



**25 February 2020**

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

**AUB Group Limited Appendix 4D and Half Year Financial Report**

Attached for immediate release in relation to AUB Group Limited's (ASX:AUB) 1H20 results are the following documents:

- Appendix 4D – Half-Year Report for the period ended 31 December 2019; and
- Financial Report for the half year ended 31 December 2019.

This release has been authorised by the AUB Board.

Yours faithfully

A handwritten signature in blue ink that reads 'Freya Smith'.

Freya Smith  
**Group General Counsel & Company Secretary**

For further information, contact Freya Smith      Tel: (02) 9935 2224 or 0401 916 431  
[freyas@aubgroup.com.au](mailto:freyas@aubgroup.com.au)

**About AUB** | AUB Group Limited is Australasia's largest equity-based insurance broker network driving approximately A\$3.2 billion GWP across its network of 93 businesses, servicing 600,000 clients and over one million policies across more than 450 locations.

**AUB Group Limited**

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

ABN 60 000 000 715  
ACN 000 000 715

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



**AUB Group Limited**

ABN 60 000 000 715

ASX Disclosure – Appendix 4D

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**ASX DISCLOSURE – APPENDIX 4D**  
**Half-Year Report – 31 December 2019**

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 2019.

**1. Reporting Period**

Current reporting period – six months ended 31 December 2019

Previous corresponding period – six months ended 31 December 2018

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

				\$'000
2.1	Revenue from ordinary activities <sup>1</sup>	up	12.0%	to 162,899
2.2	a) Profit (loss) from ordinary activities after tax attributable to members	down	16.3%	to 16,596
	b) Total comprehensive income after tax attributable to members	down	17.9%	to 16,811
2.3	Net profit (loss) attributable to members	down	16.3%	to 16,596
2.4	Adjusted NPAT <sup>2</sup>	up	25.3%	to 21,327
2.5	Dividends			

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Interim dividend payable	14.5 cents	100%	14.5 cents

An increase in cash dividend of \$0.8m over the prior comparable period.

2.6 Record date for determining entitlement to the interim dividend Friday 6<sup>th</sup> March 2020.

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

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

2.7 A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood is contained in the Directors' Report section of the Half-Year Report – 31 December 2019 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 2020, the Directors declared a fully franked interim dividend of 14.5 cents per share. This dividend is payable on Friday 3 April 2020. Based on issued shares of 73,796,871 shares, this dividend will total \$10,700,546.

### **7. Dividend Reinvestment Plan**

The board has determined for the Dividend Reinvestment Plan (DRP) to remain activated until further notice in accordance with clause 9.1 of the Plan Rules.

### **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 2019	\$0.71
31 December 2018	\$1.99

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

There were no entities where control has been gained or lost during the period.

### **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 2020 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2019 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 2019**

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
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AUB GROUP LIMITED  
A.B.N. 60 000 000 715  
DIRECTORS' REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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Your Directors present their report with the consolidated financial statements of AUB Group Limited for the six months ended 31 December 2019.

## DIRECTORS

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

D C Clarke (Chair)

M P C Emmett (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 2019 (1H20), AUB Group Limited (ASX:AUB) has reported a 25.3% increase in Adjusted NPAT to \$21.3m (1H19: \$17.0m), the prior period included costs relating to the Austbrokers Canberra fraud of \$1.6m.

Reported NPAT attributable to equity holders of the parent, decreased 16.3% to \$16.6m in 1H20 (1H19:\$19.8m) due to non-cash accounting adjustments and acquisition costs (described in detail in the table on page 2).

On a Reported NPAT basis, earnings per share was 22.5 cents for the half year, below the prior comparable period, due to fair value movements on investments booked in the that period. Earnings per share based on Adjusted NPAT increased by 12.0% to 28.96 cents.

AUB GROUP LIMITED  
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FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT <sup>1</sup>	1H20 \$ 000	1H19 \$ 000	Variance %
Net Profit after tax attributable to equity holders of the parent	16,596	19,826	-16.3%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration relating to acquisitions of controlled entities and associates - net of non controlling interests <sup>2</sup>	(12)	(22)	
Add back impairment charge to the carrying value of associate <sup>3</sup>	-	1,400	
Add back impairment charge to the carrying value of controlled entity - net of non controlling interests <sup>3</sup>	3,239	22	
Net adjustment	3,227	1,400	
Less / plus profit on sale or deconsolidation of controlled entities net of tax <sup>4</sup>	-	(794)	
Movement in fair value of put option liability	(762)	269	
Less profit on sale of associates/insurance broking portfolios net of tax <sup>5</sup>	(1,704)	(1,221)	
Plus acquisition expenses and costs relating to an increase in the borrowing facility, net of tax	878	-	
Adjustment to carrying value of entities (to fair value) on date they became controlled or deconsolidated <sup>6</sup>	-	(4,548)	
Net Profit from operations	18,235	14,932	22.1%
Add back amortisation of intangibles net of tax <sup>7</sup>	3,092	2,082	48.5%
<b>Adjusted NPAT</b>	<b>21,327</b>	<b>17,014</b>	<b>25.3%</b>

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 recognised during the period.
4. Gain/loss on deconsolidation are excluded from adjusted NPAT. Such adjustments will only occur in future if further sales of this type are made.
5. Insurance broking portfolios may be sold from time to time and any gains/loss from sale are excluded from adjusted NPAT.
6. The adjustments to carrying values of associates or controlled entities arise where the Group increases its equity in associates where upon 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.
7. Amortisation expense is a non-cash item.

## RESULTS BY OPERATING SEGMENT

### Insurance intermediaries

Australian Broking – pre-tax profit for the half year increased by 12.6% to \$24.6m. Organic growth was assisted by an increase in Commercial lines insurance premiums averaging 6.2% over the period. The current period included redundancy costs amounting to \$1.4m pre-tax, as well as the combined impact of reduced interest rates and lease accounting changes of \$1.0m. The prior period included costs relating to the Austbrokers Canberra fraud of \$2.3m pre-tax

New Zealand Broking – pre-tax profit for the half year increased by 55.2% to \$4.9m, primarily due to the acquisition of an additional 50% of BWRS effective 1 January 2019. Investment in NZ group management and infrastructure (including technology) were made in order to support an expanded business. NZbrokers continues to perform well with growth in members and an improved membership proposition including enhanced technology.

Agencies – pre-tax profit for the half year increased by 8.8% to \$5.5m, with strong premium growth contributing to overall revenue growth in most agencies, partially offset by lower pre-tax profits of \$0.4m in the strata businesses which were down as a result of the insurer transition.



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### Health & Rehabilitation<sup>3</sup>

Pre-tax profit increased by \$1.0m or 124.8% to \$1.8m for the half year, primarily due to increased business volumes and a reduction in costs.

RECONCILIATION OF OPERATING SEGMENTS	Consolidated 1HY20			Consolidated 1HY19		
	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	24,556	-	24,556	21,810	-	21,810
Insurance broking - New Zealand	4,945	-	4,945	3,187	-	3,187
Underwriting agencies	5,529	-	5,529	5,082	-	5,082
Health & Rehabilitation	-	1,776	1,776	-	790	790
Profit after tax and after non-controlling interests	35,030	1,776	36,806	30,079	790	30,869
Corporate income	2,457	-	2,457	1,236	-	1,236
Corporate expenses	(7,042)	-	(7,042)	(6,216)	-	(6,216)
Corporate interest expense and borrowing costs	(1,430)	-	(1,430)	(1,416)	-	(1,416)
Tax	29,015	1,776	30,791	23,683	790	24,473
	(8,949)	(516)	(9,465)	(7,203)	(256)	(7,459)
<b>Adjusted NPAT</b>	<b>20,067</b>	<b>1,260</b>	<b>21,327</b>	<b>16,480</b>	<b>534</b>	<b>17,014</b>
Realignment of operations between Insurance Intermediary and Risk Services segments	(440)	440	-	(742)	742	-
Less amortisation expense (net of tax and non controlling interests)	(3,092)	-	(3,092)	(2,082)	-	(2,082)
Plus acquisition expenses and costs relating to an increase in the borrowing facility, net of tax	(878)	-	(878)	-	-	-
Profit on sale of portfolios by associates net of tax <sup>1</sup>	427	-	427	202	-	202
Non controlling interests on adjustments to contingent consideration relating to previous year acquisitions of controlled entities and associates <sup>2</sup>	(12)	-	(12)	-	-	-
Fair value adjustment included in profit from associates	-	-	-	81	-	81
Non controlling interests on profit on sale of insurance broking portfolios	(41)	-	(41)	(368)	-	(368)
Less capital gains tax on deconsolidation of controlled entities	-	-	-	(406)	-	(406)
Less capital gains tax adjustments relating to sales of associates and insurance broking portfolios <sup>2</sup>	(1,212)	-	(1,212)	(559)	-	(559)
<b>Profit after income tax and non controlling interests</b>	<b>14,819</b>	<b>1,700</b>	<b>16,519</b>	<b>12,606</b>	<b>1,276</b>	<b>13,882</b>
<b>(refer December 19 Financial Statements - note 16 Operating Segments)</b>						

<sup>1</sup> 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.

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

### GEARING RATIO

Gearing based on the Consolidated Financial Statements decreased to 15.9% at 31 December 2019 (30 June 2019: 17.8%) as a result of the repayment of Group debt. AUB Group has undrawn facilities of \$104.3m at 31 December 2019.

