior year acquisitions		(15,298)	(3,930)
Repayment of borrowings and finance lease liabilities		(1,221)	(1,285)
Proceeds from increase in borrowings and finance lease liabilities		1,079	26,397
Advances to related entities		(116)	(1,410)
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		(37,820)	9,196
NET DECREASE IN CASH AND CASH EQUIVALENTS		(11,321)	(13,379)
Cash and cash equivalents at beginning of the period		158,446	156,009
CASH AND CASH EQUIVALENTS AT END OF PERIOD		147,125	142,630

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Attributable to equity holders of the parent							
	Issued	Retained	Asset	Foreign	Share	Total	Non-controlling interest	Total equity
	Capital	earnings	revaluation reserve	currency translation reserve	based payment reserve			
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	141,708	146,533	370	248	5,384	294,243	56,992	351,235
Profit for the period	-	12,404	-	-	-	12,404	4,346	16,750
Other comprehensive income	-	-	-	69	-	69	15	84
Total comprehensive income for the period 1 July 2016 to 31 December 2016	-	12,404	-	69	-	12,473	4,361	16,834
Adjustment relating to reductions in the voting shares in controlled entities. (see note 7(a))	-	744	-	-	-	744	4,875	5,619
Non-controlling interests relating to new acquisitions (see note 7(c))	-	-	-	-	-	-	2,582	2,582
Transfer from asset revaluation reserve	-	86	(86)	-	-	-	-	-
Cost of share-based payment	-	-	-	-	296	296	-	296
Tax benefit related to employee share trust transactions.	-	-	-	-	52	52	-	52
Equity dividends	-	(17,877)	-	-	-	(17,877)	(4,387)	(22,264)
At 31 December 2016	141,708	141,890	284	317	5,732	289,931	64,423	354,354

	Attributable to equity holders of the parent							
	Issued	Retained	Asset	Foreign	Share	Total	Non-controlling interest	Total equity
	Capital	earnings	revaluation reserve	currency translation reserve	based payment reserve			
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	128,890	128,165	540	(179)	5,707	263,123	48,203	311,326
Profit for the period	-	23,788	-	-	-	23,788	2,775	26,563
Other comprehensive income	-	-	-	(163)	-	(163)	48	(115)
Total comprehensive income for the period 1 July 2015 to 31 December 2015	-	23,788	-	(163)	-	23,625	2,823	26,448
Adjustment relating to an increase in the voting shares in controlled entities. (see note 7(b))	-	1,569	-	-	-	1,569	565	2,134
Non-controlling interests relating to new acquisitions (see note 7(d))	-	-	-	-	-	-	15,137	15,137
Adjustment resulting from the deconsolidation of controlled entity (see note 7 (e))	-	(759)	-	-	-	(759)	(6,566)	(7,325)
Transfer from asset revaluation reserve	-	85	(85)	-	-	-	-	-
Cost of share-based payment	-	-	-	-	306	306	-	306
Tax benefit related to employee share trust transactions.	-	-	-	-	16	16	-	16
1,004,770 shares were issued at \$8.629 as a result of a Dividend Reinvestment Plan (see note 19)	8,671	-	-	-	-	8,671	-	8,671
Allotted 11,099 shares at an issue price of \$NIL (see note 19)	-	-	-	-	-	-	-	-
Share issue expenses	(22)	-	-	-	-	(22)	-	(22)
Equity dividends	-	(17,245)	-	-	-	(17,245)	(1,980)	(19,225)
At 31 December 2015	137,539	135,603	455	(342)	6,029	279,284	58,182	337,466

AUB GROUP LIMITED
A.B.N. 60 000 000 715
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

The interim financial report of AUB Group Limited for the six months ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2017.

AUB Group Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is Level 10, 88 Phillip Street Sydney, NSW 2000.

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 2016 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 \$1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Company under ASIC instrument *"Rounding in Financial / Directors' Reports"* 2016/191. The Company is an entity to which the class order applies.

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 2016 and considered together with any public announcements made by AUB Group 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 2016.

Certain previous period comparative information has been revised in this financial report to conform with the current period's presentation.

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 the most recent annual financial report except for the adoption of new accounting standards that took effect from 1 July 2016 as detailed in note 3 of the 30 June 2016 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.

Accounting Standards and Interpretations Issued But Not Yet Effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Group in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the Group, other than as set out below. :

AASB 15: Revenue from Contracts with Customers (AASB 15) (effective 1 July 2018)

AASB 15 supercedes the revenue recognition guidance in AASB 118 - Revenue, AASB 111 - Construction Contracts and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers. AASB 15 has also introduced specific criteria for determining whether to capitalise certain costs, distinguishing between those costs associated with obtaining a contract (e.g. commissions) and those costs associated with fulfilling a contract. At 31 December 2016, the Group is undertaking an assessment of the potential impact of this standard. Further information will be provided in future financial reports as management finalises its assessment.

AASB 16: Leases (AASB 16) (effective 1 July 2019)

AASB 16 supercedes the lease accounting guidance in AASB 117 Leases and related interpretations. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The definition is based on the premise of control, where a lease is identified when a customer has the right to (1) obtain substantially all of the economic benefits from the use of the identified asset; and (2) direct the use of the identified asset.

