



26<sup>th</sup> February 2018

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: AUB Appendix 4D and Half Year Financial Report**

Attached for immediate release in relation to AUB Group Limited (ASX:AUB) 1HFY18 results are the following documents:

- Appendix 4D – Half-Year Report for the period ended 31<sup>st</sup> December 2017 and
- Attachment A to Appendix 4D – Financial Report for the half year ended 31<sup>st</sup> December 2017.

The following associated documents will be provided separately:

- Announcement
- Results Presentation

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'J Coss'.

Justin Coss  
**Company Secretary**

For further information, contact Justin Coss

Tel: (02) 9935 2224

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**AUB Group Limited**

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

ABN 60 000 000 715  
ACN 000 000 715

[aubgroup.com.au](http://aubgroup.com.au)



**AUB Group Limited**

ABN 60 000 000 715

ASX Disclosure – Appendix 4D

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**ASX DISCLOSURE – APPENDIX 4D**  
**Half-Year Report – 31 December 2017**

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 2017.

**1. Reporting Period**

Current reporting period – six months ended 31 December 2017

Previous corresponding period – six months ended 31 December 2016

**2. Results for Announcement to the Market**

				\$'000
2.1	Revenue from ordinary activities <sup>1</sup>	up	6.6%	to 129,830
2.2	a) Profit (loss) from ordinary activities after tax attributable to members	up	91.5%	to 23,752
	b) Total comprehensive income after tax attributable to members	up	84.8%	to 23,049
2.3	Net profit (loss) attributable to members	up	91.5%	to 23,752
2.4	Adjusted NPAT <sup>2</sup>	up	15.1%	to 16,706
2.5	Dividends			

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Interim dividend payable	13.5 cents	100%	13.5 cents

2.6 Record date for determining entitlement to the interim dividend Friday 6 April 2018.

<sup>1</sup> Revenue from ordinary activities includes: Revenue, Other income, and Profits from Associates.

<sup>2</sup> Adjusted NPAT is the measure used by management and the Board to assess underlying business performance. Adjusted NPAT excludes adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortization of intangibles. A reconciliation is provided in the Directors' Report. Adjusted NPAT is non-IFRS financial information and as such has not been audited.

2.7 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 2017 attached as Attachment A.

### **3. Statement of Comprehensive Income**

The Statement of Comprehensive Income 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 26 February 2018, the Directors declared a fully franked interim dividend of 13.5 cents per share. This dividend is payable on 27 April 2018. Based on issued shares of 63,846,476 shares, this dividend will total \$8,619,274.

### **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 2017	\$1.60
31 December 2016	\$1.65

### **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 (pre tax)	
		2017 \$'000	2016 \$'000
AustRe Brokers Pty Ltd	01/10/17	1,208	626

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

Disposal	Date	Contribution to Profit (pre tax)	
		2017 \$'000	2016 \$'000
Austbrokers SPT Pty Ltd	01/07/17	145	185
Asia Mideast Insurance and Reinsurance Pty Ltd	30/11/17	(61)	332

#### **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 26 February 2018 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2017 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 2017**



**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 2017

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Your Directors present their report with the consolidated financial statements of AUB Group Limited for the six months ended 31 December 2017.

## 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 2017 (1H18) net profit after tax attributable to equity holders of the parent (Reported NPAT) was \$23.8 million (1H17: \$12.4 million), an increase of \$11.4 million on the prior comparable period due to strong underlying business performance, profits on sale and the impact of non cash accounting adjustments relating to mergers and acquisition activity in the current period.

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 \$16.7 million in 1H18 up 15.1% on the prior comparable period (1H17: \$14.5 million).

Profit contributions from all divisions grew, with strong underlying organic growth in partner businesses. In addition to growing clients and policies, there is evidence that premium rates in Australia and New Zealand are increasing, positively impacting commission income.

AUB GROUP LIMITED  
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DIRECTORS REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT <sup>1</sup>	1H18	1H17	Variance
	\$ 000	\$ 000	%
Net Profit after tax attributable to equity holders of the parent	23,752	12,404	91.5%
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) <sup>2</sup>	169	142	19.0%
Plus loss / (less) profit on sale of portfolios and controlled entities net of tax	(1,101)	40	n/m
Adjustment to carrying value of entities (to fair value) on date they became associates or controlled entities <sup>3</sup>	(8,117)	-	n/m
Net Profit from operations	14,703	12,586	16.8%
Add back amortisation of intangibles net of tax <sup>4</sup>	2,003	1,933	3.6%
<b>Adjusted NPAT</b>	<b>16,706</b>	<b>14,519</b>	<b>15.1%</b>

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 and as such has not been audited in accordance with Australian Accounting Standards.
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. 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.
4. Amortisation expense is a non-cash item.

## RESULTS BY OPERATING SEGMENT

### Insurance intermediaries:

Australian Broking – pre-tax profit for the half year increased by 6.8% over the prior comparable period to \$20.4 million, with a contribution from new acquisitions, organic growth in clients and policies, and the impact of rising insurance premiums in a hardening market. There is evidence of low to mid single digit premium rate increases across the portfolio, however rates vary by class and geography. Our partner businesses continue to grow organically and through acquisitions.

New Zealand Broking – pre-tax profit for the half year increased by 11% over the prior comparable period to \$2.8 million, with strong organic revenue growth and improved margins, offset by a 5% weakening of the exchange rate. In the period, a further 5% equity in Runacres was sold to management in continuation of the owner driver model, and our associate BWRS acquired a client portfolio in the North Island, adding to their national footprint.

Underwriting Agencies – pre-tax profit for the half year increased by 5% to \$4.6 million, with lost earnings from divested businesses being offset by strong underlying organic growth. Double digit organic revenue growth was delivered from increased policies, growth in non commission revenue and the impact of increased premium rates. Most lines of business are experiencing mid single digit premium rate growth.

AUB GROUP LIMITED  
A.B.N. 60 000 000 715  
DIRECTORS REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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#### Risk Services

Pre-tax profit for the half year increased by 21% to \$4.3 million. Revenue growth was achieved through ancillary risk services lines and rehabilitation services outside of NSW with new workers compensation panel appointments and growing national clients. Changes to the workers compensation agent model in NSW have impacted revenues in this state in the first half and are expected to create revenue fluctuations in the second half of the year. However, the changes to the model are expected to be positive for the businesses in the medium to long term.