### DIVIDEND PAYMENTS

The Directors have declared a fully franked interim dividend of 14.5 cents per share totaling \$10.7m which will be paid to shareholders on 3 April 2020 (record date 6 March 2020). The Dividend Reinvestment Plan (DRP) arrangements will remain activated.

<sup>3</sup> The Risk Services division has been renamed Health & Rehabilitation. The Procure business which provides diversified services to insurers and insurance broking clients was moved to the Austbrokers division effective 1 July 2019. The two remaining Health & Rehabilitation businesses now form the Health & Rehabilitation division.

AUB GROUP LIMITED  
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DIRECTORS' REPORT  
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## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 17 February 2020 AUB Group Limited:

- committed to acquiring a further 50.1% of voting shares in MGA Management Services Pty Ltd (MGA) increasing its shareholding to 100%, and 100% of the voting shares in Whittles Group Holdings Pty Ltd (Whittles). The transaction is expected to be effective 1 April 2020.
- acquired 40% of the voting shares of BizCover Pty Limited (BizCover), the transaction will be effective 1 February 2020. On this date BizCover and its controlled entities became an associate of the Group.

Please refer to note 19 of the financial report for more detail.

## 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.

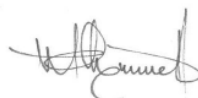
## AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of directors.



**D C Clarke**  
*Chairman*



**M P C Emmett**  
*Chief Executive Officer and Managing Director*

Sydney: 25 February 2020

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

As lead auditor for the review of the financial report AUB Group Limited for the financial half-year ended 31 December 2019, 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



Michael Wright  
Partner  
25 February 2020

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

		<b>Consolidated</b>	
		6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000
	Notes		
Revenue	4(i)	149,026	130,318
Other income	4(ii)	1,470	1,650
Share of profit of associates	4(iii)	12,403	13,471
Expenses	4(iv)	(130,870)	(118,807)
Finance costs	4(v)	(4,123)	(3,172)
		27,906	23,460
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, impairment, contingent consideration payments and movement in put option liability	4(vi)	(4,476)	3,066
- Net gain from sale of interests in associates, controlled entities and broking portfolios	4(vii)	2,531	3,147
<b>Profit before income tax</b>		<b>25,961</b>	<b>29,673</b>
Income tax expense	5	7,040	5,701
<b>Net Profit after tax for the period</b>		<b>18,921</b>	<b>23,972</b>
<b><i>Net Profit after tax for the period attributable to:</i></b>			
Equity holders of the parent		16,596	19,826
Non-controlling interests		2,325	4,146
		<b>18,921</b>	<b>23,972</b>
Basic earnings per share (cents per share)	2	22.5	30.1
Diluted earnings per share (cents per share)	2	22.4	30.0

The above Consolidated Statement of Profit or Loss should be read in conjunction with the notes to the Financial Statements.

AUB GROUP LIMITED  
A.B.N. 60 000 000 715  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	<b>Consolidated</b>	
	6 months ended 31 December 2019 Notes \$'000	6 months ended 31 December 2018 \$'000
<b>Net Profit after tax for the period</b>	<b>18,921</b>	<b>23,972</b>
<b><i>Other comprehensive income</i></b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
- Net movement in foreign currency translation reserve	238	750
- Income tax benefit arising from currency translation adjustments	-	-
Other comprehensive income after tax for the period	238	750
<b>Total comprehensive income after tax for the period</b>	<b>19,159</b>	<b>24,722</b>
<b><i>Total comprehensive income after tax for the period attributable to:</i></b>		
Equity holders of the parent	16,811	20,465
Non-controlling interests	2,348	4,257
	<b>19,159</b>	<b>24,722</b>

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

		<b>Consolidated</b>	
		As at 31 December 2019 \$'000	As at 30 June 2019 \$'000
	Notes		
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents		49,972	70,016
Cash and cash equivalents - Trust		134,805	149,981
Trade and other receivables*	7	68,495	79,592
Other financial assets		485	8
<b>Total Current Assets</b>		<b>253,757</b>	<b>299,597</b>
<i>Non-current Assets</i>			
Trade and other receivables	7	235	133
Other financial assets		40	393
Investment in associates	9	127,371	127,453
Property, plant and equipment		14,029	14,559
Intangible assets and goodwill	11	395,739	401,146
Right-of-use asset**	12	32,290	-
Deferred income tax asset		13,019	12,645
<b>Total Non-current Assets</b>		<b>582,723</b>	<b>556,329</b>
<b>TOTAL ASSETS</b>		<b>836,480</b>	<b>855,926</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade and other payables*	13	196,162	222,118
Interest bearing loans and borrowings	14	13,290	18,945
Provisions		15,464	15,432
Income tax payable		5,461	6,533
Lease liabilities**		8,920	-
<b>Total Current Liabilities</b>		<b>239,297</b>	<b>263,028</b>
<i>Non-current Liabilities</i>			
Trade and other payables	13	660	1,021
Interest bearing loans and borrowings	14	76,504	85,530
Provisions		2,860	3,362
Deferred tax liabilities		18,034	19,587
Lease liabilities**		24,029	-
<b>Total Non-current Liabilities</b>		<b>122,087</b>	<b>109,500</b>
<b>TOTAL LIABILITIES</b>		<b>361,384</b>	<b>372,528</b>
<b>NET ASSETS</b>		<b>475,096</b>	<b>483,398</b>
<b>EQUITY</b>			
Issued capital	15	258,947	255,662
Retained earnings		164,504	171,168
Share based payments reserve		8,282	7,820
Put option reserve		(19,157)	(19,919)
Foreign currency translation reserve		587	372
<b>Equity attributable to equity holders of the parent</b>		<b>413,163</b>	<b>415,103</b>
Non-controlling interests		61,933	68,295
<b>TOTAL EQUITY</b>		<b>475,096</b>	<b>483,398</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.

\* 30 June 2019 balances have been restated to ensure comparability between periods. See Note 2.

\*\*On 1 July 2019, the Group adopted AASB 16: Leases on a modified retrospective basis, and as permitted by the accounting standard, financial information for the prior reporting period has not been restated. See note 2.

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

Attributable to equity holders of the parent

	Issued capital	Retained earnings	Foreign currency translation reserve	Put option reserve	Share based payment reserve	Total	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>								
<b>At 1 July 2019</b>	<b>255,662</b>	<b>171,168</b>	<b>372</b>	<b>(19,919)</b>	<b>7,820</b>	<b>415,103</b>	<b>68,295</b>	<b>483,398</b>
Impact due to change in accounting standard: AABS 16*	-	279	-	-	-	279	7	286
<b>Adjusted balance at 1 July 2019</b>	<b>255,662</b>	<b>171,447</b>	<b>372</b>	<b>(19,919)</b>	<b>7,820</b>	<b>415,382</b>	<b>68,302</b>	<b>483,684</b>
Profit for the period	-	16,596	-	-	-	16,596	2,325	18,921
Other comprehensive income	-	-	215	-	-	215	23	238
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>16,596</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>16,811</b>	<b>2,348</b>	<b>19,159</b>
<b>Transactions with owners in their capacity as owners</b>								
Adjustment relating to increases in the voting shares in controlled entities (see note 10)	-	562	-	-	-	562	(4,535)	(3,973)
Adjustment relating to reductions in the voting shares in controlled entities (see note 10)	-	549	-	-	-	549	459	1,008
Transfer to put option reserve	-	(762)	-	762	-	-	-	-
Cost of share-based payment	-	-	-	-	377	377	-	377
Tax benefit related to employee share trust transactions.	-	-	-	-	85	85	-	85
Shares issued under the Dividend Reinvestment Plan	3,285	-	-	-	-	3,285	-	3,285
Equity dividends	-	(23,888)	-	-	-	(23,888)	(4,641)	(28,529)
<b>At 31 December 2019</b>	<b>258,947</b>	<b>164,504</b>	<b>587</b>	<b>(19,157)</b>	<b>8,282</b>	<b>413,163</b>	<b>61,933</b>	<b>475,096</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.

\*The Group adopted AASB 16: Leases on a modified retrospective basis, which resulted in an adjustment to retained earnings of \$279,000 on 1 July 2019, being the cumulative effect upon initial application of the standard. As permitted by the accounting standard, financial information for the prior reporting period has not been restated. See note 2 for further details.

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	Attributable to equity holders of the parent							Total equity
	Issued capital	Retained earnings	Foreign currency translation reserve	Put option reserve	Share based payment reserve	Total	Non-controlling interests	
<b>CONSOLIDATED</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2018</b>	<b>141,708</b>	<b>169,022</b>	<b>(459)</b>	<b>(26,403)</b>	<b>6,861</b>	<b>290,729</b>	<b>66,501</b>	<b>357,230</b>
Impact due to change in accounting standard: AASB 15*	-	(4,183)	-	-	-	(4,183)	(631)	(4,814)
<b>Adjusted balance at 1 July 2018</b>	<b>141,708</b>	<b>164,839</b>	<b>(459)</b>	<b>(26,403)</b>	<b>6,861</b>	<b>286,546</b>	<b>65,870</b>	<b>352,416</b>
Profit for the period	-	19,826	-	-	-	19,826	4,146	23,972
Other comprehensive income	-	-	639	-	-	639	111	750
<b>Total comprehensive income for the period 1 July 2018 to 31 December 2018</b>	<b>-</b>	<b>19,826</b>	<b>639</b>	<b>-</b>	<b>-</b>	<b>20,465</b>	<b>4,257</b>	<b>24,722</b>
<b>Transactions with owners in their capacity as owners</b>								
Adjustment relating to increases in the voting shares in controlled entities (see note 10)	-	(3,675)	-	-	-	(3,675)	(2,323)	(5,998)
Adjustment relating to reductions in the voting shares in controlled entities (see note 10)	-	2,117	-	-	-	2,117	1,145	3,262
Non controlling interests relating to new acquisitions (see note 8)	-	-	-	-	-	-	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)
<b>At 31 December 2018</b>	<b>254,978</b>	<b>162,945</b>	<b>180</b>	<b>(26,672)</b>	<b>7,199</b>	<b>398,630</b>	<b>75,628</b>	<b>474,258</b>

\*The Group adopted AASB 15: Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of \$4,183,000 to retained earnings at 1 July 2018, being the cumulative effect upon initial application of the standard.