At 31 December 2016, the Group continues to evaluate the recognition and disclosure requirements of this standard. It is expected that the impact on the financial statements will result in an increase in fixed assets and a corresponding increase in lease liabilities. Further information will be provided in future financial reports as management finalises its assessment.

AASB 9: Financial Instruments (AASB 9)(effective 1 July 2018)

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities. The new standard also includes a new expected loss impairment model and new hedge accounting requirements. Under the new requirements: the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost; and Financial assets will only be measured at amortised cost where very specific conditions are met. At 31 December 2016, the Group does not anticipate it will have a material impact to the Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income although there may be an impact on the type of information disclosed in the notes to the financial statements.

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		Consolidated	
		6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
4.	REVENUE AND EXPENSES		
(i)	Revenue		
	Commission, Brokerage and Fee Income	103,455	87,272
	Management fees	5,372	6,634
	Total revenue	108,827	93,906
(ii)	Other income		
	Dividends from other persons	1	51
	Interest from related parties	17	13
	Interest from other persons / corporations	1,538	1,352
	Other income	1,698	879
	Total other income	3,254	2,295
(iii)	Share of profit of associates		
	Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	11,116	11,403
	Amortisation of Intangibles - Associates	(1,372)	(1,666)
	Total share of profit of associates	9,744	9,737
(iv)	Expenses		
	Amortisation of Intangibles - controlled entities	1,889	1,415
	Salaries and wages	64,967	56,585
	Share-based payments	296	306
	Audit fees	682	648
	Travel/Telephone/Motor/Stationery	4,016	4,084
	Depreciation of property plant and equipment	1,257	1,011
	Amortisation of capitalised Project costs	202	202
	Rent (operating leases)	5,500	4,648
	Commission expense	6,083	6,692
	Insurance	2,492	2,348
	Other expenses	11,090	9,326
	Total expenses	98,474	87,265
(v)	Finance costs		
	Borrowing costs	2,026	2,358
	Total finance costs	2,026	2,358
(vi)	Adjustments to carrying value of associates, controlled entity and contingent consideration payments		
	Adjustment to contingent consideration on acquisition of controlled entities and associates.	(158)	1,691
	Impairment charge relating to the carrying value of associates and goodwill	-	(1,691)
	Fair value adjustment to carrying value of controlled entity (see note 7 (e)).	-	6,313
	Total adjustments to carrying value of associates, controlled entity and contingent consideration payments	(158)	6,313
(vii)	Profit from sale of interests in controlled entities and associates		
	Profit from sale of interests in associates (see note 11)	-	7,978
	Profit from sale of interests in controlled entity/insurance portfolio (see note 7 (e))	30	1,144
	Total profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments	30	9,122

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	Consolidated	
	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'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	21,197	31,750
At the company's statutory income tax rate of 30% (2015:30%)	6,359	9,525
Rebateable dividends	-	(15)
Profit on sale	-	(129)
Non-taxable share of profits from associated entities	(2,266)	(2,069)
Under/(Over) provision prior year	77	(353)
Fair value adjustment to carrying value of controlled entity on the date it became an associate	-	(1,894)
Adjustments to contingent consideration on acquisition of controlled entity and associate	47	(507)
Impairment charge relating to the carrying value of controlled entity and associates	-	507
Non-deductible expenses/other	230	122
Income tax expense reported in the consolidated statement of profit or loss	4,447	5,187

	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
Provision for income tax	2,666	5,593

6. CASH AND CASH EQUIVALENTS

	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000
Cash and cash equivalents	61,027	50,907
Cash and cash equivalents - Trust	86,098	91,723
Total cash and cash equivalents	147,125	142,630

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

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7. BUSINESS COMBINATIONS

The business combinations referred to in note 7(a) - 7(e) relate to insurance broking and underwriting agency businesses except for 7 (c) and (d), PeopleSense Pty Ltd, Allied Health Australia Pty Ltd and CIM Pty Ltd, which relates to risk related services.

A major strategy of the group is to acquire part ownership in insurance broking, underwriting agency and risk services businesses or portfolios. 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.

Where acquisitions include an element of purchase price contingent on business performance, management has estimated the fair value of this contingent consideration based on a probability weighted best estimate 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.

An increase or decrease in the weighted best estimate of future outcomes will result in an increase or decrease in contingent liabilities respectively.

For business combinations referred to in notes 7(c) and 7(d) 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.

The Group measures the net assets acquired in business combinations at their fair value at the date of acquisition. If new information becomes available within one year of acquisition about the facts and circumstances that existed at the date of acquisition, then any revisions to the fair value previously recognised, will be retrospectively adjusted.

a) Equity transactions between owners - current period

Effective 1 July 2016, a controlled entity disposed of 7.5% of the voting shares in AFS ACT for \$166,344 decreasing its ownership from 100% to 92.5%.

Effective 1 July 2016, the Group disposed of 17.2% of the voting shares in AB Terrace Pty Ltd for \$1,372,734 decreasing its ownership from 70.83% to 53.7%.

Effective 1 July 2016, a controlled entity disposed of 5.0% of the voting shares in FIUA Pty Ltd for \$225,000 decreasing its ownership from 100% to 95%.

Effective 1 July 2016, a controlled entity disposed of 10% of the voting shares in Runacres and Associates Limited (Runacres) for \$3,449,000 decreasing its ownership from 100% to 90%.

