25th February 2019

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) 1H19 results are the following documents:

- Appendix 4D – Half-Year Report for the period ended 31st December 2018 and
- Attachment A to Appendix 4D – Financial Report for the half year ended 31st December 2018.

The following associated documents will be provided separately:

- Announcement
- Results Presentation

Yours faithfully,

David Franks
Company Secretary

For further information, contact David Franks Tel: (02) 8098 1169 or 0414 899 897
davidf@aubgroup.com.au

AUB Group Limited
ABN 60 000 000 715
ASX Disclosure – Appendix 4D

ASX DISCLOSURE – APPENDIX 4D
Half-Year Report – 31 December 2018

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 2018.

1. Reporting Period

Current reporting period – six months ended 31 December 2018

Previous corresponding period – six months ended 31 December 2017

2. Results for Announcement to the Market

					$'000
2.1	Revenue from ordinary activities[1]	up	12.0%	to	145,439
2.2	a) Profit (loss) from ordinary activities after tax attributable to members	down	16.5%	to	19,826
	b) Total comprehensive income after tax attributable to members	down	11.2%	to	20,465
2.3	Net profit (loss) attributable to members	down	16.5%	to	19,826
2.4	Adjusted NPAT[2]	up	1.8%	to	17,014

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

An increase in cash dividend of $1.3m over the prior comparable period.

2.6 Record date for determining entitlement to the interim dividend Thursday 7th March 2019.

[1] Revenue from ordinary activities includes: Revenue, Other income, and Profits from Associates.
[2] 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 2018 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 25 February 2019, the Directors declared a fully franked interim dividend of 13.5 cents per share. This dividend is payable on 5 April 2019. Based on issued shares of 73,352,698 shares, this dividend will total $9,902,614.

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 2018	$1.99
31 December 2017	$1.60

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)**	
		Dec 18 $'000	**Dec 17 $'000**
Adroit Holdings Pty Ltd	01/07/18	2,813	1,614
NorthLake Holdings Pty Ltd	01/10/18	301	81

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

Disposal	Date	Contribution to Profit (pre tax)	
		Dec 18 $'000	Dec 17 $'000
CE McDonald Pty Ltd	01/11/18	(95)	260

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 25 February 2019 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2018 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 2018

AUB GROUP LIMITED
A.B.N. 60 000 000 715
TABLE OF CONTENTS

Your Directors present their report with the consolidated financial statements of AUB Group Limited for the six months ended 31 December 2018.

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

C L Rogers

REVIEW AND RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE HALF YEAR

Consolidated Net Profit After Tax (Reported NPAT), includes the impact of fair value adjustments to the carrying value of associates, profits on sale and deconsolidation of controlled entities, contingent consideration adjustments and impairment charges.

Adjusted Net Profit After Tax (Adjusted NPAT), is a key measure used by management and the board to assess and review business performance.

In the half year ended 31 December 2018 (1H19), AUB Group Limited (ASX:AUB) has reported a 1.8% increase in Adjusted NPAT to $17.0m (1H18: $16.7m), including costs relating to the Austbrokers Canberra fraud of $1.6m.

The 1.8% increase in Adjusted NPAT continues the trend of growth since listing.

Reported NPAT attributable to equity holders of the parent, decreased 16.5% to $19.8m in 1H19 (1H18:$23.8m) due to adjustments to carrying value of investments, other non-cash accounting adjustments relating to mergers and acquisitions.

The reconciliation between Reported NPAT and Adjusted NPAT is shown in the table below.

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT [1]	1H19	1H18	Variance
	$ 000	$ 000	%
Net Profit after tax attributable to equity holders of the parent	19,826	23,752	-16.5%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates [2]	(22)	169	
Add back offsetting impairment charge to the carrying value of associate & goodwill , related to above [3]	1,400	-	
Add back impairment charge to the carrying value of controlled entity - net of non controlling interests [2]	22	-	
Net adjustment	1,400	169	
Less / plus profit on sale or deconsolidation of controlled entities net of tax [4]	(1,220)	(1,101)	
Plus movement in put option liability [5]	269	-	
Less profit on sale of associates/insurance broking portfolios net of tax [4]	(795)		
Adjustment to carrying value of entities (to fair value) on date.they became controlled or deconsolidated [4]	(4,548)	(8,117)	
Net Profit from operations	14,932	14,703	1.6%
Add back amortisation of intangibles net of tax [6]	2,082	2,003	3.9%
Adjusted NPAT	**17,014**	**16,706**	**1.8%**

1. The financial information in this table has been derived from the financial statements which were reviewed by AUB Group 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. Where the carrying value of a controlled entity or associate exceeds the fair value an impairment expense is recognized during the period.
4. The profit on sale/ 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. Movement in value of the put option liability mainly due to the unwind of finance charges recognised in the accounts at present value.
6. Amortisation expense is a non-cash item.

RESULTS BY OPERATING SEGMENT

Insurance intermediaries

Australian Broking – pre-tax profit for the half year increased by 11% to $22.6 million, with contributions from new acquisitions, organic growth in clients and policies, and the impact of a positive premium rate environment. Cross-collaboration between Broking and Risk Services partners continues to grow.

New Zealand Broking – pre-tax profit for the half year increased by 15% to $3.2 million, with strong organic growth in revenue (up 18%), with a contribution from acquisitions, organic growth in clients and policies, the impact of a positive premium rate environment and a stronger exchange rate. In the period there was also investment in NZ group management and infrastructure to support growth.

Underwriting Agencies – pre-tax profit for the half year increased by 11% to $5.1 million, with strong organic growth in revenue (up 14%) driven by increased policy count (up 6.7%) and average mid-single digit premium rate increases.

Risk Services

Pre-tax profit for the half year decreased by $2.5 million to $1.8 million. Revenue decreased 1.2% caused by changes in the NSW workers' compensation market. Costs have increased due to strategic investment in new ancillary risk and injury management services across states. The investment in new propositions, national capability and quality service models provides a positive outlook for growth in the medium term.

Acquisitions

The Group has benefitted from a number of acquisitions in Australia and New Zealand.

Corporate Expenses

The Corporate cost base was flat compared to the prior comparable period.

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

RECONCILIATION OF OPERATING SEGMENTS	Consolidated 1HY19			Consolidated 1HY18		
	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	22,609	-	22,609	20,390	-	20,390
Insurance broking - New Zealand	3,186	-	3,186	2,780	-	2,780
Underwriting agencies	5,082	-	5,082	4,568	-	4,568
Risk Services	-	1,792	1,792	-	4,268	4,268
Profit after tax and after non-controlling interests	30,877	1,792	32,669	27,738	4,268	32,006
Corporate income	1,236	-	1,236	1,083	-	1,083
Corporate expenses	(8,017)	-	(8,017)	(8,176)	-	(8,176)
Corporate interest expense and borrowing costs	(1,416)	-	(1,416)	(859)	-	(859)
	22,680	1,792	24,472	19,786	4,268	24,054
Tax	(6,942)	(516)	(7,458)	(6,030)	(1,318)	(7,348)
Adjusted NPAT	**15,738**	**1,276**	**17,014**	**13,756**	**2,950**	**16,706**
Less amortisation expense (net of tax and non controlling interests)	(2,082)	-	(2,082)	(2,003)	-	(2,003)
Less contingent consideration adjustments booked by associates net of non controlling interests[1]	-	-	-	(170)	-	(170)
Profit on sale of portfolios by associates net of tax[1]	202	-	202	898	-	898
Fair value adjustment included in profit from associates	81	-	81	-	-	-
Non controlling interests on profit on sale of insurance broking portfolios	(368)	-	(368)	-	-	-
Less capital gains tax on deconsolidation of controlled entities	(406)	-	(406)	-	-	-
Less capital gains tax adjustments relating to sales of portfolios by controlled entities[2]	(559)	-	(559)	(254)	-	(254)
Profit after income tax and non controlling interests (refer Annual Report note 23 Operating Segments)	**12,606**	**1,276**	**13,882**	**12,227**	**2,950**	**15,177**

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.