**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

		<b>Consolidated</b>	
		6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		148,190	126,260
Dividends received from others		-	1
Dividends/trust distributions received from associates		14,387	15,763
Interest received		1,470	1,649
Management fees received from associates / related entities		7,148	6,545
Payments to suppliers and employees		(123,717)	(117,619)
Interest paid		(3,038)	(2,903)
Interest paid - lease liabilities*		(786)	-
Foreign Exchange		190	369
Income tax paid		(10,793)	(9,087)
<b>Net cash from operating activities before customer trust account movements</b>		<b>33,051</b>	<b>20,978</b>
Net increase / (decrease) in cash held in customer trust accounts		(15,176)	(3,888)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>17,875</b>	<b>17,090</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>			
Net cash outflow from deconsolidation of controlled entities	8	-	(1,501)
Payment for new controlled entity, net of cash acquired	8	(1,440)	3,732
Proceeds from disposal of associate	9	1,934	-
Payment for new associates	9	(3,516)	(1,292)
Payment for increase in interests in controlled entities	10	(3,973)	(5,653)
Proceeds from reduction in interests in controlled entities	10	1,250	3,262
Payment for new broking portfolios purchased by members of the economic entity		-	(3,617)
Proceeds from disposal of broking/underwriting portfolios		-	1,947
(Payments)/ Proceeds from sale of other financial assets		(139)	(54)
Proceeds from sale of plant and equipment		236	504
Payment for plant and equipment		(1,632)	(1,953)
Repayments of loans to associates / related entities		15	14
Payment for capitalised projects		(707)	(684)
Advances for loans to associates / related entities		-	(380)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(7,972)</b>	<b>(5,675)</b>
<b>CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES</b>			
Dividends paid to shareholders net of proceeds from Dividend Reinvestment Plan		(20,603)	(20,431)
Dividends paid to shareholders of non-controlling interests	6	(4,641)	(6,492)
Net proceeds from issue of share capital		-	113,270
Payment for contingent consideration on prior year acquisitions	13	(2,251)	(2,594)
Repayment of borrowings and finance lease liabilities		(15,353)	(70,529)
Proceeds from increase in borrowings and finance lease liabilities		464	1,413
Advances/(Repayments) to related entities		806	719
Payments of principal for operating lease liabilities*		(3,545)	-
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(45,123)</b>	<b>15,356</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(35,220)</b>	<b>26,771</b>
Cash and cash equivalents at beginning of the period		219,997	158,657
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>184,777</b>	<b>185,428</b>

\*On 1 July 2019, the Group adopted AABS 16: Leases on a modified retrospective basis, and as permitted by the accounting standard, financial information for the prior reporting period has not been restated. For the period ended 31 December 2019, the total cash outflow for leases recognised under AASB 16 was \$4.98m.

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

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**1. CORPORATE INFORMATION**

The interim financial report of AUB Group Limited for the six months ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 25 February 2020.

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 report for the half year ended 31 December 2019 has 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 statement 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 financial statement was prepared on a going concern basis.

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 2019 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 2019. 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 AASB 16: Leases, which took effect from 1 July 2019 and restatement of comparative balances, both detailed below.

The 31 December 2018 prior year comparatives have been prepared in accordance with the previous accounting standards applicable for that period. The relevant accounting policies for comparative period can be found in the Group's 2019 Annual Report, note 2.2 Summary of Significant Accounting Policies.

**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.
- On 17 February 2020, AUB Group Limited committed to issuing 8.75m shares no later than 31 July 2020. See Note 19 for further information.

**Information on the classification of securities**

- Options granted to employees as described in note 20 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.

**AUB GROUP LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**AASB 16: Leases**

AASB 16 came into effect and was adopted by the Group on 1 July 2019, replacing AASB 117: Leases and related accounting interpretations. The Group applied the modified retrospective approach under paragraph C8(b)(ii).

The Group has operating lease contracts for various items of property, plant and equipment, which are recognised on the balance sheet at commencement of the lease, with the exception of short-term leases not exceeding 12 months and leases of low-value assets. The Group applied practical expedients and the exemptions to short-term leases and low-value underlying assets available in the accounting standard.

The Group recognises a right-of-use asset and a corresponding lease liability in the amount of the present value of the remaining 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.

Pursuant to some of its lease agreements, the Group has the option to renew the lease for a period of up to ten years. The Group applies judgement and considers all relevant factors in assessing whether it is reasonably certain to exercise an option. This assessment is performed periodically, and when the Group is reasonably certain to exercise an option to extend the duration of a lease, that option is then taken into account in calculating or recalculating the right-of-use asset and lease liability.

*Impact of adoption of AASB 16*

The Group adopted AASB 16 on a modified retrospective basis, and as permitted by the standard, the prior period comparatives have not been restated. Upon adoption on 1 July 2019, the Group recognised a right-of-use asset of \$37.19m and a lease liability of \$37.19m, which was not materially different to the assessment at 30 June 2019. The impact of AASB 16 on retained earnings was \$0.28m.

The subsidiaries of the group applied a range of incremental borrowing rates between 3.18% and 5.71% (weighted average discount rate of 4.56%).

The implementation of AASB 16 resulted in an increase to the Group's leasing expense of \$0.68m and hence a reduction of the Group's profit before tax of \$0.68m (net of non controlling interest \$0.57m). Additionally our post tax share of associate profits reduction was \$0.18m.

*Transitional disclosure*

The table below sets out a reconciliation between the lease commitments prepared under the previous leasing accounting standard AASB 117 and disclosed at 30 June 2019 in the Annual Report, and the lease liability prepared under the new accounting standard AASB 16, which came into effect on 1 July 2019. As permitted by AASB 16, the Group applied the exemptions to short-term leases and low-value assets, and the relevant values of these exemptions are set out in the table below.

	\$'000
<b>Operating lease commitments at 30 June 2019 under AASB 117</b>	<b>40,603</b>
<i>Less:</i>	
- commitments relating to outgoings	(2,126)
- commitments relating to leases of low-value assets	(93)
- commitments relating to short-term leases	(282)
- discount upon application of AASB 16*	(4,151)
<i>Add:</i>	
- Other lease payments	151
- lease options to be exercised	3,085
<b>Lease liability at 1 July 2019 under AASB 16</b>	<b>37,187</b>

\*AASB 16 requires the lessee to measure the lease liability at the present value of the remaining lease payments. The present value calculation involves the discount of the lease payments using the lessee's incremental borrowing rate. For the Group, upon application of the weighted average incremental borrowing rate of 4.56%, the total discount upon application of AASB 16 on 1 July 2019 was \$4.15m.

**AUB GROUP LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restatement of comparative balances:**

As a result of further domestic and international discussion on the impacts of adoption of AASB 9 and AASB 15, the Group has reassessed its policy in relation to recognition of amounts due from customers for premiums and amounts payable to insurers on broking/underwriting agency operations (collectively referred to as fiduciary balances). As the Group is not liable for the underlying insurance premium, the Group acts as an agent in the collection of these balances from policy holders and as such does not meet the definition of a financial liability or financial asset respectively.

The Group recognises amounts due from customers in relation to uncollected fees and commissions due to the Group for services rendered, adjusted for the expected credit loss. The Group recognises amounts due to insurers for premiums collected but yet to be transferred to the insurer. The 30 June 2019 balances have been restated to ensure comparability between reporting periods.

There is no impact to the Statement of Profit or Loss or the associated notes as a result of the above policy change. The Group continues to only recognise the portion of commission and fees due to the Group for the services rendered to the extent the related performance obligations have been satisfied.

The table below summarises the impact of the restatement to the 30 June 2019 balances.

Financial Statement Balance	30-Jun-19			
	Previously Reported	Note	Change	Restated
	\$'000		\$'000	\$'000
Amount due from customers on broking/underwriting agency	196,951	7	(163,717)	33,234
<b>Trade and other receivables (current)</b>	<b>243,309</b>		<b>(163,717)</b>	<b>79,592</b>
Amount payable on broking/underwriting agency operations	313,298	13	(163,717)	149,581
<b>Trade and other payables (current)</b>	<b>385,835</b>		<b>(163,717)</b>	<b>222,118</b>
<b>NET ASSETS</b>	<b>483,398</b>		<b>-</b>	<b>483,398</b>

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

The accounting policies and methods of computation are the same as those adopted in the most recent financial report except for the adoption of the new accounting standard (AASB 16: Leases) that took effect from 1 July 2019 and change in the Group's policy in relation to fiduciary balances, 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 new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position of the Group.

*AASB 17: Insurance contracts*

AASB 17 was issued in July 2017, replacing AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts and AASB 1038: Life Insurance Contracts. The new standard establishes principles for the recognition, measurement and disclosure of insurance contracts issued.