Effective 30 November 2016, a controlled entity acquired a further 20% of the voting shares in Atlas Insurance Broking Pty Ltd (Atlas) increasing its ownership to 100%. The purchase price was \$275,000 including an upfront payment of \$165,000 plus a deferred settlement of \$110,000 payable over the next 2 years.

Effective 1 July 2016, a controlled entity, Forean Group Pty Ltd (Forean), issued shares to its employees at fair value for \$899,440. The issue of the additional shares by Forean diluted the group's shareholding from 56.5% to 55.3%.

	Carrying value of assets attributable to Atlas	Carrying value of assets attributable to Runacres	Carrying value of assets attributable to AFS (ACT), Terrace, FIUA and Forean
	\$'000	\$'000	\$'000
Cash	1,157	5,725	6,987
Receivables	961	11,454	7,407
Property plant and equipment	8	467	45
Intangibles	1,689	31,330	4,261
TOTAL ASSETS	3,815	48,976	18,700
Payables and provisions	1,862	11,401	11,517
Tax Liabilities	(17)	3,341	194
TOTAL LIABILITIES	1,845	14,742	11,711
NET ASSETS	1,970	34,234	6,989
Non-controlling interest in net assets	-	-	(111)
Net Assets attributable to AUB Group	1,970	34,234	6,878
Cash (received) /paid on sale of shares	165	(3,449)	(2,663)
Deferred settlement	110	-	-
Capital gains tax on sale of units	-	-	(218)
Adjustment to non-controlling interest	179	(3,408)	(1,646)
Transfer to retained earnings on equity transactions between owners	96	(41)	(799)

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7. BUSINESS COMBINATIONS (continued)

b) Equity transactions between owners - previous period

Effective 1 July 2015, a controlled entity acquired all of the voting shares it did not hold in Interfin Pty Ltd (Interfin) by issuing shares in AB Phillips to the value of \$336,846. This resulted in AUB Group diluting its shareholding in AB Phillips from 58% to 56.9%.

Effective 1 July 2015, the Consolidated entity diluted its voting shares in Austbrokers SPT Unit Trust (SPT) from 70% to 60% after SPT issued \$600,615 in additional units in the trust. As part of the transaction AUB Group Limited also disposed of 206,243 units in SPT for \$383,643.

Effective 28 October 2015, the Consolidated entity acquired an additional 1.8% of the voting shares in InterRISK Australia Pty Ltd (InterRISK) for \$287,530 increasing its equity ownership from 77.1% to 78.9%.

Effective 1 November 2015, the Consolidated entity sold 10% of the voting shares in Austbrokers Canberra Pty Ltd (Canberra) for \$1,500,000 decreasing its equity ownership from 85% to 75%.

	Carrying value of assets attributable to InterRISK and Interfin \$'000	Carrying value of assets attributable to Canberra and SPT \$'000
Cash	16,207	13,529
Receivables	17,135	12,294
Property plant and equipment	298	735
Intangibles	25,161	6,940
TOTAL ASSETS	58,801	33,498
Payables and provisions	32,289	23,372
Tax Liabilities	17	555
TOTAL LIABILITIES	32,306	23,927
NET ASSETS	26,495	9,571
Non-controlling interest in net assets	(1,725)	-
Net Assets attributable to AUB Group	24,770	9,571
Cash (received) on sale of shares /units in trust	-	(1,883)
(Proceeds) from additional units in trust issued	-	(601)
Cash Paid	291	-
Capital gains tax on sale of units	-	59
Adjustment to non-controlling interest	(499)	1,064
Transfer to retained earnings on equity transactions between owners	208	1,361

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7. BUSINESS COMBINATIONS (continued)

c) Acquisition of new controlled entity - current period

On 1 July 2016, a 60% controlled entity, Forean Group Pty Limited, acquired 100% of the voting shares in PeopleSense Pty Ltd (PeopleSense) for \$7,982,268 which included the fair value of the deferred consideration payment of \$2,690,402 payable no later than 18 months after the date of acquisition. The maximum amount of the contingent consideration payable is \$3,300,000.

The acquisition was funded by a cash payment of \$2,709,598 and a shares issue valued at \$2,582,268. The issue of the additional shares by the Forean Group Pty Ltd to acquire People Sense diluted the group's shareholding from 60% to 56.5%.

Fair values of the identifiable assets and liabilities of PeopleSense as at the date of acquisition were:

	Fair value recognised on acquisition
	\$'000
Cash	201
Receivables	945
Plant and equipment	136
TOTAL ASSETS	1,282
Payables and borrowings	315
Tax provisions	45
Provisions	205
TOTAL LIABILITIES	565
NET ASSETS	717
Net assets acquired	717
Purchase price - cash paid	2,709
Purchase price - share issue	2,582
Purchase price - deferred payment	2,690
Total purchase price of Acquisition	7,981
Goodwill arising on acquisition relating to the group	7,264
Increase in non-controlling interest recognised on dilution of shareholding from 60% to 56.5%	2,581

Cash outflow on acquisition is as follows;

Net cash acquired with the acquisition	201
Cash paid	(2,709)
Net cash (outflow)	(2,508)

The acquisition of 100% of PeopleSense was effective on 1 July 2016. The acquisition contributed \$277,420 to net profit after tax and \$4,642,429 to revenue.