#### Corporate Expenses

Corporate expenses have decreased over the prior comparable period due to cost management and lower staff incentive provisions at the half. Additional one off costs will be incurred in the second half as the Group outsources its technology infrastructure to a third party, with financial, service and cyber security benefits expected in future years. AUB Group remains focused on managing the group cost to income ratio, which has enabled continued investment in infrastructure.

AUB GROUP LIMITED  
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DIRECTORS REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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

RECONCILIATION OF OPERATING SEGMENTS	Consolidated 1H18			Consolidated 1H17		
	Insurance Intermediary \$000	Risk Services \$000	Total \$000	Insurance Intermedia ry \$000	Risk Services \$000	Total \$000
Profit before tax and after non-controlling interests from:						
Insurance broking - Australia	20,390	-	20,390	19,085	-	19,085
Insurance broking - New Zealand	2,780	-	2,780	2,503	-	2,503
Underwriting agencies	4,568	-	4,568	4,338	-	4,338
Risk Services	-	4,268	4,268	-	3,534	3,534
	27,738	4,268	32,006	25,926	3,534	29,460
Corporate income	1,083	-	1,083	1,068	-	1,068
Corporate expenses	(8,176)	-	(8,176)	(8,495)	-	(8,495)
Corporate interest expense and borrowing costs	(859)	-	(859)	(850)	-	(850)
	19,786	4,268	24,054	17,649	3,534	21,183
Tax	(6,030)	(1,318)	(7,348)	(5,516)	(1,148)	(6,664)
<b>Adjusted NPAT</b>	<b>13,756</b>	<b>2,950</b>	<b>16,706</b>	<b>12,133</b>	<b>2,386</b>	<b>14,519</b>
Less amortisation expense (net of tax and non controlling interests)	(2,003)	-	(2,003)	(1,933)	-	(1,933)
Less contingent consideration adjustments booked by associates net of non controlling interests <sup>1</sup>	(170)	-	(170)	-	(15)	(15)
Plus profit on sale of portfolios by associates net of tax <sup>1</sup>	898	-	898	-	-	-
Less tax and non controlling interests relating to profit on sale of portfolios and controlled entities <sup>2</sup>	(254)	-	(254)	-	-	-
Less capital gains tax adjustments relating to sales of associates <sup>2</sup>	-	-	-	(39)	-	(39)
<b>Profit after income tax and non controlling interests</b> (refer financial statements note 21 Operating Segments)	<b>12,227</b>	<b>2,950</b>	<b>15,177</b>	<b>10,161</b>	<b>2,371</b>	<b>12,532</b>

1. This includes adjustments to profits on portfolio sales net of tax expense and contingent consideration adjustments booked by associates and included in note 4 (iii) of financial statements.

2. This includes tax expense adjustments on portfolio sales, net of non controlling interests.

On a Reported NPAT basis, earnings per share was 37.2 cents for the half year, significantly above the prior comparable period, due to profits on sale and non cash accounting adjustments relating to mergers and acquisitions in the half. Earnings per share based on Adjusted NPAT increased by 15.1% to 26.2 cents.

Shareholders' equity has been relatively stable at \$372.7 million (30 June 2017: \$371.7 million), after recognising the six months profit net of the final dividend.

Gearing increased to 23.4% at 31 December 2017 (30 June 2017: 20.4%), with additional funds drawn for acquisitions. AUB Group entered into a new multi-currency \$150m syndicated loan facility for a three year term with a mechanism for two one year extensions. At balance date \$56m is undrawn and available to fund future acquisitions.

AUB GROUP LIMITED  
A.B.N. 60 000 000 715  
DIRECTORS REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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## DIVIDEND PAYMENTS

A final dividend for the period ended 30 June 2017 of 29.5 cents per share (\$18.8 million) was paid in October 2017. The Directors have declared a fully franked interim dividend of 13.5 cents per share (\$8.6 million) payable to shareholders at the record date of 6 April 2018 which will be paid on 27 April 2018.

## 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 legislative instrument 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*

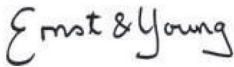
Sydney: 26 February 2018

## 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 2017, 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  
26 February 2018

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

		<b>Consolidated</b>	
		6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000
	Notes		
Revenue	4 (i)	113,925	108,827
Other income	4 (ii)	3,421	3,254
Share of profit of associates	4 (iii)	12,484	9,744
Expenses	4 (iv)	(102,628)	(98,474)
Finance costs	4 (v)	(2,005)	(2,026)
		25,197	21,325
Income arising from adjustments to carrying values of controlled entities and profit from sale of interests in controlled entities and broking portfolios			
- Adjustments to carrying value of controlled entities and contingent consideration payments	4(vi)	8,117	(158)
- Profit from sale of interests in controlled entities and broking portfolios	4(vii)	458	30
<b>Profit before income tax</b>		<b>33,772</b>	<b>21,197</b>
Income tax expense	5	5,699	4,447
<b>Net Profit after tax for the period</b>		<b>28,073</b>	<b>16,750</b>
<b><i>Net Profit after tax for the period attributable to:</i></b>			
Equity holders of the parent		23,752	12,404
Non-controlling interests		4,321	4,346
		<b>28,073</b>	<b>16,750</b>
Basic earnings per share (cents per share)	20	37.2	19.4
Diluted earnings per share (cents per share)	20	37.0	19.3

AUB GROUP LIMITED  
A.B.N. 60 000 000 715  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	<b>Consolidated</b>	
	6 months ended 31 December 2017 Notes \$'000	6 months ended 31 December 2016 \$'000
<b>Net Profit after tax for the period</b>	<b>28,073</b>	<b>16,750</b>
<b><i>Other comprehensive income</i></b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
- Net movement in foreign currency translation reserve	(825)	84
- Income tax benefit arising from currency translation adjustments	-	-
Other comprehensive income / (expense) after tax for the period	(825)	84
<b>Total comprehensive income after tax for the period</b>	<b>27,248</b>	<b>16,834</b>
<b><i>Total comprehensive income after tax for the period attributable to:</i></b>		
Equity holders of the parent	23,049	12,473
Non-controlling interests	4,199	4,361
	<b>27,248</b>	<b>16,834</b>

