



ASX Announcement

22 February 2023

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

Appendix 4D and Half Year Financial Report

Please find attached for immediate release in relation to AUB Group Limited (**AUB**) the following documents:

- Appendix 4D – Half-Year Report for the period ended 31 December 2022; and
- Financial Report for the half year ended 31 December 2022.

The release of this announcement was authorised by the AUB Board.

For further information, contact Richard Bell, Chief Legal and Risk Officer, on +61 2 9935 2222 or richardb@aubgroup.com.au.

About AUB Group

AUB Group Limited (ASX: AUB) is an ASX200 listed group of retail & wholesale insurance brokers and underwriting agencies operating in ~540 locations globally. Over 4,000 team members work with ~950,000 clients to place more than AUD 8bn in insurance premiums with local and foreign insurers.

AUB Group Limited

Level 14, 141 Walker Street
North Sydney NSW 2060

ABN 60 000 000 715
ACN 000 000 715

aubgroup.com.au

AUB Group Limited

ABN 60 000 000 715

ASX Disclosure – Appendix 4D

ASX DISCLOSURE – APPENDIX 4D
Half-Year report – 31 December 2022

Under Listing Rule 4.2.A.3 of the Australian Securities 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 2022.

1. Reporting Period

Current reporting period – six months ended 31 December 2022

Previous corresponding period – six months ended 31 December 2021

2. Results for Announcement to the Market

			\$'000
2.1 Revenue from ordinary activities ¹	up	87.3% to	327,640
2.2 a) Profit (loss) from ordinary activities after tax attributable to members	down	98.8% to	364
b) Total comprehensive income after tax attributable to members	down	19.4% to	24,534
2.3 Net profit (loss) attributable to members	down	98.8% to	364
2.4 Underlying NPAT ²	up	52.4% to	46,658
2.5 Dividends			

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Interim Dividend	17.0 cents	100%	17.0 cents

2.6 Record date for determining entitlement to the interim dividend Thursday 2nd March 2023.

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 2022 attached as Attachment A.

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

² Underlying NPAT is the measure used by management and the Board to assess underlying business performance. Underlying NPAT excludes adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles. A reconciliation is provided between Reported NPAT and Underlying NPAT in Note 3 of the Financial Report. Underlying NPAT is non-IFRS financial information and as such has not been audited

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 22 February 2023, the Directors determined a fully franked interim dividend of 17.0 cents per share. This dividend is payable on 4 April 2023. Based on issued shares of 101,530,518 shares, this dividend will total \$17.2m.

7. Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) remains suspended and will not apply to the interim dividend.

8. Movements in Retained Earnings

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

9. Net Tangible Assets Per Security

31 December 2022	\$(5.52)
31 December 2021	\$1.07

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

Entities over which control has been gained during the period.

Acquisitions	Date
SRS Broking Pty Limited	1/07/2022
Strata Unit Underwriting Agency Pty Limited	31/08/2022
Tysers Insurance Brokers Limited	30/09/2022
Prism Group Limited	1/12/2022

11. Associates and Joint Venture Entities

Details of associates are shown in Attachment A – Financial Statements.

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 Statements.

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 Statements.

15. Audit Dispute or Qualification

There is no audit dispute or qualification. Refer to the Independent Auditor's Report to the members of AUB Group Limited dated 22 February 2023 prepared by Ernst & Young and included in the Half-Year Report- 31 December 2022 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 2022

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DIRECTORS' REPORT

HALF YEAR ENDED 31 DECEMBER 2022

Your Directors present their report with the consolidated financial statements of AUB Group Limited (the 'Company') for the six months ended 31 December 2022.

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)

P G Harmer

P A Lahiff

R J Low

C L Rogers

R D Deutsch (From 3 November 2022)

A J Kendrick (From 27 January 2023)

REVIEW AND RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE HALF YEAR

Reported Net Profit After Tax attributable to equity holders of the parent (Reported NPAT) was \$0.36m for the 6 months to 31 December 2022 (1H22: \$29.68m). Reported NPAT was impacted by acquisition related expenses mainly as a result of the acquisition of Tysers in September 2022. Tysers is a leading London based Lloyd's broker with access to specialist underwriting expertise and global distribution capabilities.