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7. BUSINESS COMBINATIONS (continued)

d) *Acquisition of new controlled entities - previous period*

On 1 July 2015, the Group acquired 60% of the voting shares in Allied Health Australia Pty Ltd (Allied) for \$18,217,000 which included the fair value of the deferred consideration payment of \$8,741,905 payable no later than 24 months after the date of acquisition. The maximum amount of the contingent consideration payable is \$12,245,000.

On 15 July 2015, a controlled entity acquired 100% of the voting shares in Financial Affairs Pty Limited (Financial Affairs) for \$4,256,340 which included a fixed deferred consideration payment of \$816,340.

Effective 1 December 2015, Forean Group Holdings purchased the assets of Rebem Pty Ltd through a newly incorporated 100% owned subsidiary, CIM Group Holdings Pty Ltd (CIM) for \$2,940,117 including a contingent consideration of \$1,185,485. There is no cap on the contingent amount payable.

Effective 31 December 2015, an 80% controlled entity in New Zealand issued additional voting shares totalling \$13,120,800 including a contribution from non-controlling interests of \$2,624,160.

Fair values of the identifiable assets and liabilities of Allied, Financial affairs and CIM as at the date of acquisition were:

	Fair value recognised on acquisition
	\$'000
Cash	693
Receivables	1,835
Intangibles	1,277
Plant and equipment	438
TOTAL ASSETS	4,243
Payables and borrowings	1,443
Borrowings	92
Deferred tax liability	383
Provisions	743
TOTAL LIABILITIES	2,661
NET ASSETS	1,582
Net assets acquired	1,333
Purchase price - cash paid	14,670
Purchase price - Deferred payment	10,743
Goodwill arising on acquisition relating to the group	24,080
Total purchase price of Acquisitions	25,413
Goodwill arising on acquisition relating to the non-controlling interests	12,144
Total goodwill arising on acquisition	36,224
Cash outflow on acquisition is as follows;	
Net cash acquired with the acquisition	693
Cash paid	(14,670)
Net cash (outflow)	(13,977)

The acquisition of 60% of Allied was effective on 1 July 2015. The acquisition contributed \$507,071 to net profit after tax and \$7,583,608 to revenue.

The acquisition of 100% of CIM was effective on 1 December 2015. The acquisition contributed \$4,000 to net profit after tax and \$157,000 to revenue.

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7. BUSINESS COMBINATIONS (continued)

e) Deconsolidation of controlled entity on loss of control - previous period

On 1 July 2015, the Group disposed 5% of the voting shares in AEI Transport Pty Ltd and its controlled entities (AEIT) for \$990,622 reducing its equity from 55% to 50% and therefore it is no longer consolidated from that date.

Carrying values of the assets and liabilities of AEIT on 1 July 2015:

	Carrying value of assets and liabilities of AEIT
	\$'000
ASSETS	
Cash	11,530
Receivables	13,577
Plant and equipment	58
Other assets	93
Intangibles	11,143
TOTAL ASSETS	36,401
LIABILITIES	
Payables	22,725
Borrowings	2,000
Tax liabilities	171
TOTAL LIABILITIES	24,896
NET ASSETS	11,505
Carrying value of controlled entity transferred to shares in Associates	3,593
Fair value adjustment on the date the controlled entity became an Associate	6,313
Fair value of associate on the date the group lost controlling interest	9,906
Sale proceeds.	991
Less : carrying value of controlled entity on consolidation	(606)
Reversal of previous period transaction between owners transferred to retained earnings on sale of voting shares in controlled entity	759
Profit on sale of voting shares in controlled entity	1,144
Fair value adjustment on the date the controlled entity became an associate (see note 4(vi))	6,313
Profit on deconsolidation of controlled entities before tax and non-controlling interests	7,457
Tax expense	(952)
Total fair value adjustment and profit on deconsolidation of controlled entity - after tax	6,505
Cash outflow on disposal is as follows;	
Net cash reduction on deconsolidation of controlled entity acquired with the controlled entity	(11,530)
Cash received on sale	991
Net cash (outflow) on deconsolidation of controlled entity	(10,539)

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	Consolidated	
	6 months	6 months
	ended	ended
	31 December	31 December
	2016	2015
	\$'000	\$'000
8. DIVIDENDS PAID AND PROPOSED		
Equity dividends on ordinary shares:		
(a) Dividends paid during the period		
Final franked dividend for financial year ended 30 June 2015: 27.7 cents	-	17,245
Final franked dividend for financial year ended 30 June 2016: 28.0 cents	17,877	-
Total dividends paid in current period	17,877	17,245
In addition to the above, dividends paid to non-controlling interests totalled \$4,387,000 (2015: \$1,980,000).		
(b) Dividends proposed and not recognised as a liability		
Interim franked dividend for financial year ending 30 June 2016: 12.0 cents	-	7,593
Interim franked dividend for financial year ending 30 June 2017: 12.5 cents	7,981	-
	7,981	7,593
Dividends paid per share (cents per share) at declaration date	28.0	27.7
Dividends proposed per share (cents per share) not recognised at balance date	12.5	12.0

	Consolidated	
	As at	As at
	31 December	30 June
	2016	2016
	\$'000	\$'000
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	27,556	29,961
Amount due from customers on broking/underwriting agency operations	87,194	126,788
Amounts due from clients in respect of premium funding operations	5,975	6,366
Receivables - Related entities	2,847	2,686
Total trade and other receivables (current)	123,572	165,801
Non-Current		
Trade receivables	43	163
Total receivables (non-current)	43	163

The reduction in broking/underwriting agency receivables 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.