SHAREHOLDERS EQUITY

Shareholders' equity has increased to $474.5 million (30 June 2018: $357.2 million) primarily due to the AUB Group raising $116m via a fully underwritten 4 for 27 accelerated pro-rata non-renounceable entitlement offer at $12.30 per share. Proceeds from the capital raising will be used to provide additional financial flexibility for growth initiatives, reduce borrowings and to fund further acquisitions.

On a Reported NPAT basis, earnings per share was 30.1 cents for the half year, below the prior comparable period, due to fair value movements on investments. Earnings per share based on Adjusted NPAT increased by 0.23% to 25.9 cents, with 1H18 being TERP[3] adjusted due to the equity capital raising in the period.

GEARING RATIO

Gearing based on the Consolidated Financial Statements decreased to 11.3% at 31 December 2018 (30 June 2018: 25.3%) as a result of the repayment of debt due to the capital raising. AUB Group has undrawn facilities of $117.7m at 31 December 2018.

[3] Theoretical ex-rights price factor applied to EPS values previously reported.

DIVIDEND PAYMENTS

A final dividend for the period ended 30 June 2018 of 32.0 cents per share ($20.4 million) was paid in October 2018. The Directors have declared a fully franked interim dividend of 13.5 cents per share ($9.9 million) payable to shareholders at the record date of 7 March 2019 which will be paid on 5 April 2019. This represents an increase of $1.3m in cash terms.

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

Sydney: 25 February 2019

M P L Searles
Chief Executive Officer and Managing Director

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2018, 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

Ernst & Young

David Jewell

David Jewell
Partner
25 February 2019

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	Consolidated 6 months ended 31 December 2018 $'000	 6 months ended 31 December 2017 $'000
Revenue	4 (i)	130,318	116,066
Other income	4 (ii)	1,650	1,280
Share of profit of associates	4 (iii)	13,471	12,484
Expenses	4 (iv)	(118,807)	(102,628)
Finance costs	4 (v)	(3,172)	(2,291)
		23,460	24,911
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)	3,066	8,403
- Profit from sale of interests in controlled entities and broking portfolios	4(vii)	3,147	458
Profit before income tax		**29,673**	**33,772**
Income tax expense	5	5,701	5,699
Net Profit after tax for the period		**23,972**	**28,073**
Net Profit after tax for the period attributable to:			
Equity holders of the parent		19,826	23,752
Non-controlling interests		4,146	4,321
		23,972	**28,073**
Basic earnings per share (cents per share)	20	30.1	36.68
Diluted earnings per share (cents per share)	20	30.0	36.48

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

		Consolidated	
	Notes	6 months ended 31 December 2018 $'000	6 months ended 31 December 2017 $'000
Net Profit after tax for the period		**23,972**	**28,073**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
- Net movement in foreign currency translation reserve		750	(825)
- Income tax benefit arising from currency translation adjustments		-	-
Other comprehensive income / (expense) after tax for the period		750	(825)
Total comprehensive income after tax for the period		**24,722**	**27,248**
Total comprehensive income after tax for the period attributable to:			
Equity holders of the parent		20,465	23,049
Non-controlling interests		4,257	4,199
		24,722	**27,248**

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Consolidated	
	Notes	As at 31 December 2018 $'000	As at 30 June 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	71,340	58,688
Cash and cash equivalents - Trust	6	114,088	99,969
Trade and other receivables	9	139,403	179,704
Other financial assets	10	104	9
Total Current Assets		324,935	338,370
Non-current Assets			
Trade and other receivables	9	150	429
Other financial assets	10	751	18
Investment in associates	11	134,851	155,888
Property, plant and equipment	13	13,862	11,996
Intangible assets and goodwill	14	328,113	267,097
Deferred income tax asset		12,235	7,343
Total Non-current Assets		489,962	442,771
TOTAL ASSETS		**814,897**	**781,141**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	220,738	244,637
Income tax payable	5	3,804	5,140
Provisions	18	12,851	14,568
Interest bearing loans and borrowings	17	17,112	8,917
Total Current Liabilities		254,505	273,262
Non-current Liabilities			
Trade and other payables	16	26,783	26,403
Provisions	18	3,781	3,165
Deferred tax liabilities		11,831	8,796
Interest bearing loans and borrowings	17	43,546	112,285
Total Non-current Liabilities		85,941	150,649
TOTAL LIABILITIES		**340,446**	**423,911**
NET ASSETS		**474,451**	**357,230**
EQUITY			
Issued capital	19	254,978	141,708
Retained earnings		163,218	169,022
Share based payments reserve		7,199	6,861
Put option reserve		(26,672)	(26,403)
Foreign currency translation reserve		180	(459)
Asset revaluation reserve		-	-
Equity attributable to equity holders of the parent		**398,903**	**290,729**
Non-controlling interests		75,548	66,501
TOTAL EQUITY		**474,451**	**357,230**

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent								
	Issued capital	Retained earnings	Asset revaluation reserve	Foreign currency translation reserve	Put option reserve	Share based payment reserve	Total	Non-controlling interests	Total equity
CONSOLIDATED	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2018	**141,708**	**169,022**	**-**	**(459)**	**(26,403)**	**6,861**	**290,729**	**66,501**	**357,230**
Impact due to change in accounting standard*	-	(3,910)	-	-	-	-	(3,910)	(711)	(4,621)
Adjusted balance at 1 July 2018	**141,708**	**165,112**	**-**	**(459)**	**(26,403)**	**6,861**	**286,819**	**65,790**	**352,609**
Profit for the period	-	19,826	-	-	-	-	19,826	4,146	23,972
Other comprehensive income	-	-	-	639	-	-	639	111	750
Total comprehensive income for the period	**-**	**19,826**	**-**	**639**	**-**	**-**	**20,465**	**4,257**	**24,722**
Transactions with owners in their capacity as owners									
Adjustment relating to increases in the voting shares in controlled entities. (see note 7(a))	-	(3,675)	-	-	-	-	(3,675)	(2,323)	(5,998)
Adjustment relating to reductions in the voting shares in controlled entities. (see note 7(a))	-	2,117	-	-	-	-	2,117	1,145	3,262
Non controlling interests relating to new acquisitions (see notes 7(d))	-	-	-	-	-	-	-	12,998	12,998
Exchange rate movements	-	-	-	-	-	-	-	173	173
Transfer to put option reserve	-	269	-	-	(269)	-	-	-	-
Cost of share-based payment	-	-	-	-	-	338	338	-	338
Proceeds from capital raising	116,353	-	-	-	-	-	116,353	-	116,353
Share issue expenses	(3,083)	-	-	-	-	-	(3,083)	-	(3,083)
Equity dividends	-	(20,431)	-	-	-	-	(20,431)	(6,492)	(26,923)
At 31 December 2018	**254,978**	**163,218**	**-**	**180**	**(26,672)**	**7,199**	**398,903**	**75,548**	**474,451**

* The Group adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of $4,621,000 to retained earnings at 1 July 2018, being the cumulative effect on initial application of the standard referred to in note 2. As permitted by the new accounting standard, the comparative results for the half year ended 31 December 2017 are not restated.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent								
	Issued capital	Retained earnings	Asset revaluation reserve	Foreign currency translation reserve	Put option reserve	Share based payment reserve	Total	Non-controlling interests	Total equity
CONSOLIDATED	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	**141,708**	**154,579**	**199**	**212**	**(25,875)**	**6,090**	**276,913**	**68,868**	**345,781**
Profit for the period	-	23,752	-	-	-	-	23,752	4,321	28,073
Other comprehensive income	-	-	-	(703)	-	-	(703)	(122)	(825)
Total comprehensive income for the period 1 July 2017 to 31 December 2017	**-**	**23,752**	**-**	**(703)**	**-**	**-**	**23,049**	**4,199**	**27,248**
Transactions with owners in their capacity as owners									
Adjustment relating to increases in the voting shares in controlled entities. (see note 7(b))	-	(1,035)	-	-	-	-	(1,035)	(3,456)	(4,491)
Adjustment relating to reductions in the voting shares in controlled entities. (see note 7(b))	-	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)**
At 31 December 2017	**141,708**	**158,718**	**127**	**(491)**	**(25,875)**	**6,603**	**280,790**	**66,018**	**346,808**