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

		<b>Consolidated</b>	
		As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
	Notes		
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	6	65,474	63,546
Cash and cash equivalents - Trust	6	93,627	89,772
Trade and other receivables	9	115,775	175,979
Other financial assets	10	100	108
Total Current Assets		274,976	329,405
<i>Non-current Assets</i>			
Trade and other receivables	9	438	476
Other financial assets	10	30	51
Investment in associates	11	145,116	141,713
Property, plant and equipment	13	12,131	11,648
Intangible assets and goodwill	14	271,751	263,859
Deferred income tax asset		7,075	7,210
Total Non-current Assets		436,541	424,957
<b>TOTAL ASSETS</b>		<b>711,517</b>	<b>754,362</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade and other payables	16	195,709	253,412
Income tax payable	5	4,659	4,706
Provisions	18	12,559	15,244
Interest bearing loans and borrowings	17	7,099	6,169
Total Current Liabilities		220,026	279,531
<i>Non-current Liabilities</i>			
Trade and other payables	16	230	970
Provisions	18	3,287	3,606
Deferred tax liabilities		8,433	9,672
Interest bearing loans and borrowings	17	106,858	88,927
Total Non-current Liabilities		118,808	103,175
<b>TOTAL LIABILITIES</b>		<b>338,834</b>	<b>382,706</b>
<b>NET ASSETS</b>		<b>372,683</b>	<b>371,656</b>
<b>EQUITY</b>			
Issued capital	19	141,708	141,708
Retained earnings		158,718	154,579
Share based payments reserve		6,603	6,090
Foreign currency translation reserve		(491)	212
Asset revaluation reserve		127	199
<b>Equity attributable to equity holders of the parent</b>		<b>306,665</b>	<b>302,788</b>
Non-controlling interests		66,018	68,868
<b>TOTAL EQUITY</b>		<b>372,683</b>	<b>371,656</b>

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	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			
<b>CONSOLIDATED</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2017</b>	<b>141,708</b>	<b>154,579</b>	<b>199</b>	<b>212</b>	<b>6,090</b>	<b>302,788</b>	<b>68,868</b>	<b>371,656</b>
Profit for the period	-	23,752	-	-	-	23,752	4,321	28,073
Other comprehensive income	-	-	-	(703)	-	(703)	(122)	(825)
<b>Total comprehensive income for the period 1 July 2017 to 31 December 2017</b>	<b>-</b>	<b>23,752</b>	<b>-</b>	<b>(703)</b>	<b>-</b>	<b>23,049</b>	<b>4,199</b>	<b>27,248</b>
Other Adjustments								
Adjustment relating to increases in the voting shares in controlled entities. (see note 7(a))	-	(1,035)	-	-	-	(1,035)	(3,456)	(4,491)
Adjustment relating to reductions in the voting shares in controlled entities. (see note 7(a))	-	185	-	-	-	185	1,454	1,639
Reduction to non-controlling interests relating to deconsolidated entities(see note 7(e))	-	-	-	-	-	-	(1,973)	(1,973)
Exchange rate movements	-	-	-	-	-	-	(142)	(142)
Transfer from asset revaluation reserve	-	72	(72)	-	-	-	-	-
Cost of share-based payment	-	-	-	-	403	403	-	403
Tax benefit related to employee share trust transactions.	-	-	-	-	110	110	-	110
Equity dividends	-	(18,835)	-	-	-	(18,835)	(2,932)	(21,767)
<b>At 31 December 2017</b>	<b>141,708</b>	<b>158,718</b>	<b>127</b>	<b>(491)</b>	<b>6,603</b>	<b>306,665</b>	<b>66,018</b>	<b>372,683</b>

	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			
<b>CONSOLIDATED</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2016</b>	<b>141,708</b>	<b>146,533</b>	<b>370</b>	<b>248</b>	<b>5,384</b>	<b>294,243</b>	<b>56,992</b>	<b>351,235</b>
Profit for the period	-	12,404	-	-	-	12,404	4,346	16,750
Other comprehensive income	-	-	-	69	-	69	15	84
<b>Total comprehensive income for the period 1 July 2016 to 31 December 2016</b>	<b>-</b>	<b>12,404</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>12,473</b>	<b>4,361</b>	<b>16,834</b>
Other Adjustments								
Adjustment relating to reductions in the voting shares in controlled entities. (see note 7(b))	-	744	-	-	-	744	4,875	5,619
Non-controlling interests relating to new acquisitions (see note 7(d))	-	-	-	-	-	-	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)
<b>At 31 December 2016</b>	<b>141,708</b>	<b>141,890</b>	<b>284</b>	<b>317</b>	<b>5,732</b>	<b>289,931</b>	<b>64,423</b>	<b>354,354</b>

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

		<b>Consolidated</b>	
		6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		122,806	115,327
Dividends received from others		1	1
Dividends/trust distributions received from associates		12,572	11,590
Interest received		1,279	1,555
Management fees received from associates / related entities		7,220	5,372
Payments to suppliers and employees		(105,925)	(96,373)
Interest paid		(1,920)	(1,881)
Income tax paid		(7,103)	(8,200)
<b>Net cash from operating activities before customer trust account movements</b>		<b>28,930</b>	<b>27,391</b>
Net increase / (decrease) in cash held in customer trust accounts		8,362	(1,415)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>37,292</b>	<b>25,976</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Payment for increase in interests in controlled entities	7 (a), (b)	(4,491)	(165)
Payment for new controlled entity, net of cash acquired	7 (d), (e)	(7,613)	(2,508)
Net cash outflow from deconsolidation of controlled entities	7 (e)	(4,413)	-
Payment for new broking portfolios purchased by members of the economic entity		(1,393)	-
Proceeds from reduction in interests in controlled entities	7 (a)	1,639	5,213
Proceeds from new shares issued to non-controlling interests	7 (a), (b)	-	900
Proceeds from disposal of associate		38	-
Proceeds from disposal of broking/underwriting portfolios		694	-
(Payments)/ Proceeds from sale of other financial assets		(57)	43
Proceeds from sale of plant and equipment		90	139
Payment for plant and equipment		(1,982)	(3,058)
Repayments of loans to associates / related entities		59	19
Payment for capitalised projects		(565)	(60)
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(17,994)</b>	<b>523</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>			
Dividends paid to shareholders	8	(18,835)	(17,877)
Dividends paid to shareholders of non-controlling interests	8	(2,932)	(4,387)
Payment for contingent consideration on prior year acquisitions	16	(12,532)	(15,298)
Repayment of borrowings and finance lease liabilities		(74,910)	(1,221)
Proceeds from increase in borrowings and finance lease liabilities		95,375	1,079
Advances/(Repayments) to related entities		319	(116)
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(13,515)</b>	<b>(37,820)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,783</b>	<b>(11,321)</b>
Cash and cash equivalents at beginning of the period		153,318	158,446
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>159,101</b>	<b>147,125</b>

**AUB GROUP LIMITED**  
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**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

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**1. CORPORATE INFORMATION**

The interim financial report of AUB Group Limited for the six months ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 26 February 2018.