The Group is in the business of providing risk management, advice and risk solutions, distributing insurance policies through its network of insurance brokers and underwriting agencies. The Group does not issue insurance contracts or reinsurance contracts, and accordingly, does not expect the financial impact of AASB 17 to be material.

*AASB 2018 – 6 Amendments to Australian Accounting Standards – Definition of a Business (effective 1 July 2020)*

This amends AASB 3: Business Combinations and clarifies the definition of a business to assist entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.

The group is in the process of assessing the impact of the amendment.

*AASB Interpretation 23: Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112: *Income Taxes*. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

**AUB GROUP LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

		<b>Consolidated</b>	
		6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000
<b>4.</b>	<b>REVENUE AND EXPENSES</b>		
<b>(i)</b>	<b>Revenue</b>		
	Commission, Brokerage and Fee Income	140,110	121,701
	Management Fees	7,148	6,545
	Other Revenue	1,768	2,072
	<b>Total revenue</b>	<b>149,026</b>	<b>130,318</b>
<b>(ii)</b>	<b>Other income</b>		
	Dividends from other persons / corporations	-	1
	Interest from related parties / corporations	40	10
	Interest from other persons / corporations	1,430	1,639
	<b>Total other income</b>	<b>1,470</b>	<b>1,650</b>
<b>(iii)</b>	<b>Share of profit of associates</b>		
	Share of Net Profits of Associates Accounted for using the Equity Method before Amortisation (net of income tax expense)	13,521	14,780
	Amortisation of Intangibles - Associates	(1,118)	(1,309)
	<b>Total share of profit of associates</b>	<b>12,403</b>	<b>13,471</b>
<b>(iv)</b>	<b>Expenses</b>		
	Amortisation of Intangibles - Controlled Entities	3,776	2,229
	Amortisation of Capitalised Project costs	435	335
	Advertising and Marketing	1,685	1,975
	Business Technology and Software costs	4,537	3,713
	Commission expense	6,109	7,103
	Depreciation of Property Plant and Equipment	1,928	1,929
	Depreciation of Right-of-use Asset* (see note 12)	4,990	-
	Insurance	3,710	2,984
	Legal fees / Acquisition costs	1,379	771
	Rent (operating leases) including outgoings	1,906	6,280
	Salaries and Wages	85,316	78,853
	Share-based payments	377	338
	Travel/Telephone/Motor/Stationery	4,226	3,759
	Management Fees Related	499	643
	Other expenses	9,997	7,895
	<b>Total expenses</b>	<b>130,870</b>	<b>118,807</b>
<b>(v)</b>	<b>Finance costs</b>		
	Interest Paid and Borrowing costs	3,038	2,903
	Interest unwind on put option liability	187	269
	Interest unwind	112	-
	Interest unwind on lease liability* (see note 12)	786	-
	<b>Total finance costs</b>	<b>4,123</b>	<b>3,172</b>
<b>(vi)</b>	<b>Adjustments to carrying value of controlled entities, impairment, contingent consideration payments and put option liability</b>		
	Adjustment to contingent consideration on acquisition of controlled entity and associates (see note 9)	23	22
	Impairment charge relating to Goodwill and the carrying value of associates (see note 9 & 10)	(5,449)	(1,422)
	Movement in put option liability	950	-
	Fair value adjustment to carrying value of controlled entities	-	4,466
	<b>Total adjustments to carrying value of associates, controlled entities, impairment and contingent consideration payments</b>	<b>(4,476)</b>	<b>3,066</b>
<b>(vii)</b>	<b>Profit from sale of interests in associates, controlled entities and broking portfolios</b>		
	Profit from sale of broking portfolios	-	1,947
	Profit from reduction of interest in associates and deconsolidation of controlled entities (see note 9)	2,531	1,200
	<b>Total profit from sale of interests in controlled entities and broking portfolios.</b>	<b>2,531</b>	<b>3,147</b>

\*On 1 July 2019, the Group adopted AABS 16: Leases on a modified retrospective basis, and as permitted by the accounting standard, financial information for the prior reporting period has not been restated.

**AUB GROUP LIMITED**  
**A.B.N. 60 000 000 715**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	<b>Consolidated</b>	
	6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000

**5. INCOME TAX**

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

Profit before income tax	25,961	29,673
At the company's statutory income tax rate of 30% (2018:30%)	7,788	8,902
Capital gains tax on sale of controlled entities /associates	453	166
Non-taxable share of profits from associated entities	(2,740)	(2,631)
Under/(Over) provision prior year	47	(46)
Income tax at different tax rates on overseas operations	(76)	(58)
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities	-	(1,340)
Impairment charge relating to the carrying value of controlled entities and associates	1,635	426
Put options liability movement net of related interest unwind	(229)	81
Non-deductible expenses/other	162	201
<b>Income tax expense reported in the consolidated statement of profit or loss</b>	<b>7,040</b>	<b>5,701</b>

**6. DIVIDENDS PAID AND PROPOSED**

**Equity dividends on ordinary shares:**

**(a) Dividends paid during the period**

Final franked dividend for financial year ended 30 June 2018: 32.0 cents per share	-	20,431
Final franked dividend for financial year ended 30 June 2019: 32.5 cents per share	23,888	-
<b>Total dividends paid in current period</b>	<b>23,888</b>	<b>20,431</b>

In addition to the above, dividends paid to non-controlling interests totalled \$4,641,000 (2019: \$6,492,000).

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

Interim franked dividend for financial year ending 30 June 2019: 13.5 cents per share	-	9,903
Interim franked dividend for financial year ending 30 June 2020: 14.5 cents per share	10,701	-
	<b>10,701</b>	<b>9,903</b>

Dividends paid per share (cents per share) at declaration date	32.5	32.0
Dividends proposed per share (cents per share) not recognised at balance date	14.5	13.5

**7. TRADE AND OTHER RECEIVABLES**

	As at 31 December \$'000	As at 30 June \$'000
Trade receivables	31,726	37,271
Amount due from customers on broking/underwriting agency operations	28,035	33,234
Amounts due from clients in respect of premium funding operations	2,427	2,285
Receivables - Related entities	6,307	6,802
<b>Total trade and other receivables (current)</b>	<b>68,495</b>	<b>79,592</b>
<b>Non-Current</b>		
Trade receivables	235	133
Loans to associated entities	-	-
<b>Total receivables (non-current)</b>	<b>235</b>	<b>133</b>

The reduction in broking/underwriting agency receivables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

**8. BUSINESS COMBINATIONS**

The business combinations referred to below relate to insurance broking and underwriting agency businesses in Australia except Brokerweb Risk Services Limited which is a broker incorporated in New Zealand.

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 below, 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.

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

On 30 September 2019, Brokerweb Risk Services Limited (BWRS), a controlled entity, acquired the operations of Yesberg Insurance Brokers Limited for an initial upfront payment of \$1.44m, with an expected contingent consideration payable within 2 years of \$1.26m. On this date the operations of Yesberg was integrated into the operations of BWRS.

Goodwill of \$2.23m (non controlling interest of \$0.24m) has been recognised in relation to the business combination. The acquisition has been provisionally accounted for as the initial accounting for the business combination is incomplete at the reporting date. The accounting is expected to be completed within 12 months of the acquisition date.

Assessment of the contingent consideration is a significant judgement. The contingent considerations are based on fixed multiples of the revenue of the acquired entity for the 12 months ended 30 September 2020 and 20 September 2021 less previous consideration paid. The minimum and maximum contingent consideration payable is nil, and unlimited respectively. The expected contingent consideration has been computed using the weighted average expected revenue for the 12 months ended 30 September 2020 and 30 September 2021.

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

Entity	Transaction date(s)	31-Dec-18	30-Jun-18
<i>Increase in voting shares of controlled entities</i>		% / \$ '000	%
Adroit Holdings Pty Limited *	01-Jul-18	94.0	50.0
Adroit Equity Investments Pty Limited **	01-Jul-18	40.0	-
Northlake Holdings Pty Ltd	01-Oct-18	62.60	50.00
<b>Total consideration paid for all additional interest acquired</b>		<b>22,899</b>	-
Less contingent consideration		-	-
Less cash acquired on consolidation (including cash available in insurance broking accounts)		26,631	-
<b>Net Cash Paid</b>		<b>(3,732)</b>	-
Goodwill arising on acquisition related to the Group		36,319	-
Goodwill arising on acquisition relating to non controlling interests		5,048	-
Net increase/(decrease) in non controlling interest		7,950	-
<b>Entity</b>	<b>Transaction date</b>	<b>31-Dec-18</b>	<b>30-Jun-18</b>
<i>Decrease in voting shares of controlled entity</i>		% / \$ '000	%
Austbrokers C E MacDonald Pty Ltd	01-Nov-18	0.00	100.00
<b>Total Proceeds from disposal</b>		<b>1,126</b>	
Less contingent consideration		1,126	
Net Cash outflow on deconsolidation of controlled entity (including cash available in insurance broking accounts)		(1,501)	
<b>Net Cash Received</b>		<b>(1,501)</b>	
Goodwill reduction on deconsolidation of controlled entity		1,746	
Net increase/(decrease) in non controlling interest		1,947	

\* The Company directly holds 90% of the economic interest of Adroit Holding Pty Ltd, with a further 4% held through a commonly controlled entity. The Group holds 100% of voting rights of Adroit Holding Pty Ltd.