AUB GROUP LIMITED
A.B.N. 60 000 000 715
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Notes	Consolidated 6 months ended 31 December 2018 $'000	6 months ended 31 December 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		126,629	122,806
Dividends received from others		1	1
Dividends/trust distributions received from associates		15,763	12,572
Interest received		1,649	1,279
Management fees received from associates / related entities		6,545	7,220
Payments to suppliers and employees		(117,619)	(105,925)
Interest paid		(2,903)	(1,920)
Income tax paid		(9,087)	(7,103)
Net cash from operating activities before customer trust account movements		**20,978**	**28,930**
Net increase / (decrease) in cash held in customer trust accounts		(3,888)	8,362
NET CASH FLOWS FROM OPERATING ACTIVITIES		**17,090**	**37,292**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Payment for increase in interests in controlled entities	7 (a),(b)	(5,653)	(4,491)
Proceeds from reduction in interests in controlled entities	7 (a),(b)	3,262	1,639
Net cash outflow from deconsolidation of controlled entities	7 (d), (e)	(1,501)	(4,413)
Payment for new controlled entity, net of cash acquired	7 (d), (e)	3,732	(7,613)
Payment for new broking portfolios purchased by members of the economic entity		(3,617)	(1,393)
Proceeds from disposal of associate		-	38
Payment for new associates	11	(1,292)	-
Proceeds from disposal of broking/underwriting portfolios		1,947	694
(Payments)/ Proceeds from sale of other financial assets		(54)	(57)
Proceeds from sale of plant and equipment		504	90
Payment for plant and equipment		(1,953)	(1,982)
Repayments of loans to associates / related entities		14	59
Payment for capitalised projects		(684)	(565)
Advances for loans to associates / related entities		(380)	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(5,675)**	**(17,994)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Dividends paid to shareholders	8	(20,431)	(18,835)
Dividends paid to shareholders of non-controlling interests	8	(6,492)	(2,932)
Net proceeds from issue of share capital		113,270	-
Payment for contingent consideration on prior year acquisitions	16	(2,594)	(12,532)
Net proceeds from issue of share capital resulting from underwritten dividend reinvestment		-	-
Repayment of borrowings and finance lease liabilities		(70,529)	(74,910)
Proceeds from increase in borrowings and finance lease liabilities		1,413	95,375
Advances/(Repayments) to related entities		719	319
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		**15,356**	**(13,515)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		26,771	5,783
Cash and cash equivalents at beginning of the period		158,657	153,318
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**185,428**	**159,101**

1. CORPORATE INFORMATION

The interim financial report of AUB Group Limited for the six months ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 25 February 2019.

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 2018 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 2018 and considered together with any public announcements made by AUB Group Limited in accordance with the continuous disclosure obligations of the ASX listing rules.

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

There are no changes to significant accounting judgements, estimates and assumptions from those used at 30 June 2018. The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the standards that took effect from 1 July 2018.

AASB 9: Financial Instruments

AASB 9, and related amendments, took effect (for the Group) on 1 July 2018, replacing AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 consolidates the requirements for the classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Financial assets

Under AASB 9, financial assets previously held at fair value continue to be measured at fair value, including any transaction costs directly attributable to the acquisition of the financial assets. Where financial assets are carried at fair value through the profit and loss, the transaction costs are expensed through profit or loss. Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method.

Cash is held at fair value. Trade receivables are initially recorded at the fair value amounts to be received, and are subsequently measured at amortised cost using the effective interest method. The Group derecognises financial assets when the contractual rights to the cash flows from the financial assets have expired, or the Group transfers substantially all the risks and rewards associated with ownership of the financial asset.

Where receivables result from contracts with customers and do not contain a significant financing component, such receivables are measured at their transaction price as required by AASB 15 Revenue from Contracts with Customers. See further below for the Group’s AASB 15 accounting policy.

Loans receivable are carried at amortised cost using the effective interest method. The Group calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset. Any gains, losses or impairment are recognised or derecognised in the income statement.

Financial liabilities

All loans and borrowings are initially recognised at fair value, less any directly attributable transaction costs. Interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised upon extinguishment; when the obligation is discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

Hedge accounting

The Group does not have any hedge relationships in place, and as such, there is no impact from the application of the hedging requirements under AASB 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AASB 9: Financial Instruments (continued)

Expected credit loss

AASB 9 introduces a new expected-loss impairment model that involves the timely recognition of a loss allowance for expected credit losses. This requires the Group to apply a forward-looking credit loss approach, and allows the application of a simplified approach by recording lifetime expected credit losses on trade and other receivables.

The Group applies the simplified approach to its trade receivables, and measures the loss allowance at an amount equal to the lifetime credit losses. The impact of the application of the expected-loss impairment requirements of AASB 9 on the Group's trade and other receivables was not material.

Impact of AASB 9

Upon initial application of AASB 9 at 1 July 2018, the Group has assessed the impact of AASB 9 on the Group as not material.

AASB 15: Revenue from Contracts with Customers

Commission, brokerage and fees

Commission, brokerage and fees will be recognised when the Group has satisfied its performance obligations, which occurs when control of the goods or services are transferred to the customer. This is deemed to be invoice date. When the performance obligation has been satisfied, the Group will recognise as revenue the amount of the transaction price that is allocated to the performance obligation after excluding any estimates of variable consideration that are constrained in respect of claims handling and premium settlement activities.

Management fees and other revenue

Management fees and other revenue will be recognised when the Group has satisfied its performance obligations and the transaction price is determined.

AASB 15 impacts the Group's revenue from contracts with customers, which is comprised of commission, brokerage and fees earned through its insurance intermediary and risks services segments.

Impact of adoption of AASB 15

On 1 July 2018, the Group adopted AASB 15 Revenue from Contracts with Customers, which replaced all revenue standards and interpretations, including AASB 118 Revenue. As permitted by AASB 15, the Group adopted AASB 15 on a modified retrospective basis, so that prior year comparative results have not been restated. As disclosed in note 3 of the 30 June 2018 Financial Statements, the estimated total impact on equity (after tax) would fall between the range of $4.0 million and $5.0 million. The actual impact on equity upon adoption was $4.621 million after tax - see table below for the breakdown between equity holders and non-controlling interests. See note 11(h) for the impact to the carrying value of associates.

	$'000
Impact of AASB 15 on retained earnings and non controlling interests at 1 July 2018:	
Equity holders of the parent	3,910
Non-controlling interests	711
Impact of AASB 15 after tax - total impact on equity	**4,621**

The above values includes the impact on deferred taxes in respect of deferred revenue from contracts with customers as shown in note 16.

The amount included in the deferred income tax asset is $1,343,000.

(i) Insurance intermediary segment

Commission, brokerage and fees

In previous reporting periods, all commission, brokerage and fees ('insurance intermediary revenue') earned by the Group's insurance intermediary segment was recognised at invoice date.

The Group considered whether this revenue should continue to be recognised at invoice date, or whether it should be recognised at insurance policy inception date. Based on the main considerations that (a) the Group acts primarily as an agent of the customer when acting in the capacity as a broker and as an agent of the insurer while acting in the capacity as underwriting agent; (b) the Group's performance obligations are distinct from those of the insurer; and (c) the Group's performance obligations are predominantly completed prior to the inception of the insurance policy, the Group has concluded that invoice date is the relevant date to recognise its insurance intermediary revenue.

Since the adoption of AASB 15 on 1 July 2018 and the subsequent identification of two new performance obligations, a portion of the insurance intermediary revenue which was previously recognised at invoice date, is now (from 1 July 2018) allocated to the following distinct performance obligations with the associated revenue recognised over time:

(a) Claims handling services – the work performed by the insurance intermediary on behalf of the customer/insurer to manage any claims which arise during the policy period; and

(b) Premium settlement activities – the administrative work involved in settling unpaid fees and commissions, including collection of monies and processing transactions.

Consideration received by the Group for services usually consists of a fixed component and/or a variable component. Under AASB 15, where the Group receives revenue that includes a variable amount, the Group recognises the variable amount of revenue only to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variability is resolved. If the recognition criteria are not met, the Group defers the recognition of the revenue until that uncertainty has been resolved.