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 2017 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 this legislative instrument 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 2017 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 2017.

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.

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

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

Refer to 30 June 2017 Financial Statements for further details on impact to the Group on adopting these new accounting standards.

There have been no further developments since 30 June 2017, that would suggest that the impact to the Group would be materially different from what was disclosed in the 30 June 2017 Financial Statements.

**AUB GROUP LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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		<b>Consolidated</b>	
		6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000
<b>4. REVENUE AND EXPENSES</b>			
<b>(i) Revenue</b>			
Commission, Brokerage and Fee Income		106,705	103,455
Management fees		7,220	5,372
<b>Total revenue</b>		<b>113,925</b>	<b>108,827</b>
<b>(ii) Other income</b>			
Dividends from other persons / corporations		1	1
Interest from related parties / corporations		13	17
Interest from other persons / corporations		1,266	1,538
Other income		2,141	1,698
<b>Total other income</b>		<b>3,421</b>	<b>3,254</b>
<b>(iii) Share of profit of associates</b>			
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation (net of income tax expense)		13,943	11,116
Amortisation of Intangibles - Associates		(1,459)	(1,372)
<b>Total share of profit of associates</b>		<b>12,484</b>	<b>9,744</b>
<b>(iv) Expenses</b>			
Amortisation of Intangibles - Controlled Entities		1,951	1,889
Amortisation of Capitalised Project costs		379	202
Advertising and Marketing		1,598	1,050
Audit fees		688	632
Business Technology and Software costs		3,641	3,743
Commission expense		6,568	6,194
Depreciation of property plant and equipment		1,312	1,257
Insurance		2,362	2,489
Legal fees / Acquisition costs		548	526
Rent (operating leases)		5,575	5,389
Salaries and Wages		68,966	64,438
Share-based payments		403	296
Travel/Telephone/Motor/Stationery		3,980	3,985
Other expenses		4,657	6,384
<b>Total expenses</b>		<b>102,628</b>	<b>98,474</b>
<b>(v) Finance costs</b>			
Interest Paid and Borrowing costs		2,005	2,026
<b>Total finance costs</b>		<b>2,005</b>	<b>2,026</b>
<b>(vi) Adjustments to carrying value of controlled entities and contingent consideration payments</b>			
Adjustment to contingent consideration on acquisition of controlled entities and associates. (see notes 7, 11,12)		-	(158)
Fair value adjustment to carrying value of controlled entities (see note 7(e)).		8,117	-
<b>Total adjustments to carrying value of associates, controlled entity and contingent consideration payments</b>		<b>8,117</b>	<b>(158)</b>
<b>(vii) Profit from sale of interests in controlled entities and broking portfolios</b>			
Profit from sale of broking portfolios		551	30
Loss from sale of deconsolidation of control entities (see note 7(e)).		(93)	-
<b>Total profit from sale of interests in controlled entities and broking portfolios.</b>		<b>458</b>	<b>30</b>

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**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	<b>Consolidated</b>	
	6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'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	33,772	21,197
At the company's statutory income tax rate of 30% (2016:30%)	10,132	6,359
Capital gains tax on sale of broking portfolios	32	-
Capital gains tax on sale of controlled entities	51	-
Non-taxable share of profits from associated entities	(2,167)	(2,266)
Under/(Over) provision prior year	9	77
Income tax at different tax rates on overseas operations	(49)	-
Fair value adjustment to carrying value of controlled entity on the date it became an associate	(2,434)	-
Adjustments to contingent consideration on acquisition of controlled entity and associate	-	47
Non-deductible expenses/other	125	230
<b>Income tax expense reported in the consolidated statement of profit or loss</b>	<b>5,699</b>	<b>4,447</b>

	As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
<b>Provision for income tax</b>	<b>4,659</b>	<b>4,706</b>

**6. CASH AND CASH EQUIVALENTS**

	As at 31 December 2017 \$'000	As at 31 December 2016 \$'000
Cash and cash equivalents	65,474	61,027
Cash and cash equivalents - Trust	93,627	86,098
<b>Total cash and cash equivalents</b>	<b>159,101</b>	<b>147,125</b>

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 (d) PeopleSense 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 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(d) and 7(e) 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 2017, the Group acquired 10% of Sura Specialty Pty Ltd (Specialty) for \$561,400 increasing its shareholding to 100%.

Effective 1 July 2017, a controlled entity acquired 30% of SPT Financial Solutions Pty Ltd (SPTFS) for \$310,757 increasing its shareholding from 70% to 100%.

Effective 31 July 2017, the Group acquired a further 10.2% of the voting shares of InterRISK Pty Ltd (InterRISK) for \$2,240,000 increasing its shareholding to 89.2%

Effective 1 November 2017, a controlled entity acquired a further 49% of the voting shares in SURA Construction Pty Ltd (Construction) for \$1,379,000 increasing its ownership to 100%

Effective 1 July 2017, a controlled entity disposed of a further 5% of the voting shares in Runacres and Associates Limited (Runacres) for \$1,639,260 (\$NZ 1,800,000) decreasing its ownership from 90% to 85%.

	Carrying value of assets attributable to Runacres	Carrying value of assets attributable to Construction, SPTFS, Specialty, and InterRISK
	\$'000	\$'000
Cash	5,075	16,435
Receivables	9,800	27,276
Property plant and equipment	351	292
Intangibles	27,725	32,466
<b>TOTAL ASSETS</b>	<b>42,951</b>	<b>76,469</b>
Payables and provisions	12,251	39,790
Tax Liabilities	2,542	423
<b>TOTAL LIABILITIES</b>	<b>14,793</b>	<b>40,213</b>
<b>NET ASSETS</b>	<b>28,158</b>	<b>36,256</b>
Non-controlling interest in net assets	(2,816)	(5,186)
<b>Net Assets attributable to AUB Group</b>	<b>25,342</b>	<b>31,070</b>
<b>Cash (received) /paid on sale of shares</b>	<b>(1,639)</b>	<b>4,491</b>
(Increase) / decrease to non-controlling interests	(1,454)	3,456
<b>Transfer to retained earnings on equity transactions between owners</b>	<b>(185)</b>	<b>1,035</b>

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**7. BUSINESS COMBINATIONS (continued)**

**b) Equity transactions between owners - previous 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 30 November 2016, a controlled entity, Altius Group Holdings Pty Ltd (Altius), issued shares to its employees at fair value for \$899,440. The issue of the additional shares by Altius diluted the group's shareholding from 56.5% to 55.3%.