\*\* The Group holds 40% of economic interest and 100% of voting rights within Adroit Equity Investments Pty Limited and 100%. As the Group is able to make unilateral decisions, we have assessed the entity as being controlled by the Group.

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			Consolidated	
			As at 31 December 2019 \$'000	As at 30 June 2019 \$'000
9. INVESTMENT IN ASSOCIATES				
Investments at carrying value amount:				
Associated entities - unlisted shares			127,371	127,453
	Dec 2019	Jun 2019		
Associated entities (and their controlled entities)	%	%		
Insurance Broking Entities - Australia				
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	279	395
Austbrokers AEI Transport Pty Ltd	40.0	50.0	7,077	9,724
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,615	2,573
Austbrokers Hiller Marine Pty Ltd	50.0	50.0	-	-
Austbrokers Member Services Pty Ltd	-	50.0	-	-
Austbrokers RIS Pty Ltd	49.9	49.9	2,537	2,603
Austbrokers SPT Pty Ltd	50.0	50.0	4,313	4,651
Austral Insurance Brokers Pty Ltd	50.0	50.0	1,513	1,491
Bluestone Insurance Pty Ltd	50.0	50.0	-	-
Blumberg Pty Ltd	51.0	51.0	-	-
Brett Grant and Associates Pty Ltd	50.0	50.0	1,457	1,597
Countrywide Insurance Holdings Pty Ltd	49.9	49.9	2,768	2,441
Global Assured Finance Pty Ltd	49.9	49.9	-	-
HQ Insurance Pty Ltd	49.7	49.7	3,741	4,608
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet	47.5	49.9	16,313	16,738
Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet	47.5	49.9	370	618
JMD Ross Insurance Brokers Pty Ltd	50.0	50.0	1,169	1,262
KJ Risk Group Pty Ltd	49.0	49.0	1,805	1,729
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust	50.0	50.0	5,433	5,553
Markey Group Pty Ltd	49.9	49.9	4,398	3,876
MGA Management Services Pty Ltd	49.9	49.9	19,335	18,232
Nexus (Aust) Pty Ltd	50.0	50.0	6,760	7,257
NRIG Pty Ltd	25.0	25.0	78	78
Oxley Insurance Brokers Pty Ltd / Coffs Harbour Insurance Brokers	37.5	37.5	134	188
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers	49.9	49.9	-	671
Peter L Brown & Associates Pty Ltd	50.0	50.0	675	703
R.G Financial Services Pty Ltd	-	50.0	-	7
Rivers Insurance Brokers Pty Ltd	49.9	49.9	4,877	4,643
SRG Group Pty Ltd	50.0	50.0	1,830	1,859
Supabrook Pty Ltd	49.9	49.9	733	728
Western United Financial Services Pty Ltd	49.9	49.9	1,618	2,001
WRI Insurance Brokers Pty Ltd	50.0	50.0	2,438	2,827
Insurance Broking/Underwriting Agency Entities - New Zealand				
Dawson Insurance Brokers (Rotorua) Ltd	44.7	44.7	5,464	4,576
Commercial and Rural Insurance Limited	44.7	44.7	3,114	3,141
McDonald Everest Insurance Brokers Limited	44.7	-	2,436	-
Rosser Underwriting Limited (underwriting agent)	35.7	22.3	2,578	1,274
Underwriting Agencies- Australia				
Fleetsure Pty Ltd	50.0	50.0	4,007	3,805
Longitude Insurance Underwriting Agency Pty Ltd **	38.5	38.5	730	734
Millennium Underwriting Agency Pty Ltd *	18.4	18.4	497	551
Sura Professional Risks Pty Ltd	50.0	50.0	993	1,177
Gard Pty Ltd	25.0	25.0	219	177
Tasman Underwriting Pty Ltd	50.0	50.0	547	481
Risk Services- Australia				
The Procure Group Pty Ltd	50.0	50.0	12,520	12,484
			127,371	127,453

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

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



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

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

Entity	Transaction date(s)	31-Dec-19	30-Jun-19
		% / \$ '000	%
<b>Increase in voting shares of Associates</b>			
Rosser Underwriting Limited	01-Jul-19	35.7	22.3
Dawson Insurance Brokers (Rotorua) Ltd	01-Jul-19	50.0	50.0
Austbrokers Member Services Pty Ltd	01-Oct-19	100.0	50.0
McDonald Everest Insurance Brokers Limited	01-Dec-19	44.7	0.0
<b>Total consideration paid for all additional interest acquired</b>		<b>4,590</b>	-
Less contingent consideration payable		1,074	-
<b>Total cash consideration paid for all additional interest acquired</b>		<b>3,516</b>	-
<b>Decrease in voting shares of Associates</b>			
Austbrokers AEI Transport Pty Ltd	01-Jul-19	40.0	50.0
R.G Financial Services Pty Ltd	01-Jul-19	-	50.0
Insurance Advisernet Australia Pty Limited	01-Sep-19	47.5	49.9
Insurance Advisernet Holdings Pty Limited	01-Sep-19	47.5	49.9
<b>Total consideration received for all interest disposed</b>		<b>5,334</b>	-
Less contingent consideration receivable		-	-
<b>Total cash consideration received for all interest disposed</b>		<b>5,334</b>	-
Less carrying value of shares being sold		2,803	-
<b>Net gain/(loss) on disposal of interest - see note 4 (vii)</b>		<b>2,531</b>	-

- A&I Member Services Pty Ltd was renamed Austbrokers Member Services (AMS) on 3 December 2019. During the current period, the Company acquired an additional 50% of AMS for \$1 and effective 1 October 2019 it became a controlled entity.
- On 1 July 2019 AUB Group NZ Limited, a subsidiary of the Group paid NZD \$911,466 for new shares issued by Dawson Insurance Brokers (Rotorua) Ltd to maintain its shareholding in the associate at 50%. The Group's effective ownership is 44.7%.
- On 1 July 2019, the Group disposed of 10% of Austbrokers AEI Transport Pty Ltd for \$3,400,000 reducing its voting shares from 50% to 40%, resulting in a gain on sale of \$1,455,197. The cash consideration was receipted on 28 June 2019.
- On 1 December 2019, AUB Group NZ Limited, a controlled entity, acquired 50% of the voting rights within McDonald Everest Insurance Brokers Limited for an initial upfront payment of NZD\$1,377,414 with an expected contingent consideration payable within 2 years of NZD\$1,118,275. The Group's effective ownership is 44.7%.  
Assessment of the contingent consideration is a significant judgement. The contingent considerations are based on fixed multiples of the Earnings Before Interest, Tax, and Amortisation (EBITA) of the entity for the 12 months ended 30 June 2020 and 30 June 2021 less previous consideration paid. The minimum and maximum contingent consideration payable is clawback of the initial upfront payment, and unlimited respectively. The expected contingent consideration has been computed using the weighted average expected EBITA for the 12 months ended 30 June 2020 and 30 June 2021.

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

Entity	Transaction date(s)	31-Dec-18	30-Jun-18
		% / \$ '000	%
<b>Associates now controlled (see Note 8)</b>			
Adroit Holdings Pty Limited *	01-Jul-18	94.0	50.0
Northlake Holdings Pty Ltd	01-Oct-18	62.6	50.0
<b>Associates acquired on obtaining control of Adroit Holdings Pty Limited</b>			
NRIG Pty Ltd	01-Jul-18	50.0	-
Claims Pty Ltd	01-Jul-18	50.0	-

- \* On 1 July 2018 the Group acquired a further 44% of the voting shares in Adroit Holdings Pty Ltd (Adroit). On that date Adroit became a controlled entity.

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

*During the previous period, the following transactions occurred (continued):*

Entity	Transaction date(s)	31-Dec-18	30-Jun-18
<i>New associates acquired or additional interest acquired during the period:</i>			
Rosser Underwriting Limited	01-Jul-18	22.3	-
<b>Total consideration paid for all interest disposed</b>		<b>1,292</b>	
Less contingent consideration receivable		-	
<b>Total cash consideration paid for all interest disposed</b>		<b>1,292</b>	

During the previous 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)).

**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 and Rosser Underwriting Limited in New Zealand which are underwriting agents and The Procure 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 2019 (prior period reporting date 31 December 2018).
- (d) There have been no significant subsequent events affecting the associates' profits for the period.
- (e) There have been no impairments relating to the investment in associates during the current year. During the previous year there was 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 associates owned by AUB Group NZ Limited which is a controlled entity incorporated in New Zealand.

	<b>Consolidated</b>	
	6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000
(g) The Group's share of associates' revenue and net profits:		

<b>Revenue</b>	<b>57,112</b>	<b>53,498</b>
Operating profits before income tax	17,859	18,589
Amortisation of intangibles	(1,118)	(1,309)
Net profit before income tax	16,741	17,280
Income tax expense attributable to operating profits	(4,338)	(3,809)
<b>Share of associates' net profits</b>	<b>12,403</b>	<b>13,471</b>

	<b>Consolidated</b>	
	6 months ended 31 December 2019 \$'000	12 months ended 30 June 2019 \$'000
(h) Reconciliation of carrying value of associates:		
Balance at the beginning of the period	127,453	155,888
Associate acquired through new controlled entity	-	7,552
Acquisition of associates	4,590	1,938
Disposal or dilution of interest in associates	(2,803)	-
Reclassification of investment in associates to controlled entities	-	(34,193)
Share of associates' profit after income tax (July - December)	12,403	13,471
Share of associates' profit after income tax (January - June)	-	13,896
Impairment loss on carrying value of associates	-	(3,868)
Adjustment to carrying value of associates due to impact of AASB 15	-	(1,435)
Impact of AASB 15 acquired through new controlled entity	-	(253)
Dividends/trust distributions received (July to Dec)	(14,387)	(15,763)
Dividends/trust distributions received (January to June)	-	(10,608)
Net foreign exchange and other movements	115	828
<b>Balance at the end of the period</b>	<b>127,371</b>	<b>127,453</b>

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**10. SHARES IN CONTROLLED ENTITIES**

A full list of controlled entities is contained in the 30 June 2019 Financial Report.