10. OTHER FINANCIAL ASSETS		
Current		
Mortgages - related entities (amortised cost)	610	629
Other	25	41
Total other financial assets (current)	635	670
Non-Current		
Other	13	40
Total other financial assets (non-current)	13	40

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.

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	Consolidated	
	As at	As at
	31 December	30 June
	2016	2016
	\$'000	\$'000

11. INVESTMENT IN ASSOCIATES

Investments at equity accounted amount:

Associated entities - unlisted shares			132,186	133,894
	Dec 2016	Jun 2016		
Name	%	%	\$'000	\$'000
A & I Member Services Pty Ltd	50.0	50.0	-	-
Adroit Holdings Pty Ltd	50.0	50.0	13,129	13,333
Aust Re Brokers Pty Ltd	50.0	50.0	768	943
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	154	253
Austbrokers AEI Transport Pty Ltd and controlled entities	50.0	50.0	9,490	9,597
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,548	3,029
Austbrokers RIS Pty Ltd	49.9	49.9	2,636	2,653
Austcan Risk Services (UK) Ltd	30.0	30.0	72	63
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,784	2,787
Bluestone Insurance Pty Ltd	50.0	50.0	-	-
Blumberg Pty Ltd	50.0	50.0	124	103
Brett Grant and Associates Pty Ltd	50.0	50.0	1,548	1,661
Brokerweb Risk Services Ltd *	40.0	40.0	16,347	16,499
Bruce Park Pty Ltd	49.9	49.9	1,432	1,523
Cinesura Entertainment Pty Ltd	50.0	50.0	149	71
Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	129	140
Countrywide Tolstrup Financial Services Group Pty Ltd /				
Countrywide Tolstrup Group Unit Trust	49.9	49.9	2,140	2,214
Global Assured Finance Pty Ltd	49.9	49.9	-	-
HQ Insurance Pty Ltd	40.4	40.4	1,911	1,877
Insurance Advisernet Australia Pty Ltd / Insurance Advisernet	49.9	49.9	15,901	15,350
Australia Unit Trust				
Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet	49.9	49.9	923	874
Holdings Unit Trust				
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	829	877
KJ Risk Insurance Brokers Pty Ltd	49.0	49.0	1,503	1,752
Longitude Insurance Pty Ltd ***	56.1	56.1	806	794
Markey Group Pty Ltd	49.9	49.9	3,955	3,742
MGA Management Services Pty Ltd	49.9	49.9	13,061	12,199
Millennium Underwriting Agency Pty Ltd **	50.0	50.0	493	446
Nexus (Aust) Pty Ltd	50.0	50.0	10,347	11,157
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	90	117
Northlake Holdings Pty Ltd	50.0	50.0	5,370	5,554
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance	49.9	49.9	69	155
Brokers Unit Trust				
Peter L Brown & Associates Pty Ltd	49.9	49.9	439	562
R.G Financial Services	50.0	50.0	11	5
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,067	3,074
SRG Group Pty Ltd	50.0	50.0	1,962	2,137
Supabrook Pty Ltd	49.9	49.9	789	785
Sura Professional Risks Pty Ltd	50.0	50.0	792	696
Sura Accident and Health Pty Ltd	50.0	50.0	-	-
Tasman Underwriting Pty Ltd	50.0	50.0	541	498
The Procure Group Pty Ltd	50.0	50.0	11,204	11,337
Western United Financial Services Pty Ltd	49.9	49.9	1,687	1,985
WRI Insurance Brokers Pty Ltd	50.0	50.0	2,986	3,052
			132,186	133,894

* 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.

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11. INVESTMENT IN ASSOCIATES (continued)

During the current period, the following transactions occurred;

- There were no acquisitions of associates by the consolidated entity.
- A further adjustment to estimated contingent consideration payable in respect of an associate, resulted in a reduction to the estimates previously recognised by the Consolidated Group by \$864,474. (see note 4(vi)).

During the previous period, the following transactions occurred

- On 1 July 2015, the consolidated entity acquired 49% of the voting shares of K J Risk Pty Ltd for \$1,748,134.
- On 1 July 2015, the Group disposed 5% of the voting shares in AEI Transport Pty Ltd and its controlled entities for \$990,622 reducing its equity from 55% to 50%. On that date AEI Transport Pty Ltd ceased to be a controlled entity and became an associate.
- On 1 July 2015, a controlled entity acquired 50% of the voting shares in a newly incorporated entity, Austbrokers RG Financial Services Pty Ltd for \$100.
- Further adjustments to contingent considerations in respect of associates resulted in a reduction to the estimates previously recognised by the Consolidated Group by \$2,231,640. As the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of \$2,231,640 was recognised against the carrying value of that associate (see note 4(vi)).
- Further adjustments to contingent considerations in respect of an associate resulted in a reduction to the estimates previously recognised by the Consolidated Group by \$397,500. As the revised contingent consideration payments were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of \$397,500 was recognised against the carrying value of that associate (see note (4vi)).