	Carrying value of assets attributable to Atlas \$'000	Carrying value of assets attributable to Runacres \$'000	Carrying value of assets attributable to AFS (ACT), Terrace, FIUA and Altius \$'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
<b>TOTAL ASSETS</b>	<b>3,815</b>	<b>48,976</b>	<b>18,700</b>
Payables and provisions	1,838	11,401	11,517
Tax Liabilities	(72)	3,341	194
<b>TOTAL LIABILITIES</b>	<b>1,766</b>	<b>14,742</b>	<b>11,711</b>
<b>NET ASSETS</b>	<b>2,049</b>	<b>34,234</b>	<b>6,989</b>
Non-controlling interest in net assets	-	-	(111)
<b>Net Assets attributable to AUB Group</b>	<b>2,049</b>	<b>34,234</b>	<b>6,878</b>
<b>Cash (received) /paid on sale of shares</b>	<b>165</b>	<b>(3,449)</b>	<b>(2,663)</b>
<b>Deferred settlement</b>	<b>110</b>	<b>-</b>	<b>-</b>
Capital gains tax on sale of units	-	-	(218)
(Increase) / decrease to non-controlling interests	179	(3,408)	(1,646)
<b>Transfer to retained earnings on equity transactions between owners</b>	<b>96</b>	<b>(41)</b>	<b>(799)</b>

**AUB GROUP LIMITED**  
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**7. BUSINESS COMBINATIONS (continued)**

**c) Acquisition of new controlled entity - current period**

During the current period a controlled entity, incorporated 2 new entities SURA NZ Limited and NZ Brokers Limited for a total of \$2. No other controlled entities were acquired during the period.

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

On 1 July 2016, a 60% controlled entity, Altius Group Holdings Pty Ltd (Altius), 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 Altius to acquire PeopleSense 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
<b>TOTAL ASSETS</b>	<b>1,282</b>
Payables and borrowings	315
Tax provisions	45
Provisions	205
<b>TOTAL LIABILITIES</b>	<b>565</b>
<b>NET ASSETS</b>	<b>717</b>
Net assets acquired	717
Purchase price - cash paid	2,709
Purchase price - share issue	2,582
Purchase price - deferred payment	2,690
<b>Total purchase price of Acquisition</b>	<b>7,981</b>
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)
<b>Net cash (outflow)</b>	<b>(2,508)</b>

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)**

**e) Consolidation / Deconsolidation of controlled entities - current period**

On 1 July 2017, the Group disposed 10% of the voting shares in Austbrokers SPT Pty Ltd and its controlled entities (SPT) for \$862,737 reducing its equity from 60% to 50% and therefore it is no longer consolidated from that date.

On 30 November 2017, the Group disposed all its voting shares in Asia Mideast Insurance and Reinsurance Pty Ltd, (AMIR) for \$1,444,000. \$600,000 was paid on completion of the sale and the balance payable after 12 months. AMIR was no longer consolidated from that date.

On 1 October 2017, the Group acquired the remaining 50% of the voting shares of Aust Re Brokers Pty Ltd (Aust Re) that it did not previously own, increasing its shareholding to 100%. On this date, Aust Re ceased to be an associate and became a controlled entity. The purchase price for the additional 50% of Aust Re was \$10,500,000 including a deferred payment of \$2,100,000 (\$2,048,550 net present value) payable after 12 months.

Carrying values of the assets and liabilities of consolidated / deconsolidated entities.

	Carrying value of assets and liabilities of Aust Re	Carrying value of assets and liabilities of SPT and AMIR
	\$'000	\$'000
<b>ASSETS</b>		
Cash	787	6,377
Receivables	1,985	8,018
Plant and equipment	-	181
Intangibles	-	5,132
<b>TOTAL ASSETS</b>	<b>2,772</b>	<b>19,708</b>
<b>LIABILITIES</b>		
Payables and provisions	1,738	12,724
Borrowings	-	146
Tax liabilities	285	450
<b>TOTAL LIABILITIES</b>	<b>2,023</b>	<b>13,320</b>
<b>NET ASSETS</b>	<b>749</b>	<b>6,388</b>
Non controlling interest	-	(1,973)
<b>NET ASSETS ATTRIBUTABLE TO PARENT ENTITY</b>	<b>749</b>	<b>4,415</b>
Carrying value of investment in associate / controlled entity	327	1,442
Acquisition price of controlled entity	8,400	-
Deferred consideration on acquisition of controlled entity	2,049	-
<b>Fair value adjustment on the date the controlled entity became an Associate</b>	<b>-</b>	<b>2,871</b>
<b>Fair value adjustment on the date the Associate became a controlled entity</b>	<b>5,246</b>	<b>-</b>
Total purchase price / fair value of Acquisition / disposal	16,022	4,313
Goodwill arising on acquisition relating to the group	15,273	-
Goodwill reduction on deconsolidation of controlled entities	-	(5,132)
<b>Sale proceeds - received</b>	<b>-</b>	<b>1,964</b>
Sale proceeds - deferred settlement	-	844
<b>Less : carrying value of voting shares sold</b>	<b>-</b>	<b>(2,901)</b>
<b>Loss on sale on deconsolidation of controlled entities.</b>	<b>-</b>	<b>(93)</b>
<b>Fair value adjustment on the date the entity became an associate or controlled (see note 4(vi))</b>	<b>5,246</b>	<b>2,871</b>
Profit on deconsolidation of controlled entities before tax and non-controlling interests	5,246	2,778
Tax expense - relating to sale of voting shares	-	(41)
<b>Total fair value adjustment/profit on deconsolidation of controlled entity</b>	<b>5,246</b>	<b>2,737</b>
<b>Cash outflow on acquisition / disposal is as follows:</b>		
Net cash acquired on consolidation or reduction on deconsolidation of controlled entities	787	6,377
Cash (paid) on acquisition / cash received on disposal	(8,400)	1,964
<b>Net cash (outflow) on acquisition or deconsolidation of controlled entities</b>	<b>(7,613)</b>	<b>(4,413)</b>

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	<b>Consolidated</b>	
	6 months	6 months
	ended	ended
	31 December	31 December
	2017	2016
	\$'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 2016: 28.0 cents	-	17,877
Final franked dividend for financial year ended 30 June 2017: 29.5 cents	18,835	-
<b>Total dividends paid in current period</b>	<b>18,835</b>	<b>17,877</b>

In addition to the above, dividends paid to non-controlling interests totalled \$2,932,000 (2016: \$4,387,000).