New acquisition of controlled entities during the current and previous period are disclosed in note 8.

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

Entity	Transaction date(s)	31-Dec-19	30-Jun-19
<b><i>Increase in voting shares</i></b>		% / \$ '000	%
Altius Group Holdings Pty Ltd and its controlled entities	01-Jul-19	56.9	56.6
Adroit Hume Pty Limited	01-Jul-19	100.0	90.0
InterRISK (Australia) Pty Ltd and its controlled entities	01-Aug-19, 01-Oct-19, 01-Dec-19	100.0	90.5
Adroit MHL Insurance & Risk Pty Limited	01-Oct-19	62.3	57.5
AB Phillips Group Pty Ltd and its controlled entities	09-Oct-19	57.5	56.9
Adroit FS Pty Limited	01-Nov-19	100.0	60.0
<b>Total consideration paid for all interest acquired</b>		<b>3,973</b>	<b>-</b>
Total adjustment to non-controlling interest		(4,535)	-
<b>Transfer to retained earnings on equity transactions between owners</b>		<b>562</b>	<b>-</b>
<b><i>Decrease in voting shares</i></b>			
Austbrokers Coast to Coast Pty Ltd and its controlled entity	01-Oct-19	51.0	75.0
<b>Total consideration received for all interest disposed</b>		<b>1,250</b>	<b>-</b>
Total adjustment to non-controlling interest		459	-
Total Capital Gains Tax payable		242	-
<b>Transfer to retained earnings on equity transactions between owners</b>		<b>549</b>	<b>-</b>

***Impairment***

Based on the continuing market condition impacting two risk services CGUs, the carrying values of the intangibles in these entities was impaired by a total of \$5,448,912 (\$3,239,256 net of non controlling interests). The CGU's are subject to put option arrangements which have been re-estimated at 31 December 2019 (see note 13). At 31 December 2019, the movement in the fair value of those put options was determined to be a reduction of \$949,535 resulting in a net charge to the Consolidated Statement of Profit or Loss of \$2,289,721 (net of non-controlling interests).

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

Entity	Transaction date(s)	31-Dec-18	30-Jun-18
<b><i>Increase in voting shares</i></b>		% / \$ '000	%
AB Phillips Group Pty Ltd and its controlled entities	01-Jul-18	56.9	50.5
SURA Hospitality Pty Ltd	01-Jul-18	100.0	85.0
AUB Group NZ Limited and its controlled entities	01-Jul-18	85.0	80.0
Altius Group Holdings Pty Ltd and its controlled entities	01-Dec-18	56.6	55.3
<b>Total consideration paid for all additional interest acquired</b>		<b>5,653</b>	
Deferred Consideration Payable		345	
Total adjustment to non-controlling interest		(2,323)	
<b>Transfer to retained earnings on equity transactions between owners</b>		<b>(3,675)</b>	
<b><i>Decrease in voting shares</i></b>			
Austbrokers City State Pty Ltd and its controlled entities	01-Jul-18	70.0	78.0
Bruce Park Pty Ltd *	01-Jul-18	56.9	75.3
SURA Contruction Pty Ltd	01-Jul-18	60.0	100.0
SURA Engineering Pty Ltd	01-Jul-18	60.0	100.0
Runacres and Associates Limited and its controlled entities	01-Oct-18	75.1	76.0
<b>Total consideration received for all interest disposed</b>		<b>3,262</b>	
Total adjustment to non-controlling interest		1,145	
Total Capital Gains Tax payable		-	
<b>Transfer to retained earnings on equity transactions between owners</b>		<b>2,117</b>	

\* The Company held 50% direct voting rights in Bruce Park Pty Ltd, with a further 25.3% held via a commonly controlled entity.

- 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 acquired 5% of AUB Group NZ for \$3,091,637 increasing its shareholding to 85%.
- 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.

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	<b>Consolidated</b>	
	As at	As at
	31 December	30 June
	2019	2019
	\$'000	\$'000
<b>11. INTANGIBLE ASSETS AND GOODWILL</b>		
<b>Cost</b>		
Goodwill	338,101	340,910
Insurance Broking Registers	97,514	96,530
Capitalised Project costs	4,049	3,345
<b>Total cost</b>	<b>439,663</b>	<b>440,785</b>
<b>Accumulated Amortisation</b>		
Insurance Broking Registers	(42,727)	(38,867)
Capitalised Project costs	(1,197)	(772)
<b>Total Accumulated Amortisation</b>	<b>(43,924)</b>	<b>(39,639)</b>
<b>Net carrying amount at end of period</b>		
Goodwill	338,101	340,910
Insurance Broking Registers	54,787	57,663
Capitalised Project costs	2,851	2,573
<b>Net Carrying value</b>	<b>395,739</b>	<b>401,146</b>

**12. LEASES**

The Group has entered into leases for premises, car parking and fixed assets for periods of up to ten years. As lessee, the Group has the option over some leases to extend the term of the lease for periods of up to ten years. The Group has no restrictions placed upon the lessee by entering into these leases.

AASB 16: Leases was adopted by the Group on 1 July 2019 on a modified retrospective basis, and as permitted by the accounting standard, financial information for the prior reporting period has not been restated.

	<b>Consolidated</b>		
	Property	Plant and	Total
	and car	equipment	
	parking		
	\$'000	\$'000	\$'000
The movement in the Group's right-of-use assets at their net carrying values:			
<b>Half-year ended 31 December 2019</b>			
Balance at the beginning of the period	37,187	-	37,187
Additions during the period	165	-	165
Disposals and transfers during the period	(72)	-	(72)
<b>Total right-of-use asset</b>	<b>37,280</b>	<b>-</b>	<b>37,280</b>
Depreciation during the period	(4,990)	-	(4,990)
<b>Net carrying value at the end of the period</b>	<b>32,290</b>	<b>-</b>	<b>32,290</b>

Set out in the table below are the amounts recognised during the period in profit or loss resulting from the Group's operating leases.

	<b>Consolidated</b>	
	6 months	6 months
	ended	ended
	31 December	31 December
	2019	2018
	\$'000	\$'000
Depreciation expense of right-of-use asset	(4,990)	-
Interest expense on lease liabilities	(786)	-
Short-term lease expense	(484)	-
Low-value lease expense	(17)	-
Other lease expenses	(146)	-
<b>Total recognised in profit or loss</b>	<b>(6,423)</b>	<b>-</b>

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	<b>Consolidated</b>	
	As at 31 December 2019 \$'000	As at 30 June 2019 \$'000
<b>13. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade payables	15,418	18,152
Amount payable on broking/underwriting agency operations	136,373	149,581
Contingent consideration payables	6,113	5,651
Other payables - other	11,271	21,695
Put option liability	19,157	19,919
Deferred revenue from contracts with customers	5,991	5,590
Payables - Related entities	1,839	1,530
<b>Total Trade and other payables (current)</b>	<b>196,162</b>	<b>222,118</b>
<b>Non-current</b>		
Contingent consideration payables	585	872
Other payables - other	75	149
<b>Total Trade and other payables (non-current)</b>	<b>660</b>	<b>1,021</b>
The reduction in broking/underwriting agency payables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year and therefore a higher level of payments to insurers are payable.		
<b>Included in trade and other payable are the following contingent consideration payables:</b>		
Balance at the beginning of the period	6,523	2,981
Contingent consideration on current year acquisitions (at net present value)	2,292	5,037
Payments made in respect of previously recognised contingent consideration	(2,251)	(3,934)
Adjustments to contingent consideration payments previously recognised	(23)	(44)
Contingent consideration payments recognised on acquisition of new controlled entities	-	2,289
Foreign currency translation movements	45	3
Interest recognised in original contingent consideration at net present value	112	191
<b>Balance at the end of the period</b>	<b>6,698</b>	<b>6,523</b>
<b>Deferred revenue from contracts with customers:</b>		
Opening balance	5,590	4,501
Balances previously included in the financial statements	-	498
Amounts resulting from associates becoming consolidated entities	-	351
Movement during the year	401	240
<b>Balance at the end of the period</b>	<b>5,991</b>	<b>5,590</b>
<b>14. INTEREST BEARING LOANS AND BORROWINGS</b>		
<b>Current</b>		
Secured loans	12,980	18,470
Obligations under finance leases and hire purchase contracts	243	373
Unsecured loan - other	67	102
<b>Total borrowings (current)</b>	<b>13,290</b>	<b>18,945</b>
<b>Non-current</b>		
Secured loans	75,893	85,115
Obligations under finance leases and hire purchase contracts	611	415
<b>Total borrowings (non-current)</b>	<b>76,504</b>	<b>85,530</b>
<b>Movement in Secured loans during the period:</b>		
Secured loans at beginning of the period	103,585	119,923
Loan repayments made during period (including settlement of previous finance facility)	(15,188)	(46,500)
Borrowings recognised on consolidation of newly acquired controlled entity	-	27,897
Exchange rate translation	208	1,249
New borrowings during the period (including drawdown on new syndicated finance facility)	268	1,016
<b>Secured loans at end of the period</b>	<b>88,873</b>	<b>103,585</b>

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**14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)**

AUB Group Limited arranged a syndicated, multi-currency finance facility comprising ANZ Banking Group and St George Bank for \$150 million (30 June 2019 \$150 million). This facility includes an advance in \$NZ totalling \$NZ45 million. During the current period the expiry date of the finance facility was extended to 6 December 2022 by mutual agreement of both parties.