During the previous period the consolidated entity disposed of the following associates

- On 1 December 2015, the consolidated entity disposed of all the voting shares it owned in Strathearn Insurance Group Pty Ltd.
- On 30 September 2015, the consolidated entity disposed of 10% of the voting shares in NewSurety Pty Ltd.

The total sales proceeds in respect of the disposal of the associates above were \$28,929,813.

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 agencies, and The Procure Group Pty Ltd which offer risk 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 Austcan risk Services (UK) Ltd where the voting power is 30%.
- The reporting date of each associate is 31 December 2016 (prior period reporting date 31 December 2015).
- 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 and Austcan Risk Services (UK) Limited which is incorporated in the United Kingdom.

	Consolidated	
	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
(g) The group's share of associates' profits/(losses)		
Share of associates':		
Revenue	50,064	48,191
Operating profits before income tax	14,241	14,170
Amortisation of intangibles	(1,372)	(1,666)
Net profit before income tax	12,869	12,504
Income tax expense attributable to operating profits	(3,125)	(2,767)
Share of associates' net profits	9,744	9,737

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12. SHARES IN CONTROLLED ENTITIES

A full list of controlled entities is contained in the 30 June 2016 financial statements.

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

During the current period, further adjustments to contingent considerations relating to prior year acquisitions resulted in a net increase to the estimates previously recognised by the Consolidated Group by \$1,023,299. (see note (4vi)).

During the previous period, further adjustments to contingent considerations in respect of a controlled entity relating to a prior year acquisition resulted in a reduction to the estimates previously recognised by the Consolidated Group by \$1,293,750. As the revised contingent consideration payments were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of \$1,293,750 was recognised against the carrying value of that investment (see note (4vi)).

	Consolidated	
	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
Property	703	803
Plant and equipment	22,270	19,093
Motor Vehicles	2,618	2,463
Total cost	25,591	22,359
Depreciation		
Property	112	124
Plant and equipment	12,755	11,307
Motor Vehicles	1,166	1,122
Total Accumulated Depreciation	14,033	12,553
Net carrying amount at end of period		
Property	591	679
Plant and equipment	9,515	7,786
Motor Vehicles	1,452	1,341
Net Carrying value	11,558	9,806

14. INTANGIBLE ASSETS AND GOODWILL

Goodwill	227,139	219,766
Insurance Broking Registers	53,422	53,382
Capitalised Project costs	1,071	1,011
Total cost	281,632	274,159
Amortisation		
Insurance Broking Registers	28,897	27,008
Capitalised Project costs	607	405
Total Accumulated Amortisation	29,504	27,413
Net carrying amount at end of period		
Goodwill	227,139	219,766
Insurance Broking Registers	24,525	26,374
Capitalised Project costs	464	606
Net Carrying value	252,128	246,746

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	As at 31 December 2016 No.	As at 30 June 2016 No.
15. SHARE-BASED PAYMENT PLANS		
Employee Share Option Plan		
Outstanding at the beginning of the period	567,756	378,687
Granted during the period - Zero priced options	115,702	319,891
Granted during the period - Zero priced options- previous year adjustment	32,321	-
Exercised during the year: Options issued during 2008	-	(11,099)
Exercised during the year: Options issued during 2013	-	(73,000)
Lapsed/forfeited during the year: Options issued during 2011	-	(21,430)
Lapsed/forfeited during the year: Options issued during 2012	(26,490)	(5,713)
Lapsed/forfeited during the year: Options issued during 2013	(4,018)	(9,235)
Lapsed/forfeited during the year: Options issued during 2014	(5,250)	(10,345)
Lapsed/forfeited during the year: Options issued during 2015	(7,816)	-
Outstanding at the end of the period	672,205	567,756

Share options are granted to senior executives by the ultimate parent company AUB Group Limited.

Unless otherwise stated, all options are granted over shares in the ultimate controlling entity, AUB Group Limited.

The share-based payments expense recognised in the statement of profit or loss is included in note 4 (iv) Expenses.

During the period the following options were issued, lapsed or forfeited

- 115,702 Share options were approved on 8 December 2016, exercisable 3 years from 24 January 2020 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 \$10.23. The options were valued using the dividend yield method resulting in an option price of \$8.99.
- 32,321 Share options were granted on 8 December 2016, exercisable 2 years from 23 November 2016 at an exercise price of \$NIL. These options were issued as a result of an administrative error in respect of the number of options issued during the previous year. The additional options were issued on the same terms and conditions as the 69,891 options issued on 23 November 2015.
- 22,726 Zero priced options, lapsed due to a staff member no longer employed.
- 20,848 Zero priced options lapsed due to vesting conditions over the 4 years ended 30 June 2016, not being met.

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

- 11,099 Share options were exercised on 16 October 2015 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 \$8.82.
- 25,293 Zero priced options, lapsed due to staff members resigning.
- 69,891 Share options were granted on 23 November 2015, exercisable 3 years from 23 November 2018 at an exercise price of \$NIL. The options were valued using the dividend yield method resulting in an option price of \$7.31.
- 21,430 options lapsed due to vesting conditions over the 4 years ended 30 June 2015, not being met.
- 250,000 Share options were granted on 6 April 2016, exercisable 3 years from 1 January 2019 at an exercise price of \$NIL. The options were valued using the dividend yield method resulting in an option price of \$7.91.
- 73,000 Share options were exercised on 6 April 2016 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 \$8.42.