**(b) Dividends proposed and not recognised as a liability**

Interim franked dividend for financial year ending 30 June 2017: 12.5 cents	-	7,981
Interim franked dividend for financial year ending 30 June 2018: 13.5 cents	8,619	-
	<b>8,619</b>	<b>7,981</b>

Dividends paid per share (cents per share) at declaration date	29.5	28.0
Dividends proposed per share (cents per share) not recognised at balance date	13.5	12.5

	<b>Consolidated</b>	
	As at	As at
	31 December	30 June
	2017	2017
	\$'000	\$'000

**9. TRADE AND OTHER RECEIVABLES**

Trade receivables	26,455	26,501
Amount due from customers on broking/underwriting agency operations	79,641	138,118
Amounts due from clients in respect of premium funding operations	6,042	7,788
Receivables - Related entities	3,637	3,572
<b>Total trade and other receivables (current)</b>	<b>115,775</b>	<b>175,979</b>

**Non-Current**

Trade receivables	21	50
Loans to associated entities	417	426
<b>Total receivables (non-current)</b>	<b>438</b>	<b>476</b>

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**

Other	100	108
<b>Total other financial assets (current)</b>	<b>100</b>	<b>108</b>

**Non-Current**

Other	30	51
<b>Total other financial assets (non-current)</b>	<b>30</b>	<b>51</b>

The secured loans are supported 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 31 December 2017 \$'000	As at 30 June 2017 \$'000
11. INVESTMENT IN ASSOCIATES				
Investments at equity accounted amount:				
Associated entities - unlisted shares			145,116	141,713
	Dec 2017 %	Jun 2017 %		
Name				
Associated entities (and their controlled entities)				
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,885	2,852
Austbrokers AEI Transport Pty Ltd	50.0	50.0	9,453	9,677
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	219	277
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,452	2,483
Austbrokers Hiller Marine Pty Limited	50.0	50.0	-	-
Austbrokers RIS Pty Ltd	49.9	49.9	2,531	2,686
Austbrokers SPT Pty Ltd	50.0	60.0	4,413	-
A & I Member Services Pty Ltd	50.0	50.0	-	-
Adroit Holdings Pty Ltd	50.0	50.0	13,361	13,229
Austcan Risk Services (UK) Ltd	30.0	30.0	137	89
Brett Grant and Associates Pty Ltd	50.0	50.0	1,530	1,596
Brokerweb Risk Services Ltd *	40.0	40.0	14,481	14,943
Blumberg Pty Ltd	51.0	51.0	-	-
Bluestone Insurance Pty Ltd	50.0	50.0	-	-
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust	49.9	49.9	16,813	15,566
Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet Holdings Unit Trust	49.9	49.9	727	616
JMD Ross Insurance Brokers Pty Ltd	50.0	50.0	953	969
Markey Group Pty Ltd	49.9	49.9	3,477	3,626
Global Assured Finance Pty Ltd	49.9	49.9	-	-
HQ Insurance Pty Ltd	40.7	40.7	2,021	2,028
KJ Risk Group Pty Ltd	49.0	49.0	1,545	1,728
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking unit trust	50.0	50.0	5,821	5,844
MGA Management Services Pty Ltd	49.9	49.9	15,208	14,444
Northlake Holdings Pty Ltd	50.0	50.0	5,387	5,558
Nexus (Aust) Pty Ltd	50.0	50.0	9,422	9,951
Peter L Brown & Associates Pty Ltd	49.9	49.9	443	582
The Procure Group Pty Ltd	50.0	50.0	11,423	11,322
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,121	3,122
Supabrook Pty Ltd	49.9	49.9	840	837
R.G Financial Services Pty Ltd	50.0	50.0	16	15
SRG Group Pty Ltd	50.0	50.0	1,814	2,043
Western United Financial Services Pty Ltd	49.9	49.9	1,789	2,010
WRI Insurance Brokers Pty Ltd	50.0	50.0	2,817	3,165
Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust	49.9	49.9	3,304	2,318
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	-	120
Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	132	153
Aust Re Brokers Pty Ltd (controlled entity from 1 October 2017)	100.0	50.0	-	1,427
Cinesura Entertainment Pty Ltd	50.0	50.0	109	171
Fleetsure Pty Ltd	50.0	50.0	3,775	3,622
Longitude Insurance Pty Ltd ***	58.5	58.5	914	837
Millennium Underwriting Agency Pty Ltd **	50.0	50.0	483	508
Sura Professional Risks Pty Ltd	50.0	50.0	834	900
Sura Accident and Health Pty Ltd	50.0	50.0	-	-
Gard Pty Ltd	25.0	-	56	-
Tasman Underwriting Pty Ltd	50.0	50.0	410	399
			145,116	141,713

\* 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 38.75% of Longitude Insurance Pty Ltd. The consolidated entity has a further 19.33% interest indirectly through an associate.

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**11. INVESTMENT IN ASSOCIATES (continued)**

***During the current period, the following transactions occurred;***

- On 1 July 2017, the Group disposed 10% of the voting shares in Austbrokers SPT Pty Ltd and its controlled entities (SPT) for \$862,737 reducing its equity from 60% to 50%. On that date SPT became an Associate.
- On 1 October 2017, the Group acquired a further 50% of the voting shares in Aust Re Pty Ltd and its controlled entities (SPT) for \$10,500,000 increasing its equity from 50% to 100%. On that date Aust Re Pty Ltd became a controlled entity.

***During the previous period, the following transactions occurred***

- There were no acquisitions of associates by the consolidated entity during the period 1 July 2016 to 31 December 2016.
- 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)).

**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 The Procure Group Pty Ltd which offer Risk Services.
- The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust where the voting power is 37.5%, Longitude Insurance Pty Ltd where voting power is 38.75%, Millennium Underwriting where the voting power is 18.4%, HQ Insurance Brokers Pty Ltd where the voting power is 40.7% and Austcan Risk Services (UK) Ltd where the voting power is 30%.
- The reporting date of each associate is 31 December 2017 (prior period reporting date 31 December 2016).
- 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.