There has been no material change in the revenue recognition pattern for profit or override commissions under AASB 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 15: Revenue from Contracts with Customers (continued)

(ii) Risk services segment

Fees

The Group earns fees through its risk services segment, and revenue is generally recognised upon issue of an invoice plus an accrual for a percentage of completion of any work in progress (including a profit margin), which has yet to be invoiced, but for which the Group has an enforceable right of payment. This method of revenue recognition has not changed under AASB 15.

Revenue for other services performed by the risk services segment is recognised once the services have been performed and provided to the customer. Under AASB 15, the Group continues to recognise revenue once services have been provided to the customer, to the extent the recognition criteria for variable consideration are met.

Quantitative impact of AASB 15

The deferral of revenue under AASB 15 is a reflection of a shift in the timing of revenue recognised, with no change in the quantum of revenue recognised.

This deferral, mainly arises from the change in the timing of the recognition of a portion of insurance intermediary revenue, which the Group allocates to two new distinct performance obligations, namely claims handling services and premium settlement activities, along with an amount for policy cancellations. As a result, the insurance intermediary revenue is still recognised at invoice date, but the portion associated with claims handling services and premium settlement activities is recognised over time as the services are provided to the customer and variable consideration is constrained to reflect potential cancellations.

Refer to the Consolidated Statement of Changes in Equity and note 16 Trade and Other Payables which show the quantitative impact of AASB 15.

Transitional disclosure

Set out below, are the amounts by which each line item in the Consolidated Statement of Profit or Loss is affected for the half year ended 31 December 2018, as a result of the adoption of AASB 15. The first column shows amounts prepared under AASB 15, the second column shows the AASB 15 adjustment, and the last column shows what the amounts would have been had AASB 15 not been adopted.

	Amounts prepared under AASB 15	Current period adjustments due to AASB 15	Amounts prepared under previous AASB 118
	$'000	$'000	$'000
Revenue	130,318	302	130,016
Other income	1,650	-	1,650
Share of profit of associates	13,471	187	13,284
Expenses	(118,807)	-	(118,807)
Finance costs	(3,172)	-	(3,172)
	23,460	489	22,971
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	3,066	-	3,066
- Profit from sale of interests in controlled entities and broking portfolios	3,147	-	3,147
Profit before income tax	29,673	-	29,184
Income tax expense	5,701	91	5,792
Net profit after tax for the period	**23,972**	**580**	**23,392**

Other Amendments to Australian Accounting Standards

The Group has also adopted the following amendment to, and interpretation of accounting standards:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

For the financial period ended 31 December 2018, the adoption of this amendment and interpretation had no material impact on the Financial Statements of the Group.

3.0 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 financial report except for the adoption of the new accounting standards that took effect from 1 July 2018, as detailed in note 2 above.

Accounting Standard and Interpretations Issued But Not Yet Effective

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the Group in this Financial Report. The Group has reviewed the impact of these changes and has determined that the adoption of these standards will not have a material effect on the financial position or performance of the Group, other than as set out below.

AASB 16: Leases

The new lease standard will become effective for the Group from the annual reporting period commencing 1 July 2019. Although early adoption is permitted, the Group has not early adopted this standard or any other standards, interpretations or amendments that have been issued, but are not yet effective.

The Group intends to apply the exemptions available under AASB 16 for short term leases and low value underlying assets. In addition, the Group intends to apply AASB 16 using the modified retrospective approach, along with practical expedients permitted by the standard. The modified retrospective approach does not require the restatement of comparative financial information.

All leases should be recognised on the balance sheet at inception of the lease with the exception of short-term leases (less than 12 months) and leases of low-value assets. The lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the lease payments. Subsequent to this initial measurement, the right-of-use asset is depreciated over the lease term, whilst lease payments are separated into a principal and interest portion to wind up the lease liability over the lease term.

The Group is not able to definitively measure the quantitative impact arising from AASB 16 as there may be new lease agreements between the date of this report and 1 July 2019, which could be materially different from the existing lease agreements.

Nevertheless, after its assessment on the impact arising from AASB 16, the Group anticipates that upon adoption of this standard the Group's Statement of Financial Position will be grossed up (both assets and liabilities) by approximately $32,800,000 to reflect the rights and obligations relating to the Group's leases. See commitments note 22 for an indicator of the impact of the gross up.

Refer to the 30 June 2018 Financial Statements for further details of the impact to the Group on adopting this new accounting standard. There have been no further developments since 30 June 2018 that would suggest that the impact to the Group would be materially different to the estimated amount shown above.

3.1 CORRECTION OF PRIOR PERIOD ERROR

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

Certain amounts reported as comparative information have changed as a result of a correction in the accounting for put options issued to non-controlling interests. A financial liability had been recognised representing an estimate of value the group could be required to pay on the future exercise by holders of the put options. The correction was reflected in the consolidated financial statements for the year ended 30 June 2018, and therefore, the presented correction does not necessitate any change to the Consolidated Statement of Financial Position at both 30 June 2018 or 31 December 2018. However, the correction is required to the comparative information for the six months ended 31 December 2017. The effect of the correction as presented in the consolidated financial statements for the six months ended 31 December 2018, is detailed in the following table and in note 4 (v) and note 4 (vi).

The correction has been applied by revising each of the affected financial statement line items for the prior periods. The following table summarises the line items that have been impacted by this change on the Group's Consolidated Financial Statements. As a result, some of the sub-totals and totals disclosed have also been revised.

Refer to note 2.3 in the 30 June 2018 Financial Statements for further details on impact of the correction of this prior period error.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	6 months ended 31 December 2017	Change	As restated for 6 months ended 31 December 2017
Finance costs	2,005	286	2,291
Movement in put option liability	-	(286)	(286)
Profit before tax	33,772	-	33,772
Income tax expense	5,699	-	5,699
Net profit after tax for the period	**28,073**	**-**	**28,073**
Basic Earnings per share (cents per share)	36.68	-	36.68
Diluted Earnings per share (cents per share)	36.48	-	36.48

		Consolidated	
		6 months ended 31 December 2018 $'000	6 months ended 31 December 2017 $'000
4.	**REVENUE AND EXPENSES**		
(i)	**Revenue**		
	Commission, Brokerage and Fee Income	121,701	106,705
	Management Fees	6,545	7,220
	Other Revenue	2,072	2,141
	Total revenue	**130,318**	**116,066**
(ii)	**Other income**		
	Dividends from other persons / corporations	1	1
	Interest from related parties / corporations	10	13
	Interest from other persons / corporations	1,639	1,266
	Total other income	**1,650**	**1,280**
(iii)	**Share of profit of associates**		
	Share of Net Profits of Associates Accounted for using the Equity Method before Amortisation (net of income tax expense)	14,780	13,943
	Amortisation of Intangibles - Associates	(1,309)	(1,459)
	Total share of profit of associates	**13,471**	**12,484**
(iv)	**Expenses**		
	Amortisation of Intangibles - Controlled Entities	2,229	1,951
	Amortisation of Capitalised Project costs	335	379
	Advertising and Marketing	1,975	1,598
	Audit fees	745	688
	Business Technology and Software costs	3,713	3,641
	Commission expense	7,103	6,568
	Depreciation of Property Plant and Equipment	1,929	1,312
	Insurance	2,984	2,362
	Legal fees / Acquisition costs	771	548
	Rent (operating leases)	6,280	5,575
	Salaries and Wages	78,853	68,966
	Share-based payments	338	403
	Travel/Telephone/Motor/Stationery	3,759	3,980
	Management Fees Related	643	529
	Other expenses	7,150	4,128
	Total expenses	**118,807**	**102,628**
(v)	**Finance costs**		
	Interest Paid and Borrowing costs	2,903	2,005
	Interest unwind on put option liability (see note 3.1)	269	286
	Total finance costs	**3,172**	**2,291**
(vi)	**Adjustments to carrying value of controlled entities, impairment, contingent consideration payments and put option liability**		
	Adjustment to contingent consideration on acquisition of associates. (see note 11)	22	-
	Impairment charge relating to the carrying value of associates	(1,422)	-
	Movement in put option liability (see note 3.1)	-	286
	Fair value adjustment to carrying value of controlled entities (see note 7 (d),(e)).	4,466	8,117
	Total adjustments to carrying value of associates, controlled entities, impairment and contingent consideration payments	**3,066**	**8,403**
(vii)	**Profit from sale of interests in controlled entities and broking portfolios**		
	Profit from sale of broking portfolios	1,947	551
	Profit (loss) from sale of deconsolidation of controlled entities (see note 7(d),(e)).	1,200	(93)
	Total profit from sale of interests in controlled entities and broking portfolios.	**3,147**	**458**