	Consolidated	
	As at	As at
	31 December	30 June
	2016	2016
	\$'000	\$'000

16. TRADE AND OTHER PAYABLES

Current

Trade payables	23,103	27,141
Amount payable on broking/underwriting agency operations	151,112	186,253
Contingent consideration payable	10,662	20,882
Other payables	8,010	4,489
Payables - Related entities	788	745
Total Trade and other payables (current)	193,675	239,510

Non-current

Contingent consideration payable	9,271	11,334
Trade payables	-	118
Total Trade and other payables (non-current)	9,271	11,452

The reduction in broking/underwriting agency 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.

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	Consolidated	
	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
17. PROVISIONS		
Employee entitlements	14,408	14,262
Make good provision - leases	867	883
Balance at the end of the period	15,275	15,145
Current	11,699	12,415
Non-current	3,576	2,730
	15,275	15,145

18. BORROWINGS

Current		
Secured bank loan *	3,595	2,975
Obligations under finance leases and hire purchase contracts	414	1,069
Unsecured loan from other related parties	593	417
Total borrowings (current)	4,602	4,461
Non-current		
Secured bank loan *	82,959	83,692
Obligations under finance leases and hire purchase contracts	475	493
Unsecured loan from other related parties	590	-
Total borrowings (non-current)	84,024	84,185

* The Group has negotiated facilities through various banks as shown below.

Summary of secured bank loans

<i>St George Bank</i>	<i>64,996</i>	<i>65,067</i>
<i>Macquarie Bank</i>	<i>5,298</i>	<i>4,871</i>
<i>Commonwealth Bank</i>	<i>1,197</i>	<i>1,245</i>
<i>National Australia Bank</i>	<i>2,298</i>	<i>2,677</i>
<i>Hunter Premium Funding</i>	<i>264</i>	<i>353</i>
<i>Westpac NZ Bank</i>	<i>12,501</i>	<i>12,454</i>
Total secured bank loans	86,554	86,667
<i>Secured loans at beginning of the period</i>	<i>86,667</i>	<i>64,284</i>
<i>Loan repayments made during period</i>	<i>(726)</i>	<i>(1,389)</i>
<i>Borrowings reduced on deconsolidation of controlled entity</i>	<i>-</i>	<i>(2,000)</i>
<i>Borrowings recognised on consolidation of newly acquired controlled entity</i>	<i>-</i>	<i>4</i>
<i>Exchange rate translation</i>	<i>124</i>	<i>-</i>
<i>New borrowings during the period</i>	<i>489</i>	<i>25,768</i>
Secured loans at end of the period	86,554	86,667

AUB Group Limited has a finance facility with St George Bank for \$79.5 million, including \$20.1 million (NZ \$21 million) advanced to a controlled entity in New Zealand. The facility expires on 30 November 2018.

In addition to the St George Bank facilities provided to AUB Group Limited, controlled entities within the group have also negotiated other facilities with both St George Bank and other banks as shown above. Whilst the facilities expire beyond the next 12 months some facilities have provision for mandatory principal repayments during the facility period. These mandatory repayments are shown as current liabilities.

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

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	Consolidated	
	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
19. ISSUED CAPITAL		
Issued Capital opening balance	141,708	128,890
Net Proceeds from Dividend Reinvestment Plan	-	12,852
On 10 October 2015 allotted 11,099 shares at an issue price of \$NIL	-	-
On 6 April 2016 allotted 73,000 shares at an issue price of \$NIL	-	-
Share issue expenses	-	(34)
Issued Capital	141,708	141,708
	Shares No.	Shares No.
Number of Shares on Issue (ordinary shares fully paid)	63,846,476	63,846,476
	Shares No.	Shares No.
Movements in shares on issue		
Number of shares on issue at beginning of period	63,846,476	62,256,689
On 10 October 2015 allotted 11,099 shares at an issue price of \$NIL.	-	11,099
On 30 October 2015 1,004,770 shares were issued at \$8.629 as a result of a Dividend Reinvestment Plan.	-	1,004,770
On 6 April 2016 73,000 shares were issued at an issue price of \$NIL.	-	73,000
On 29 April 2016 500,918 shares were issued at \$8.3468 as a result of a Dividend Reinvestment Plan.	-	500,918
Total number of shares on Issue at end of period	63,846,476	63,846,476

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.

Of the total shares issued up to 31 December 2016, 40,000 had restrictions whereby the shares could not be disposed of before 1 January 2018, except in the case where employee who own the shares, resigns.

20. EARNINGS PER SHARE (EPS)

Earnings used in calculating EPS

- Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
- 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 year 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.

Information on the classification of securities

- Options granted to employees as described in note 15 are considered to be potential ordinary shares and have been included in the determination of the diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of the basic earnings per share. The amount of the dilution of these options is the average market price of ordinary shares during the period minus the exercise price.

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21. OPERATING SEGMENTS

The company's corporate structure is organised into two business units which have been identified as separate reportable segments as follows:

- equity investments in **insurance intermediary entities** (insurance broking and underwriting agencies); and
- equity investments in **risk services entities**.