	<b>Consolidated</b>	
	6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000
(g) The group's share of associates' profits/(losses)		
Share of associates':		
<b>Revenue</b>	<b>64,414</b>	<b>56,754</b>
Operating profits before income tax	16,966	14,241
Amortisation of intangibles	(1,459)	(1,372)
Net profit before income tax	15,507	12,869
Income tax expense attributable to operating profits	(3,023)	(3,125)
<b>Share of associates' net profits</b>	<b>12,484</b>	<b>9,744</b>
	6 months ended 31 December 2017 \$'000	12 months ended 30 June 2017 \$'000
(h) Reconciliation of carrying value of associates:		
Balance at the beginning of the period	141,713	133,894
Associate acquired through new controlled entity	38	-
Acquisition of new associates	-	9,386
Reclassification of investment in controlled entities to associates (See note 7(e))	4,313	-
Reclassification of investment in associates to controlled entities	(326)	(1,744)
Share of associates' profit after income tax (July to December)	12,484	9,744
Share of associates' profit after income tax (January to June)	-	14,926
Impairment resulting from adjustment to contingent consideration	-	(2,664)
Dividends/trust distributions received (July to December)	(12,572)	(11,590)
Dividends/trust distributions received (January to June)	-	(10,249)
Net foreign exchange and other movements	(534)	10
Balance at the end of the period	145,116	141,713

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**12. SHARES IN CONTROLLED ENTITIES**

A full list of controlled entities is contained in the 30 June 2017 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 previous 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)).

	<b>Consolidated</b>	
	As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Cost</b>		
Property	702	702
Plant and equipment	23,236	23,109
Motor Vehicles	2,777	2,457
<b>Total cost</b>	<b>26,715</b>	<b>26,268</b>
<b>Depreciation</b>		
Property	120	115
Plant and equipment	13,357	13,309
Motor Vehicles	1,107	1,196
<b>Total Accumulated Depreciation</b>	<b>14,584</b>	<b>14,620</b>
<b>Net carrying amount at end of period</b>		
Property	582	587
Plant and equipment	9,879	9,800
Motor Vehicles	1,670	1,261
<b>Net Carrying value</b>	<b>12,131</b>	<b>11,648</b>

**14. INTANGIBLE ASSETS AND GOODWILL**

<b>Cost</b>		
Goodwill	246,486	236,668
Insurance Broking Registers	56,657	56,892
Capitalised Project costs	1,443	1,890
<b>Total cost</b>	<b>304,586</b>	<b>295,450</b>
<b>Amortisation</b>		
Goodwill	-	-
Insurance Broking Registers	32,648	30,771
Capitalised Project costs	187	820
<b>Total Accumulated Amortisation</b>	<b>32,835</b>	<b>31,591</b>
<b>Net carrying amount at end of period</b>		
Goodwill	246,486	236,668
Insurance Broking Registers	24,009	26,121
Capitalised Project costs	1,256	1,070
<b>Net Carrying value</b>	<b>271,751</b>	<b>263,859</b>

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	As at 31 December 2017 No.	As at 30 June 2017 No.
<b>15. SHARE-BASED PAYMENT PLANS</b>		
<b>Employee Share Option Plan</b>		
<b>Outstanding at the beginning of the period</b>	<b>672,205</b>	<b>567,756</b>
Granted during the period	80,217	148,023
Options lapsed or forfeited during the period relating to options previously issued during the financial year ending 30 June;		
- 2013	(160,000)	(26,490)
- 2014	(24,246)	(4,018)
- 2015	-	(5,250)
- 2016	-	(7,816)
- 2017	(4,744)	-
<b>Outstanding at the end of the period</b>	<b>563,432</b>	<b>672,205</b>

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***

- 80,217 Share options were granted on 23 November 2017, exercisable 3 years from 23 November 2017 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. 60% of these options are subject to Earnings Per Share hurdles and 40% are subject to Total Shareholder Return hurdles. The options were valued using an average price of \$11.83.
- 4,744 options lapsed due to a staff member no longer employed.
- 184,246 options lapsed due to vesting conditions over the 4 years ended 30 June 2017, not being met.

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

- 115,702 Share options were approved on 8 December 2016, exercisable 3 years from 24 January 2017 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 an average 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.

	<b>Consolidated</b>	
	As at	As at
	31 December	30 June
	2017	2017
	\$'000	\$'000

**16. TRADE AND OTHER PAYABLES**

**Current**

Trade payables	33,069	27,190
Amount payable on broking/underwriting agency operations	152,767	196,082
Contingent consideration deferred settlements payable	8,774	28,868
Payables - Related entities	1,099	1,272
<b>Total Trade and other payables (current)</b>	<b>195,709</b>	<b>253,412</b>

**Non-current**

Contingent consideration payable	-	260
Trade payables -related entities	230	710
<b>Total Trade and other payables (non-current)</b>	<b>230</b>	<b>970</b>

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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	<b>Consolidated</b>	
	As at	As at
	31 December	30 June
	2017	2017
	\$'000	\$'000
<b>16. TRADE AND OTHER PAYABLES (continued)</b>		
Included in trade and other payable are the following contingent consideration payables;		
Balance at the beginning of the year	19,272	32,217
Contingent consideration on current year acquisitions (at net present value)	2,049	4,764
Payments made in respect of previously recognised contingent consideration	(12,532)	(23,555)
Adjustments to contingent consideration payments previously recognised	-	5,657
Foreign currency translation movements	(77)	(78)
Interest recognised in original contingent consideration at net present value	62	267
<b>Balance at the end of the year</b>	<b>8,774</b>	<b>19,272</b>

**17. INTEREST BEARING LOANS AND BORROWINGS**

<b>Current</b>		
Secured bank loan *	6,551	5,305
Obligations under finance leases and hire purchase contracts	434	488
<b>Total borrowings (current)</b>	<b>7,099</b>	<b>6,169</b>
<b>Non-current</b>		
Secured bank loan *	106,319	88,298
Obligations under finance leases and hire purchase contracts	539	629
<b>Total borrowings (non-current)</b>	<b>106,858</b>	<b>88,927</b>

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

*Summary of secured bank loans*

<i>St George Bank</i>	<i>7,750</i>	<i>82,605</i>
<i>Syndicated finance facility (ANZ Banking Group and St George Bank)</i>	<i>94,453</i>	<i>-</i>
<i>Macquarie Bank</i>	<i>7,571</i>	<i>7,438</i>
<i>Commonwealth Bank</i>	<i>1,099</i>	<i>1,143</i>
<i>National Australia Bank</i>	<i>1,918</i>	<i>2,244</i>
<i>Hunter Premium Funding</i>	<i>79</i>	<i>173</i>
<b>Total secured bank loans</b>	<b>112,870</b>	<b>93,603</b>
<i>Secured loans at beginning of the period</i>	<i>93,603</i>	<i>90,000</i>
<i>Loan repayments made during period (including settlement of previous finance facility)</i>	<i>(74,650)</i>	<i>-</i>
<i>Borrowings recognised on consolidation of newly acquired controlled entity</i>	<i>-</i>	<i>3,603</i>
<i>Exchange rate translation</i>	<i>(1,458)</i>	<i>-</i>
<i>New borrowings during the period (including drawdown on new syndicated finance facility)</i>	<i>95,375</i>	<i>-</i>
<b>Secured loans at end of the period</b>	<b>112,870</b>	<b>93,603</b>

AUB Group Limited has negotiated a new syndicated, multi-currency finance facility comprising ANZ Banking Group and St George Bank for \$150 million (30 June 2017 \$79.5 million facility with St George Bank). This facility includes an advance in NZ\$ totalling \$34 million. The new finance facility expires on 19 December 2020 with a mechanism for two one year extensions on agreement with both parties.