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:

	Consolidated 6 months ended 31 December 2018 $'000	Consolidated 6 months ended 31 December 2017 $'000
Profit before income tax	29,673	33,772
At the company's statutory income tax rate of 30% (2017:30%)	8,902	10,132
Capital gains tax on sale of broking portfolios	-	32
Capital gains tax on sale of controlled entities	166	51
Non-taxable share of profits from associated entities	(2,631)	(2,167)
Under/(Over) provision prior year	(46)	9
Income tax at different tax rates on overseas operations	(58)	(49)
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities	(1,340)	(2,434)
Impairment charge relating to the carrying value of associates	426	-
Put options liability	81	-
Non-deductible expenses/other	201	125
Income tax expense reported in the consolidated statement of profit or loss	**5,701**	**5,699**

	As at 31 December 2018 $'000	As at 30 June 2018 $'000
Provision for income tax	**3,804**	**5,140**

6. CASH AND CASH EQUIVALENTS

	As at 31 December 2018 $'000	As at 31 December 2017 $'000
Cash and cash equivalents	71,340	65,474
Cash and cash equivalents - Trust	114,088	93,627
Total cash and cash equivalents	**185,428**	**159,101**

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

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(a), Altius Group 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 2018, the Group acquired 5% of AUB Group NZ for $3,091,637 increasing its shareholding to 85%.

Effective 1 July 2018, the Group disposed of its shares in Bruce Park Pty Ltd in exchange for shares in AB Phillips Group Pty Ltd. (Phillips) On this date AUB group increased its shareholding in Phillips from 50.5% to 56.9%

Effective 1 July 2018, the Group disposed 100% of the voting shares in Insurics Pty Ltd to Citystate Insurance Broker Pty Ltd (Citystate). Citystate issued shares to existing shareholders to fund the acquisition. AUB received shares in Citystate plus $971,295 in cash from non controlling shareholders in Citystate as payment for the sale of Insurics Pty Ltd.

On 1 July 2018, a controlled entity acquired 15% of the voting shares in SURA Hospitality Pty Ltd (Hospitality) for $1,727,300 including a deferred payment of $345,460 which is due in 12 months.

Effective 1 July 2018, a controlled entity disposed of 40% of the voting shares in SURA Construction Pty Ltd (Construction) and SURA Engineering Pty Ltd (Engineering) for $1,125,734 and $821,224 respectively, decreasing its ownership to 60% of both entities.

Effective 1 July 2018, a controlled entity disposed of a further 1% of the voting shares in Runacres and Associates Limited (Runacres) for $344,035 ($NZ 361,875) decreasing its ownership from 85% to 84%.

Effective 1 December 2018, the Group acquired a further 1.29% of the voting shares of Altius Group Pty Ltd (Altius) for $585,982 increasing its shareholding to 56.63%.

	Carrying value of assets attributable to Runacres, Insurics Construction and Engineering	Carrying value of assets attributable to Hospitality, AUB Group NZ, and Altius
	$'000	$'000
ASSETS		
Cash	8,545	12,078
Receivables	13,337	14,089
Property plant and equipment	471	573
Intangibles/ investment in associates	-	54,922
TOTAL ASSETS	22,353	81,662
LIABILITIES		
Payables, provisions and borrowings	18,115	49,352
Tax Liabilities	217	2,786
TOTAL LIABILITIES	18,332	52,138
NET ASSETS	4,021	29,524
Less Non controlling interest	-	(4,332)
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	4,021	25,192
Cash (received) /paid on sale of shares	**(3,262)**	**5,653**
Deferred settlement	**-**	**345**
Capital gains tax on sale of units	-	-
(Increase) / decrease to non-controlling interests	(1,145)	2,323
Transfer to retained earnings on equity transactions between owners	**(2,117)**	**3,675**

7. BUSINESS COMBINATIONS (continued)

b) *Equity transactions between owners - previous 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
ASSETS		
Cash	5,075	16,435
Receivables	9,800	27,276
Property plant and equipment	351	292
Intangibles	27,725	32,466
TOTAL ASSETS	42,951	76,469
LIABILITIES		
Payables and provisions	12,251	39,790
Tax Liabilities	2,542	423
TOTAL LIABILITIES	14,793	40,213
NET ASSETS	28,158	36,256
Less Non controlling interest	(2,816)	(5,186)
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	25,342	31,070
Cash (received) /paid on sale of shares	**(1,639)**	**4,491**
(Increase) / decrease to non-controlling interests	(1,454)	3,456
Transfer to retained earnings on equity transactions between owners	**(185)**	**1,035**

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 (other than included in note 7(d) were acquired during the period.

7. BUSINESS COMBINATIONS (continued)

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

On 1 November 2018, the Group disposed 100% of the voting shares in Austbrokers C E MacDonald Pty Ltd (CEM) to an associate for $2,685,000. On this date it ceased to be a controlled entity.

Effective 1 July 2018, the Group acquired a further 44% of the shares (but 50% of the voting rights) of Adroit Holdings Pty Ltd (Adroit), increasing its shareholding to 94%. On this date, Adroit ceased to be an associate and became a controlled entity. The purchase price for the additional 44% of Adroit was $21,698,975.

On 1 October 2018, the Group acquired a further 12.6% of the voting shares of Northlake Holdings Pty Ltd (Northlake), increasing its shareholding to 62.6%. On this date, Northlake ceased to be an associate and became a controlled entity. The purchase price for the additional 12.6% of Northlake was $1,200,000.

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

	Carrying value of assets and liabilities of CEM	Carrying value of assets and liabilities of Northlake and Adroit
	$'000	$'000
ASSETS		
Cash	1,501	26,631
Receivables	1,573	25,945
Plant and equipment	166	2,422
Intangibles	1,746	21,044
TOTAL ASSETS	4,986	76,042
LIABILITIES		
Payables and provisions	3,162	47,593
Borrowings	93	7,262
Deferred Tax liabilities	-	4,635
TOTAL LIABILITIES	3,255	59,490
NET ASSETS	1,731	16,552
Less Non controlling interest	-	(7,950)
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	1,731	8,602
Carrying value of investment in associate / controlled entity	-	17,556
Acquisition price of controlled entity	-	22,899
Deferred consideration on acquisition of controlled entity	-	-
Fair value adjustment on the date the Associate became a controlled entity	**-**	4,466
Total purchase price / fair value of Acquisition / disposal	-	44,921
Goodwill arising on acquisition relating to the group	-	36,319
Goodwill arising on acquisition relating to non controlling interests	-	5,048
Goodwill reduction on deconsolidation of controlled entities	(1,746)	-
Sale proceeds - received	**-**	**-**
Sale proceeds - deferred settlement	**2,685**	-
Less : carrying value of voting shares sold	**1,485**	**-**
Profit on deconsolidation of controlled entities before tax and non-controlling interests	1,200	-
Tax expense - relating to sale of voting shares	(406)	-
Profit after tax on deconsolidation of controlled entity	**794**	**-**
Cash outflow on acquisition / disposal is as follows;		
Net cash acquired on consolidation or reduction on deconsolidation of controlled entities	(1,501)	26,631
Cash (paid) on acquisition / cash received on disposal	-	(22,899)
Net cash inflow/(outflow) on acquisition or deconsolidation of controlled entities (including cash available in insurance broking trust accounts)	**(1,501)**	**3,732**

7. BUSINESS COMBINATIONS (continued)

e) *Consolidation / Deconsolidation of controlled entities - previous 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 was 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. The deferred payment was settled in December 2018.