AUB Group Limited also has a facility with St George Bank relating to rental guarantees and credit card facilities totalling \$8 million (30 June 2019 \$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.

<b>Consolidated</b>	
As at	As at
31 December	30 June
2019	2019
\$'000	\$'000

**15. ISSUED CAPITAL**

<b>Issued Capital opening balance</b>	<b>255,662</b>	<b>141,708</b>
Proceeds from dividend reinvestment plan	3,285	-
Proceeds from capital raising as a result of the accelerated pro-rata non-renounceable	-	116,353
Share issue expenses ( net of tax)	-	(2,399)
<b>Issued Capital</b>	<b>258,947</b>	<b>255,662</b>

	Shares No.	Shares No.
<b>Number of Shares on Issue (ordinary shares fully paid)</b>	<b>73,796,871</b>	<b>73,502,778</b>

	Shares No.	Shares No.
<b>Number of shares on issue at beginning of period</b>	<b>73,502,778</b>	<b>63,846,476</b>
Number of shares issued during period - dividend reinvestment plan	294,093	-
Number of shares issued during period - options exercised on 23 November 2018	-	46,634
Number of shares issued during period - options exercised on 28 February 2019	-	150,080
Number of shares issued during period - non-renounceable entitlement offer	-	9,459,588
<b>Total number of shares on Issue at end of period</b>	<b>73,796,871</b>	<b>73,502,778</b>
<b>Weighted average number of shares on Issue at end of period</b>	<b>73,638,636</b>	<b>69,593,019</b>

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

294,093 new shares issued on 8 October 2019 as a result of the dividend reinvestment plan rank equally in all respects with existing shares. New shares were issued at \$11.1816 based on 5 day VWAP for period 23 September 2019 to 27 September 2019.

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

Of the total shares issued up to 31 December 2019, 20,896 have restrictions whereby the shares cannot be sold before 23 November 2020, unless an employee resigns at which time the restrictions cease.

During the previous period, AUB Group Limited raised \$116,353,032 via a fully underwritten 4 new shares issued for every 27 shares held, 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 2018 and closed on 29 November 2018. The entitlement offer was fully underwritten.

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.

- New shares issued as a result of non-renounceable entitlement offer ranked equally in all respects with existing shares.
- Proceeds from the Entitlement Offer was used to provide additional financial flexibility for growth initiatives and to fund the acquisitions. Underwriting and other costs associated with the capital raising have been charged against the capital raised.

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**16. 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 2019			6 months ended 31 December 2018		
	Insurance Intermediary \$'000	Risk services \$'000	Total \$'000	Insurance Intermediary \$'000	Risk services \$'000	Total \$'000
<b>Revenue and other income</b>						
Revenue	121,537	27,489	149,026	104,176	26,142	130,318
Total other income	1,446	24	1,470	1,626	24	1,650
Total revenue and other income	122,983	27,513	150,496	105,802	26,166	131,968
<b>Share of profit of associates</b>						
Share of Net Profits of Associates Accounted for using the Equity Method (net of income tax expense)	13,114	407	13,521	14,261	519	14,780
Amortisation of Intangibles - Associates	(1,118)	-	(1,118)	(1,309)	-	(1,309)
Total Income	134,979	27,920	162,899	118,754	26,685	145,439
<b>Less: Expenses</b>						
Amortisation of Intangibles - Controlled Entities	3,776	-	3,776	2,229	-	2,229
Amortisation of Capitalised Project costs	382	53	435	335	-	335
Depreciation of Property, Plant and Equipment	1,682	246	1,928	1,651	278	1,929
Depreciation of Right-of-use Asset (see note 12)	4,055	935	4,990	-	-	-
Operating expenses	96,745	22,996	119,741	90,420	23,894	114,314
Borrowing costs (excluding interest unwind on put option liability)	3,876	60	3,936	2,832	71	2,903
Total expenses including borrowing costs	110,516	24,290	134,806	97,467	24,243	121,710
<b>Segment Profit before income tax</b>	<b>24,463</b>	<b>3,630</b>	<b>28,093</b>	<b>21,287</b>	<b>2,442</b>	<b>23,729</b>
Less: Income tax expense	(6,067)	(973)	(7,040)	(5,117)	(584)	(5,701)
<b>Segment Profit after income tax</b>	<b>18,396</b>	<b>2,657</b>	<b>21,053</b>	<b>16,170</b>	<b>1,858</b>	<b>18,028</b>
Less: Non controlling interest on segment profit before income tax	(3,577)	(957)	(4,534)	(3,564)	(582)	(4,146)
<b>Segment Profit after income tax and non controlling interests</b>	<b>14,819</b>	<b>1,700</b>	<b>16,519</b>	<b>12,606</b>	<b>1,276</b>	<b>13,882</b>
Impairment charge on carrying value of associate or controlled entity	-	(5,449)	(5,449)	(1,422)	-	(1,422)
Less: Non controlling interest on impairment	-	2,210	2,210	-	-	-
<b>Segment Profit after income tax and non controlling interests and impairment charges</b>	<b>14,819</b>	<b>(1,539)</b>	<b>13,280</b>	<b>11,184</b>	<b>1,276</b>	<b>12,460</b>
Other adjustments to carrying value of associates, contingent consideration payments and profit on sale (see note 4(vi),(vii))			2,554			7,635
Movement in put option liability (including finance charge)			762			(269)
Other comprehensive income attributable to shareholders of the parent			215			639
<b>Total comprehensive income after non controlling interests</b>			<b>16,811</b>			<b>20,465</b>

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

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	<b>Consolidated</b>	
	6 months ended 31 December 2019 \$'000	6 months ended 31 December 2018 \$'000

**16. OPERATING SEGMENTS (continued)**

**Geographic Information**

Total Income (including share of profit of associates)

- Australia	140,477	136,567
- New Zealand	22,422	8,872

<b>Total Income</b>	<b>162,899</b>	<b>145,439</b>
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The revenue attributable to each region is based on the revenue earned from clients that reside in those regions.

	As at 31 December 2019 \$'000	As at 30 June 2019 \$'000
<b>Total Non-Current assets</b>		
Non Current Assets - Australia	442,488	426,082
Non Current Assets - New Zealand	140,235	130,247
<b>Total Non-Current assets</b>	<b>582,723</b>	<b>556,329</b>

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

**17. COMMITMENTS AND CONTINGENCIES**

**Contingent liabilities**

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

AUB Group Limited has guaranteed loan facilities provided to associates in proportion to its shareholding.

10,586 12,805

AUB Group Limited has guaranteed lease facilities provided to an associate in proportion to its shareholding.

590 27

<b>Total Contingent liabilities</b>	<b>11,176</b>	<b>12,832</b>
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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 1 to 9 months.

Other than shown on note 13, at balance date no liability has arisen in relation to these arrangements.



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**18. 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 8, Note 9, and Note 10.

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 2019, 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 Discounted Cash Flow modelling using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

**19. SUBSEQUENT EVENTS**

Effective 1 February 2020, AUB Group Limited acquired 40% of the voting shares of BizCover Pty Limited (BizCover) for \$132m (plus a working capital adjusted estimated to be \$3m). On this date BizCover became an associate of the Group.

Effective 1 April 2020, AUB Group Limited acquired a further 50.1% of voting shares in MGA Management Services Pty Ltd (MGA) increasing its shareholding to 100%. On this date MGA and its controlled entities became controlled entities of the Group.

Effective 1 April 2020, AUB Group Limited acquired 100% of the voting shares in Whitties Group Holdings Pty Ltd (Whitties). On this date Whitties and its controlled entities became controlled entities of the Group.

On 17 February 2020, AUB Group Limited committed to issuing 8.75m shares no later than 31 July 2020 as a partial funding mechanism of the acquisitions of MGA and Whitties. The total purchase price of the MGA and Whitties transaction is \$140m.

The remaining funding for the above acquisitions will be mix of cash and debt.

On 19 February 2020, the Directors of AUB Group Limited declared an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is \$10,700,546 which represents a fully franked dividend of 14.5 cents per share. The dividend has not been provided for in the 31 December 2019 financial statements.

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**20. SHARE-BASED PAYMENT PLANS**

**Employee Share Option Plan**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	As at 31 Dec 19 No.	As at 30 June 19 No.	As at 31 Dec 19 WAEP (\$)	As at 30 June 19 WAEP (\$)
<i>Share Options movements (applicable to each relevant financial period):</i>				
Outstanding at the beginning of the period	351,328	526,308	0.00	0.00
Granted during the period	301,219	79,364	0.00	0.00
Options exercised, lapsed or forfeited during the period relating to options previously issued:				
- 2015	-	(27,861)	0.00	0.00
- 2016	(118,987)	(199,117)	0.00	0.00
- 2017	(44,157)	(8,105)	0.00	0.00
- 2018	(27,606)	(3,314)	0.00	0.00
- 2019	(26,718)	(15,947)	0.00	0.00
- 2020	-	-	0.00	-
Outstanding at the end of the year	435,079	351,328	0.00	0.00

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

The share-based payments expense recognised in the Consolidated Statement of Profit or Loss is included in note 4 (iv) Expenses.