AUB Group Limited also has a facility with St George Bank relating to rental guarantees and credit card facilities totalling \$8 million. (30 June 2017 \$5 million).

In addition to the new facility provided to AUB Group Limited, controlled entities within the group have also negotiated other facilities with 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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	<b>Consolidated</b>	
	As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
<b>18. PROVISIONS</b>		
Employee entitlements	14,720	17,725
Make good provision - leases	1,126	1,125
<b>Balance at the end of the period</b>	<b>15,846</b>	<b>18,850</b>
<b>Current</b>	12,559	15,244
<b>Non-current</b>	3,287	3,606
	<b>15,846</b>	<b>18,850</b>

**19. ISSUED CAPITAL**

<b>Issued Capital</b>	<b>141,708</b>	<b>141,708</b>
	Shares No.	Shares No.
<b>Number of Shares on Issue (ordinary shares fully paid)</b>	<b>63,846,476</b>	<b>63,846,476</b>

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 2017, 40,000 had restrictions whereby the shares could not be disposed of before 1 January 2018. All restrictions on these shares were removed on 30 January 2018.

**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 and the Board on a regular basis and the operating results are monitored separately for the purposes of resource allocation and performance assessment.

Management believes that all of the Group's equity investments in insurance intermediary entities or providers of insurance, exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the 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 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 2017			6 months ended 31 December 2016		
	Insurance Intermediary \$'000	Risk services \$'000	Total \$'000	Insurance Intermediary \$'000	Risk services \$'000	Total \$'000
<b>Revenue</b>						
Income received from customers	86,706	29,374	116,080	83,548	26,995	110,543
Interest from other persons / corporations	1,242	24	1,266	1,467	71	1,538
<b>Total Income</b>	<b>87,948</b>	<b>29,398</b>	<b>117,346</b>	<b>85,015</b>	<b>27,066</b>	<b>112,081</b>
<b>Share of profit of associates</b>						
Share of Net Profits of Associates Accounted for using the Equity Method (net of income tax expense)	13,443	500	13,943	10,823	293	11,116
Amortisation of Intangibles - Associates	(1,459)	-	(1,459)	(1,372)	-	(1,372)
<b>Total revenue</b>	<b>99,932</b>	<b>29,898</b>	<b>129,830</b>	<b>94,466</b>	<b>27,359</b>	<b>121,825</b>
<b>Less: Expenses</b>						
Amortisation of Intangibles - Controlled Entities	1,951	-	1,951	1,889	-	1,889
Amortisation of Capitalised Project costs	379	-	379	202	-	202
Depreciation of property plant and equipment	1,044	268	1,312	990	267	1,257
Operating expenses	76,107	22,879	98,986	73,788	21,338	95,126
Borrowing costs	1,932	73	2,005	1,954	72	2,026
<b>Total expenses including borrowing costs</b>	<b>81,413</b>	<b>23,220</b>	<b>104,633</b>	<b>78,823</b>	<b>21,677</b>	<b>100,500</b>
Profit before income tax	18,519	6,678	25,197	15,643	5,682	21,325
Less: Income tax expense	(3,812)	(1,887)	(5,699)	(2,700)	(1,747)	(4,447)
<b>Profit after income tax</b>	<b>14,707</b>	<b>4,791</b>	<b>19,498</b>	<b>12,943</b>	<b>3,935</b>	<b>16,878</b>
Less: Non controlling interest	(2,480)	(1,841)	(4,321)	(2,782)	(1,564)	(4,346)
<b>Profit after income tax and non controlling interests</b>	<b>12,227</b>	<b>2,950</b>	<b>15,177</b>	<b>10,161</b>	<b>2,371</b>	<b>12,532</b>
Other Adjustments to carrying value of associates, contingent consideration payments and profit on sale (see note 4(vi),(vii))			8,575			(128)
<b>Profit after non controlling interests attributable to shareholders of the parent</b>			<b>23,752</b>			<b>12,404</b>
Other comprehensive income attributable to shareholders of the parent			(703)			69
<b>Profit after non controlling interests and other comprehensive income</b>			<b>23,049</b>			<b>12,473</b>

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

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	<b>Consolidated</b>	
	6 months ended 31 December 2017 \$'000	6 months ended 31 December 2016 \$'000

## 21. OPERATING SEGMENTS (continued)

### Geographic Information

#### Revenue

Revenue - Australia	122,188	115,044
Revenue - New Zealand	7,642	6,781
<b>Total Revenue</b>	<b>129,830</b>	<b>121,825</b>

The revenue attributable to each region is based on the income earned from clients that reside in those regions.

	As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
<b>Total Non-Current assets</b>		
Non Current Assets - Australia	387,058	372,934
Non Current Assets - New Zealand	49,483	52,023
<b>Total Non-Current assets</b>	<b>436,541</b>	<b>424,957</b>

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.	7,273	7,477
AUB Group Limited has guaranteed lease facilities provided to an associate in proportion to its shareholding.	44	44
	<b>7,317</b>	<b>7,521</b>

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 1-2 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.

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

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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 2017, 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 26 February 2018, the Directors of AUB Group Limited declared an interim dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$8,619,274 which represents a fully franked dividend of 13.5 cents per share. The dividend has not been provided for in the 31 December 2017 financial statements.

AUB GROUP LIMITED  
ABN 60 000 000 715  
DIRECTORS' DECLARATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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**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 2017 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, 26 February 2018

## Independent Auditor's Review Report to the Members of AUB Group Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of AUB Group Limited (the Company) and its subsidiaries it controlled at the half-year end or from time to time during the half-year (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

#### 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

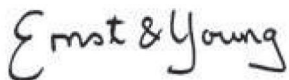
#### Auditor's Responsibility

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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, 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.



Ernst & Young



David Jewell  
Partner  
Sydney  
26 February 2018