On a Reported NPAT basis, earnings per share was 0.38 cents for the half year (1H22: 39.89 cents).

Underlying Net Profit After Tax (Underlying NPAT) is a key measure used by management and the board to assess and review business performance. Underlying NPAT excludes non-controlling interests and the impact of fair value adjustments to the carrying value of associates, profits on sale and deconsolidation of controlled entities, contingent consideration adjustments, amortisation of intangibles, impairment charges and acquisition costs.

Underlying NPAT was \$46.7m (1H22: \$30.6m). The increased Underlying NPAT was due to a mixture of strong organic and acquisition growth as mentioned above.

On an Underlying basis, earnings per share was 48.18 cents per share (1H22: 40.30 cents).

Please refer to Note 3 of the financial statements for the reconciliation from Reported NPAT to Underlying NPAT.

RESULTS BY OPERATING SEGMENT

Tysers

- Tysers was included in the 1H23 result from 1 October 2022.
- Underlying pre-tax profit contributed by Tysers for the 3 months to 31 December 2022 was \$17.97m. Tysers performed above expectations, with revenue growth for the 3 months to 31 December 2022 up 12% vs forecast (Organic: 10%, FX: 2%).

Australian Broking

- Underlying pre-tax profit for the period increased by 30.25% to \$49.90m (1H22: \$38.31m). EBIT Margin of 35.2% up 410bps from 1H22. These increases were driven by organic and bolt-on acquisition growth.

New Zealand

- Underlying pre-tax profit for the year increased by 34.62% to \$4.78m (1H22: \$3.55m).
- Technology investment costs of \$3.37m were incurred in the current period (1H22: \$2.17m).

DIRECTORS' REPORT

HALF YEAR ENDED 31 DECEMBER 2022

RESULTS BY OPERATING SEGMENT (CONTINUED)

Agencies

- Underlying pre-tax profit for the period increased by 37.99% to \$12.29m (1H22: \$8.91m).
- Strong organic growth partially offset by non-recurrence of some profit commissions.
- Acquisition related profit growth included Strata Unit Underwriting Agency (1 September 2022).
- EBIT margin of 31.6%. Excluding profit commissions in both periods, the EBIT margin expanded 400bps from 1H22.

Bizcover

- Underlying pre-tax profit for the year increased by 15.24% to \$5.67m (1H22: \$4.92m). This increase was due to organic profit growth assisted by operating leverage and scalability of the platform.
- EBIT Margin of 38.4% up 140bps from 1H22.

CAPITAL MANAGEMENT

AUB drew down on its new debt arrangements on 30 September 2022 in order to settle the acquisition of Tysers. The leverage ratio was 2.74 at 31 December 2022. AUB Group had cash and undrawn debt facilities of \$50.3m at 31 December 2022.

DIVIDEND PAYMENTS

The Directors have determined a fully franked interim dividend of 17 cents per share totaling \$17.2m which will be paid to shareholders on 4 April 2023 (record date 2 March 2023). The Dividend Reinvestment Plan (DRP) remains suspended and will not apply to interim dividend.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Effective 1 January 2023, the Group acquired a further 25% of AEI Insurance Group Pty Ltd (AEI) and increased its holding to 65%. On this date the Group gained control of AEI.

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.

AUDITOR'S 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
Chair



M P C Emmett
Chief Executive Officer and Managing Director

Sydney, 22 February 2023

AUDITOR'S INDEPENDENT DECLARATION

HALF YEAR ENDED 31 DECEMBER 2022



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

As lead auditor for the review of the financial report of AUB Group Limited for the half-year ended 31 December 2022, 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;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene 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
22 February 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HALF YEAR ENDED 31 DECEMBER 2022