***The number of options outstanding is represented by:***

Financial year options issued	Option grant date	Earliest exercise date	Valuation \$	As at 31 December 2019	As at 30 June 2019
2016	23-Nov-15	23-Nov-18	7.31	-	19,067
2016	07-Apr-16	01-Jan-19	7.90	-	99,920
2017	08-Dec-16	23-Nov-18	9.36	-	9,578
2017	24-Jan-17	24-Jan-20	8.99	50,826	85,405
2018	23-Nov-17	23-Nov-20	11.83	46,335	73,941
2019	31-Oct-18	31-Oct-21	10.72	36,699	63,417
2020	19-Dec-19	19-Dec-22	9.07	301,219	-
Options outstanding at the end of the year				435,079	351,328

All options must be exercised by no later than 7 years from the issue date.

***During the year the following options were granted, exercised or lapsed***

- 200,000 Performance options were granted to the CEO on 19 December, exercisable 5 years from 19 December 2019 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 \$11.80. The options were valued using an average price of \$10.40 for EPS options and \$6.68 for TSR options (weighted average price of \$8.91). See below for terms and exercise conditions for options issued during FY20.
- 101,219 performance options were granted on 19 December 2019, including 76,029 performance options granted to the CEO. All performance options were issued at an exercise price of \$NIL and are exercisable 3 years from grant date. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$11.80. The options were valued using an average price of \$11.18 for EPS options and \$6.66 for TSR options (weighted average price of \$9.37). See below for terms and exercise conditions for options issued during FY20.
- 128,565 share options lapsed due to vesting conditions over the 4 years ended 30 June 2019 due to vesting conditions not being met.
- 88,903 share options issued in 2017, 2018, and 2019 lapsed due to various staff members no longer employed.

***During the previous year the following options were granted, exercised or lapsed***

- 79,364 (63,417 after lapses due to staff resignations) 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 (weighted average price of \$10.72). All options were issued on the same terms and conditions as options issued in the previous year.
- 27,861 options issued in 2015 lapsed due to vesting conditions not being met.
- 29,769 options issued in 2015, 2016, 2017, 2018 and 2019 lapsed due to various staff members no longer employed.
- 46,634 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 28,645 options will lapse.
- 150,080 options issued 7 April 2016 vested on 1 January 2019 due to vesting conditions being met. The remainder will be retested after 30 June 2019 and if vesting conditions are not met the balance of 99,920 options will lapse.

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**20. SHARE-BASED PAYMENT PLANS (continued)**

The fair value of all options has been valued taking into account the vesting period, expected dividend payout and the share price at the date the options were granted.

The weighted average remaining contractual life for the share options outstanding at 31 December 2019 is 6.31 years (30 June 2019: 5.67 years).

***Vesting conditions for Performance options issued in FY20.***

- Vesting conditions on Share Options issued before 1 July 2019 remain unchanged. For terms and conditions for those options see 30 June 2019 Financial Statements.
- Vesting conditions for Performance Options issued since 1 July 2019 are as follows:

**Performance Options**

- Each Performance Option is a right to receive one fully-paid ordinary share in the Company or at the Board's discretion, an equivalent cash payment.
- The Performance Options will only vest to the extent that the performance hurdles and ongoing employment conditions (set out below) are satisfied over the relevant performance periods.  
Each grant of Performance Options have been divided into two components, which will each be subject to a separate performance hurdle. The Board considers that this structure has the benefit of both a relative test that reflects the Company's performance against the market and an objective test reflective of management's performance in growing earnings per share.
- 60% of the Performance Options will be subject to a hurdle based on the average annual growth rate (AAGR) of the adjusted earnings per share (EPS) hurdles (EPS Options); and
- 40% of the Performance Options will be subject to a hurdle based on the relative total shareholder return (TSR) of the Company compared to the TSR of the constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID) (TSR Options).
- Performance Options will only vest if participants remain in ongoing employment over the relevant performance period (subject to the cessation of employment provisions).
- Performance Period for all options issued in FY20 will commence on 1 July 2019.
- Performance Period - 200,000 5 year options  
One third of the Performance Options will be tested over a 3 year performance period (three year test date). To the extent that any Performance Options satisfy the performance hurdles at this point, they will remain on foot and will vest and become exercisable following the end of the 5 year performance period, subject to the CEO's continued employment with the Company (subject to the cessation of employment provisions included in his contract); and  
The remaining two thirds of the Performance Options, and any Performance Options that did not satisfy the performance hurdles at the three year test date, will be tested over the full 5 year performance period.  
Any Performance Options that do not vest at the end of the 5 year performance period, will lapse.
- Performance Period - 3 year options  
The performance hurdles for 101,219 Performance Options granted to Key Management Personnel will be tested over a 3 year performance period.  
Any Performance Options that do not vest at the end of the 3 year performance period, will lapse.

**EPS Options**

- For the purposes of calculating the AAGR, an adjusted form of earnings per share will be utilised (Adjusted EPS) being, in respect of any financial year, the consolidated net profit after tax of the Company for that year excluding fair value adjustments to the carrying values of associates, profit on sale of entities and assets or deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles (Adjusted NPAT) divided by the weighted average number of shares on issue during the financial year. Other adjustments to the Adjusted NPAT calculation may be made in limited circumstances where the Board considers it to be appropriate.  
The percentage of the EPS Options that satisfy the EPS performance hurdle will be determined by reference to the AAGR (expressed as a percentage) of Adjusted EPS from the year ending 30 June 2019 (being, 66.6 cents) to:
- The Adjusted EPS for the year ending 30 June 2022 (for the 3 year Performance Options granted and for one third of the 5 year Performance Options); and  
The Adjusted EPS for the year ending 30 June 2024 (for the remaining two thirds of the 5 year Performance Options which have not been tested, and any 5 year Performance Options which did not satisfy the EPS performance hurdle at the three year test date.

Subject to satisfaction of the AAGR performance hurdles, the number of EPS Options that will vest either 3 years or 5 years after grant date; is as follows:

- Equal to but not less than 5.0% AAGR, 50% of the Options will become exercisable.
- Between 5% and 7% AAGR, the percentage of performance Options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 50% by 1 percentage point for every 0.04% additional growth over 5%.
- Equal to or greater than 7% AAGR, 100% of the Performance Options will become exercisable.

**20. SHARE-BASED PAYMENT PLANS (continued)****TSR options**

TSR Options will be measured by comparing the TSR of the Company with the TSRs of the constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID) (Comparator Group) as at 1 July 2019.

The percentage of the TSR Options that satisfy the TSR performance hurdle will be determined as set out below:

- Less than 50th percentile of the Comparator Group, 0% of the Options will become exercisable.
- 50th percentile of the Comparator Group, 50% of the Options will become exercisable.
- Between 50th percentile and 75th percentile of the comparator Group, straight line satisfaction of the performance hurdle between 50% and 100% of the options will become exercisable.
- 75th percentile of the Comparator Group or higher, 100% of the Options will become exercisable.
- The Board has the discretion to adjust the Comparator Group, including to take into account acquisitions, mergers, or other relevant corporate actions or delisting.

TSR measures the growth in the Company's share price together with the value of dividends paid during the period, assuming that all those dividends are re-invested into new shares.

Unless the Board determines otherwise, for the purpose of calculating the growth in the Company's share price over the performance period, the following opening and closing share prices will be used:

- (a) for the opening share price, the volume weighted average share price (VWAP) during the 60 trading days ending on the first day of the performance period, and
- (b) for the closing share price, the VWAP during the 60 trading days ending on 30 June 2022 or 30 June 2024 (as applicable).

**Key Terms of Performance options**

**Exercise price:** The exercise price of the Performance Options is nil.

**Expiry date for options:** Performance Options will lapse 4 years after the earliest exercise date if they have not been exercised by that date, unless the Board determines a different date.

**Disposal restrictions:** If the Performance Options vest and are exercised, the shares issued are unrestricted. Disposal of shares issued on exercise of the Performance Options will be subject to the Company's securities trading policy. The option holders may not sell, assign, transfer or otherwise deal with, or grant a security interest over Performance Options without the prior written approval of the Board or as required by law.

**Participation in new issues and bonus issues:** Performance Options carry no entitlement to participate in new issues of shares by the Company prior to the vesting and exercise of the Performance Option. In the event of a bonus issue, Performance Options will be adjusted in the manner required by the Listing Rules.

**Reorganisation:** If any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company is effected, Performance Options will be adjusted in the manner required by the Listing Rules.

**Voting and dividend rights:** Performance Options will not attract dividends or distributions and voting rights until the Performance Options vest and shares are allocated on their exercise, whether or not the shares are subject to disposal restrictions. Income tax will be the responsibility of the option holders.

**Ranking of shares issued:** The ordinary shares in the Company issued upon exercise of the Performance Options will rank equally with the existing ordinary shares in the Company on issue, except for entitlements which had a record date before the date of issue of those shares.

**AUB GROUP LIMITED**  
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**DIRECTORS' DECLARATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

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**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 2019 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 C Emmett  
*Chief Executive Officer and Managing Director*

Sydney, 25 February 2020

## 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 2019, 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 2019 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 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Michael Wright

Partner  
Sydney  
25 February 2020