Discrete financial information about each of these segments is reported to management on a regular basis and the operating results are monitored separately for the purposes of resource allocation and performance assessment.

The risk services segment comprises of equity investments in risk related service entities operating under a separate jurisdiction and licence as well as a separate regulatory framework. The financial information of entities that fall within risk services have been aggregated into one operating segment.

	6 months ended 31 December 2016			6 months ended 31 December 2015		
	Insurance Intermediary	Risk services	Total	Insurance Intermediary	Risk services	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Fees, commission and other income received from customers	83,548	26,995	110,543	77,308	17,541	94,849
Interest from other persons / corporations	1,467	71	1,538	1,338	14	1,352
Total Income	85,015	27,066	112,081	78,646	17,555	96,201
Share of profit of associates						
Share of Net Profits of Associates Accounted for using the Equity Method (net of income tax expense)	10,823	293	11,116	10,782	621	11,403
Amortisation of Intangibles - Associates	(1,372)	-	(1,372)	(1,487)	(179)	(1,666)
Total revenue	94,466	27,359	121,825	87,941	17,997	105,938
Less: Expenses						
Amortisation of Intangibles - controlled entities	1,889	-	1,889	1,415	-	1,415
Amortisation of capitalised Project Costs	202	-	202	202	-	202
Depreciation of property plant and equipment	990	267	1,257	803	208	1,011
Other expenses	73,788	21,338	95,126	71,180	13,457	84,637
Borrowing costs	1,954	72	2,026	2,352	6	2,358
Total expenses including borrowing costs	78,823	21,677	100,500	75,952	13,671	89,623
Profit before income tax	15,643	5,682	21,325	11,989	4,326	16,315
Less: Income tax expense	(2,700)	(1,747)	(4,447)	(4,024)	(1,163)	(5,187)
Profit after income tax	12,943	3,935	16,878	7,965	3,163	11,128
Less: Non controlling interest	(2,782)	(1,564)	(4,346)	(1,687)	(1,088)	(2,775)
Profit after income tax and non controlling interests	10,161	2,371	12,532	6,278	2,075	8,353
Other Adjustments to carrying value of associates, contingent consideration payments and profit on sale (see note 4(vi),(vii))			(128)			15,435
Profit after non controlling interests attributable to shareholders of the parent			12,404			23,788
Other comprehensive income attributable to shareholders of the parent			69			(163)
Profit after non controlling interests and other comprehensive income			12,473			23,625

Segments include intergroup charges at commercial terms and conditions for services rendered. These charges are eliminated on consolidation.

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	Consolidated	
	6 months	6 months
	ended	ended
	31 December 2016 \$'000	31 December 2015 \$'000
21. OPERATING SEGMENTS (continued)		
Geographic Information		
Revenue		
Revenue - Australia	115,044	104,026
Revenue - New Zealand	6,781	1,912
Total Revenue	121,825	105,938

The revenue attributable to each region is based on the income earned from direct investments in entities that are domiciled in those regions.

	As at	As at
	31 December	30 June
	2016	2016
	\$'000	\$'000
Total Non-Current assets		
Non Current Assets - Australia	346,925	333,884
Non Current Assets - New Zealand	54,428	62,300
Total Non-Current assets	401,353	396,184

Non current assets attributable to each region have been aggregated based on the assets that reside within each business in addition to any assets within the Consolidated Group that are necessary in the operation of those businesses.

22. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

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

AUB Group Limited has guaranteed loan facilities provided to associates in proportion to its shareholding.	9,925	5,373
AUB Group Limited has guaranteed lease facilities provided to an associate in proportion to its shareholding.	-	460
	9,925	5,833

AUB Group Limited 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 AUB Group Limited has an equity interest. At balance date no liability has arisen in relation to these indemnities.

AUB Group Limited 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 AUB Group Limited 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.

AUB Group Limited has entered into agreements with various shareholders of related entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at market values current at the date of exercise of that option. The earliest the put option can be exercised is 5 years from the date of AUB acquiring its initial shareholding in those entities, which falls within the next 2-4 years.

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 10 years, some with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

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23. 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.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company's contingent consideration payments made in relation to acquisitions of controlled entities and associates are categorised as level 3. These are valued based on the inputs in the valuation used on new acquisitions during the reporting period, referred to in Note 7.

All other assets and liabilities measured at fair value are categorised as level 2 under the three level hierarchy reflecting the availability of observable market inputs when estimating the fair value.

Management has assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair values of the Group's borrowings are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

24. SUBSEQUENT EVENTS

On 27 February 2017 the Directors of AUB Group Limited declared an interim dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is \$7,980,810 which represents a fully franked dividend of 12.5 cents per share. The dividend has not been provided for in the 31 December 2016 financial statements.

AUB GROUP LIMITED
ABN 60 000 000 715
DIRECTORS' DECLARATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Directors' Declaration

In accordance with a resolution of the directors of AUB Group 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 2016 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



D C Clarke
Chairman



M P L Searles
Chief Executive Officer and Managing Director

Sydney, 27 February 2017

To the members of AUB Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AUB Group Limited, which comprises the condensed statement of financial position as at 31 December 2016, 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 2016 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 AUB Group Limited and the entities it controlled during the period, 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 AUB Group 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 2016 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
27 February 2017