		HY23	HY22
	Notes	\$'000	\$'000
Revenue from Contracts with Customers	4 (i)	302,173	156,576
Other Income		8,902	379
Share of Profit of Associates	4 (ii)	16,565	17,966
Cost to Provide Services and Administrative Expenses	4 (iii)	(291,026)	(130,723)
Finance Costs	4 (iv)	(24,336)	(3,510)
		12,278	40,688
Adjustments to Carrying Value	4 (v)	1,802	(448)
Profit from Sale or Dilution of Interests in Controlled Entities, Associates and Broking Portfolios	4 (vi)	11,893	5,475
Profit before Income Tax		25,973	45,715
Income Tax Expense		(14,964)	(8,477)
Net Profit After Tax		11,009	37,238
<i>Net Profit after tax for the period attributable to:</i>			
Equity Holders of the Parent		364	29,684
Non-Controlling Interests		10,645	7,554
		11,009	37,238
Basic Earnings Per Share (cents per share)		0.38	39.89
Diluted Earnings Per Share (cents per share)		0.38	39.69
Other Comprehensive Income			
<i>Other comprehensive income to be reclassified to profit/loss in subsequent periods:</i>			
Exchange Differences on Translation of Foreign Operations		6,853	408
Gains/(Losses) on Cash Flow Hedges		13,598	-
Remeasurements of Post-Employment Benefit Obligations and Other		7,168	250
Tax on Other Comprehensive Income		(3,211)	(59)
Other Comprehensive Income after tax for the period		24,408	599
Total Comprehensive Income after tax for the period		35,417	37,837
<i>Total comprehensive income after tax for the period attributable to:</i>			
Equity Holders of the Parent		24,534	30,433
Non-Controlling Interests		10,883	7,404
		35,417	37,837

The above Consolidated Statement of Comprehensive Income (SOCl) should be read in conjunction with the notes to the Financial Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	HY23 \$'000	FY22 \$'000
ASSETS			
<i>Current Assets</i>			
Cash and Cash equivalents		192,944	259,329
Cash and Cash equivalents - Trust		834,434	333,131
Trade and Other Receivables		269,121	117,679
Lease Net Investment		757	1,020
Other Financial Assets		11,280	1,868
Deferred Acquisition Costs		10,327	-
Total Current Assets		1,318,863	713,027
<i>Non-current Assets</i>			
Trade and Other Receivables		4,234	739
Right of Use Asset & Lease Net Investment		62,765	23,851
Other Financial Assets		8,648	9,214
Property, Plant and Equipment		15,385	6,347
Investment in Associates	8	249,798	250,100
Intangible Assets and Goodwill		1,806,851	622,510
Deferred Tax Asset		16,940	14,694
Total Non-current Assets		2,164,621	927,455
Total Assets		3,483,484	1,640,482
LIABILITIES			
<i>Current Liabilities</i>			
Trade and Other Payables		950,348	415,654
Deferred Revenue from Contracts with Customers		23,151	10,384
Income Tax Payable		17,219	7,967
Provisions		158,852	29,104
Lease Liabilities		12,277	8,187
Interest-bearing Loans and Borrowings	6	16,720	8,941
Financial Liabilities	10	8,173	9,974
Total Current Liabilities		1,186,740	490,211
<i>Non-Current Liabilities</i>			
Provisions		9,417	4,502
Lease liabilities		54,549	18,752
Interest-bearing Loans and Borrowings	6	684,688	38,861
Financial Liabilities	10	220,980	72,876
Deferred Tax Liabilities		125,381	17,603
Total Non-Current Liabilities		1,095,015	152,594
Total Liabilities		2,281,755	642,805
Net Assets		1,201,729	997,677
EQUITY			
Issued Capital	11	784,065	608,520
Retained Earnings		205,122	247,278
Reserves	SOCIE	26,142	(1,304)
Equity attributable to equity holders of the parent		1,015,329	854,494
Non-Controlling Interests		186,400	143,183
Total Equity		1,201,729	997,677

The above Consolidated Statement of Financial Position (SOFP) should be read in conjunction with the notes to the Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2022

	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
	Issued capital	Retained earnings	Foreign currency translation reserve	Put option reserve	Hedge reserve	Defined benefit plan and other reserves	Share based payment reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2022	608,520	247,278	(6,179)	(8,161)	1,122	(867)	12,781	854,494	143,183	997,677
Net profit after tax for the period	-	364	-	-	-	-	-	364	10,645	11,009
Other comprehensive income 1 July - 31 December	-	-	6,853	-	10,148	7,168	-	24,169	239	24,408
Total comprehensive income for the period	-	364	6,853	-	10,148	7,168	-	24,533	10,884	35,417
Ownership changes without gaining / losing control (Note 8)	-	(7,483)	-	-	-	-	-	(7,483)	(7,564)	(15,047)
Non-Controlling Interests relating to new acquisitions & disposals	-	-	-	-	-	-	-	-	50,279	50,279
Transfer to put option reserve & impact of put option release	-	117	-	(117)	-	-	-	-	-	-
Net cost of share based payment	-	-	-	-	-	-	3,394	3,394	-	3,394
Issue of shares, net of issue costs	175,545	-	-	-	-	-	-	175,545	-	175,545
Equity dividends (Note 5)	-	(35,154)	-	-	-	-	-	(35,154)	(10,382)	(45,536)
At 31 December 2022	784,065	205,122	674	(8,278)	11,270	6,301	16,175	1,015,329	186,400	1,201,729