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
ASSETS		
Cash	787	6,377
Receivables	1,985	8,018
Plant and equipment	-	181
Intangibles	-	5,132
TOTAL ASSETS	2,772	19,708
LIABILITIES		
Payables and provisions	1,738	12,724
Borrowings	-	146
Tax liabilities	285	450
TOTAL LIABILITIES	2,023	13,320
NET ASSETS	749	6,388
Non controlling interest	-	(1,973)
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	749	4,415
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	-
Fair value adjustment on the date the controlled entity became an Associate	-	**2,871**
Fair value adjustment on the date the Associate became a controlled entity	**5,246**	**-**
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)
Sale proceeds - received	**-**	**1,964**
Sale proceeds - deferred settlement	-	844
Less : carrying value of voting shares sold	**-**	**(2,901)**
Loss on sale on deconsolidation of controlled entities.	**-**	**(93)**
Fair value adjustment on the date the entity became an associate or controlled (see note 4(vi))	**5,246**	**2,871**
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)
Total fair value adjustment/profit on deconsolidation of controlled entity	**5,246**	**2,737**
Cash outflow on acquisition / disposal is as follows;		
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
Net cash (outflow) on acquisition or deconsolidation of controlled entities	**(7,613)**	**(4,413)**

	Consolidated 6 months ended 31 December 2018 $'000	Consolidated 6 months ended 31 December 2017 $'000

8. DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

(a) Dividends paid during the period

	2018 $'000	2017 $'000
Final franked dividend for financial year ended 30 June 2017: 29.5 cents	-	18,835
Final franked dividend for financial year ended 30 June 2018: 32.0 cents	20,431	-
Total dividends paid in current period	**20,431**	**18,835**

In addition to the above, dividends paid to non-controlling interests totalled $6,492,000 (2017: $2,932,000).

(b) Dividends proposed and not recognised as a liability

	2018 $'000	2017 $'000
Interim franked dividend for financial year ending 30 June 2018: 13.5 cents	-	8,619
Interim franked dividend for financial year ending 30 June 2019: 13.5 cents	9,903	-
	9,903	**8,619**
Dividends paid per share (cents per share) at declaration date	32.0	29.5
Dividends proposed per share (cents per share) not recognised at balance date	13.5	13.5

9. TRADE AND OTHER RECEIVABLES

	Consolidated As at 31 December 2018 $'000	Consolidated As at 30 June 2018 $'000
Trade receivables	33,790	28,186
Amount due from customers on broking/underwriting agency operations	99,179	148,026
Amounts due from clients in respect of premium funding operations	1,653	350
Receivables - Related entities	4,781	3,142
Total trade and other receivables (current)	**139,403**	**179,704**
Non-Current		
Trade receivables	150	26
Loans to associated entities	-	403
Total receivables (non-current)	**150**	**429**

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

	31 December 2018 $'000	30 June 2018 $'000
Current		
Secured loans - related entities (amortised cost)	-	-
Other	104	9
Total other financial assets (current)	**104**	**9**
Non-Current		
Secured loans - related entities (amortised cost)	733	-
Other	18	18
Total other financial assets (non-current)	**751**	**18**

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.

11. INVESTMENT IN ASSOCIATES

			Consolidated	
			As at 31 December 2018 $'000	As at 30 June 2018 $'000
Investments at equity accounted amount:				
Associated entities - unlisted shares			**134,851**	**155,888**
Name	Dec 2018 %	Jun 2018 %		
Associated entities (and their controlled entities)				
Austral Insurance Brokers Pty Ltd	50.0	50.0	1,450	2,842
Austbrokers AEI Transport Pty Ltd	50.0	50.0	9,437	9,512
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	193	404
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,477	2,476
Austbrokers Hiller Marine Pty Ltd	50.0	50.0	-	-
Austbrokers RIS Pty Ltd	49.9	49.9	2,558	2,635
Austbrokers SPT Pty Ltd	50.0	50.0	4,507	4,771
A & I Member Services Pty Ltd	50.0	50.0	-	-
Adroit Holdings Pty Ltd	-	50.0	-	13,437
Brett Grant and Associates Pty Ltd	50.0	50.0	1,485	1,569
Brokerweb Risk Services Limited *	42.5	40.0	16,402	15,937
Rosser Underwriting Limited*	22.5	-	1,306	-
Bluestone Insurance Pty Ltd	50.0	50.0	-	-
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust	49.9	49.9	17,539	16,178
Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet Holdings Unit Trust	49.9	49.9	851	681
JMD Ross Insurance Brokers Pty Ltd	50.0	50.0	1,044	1,154
Markey Group Pty Ltd	49.9	49.9	3,533	4,085
Global Assured Finance Pty Ltd	49.9	49.9	-	-
HQ Insurance Pty Ltd	49.7	49.7	3,897	3,740
KJ Risk Group Pty Ltd	49.0	49.0	1,713	1,796
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust	50.0	50.0	5,496	5,934
MGA Management Services Pty Ltd	49.9	49.9	17,319	16,686
Northlake Holdings Pty Ltd	-	50.0	-	5,676
Nexus (Aust) Pty Ltd	50.0	50.0	9,256	9,868
Peter L Brown & Associates Pty Ltd	49.9	49.9	546	636
The Procare Group Pty Ltd	50.0	50.0	12,182	11,913
Rivers Insurance Brokers Pty Ltd	49.9	49.9	4,687	4,626
Supabrook Pty Ltd	49.9	49.9	697	859
R.G Financial Services Pty Ltd	50.0	50.0	4	8
SRG Group Pty Ltd	50.0	50.0	1,784	1,999
Western United Financial Services Pty Ltd	49.9	49.9	1,600	2,041
WRI Insurance Brokers Pty Ltd	50.0	50.0	2,571	2,966
Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust	49.9	49.9	2,340	3,494
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	-	-
Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	128	158
NRIG Pty Ltd	30.0	-	78	-
Broker Claims Pty Ltd	50.0	-	-	-
Cinesura Entertainment Pty Ltd	50.0	50.0	146	229
Fleetsure Pty Ltd	50.0	50.0	4,167	4,038
Longitude Insurance Pty Ltd ***	58.5	58.5	1,303	1,355
Millennium Underwriting Agency Pty Ltd **	50.0	50.0	632	602
Sura Professional Risks Pty Ltd	50.0	50.0	904	1,070
Gard Pty Ltd	25.0	25.0	117	89
Tasman Underwriting Pty Ltd	50.0	50.0	502	424
			134,851	**155,888**

* The Group has an 85% interest in the controlled entity which has a 50% interest in Brokerweb Risk Services Limited and Rosser Underwriting Limited.

** 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.

11. INVESTMENT IN ASSOCIATES (continued)

During the current period, the following transactions occurred;

- On 1 July 2018, the Group acquired 25% of the voting shares in Rosser Underwriting Ltd for $1,292,301.
- On 1 October 2018 the Group acquired a further 12.6% of the voting shares in Northlake holdings Pty Ltd. On that date Northlake Holdings Pty Ltd became a controlled entity.
- NRIG Pty Ltd and Broker Claims Pty Ltd were acquired when Adroit Holdings Pty Ltd became a controlled entity.
- During the current period, further adjustments to contingent considerations relating to prior year acquisitions resulted in a net decrease in estimates previously recognised by the Consolidated Group by $22,015 (see note (4vi)).

During the previous 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.

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

(a) The principal activity of each associate is insurance broking, except for associates owned by Austagencies Pty Ltd, which are underwriting agents and The Procare Group Pty Ltd which offer Risk Services.

(b) 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% and HQ Insurance Brokers Pty Ltd where the voting power is 49.7%.

(c) The reporting date of each associate is 31 December 2018 (prior period reporting date 31 December 2017).

(d) There have been no significant subsequent events affecting the associates' profits for the period.

(e) There has been one impairment relating to the investment in associates (see note 4(vi)).

(f) All associates, including unit trusts, were incorporated or established in Australia except for Brokerweb Risk Services Ltd which is incorporated in New Zealand.

	Consolidated	
	6 months ended 31 December 2018 $'000	6 months ended 31 December 2017 $'000
(g) The group's share of associates' profits		
Share of associates':		
Revenue	**53,498**	**64,414**
Operating profits before income tax	18,589	16,966
Amortisation of intangibles	(1,309)	(1,459)
Net profit before income tax	17,280	15,507
Income tax expense attributable to operating profits	(3,809)	(3,023)
Share of associates' net profits	**13,471**	**12,484**

	As at 31 December 2018 $'000	As at 30 June 2018 $'000
(h) Reconciliation of carrying value of associates:		
Balance at the beginning of the period	155,888	141,713
Associate acquired through new controlled entity	78	38
Acquisition of new associates	1,292	3,032
Reclassification of investment in controlled entities to associates	-	4,313
Reclassification of investment in associates to controlled entities (See note 7(d))	(17,556)	(327)
Adjustment to carrying value of associates due to impact of AASB 15	(1,505)	-
Share of associates' profit after income tax (July to December)	13,471	12,484
Impairment loss on carrying value of associates	(1,422)	-
Share of associates' profit after income tax (January to June)	-	17,507
Dividends/trust distributions received (July to December)	(15,763)	(12,572)
Dividends/trust distributions received (January to June)	-	(10,048)
Net foreign exchange and other movements	368	(252)
Balance at the end of the period	134,851	155,888

12. SHARES IN CONTROLLED ENTITIES

A full list of controlled entities is contained in the 30 June 2018 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.

	Consolidated	
	As at 31 December 2018 $'000	As at 30 June 2018 $'000
13. PROPERTY, PLANT AND EQUIPMENT		
Cost		
Property	702	702
Plant and equipment	30,054	22,025
Motor Vehicles	2,600	2,906
Total cost	**33,356**	**25,633**
Depreciation		
Property	127	123
Plant and equipment	18,240	12,431
Motor Vehicles	1,127	1,083
Total Accumulated Depreciation	**19,494**	**13,637**
Net carrying amount at end of period		
Property	575	579
Plant and equipment	11,814	9,594
Motor Vehicles	1,473	1,823
Net Carrying value	**13,862**	**11,996**
14. INTANGIBLE ASSETS AND GOODWILL		
Cost		
Goodwill	289,653	242,499
Insurance Broking Registers	70,381	54,956
Capitalised Project costs	3,421	2,737
Total cost	**363,455**	**300,192**
Amortisation		
Goodwill	-	-
Insurance Broking Registers	34,610	32,712
Capitalised Project costs	732	383
Total Accumulated Amortisation	**35,342**	**33,095**
Net carrying amount at end of period		
Goodwill	289,653	242,499
Insurance Broking Registers	35,771	22,244
Capitalised Project costs	2,689	2,354
Net Carrying value	**328,113**	**267,097**

15. SHARE-BASED PAYMENT PLANS

Employee Share Option Plan

The number of options outstanding as at 31 December 2018 is represented by:

	As at 31 December 2018 No.	As at 30 June 2018 No.
Outstanding at the beginning of the period	**526,308**	**672,205**
Granted during the period	79,364	80,217
Options lapsed or forfeited during the period relating to options previously issued during the financial year ending 30 June;		
- 2013	-	(160,000)
- 2014	-	(24,246)
- 2015	(27,861)	-
- 2016	(46,634)	(8,357)
- 2017	-	(30,549)
- 2018	-	(2,962)
Outstanding at the end of the period	**531,177**	**526,308**

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

- 79,364 Share options were granted on 31 October 2018, exercisable 3 years from 31 October 2018 at an exercise price of $NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was $11.90. 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 $11.93. for EPS options and $8.90 for TSR options. All options were issued on the same terms and conditions as options issued in the previous year. See note 16 of 30 June 2018 Financial Statements for terms and conditions.
- 27,861 options lapsed due to vesting conditions over the 4 years ended 30 June 2018, not being met.
- 46,634 of the 77,682 options issued 23 November 2015 vested on 23 November 2018 due to vesting conditions being met. The remainder will be retested in 12 months and if vesting conditions are not met the balance of 31,048 options will lapse.

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

- 80,217 Share options were granted on 23 November 2017(2,962 lapsed during current year), 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 $13.23. 60% of these options are subject to Earnings Per Share hurdles and 40% are subject to Total Shareholder Return hurdles. The options were
- 41,868 options lapsed due to various staff members no longer employed.
- 184,246 options lapsed due to vesting conditions over the 4 years ended 30 June 2017, not being met.

16. TRADE AND OTHER PAYABLES

	Consolidated	
	As at 31 December 2018 $'000	As at 30 June 2018 $'000
Current		
Trade payables	14,796	16,449
Amount payable on broking/underwriting agency operations	187,613	215,768
Contingent consideration and other payables	10,989	11,537
Payables - Related entities	3,165	883
Deferred revenue from contracts with customers*	4,175	-
Total Trade and other payables (current)	**220,738**	**244,637**
Non-current		
Put option liability	26,672	26,403
Trade payables	111	-
Total Trade and other payables (non-current)	**26,783**	**26,403**

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.

* AASB 15 Revenue from contracts with Customers was adopted on 1 July 2018 on a modified retrospective basis, and as permitted by the Standard, prior year comparative numbers have not been restated.

	Consolidated	
	As at 31 December 2018 $'000	As at 30 June 2018 $'000

16. TRADE AND OTHER PAYABLES (continued)

Included in trade and other payable are the following contingent consideration payables;		
Balance at the beginning of the year	2,981	19,272
Contingent consideration on current year acquisitions (at net present value)	345	2,418
Payments made in respect of previously recognised contingent consideration	(2,594)	(18,411)
Adjustments to contingent consideration payments previously recognised	(22)	(287)
Balance acquired as part of new consolidated entity	248	-
Foreign currency translation movements	3	(72)
Interest recognised in original contingent consideration at net present value	-	61
Balance at the end of the year	**961**	**2,981**

Deferred revenue from contracts with customers:*	
Balance at 1 July 2018	4,477
Movement during the 6 month period	(302)
Balance at the end of the year	**4,175**

* AASB 15 Revenue from contracts with Customers was adopted on 1 July 2018 on a modified retrospective basis, and as permitted by the Standard, prior year comparative numbers have not been restated.

17. INTEREST BEARING LOANS AND BORROWINGS

Current		
Secured bank loans *	16,748	8,302
Obligations under finance leases and hire purchase contracts	364	468
Unsecured loan - other	-	147
Total borrowings (current)	**17,112**	**8,917**
Non-current		
Secured bank loans *	43,164	111,621
Obligations under finance leases and hire purchase contracts	382	664
Total borrowings (non-current)	**43,546**	**112,285**

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

Summary of secured bank loans		
St George Bank	*8,731*	*9,362*
Syndicated finance facility (ANZ Banking Group and St George Bank)	*32,324*	*99,576*
Macquarie Bank	*9,254*	*8,237*
Commonwealth Bank	*995*	*1,045*
National Australia Bank	*2,837*	*1,703*
Bendigo Bank	*5,771*	*-*
Total secured bank loans	***59,912***	***119,923***

Secured loans at beginning of the period	*119,923*	*93,603*
Loan repayments made during period (including settlement of previous finance facility)	*(69,399)*	*(75,854)*
Borrowings recognised on consolidation of newly acquired controlled entity	*7,123*	*-*
Exchange rate translation	*1,249*	*(1,335)*
New borrowings during the period (including drawdown on new syndicated finance facility)	*1,016*	*103,509*
Secured loans at end of the period	***59,912***	***119,923***

AUB Group Limited secured a syndicated, multi-currency finance facility comprising ANZ Banking Group and St George Bank for $150 million (30 June 2018 $150 million). This facility includes an advance in $NZ totalling $NZ34 million. The new finance facility expires on 6 December 2021 with a mechanism for a one year extension on agreement of both parties. During the period, $68.5 million was repaid from the proceeds of the non renounceable entitlement offer.

17. INTEREST BEARING LOANS AND BORROWINGS (continued)

AUB Group Limited also has a facility with St George Bank relating to rental guarantees and credit card facilities totalling $8 million. (30 June 2018 $8 million) .

In addition to the 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.

	Consolidated	
	As at 31 December 2018 $'000	As at 30 June 2018 $'000

18. PROVISIONS

Employee entitlements	15,577	16,636
Make good provision - leases	1,055	1,097
Balance at the end of the period	**16,632**	**17,733**
Current	12,851	14,568
Non-current	3,781	3,165
	16,632	**17,733**

19. ISSUED CAPITAL

Issued Capital opening balance	**141,708**	**141,708**
Proceeds from capital raising as a result of the accelerated pro-rata non-renounceable entitlement offer	116,353	-
Share issue expenses	(3,083)	-
Issued Capital	**254,978**	**141,708**

	Shares No.	Shares No.
Number of Shares on Issue (ordinary shares fully paid)	**73,352,698**	**63,846,476**

Movements in shares on issue	Shares No.	Shares No.
Number of shares on issue at beginning of period	**63,846,476**	**63,846,476**
Number of shares issued during period - options vested on 23 November 2018	46,634	-
Number of shares issued during period - non-renounceable entitlement offer	9,459,588	-
Total number of shares on Issue at end of period	**73,352,698**	**63,846,476**
Weighted average number of shares on Issue at end of period	**65,794,313**	**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.

New shares issued as a result of non-renounceable entitlement offer will rank equally in all respects with existing shares.

Of the total shares issued up to 31 December 2018, 46,634 have restrictions whereby the shares could not be disposed of before 23 November 2020.

19. ISSUED CAPITAL (continued)

AUB Group Limited raised $116,353,032 via a fully underwritten 4 for 27 accelerated pro-rata non-renounceable entitlement offer at $12.30 per share.

The Institutional Entitlement Offer was conducted from 12 November 2018 to 13 November 2018.
The Retail Entitlement Offer opened on 19 November and closed on 29 November 2018. The entitlement offer was fully underwritten and all new shares will rank equally with existing ordinary fully paid shares.
On 23 November AUB Group Limited issued 7,984,478 shares to institutional shareholders raising $98,209,879 and on 6 December 2018 issued a further 1,475,110 shares to retail and institutional shareholders raising $18,143,153.
Proceeds from the Entitlement Offer will be used to provide additional financial flexibility for growth initiatives and to fund the acquisition of a new controlled entity. Underwriting and other costs associated with the capital raising have been charged against the capital raised.

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.
- The previous period earnings per share have been adjusted by the theoretical ex-rights price factor (TERP) resulting from the number of new shares issued following a non renounceable entitlement offer. The TERP adjustment factor that has been applied to the EPS values previously reported is .986.

	6 months ended 31 December 2017 cents per share
Basic Earnings Per Share - previously reported	37.20
Diluted Earnings Per Share - previously reported	37.00
TERP adjustment	0.986
Adjusted Basis Earnings Per Share	36.68
Adjusted Diluted Earnings Per Share	36.48

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 2018			6 months ended 31 December 2017		
	Insurance Intermediary $'000	Risk services $'000	Total $'000	Insurance Intermediary $'000	Risk services $'000	Total $'000
Revenue and other income						
Revenue	104,176	26,142	130,318	86,692	29,374	116,066
Total other income	1,626	24	1,650	1,256	24	1,280
Total revenue and other income	105,802	26,166	131,968	87,948	29,398	117,346
Share of profit of associates						
Share of Net Profits of Associates Accounted for using the Equity Method (net of income tax expense)	14,261	519	14,780	13,443	500	13,943
Amortisation of Intangibles - Associates	(1,309)	-	(1,309)	(1,459)	-	(1,459)
Total Income	**118,754**	**26,685**	**145,439**	**99,932**	**29,898**	**129,830**
Less: Expenses						
Amortisation of Intangibles - Controlled Entities	2,229	-	2,229	1,951	-	1,951
Amortisation of Capitalised Project costs	350	-	350	379	-	379
Depreciation of property, plant and equipment	1,651	278	1,929	1,044	268	1,312
Operating expenses	90,405	23,894	114,299	76,107	22,879	98,986
Borrowing costs (excluding interest unwind on put option liability	2,832	71	2,903	1,932	73	2,005
Total expenses including borrowing costs	**97,467**	**24,243**	**121,710**	**81,413**	**23,220**	**104,633**
Profit before income tax	21,287	2,442	23,729	18,519	6,678	25,197
Less: Income tax expense	(5,117)	(584)	(5,701)	(3,812)	(1,887)	(5,699)
Profit after income tax	**16,170**	**1,858**	**18,028**	**14,707**	**4,791**	**19,498**
Less: Non controlling interest	(3,564)	(582)	(4,146)	(2,480)	(1,841)	(4,321)
Profit after income tax and non controlling interests	**12,606**	**1,276**	**13,882**	**12,227**	**2,950**	**15,177**
Impairment Charge on carrying value of associate	(1,422)	-	(1,422)	-	-	-
Profit after income tax and non controlling interests and impairment charges	**11,184**	**1,276**	**12,460**	**12,227**	**2,950**	**15,177**
Other Adjustments to carrying value of associates, contingent consideration payments and profit on sale (see note 4(vi),(vii)			7,635			8,575
Movement in put option liability(including finance charge)			(269)			-
Profit after non controlling interests attributable to shareholders of the parent			**19,826**			**23,752**
Other comprehensive income attributable to shareholders of the parent			639			(703)
Profit after non controlling interests and other comprehensive income			**20,465**			**23,049**

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

Included in revenue of the insurance intermediary segment of $104,176,000 is an amount of $302,000 representing the current year movement relating to deferred revenue from customers (see note 16).

	Consolidated	
	6 months ended 31 December 2018 $'000	6 months ended 31 December 2017 $'000

21. OPERATING SEGMENTS (continued)

Geographic Information

Total Income (including Share of profit of associates)		
- Australia	136,567	122,188
- New Zealand	8,872	7,642
Total Income	**145,439**	**129,830**

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

Total Non-Current assets	As at 31 December 2018 $'000	As at 30 June 2018 $'000
Non Current Assets - Australia	435,417	391,884
Non Current Assets - New Zealand	54,545	50,888
Total Non-Current assets	**489,962**	**442,772**

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

Operating lease commitments - Group as lessee

The Group has entered into leases for premises, commercial leases on certain motor vehicles and fixed assets. These leases have an average life of between 3 and 8 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Operating Lease Commitments: Non Cancellable

Operating leases contracted for but not capitalised in the financial statements

Payable		
-Not later than one year	9,313	8,423
-Later than one year and not later than five years	21,450	21,252
-Later than five years	1,959	2,923
	32,722	**32,598**

22. COMMITMENTS AND CONTINGENCIES (continued)

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.	12,805	12,805
AUB Group Limited has guaranteed lease facilities provided to an associate in proportion to its shareholding.	27	27
	12,832	**12,832**

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.

Put / call options

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 13 months - 2 years.

Other than shown on note 3.1, at balance date no liability has arisen in relation to these arrangements.

Austbrokers Canberra Pty Ltd

During the current reporting period, the directors were advised of a fraud perpetrated by the Managing Director of Austbrokers Canberra Pty Limited. ASIC has been advised that the company is currently investigating the full extent of the fraud.

The company has reported the matter to the Australian Federal Police. A recovery claim has been brought by the company against the former Managing Director and his related entities and the company has obtained court orders for the freezing of various assets. A claim has been made against insurance policies to seek to recover potential losses.

Whilst no further amount has been included in the financial statements there are contingent liabilities in respect of potential disputes, third party claims and legal proceedings. At the date of this report, due to the complexity of the matter it is not yet possible to determine whether there is a financial exposure, and if there is, to reliably quantify the amount of any possible loss net of insurance recoveries.

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.

The consolidated entity's put option liabilities are categorised as level 3.

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 2018, 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 2019, the Directors of AUB Group Limited declared an interim dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend is $9,902,614 which represents a fully franked dividend of 13.5 cents per share. The dividend has not been provided for in the 31 December 2018 financial statements.

Effective 1 January 2019, a controlled entity, AUB Group NZ Limited, acquired a further 50% of voting shares in Broker Web Risk Services Ltd (BWRS) increasing its shareholding to 100%. On this date BWRS and its controlled entities became controlled entities of the Group.

Directors' Declaration

In accordance with a resolution of the directors of AUB Group Limited, we 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 2018 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, 25 February 2019

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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 the entities 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 2018, 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 2018 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 2018 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.

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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
25 February 2019