The above Consolidated Statement of Changes in Equity (SOCIE) should be read in conjunction with the notes to the Financial Report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2021

	Attributable to equity holders of the parent							Non-controlling interests	Total equity	
	Issued capital	Retained earnings	Foreign currency translation reserve	Put option reserve	Hedge reserve	Defined benefit plan and other reserves	Share based payment reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 July 2021	266,659	210,424	(1,519)	(7,057)	-	108	10,139	478,754	119,533	598,287
Net profit after tax for the period	-	29,684	-	-	-	-	-	29,684	7,554	37,238
Other comprehensive income 1 July - 31 December	-	-	499	-	-	250	-	749	(150)	599
Total comprehensive income for the period	-	29,684	499	-	-	250	-	30,433	7,404	37,837
Ownership changes without gaining / losing control (Note 8)	-	(3,761)	-	-	-	-	-	(3,761)	7,807	4,046
Non-controlling interest relating to new acquisitions	-	-	-	-	-	-	-	-	8,041	8,041
Transfer to put option reserve & impact of put option release	-	967	-	(967)	-	-	-	-	-	-
Net cost of share based payment	-	-	-	-	-	-	1,989	1,989	-	1,989
Issue of shares	-	-	-	-	-	-	-	-	-	-
Equity dividends (Note 5)	-	(29,017)	-	-	-	-	-	(29,017)	(6,830)	(35,847)
At 31 December 2021	266,659	208,297	(1,020)	(8,024)	-	358	12,128	478,398	135,955	614,353

CONSOLIDATED STATEMENT OF CASH FLOWS

HALF YEAR ENDED 31 DECEMBER 2022

		HY23	HY22
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		320,705	176,116
Dividends / trust distributions received from associates		20,456	22,900
Management fees received from associates/ related entities, and interest received		12,990	8,146
Payments to suppliers and employees		(279,179)	(144,738)
Income tax paid		(17,715)	(14,109)
Interest paid and original issuer discount		(32,456)	(2,879)
Interest paid - lease liabilities		(1,193)	(517)
Net cash from operating activities before customer trust account movements		23,608	44,919
Net increase/ (decrease) in cash held in customer trust accounts		40,769	(17,861)
NET CASH FLOWS FROM OPERATING ACTIVITIES		64,377	27,058
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of consolidated entities, net of cash acquired	7	(117,772)	(15,786)
Cash inflow from sale / deconsolidation of controlled entities		-	5,330
Payment for new associates and increases in holdings in associates		(7,207)	(5,532)
Proceeds from reduction in interests in associates		13,184	774
Payment for contingent consideration on prior year acquisitions		(13,958)	(4,153)
Net payment for new broking portfolios purchased / broking portfolios sold		(1,160)	(229)
Net payments from purchases / sales of plant and equipment, capitalised projects, and other assets		(1,567)	(987)
Net repayment of loans to associates / related entities		4,749	1,582
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(123,731)	(19,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		(35,154)	(29,017)
Dividends paid to shareholders/unitholders of non-controlling interests		(15,487)	(6,831)
Increase in borrowings		653,918	31,350
Repayment of borrowings		(4,316)	(13,552)
Payments of principal for lease liabilities		(4,186)	(3,614)
Payment of financial liabilities resulting from acquisition of controlled entity		(92,977)	-
Proceeds from reduction in interests in controlled entities		8,371	6,844
Payment for increase in interests in controlled entities		(18,683)	(2,800)
NET CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		491,486	(17,620)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		432,132	(9,563)
Cash and cash equivalents at beginning of the period		592,460	281,820
Impact as a result of foreign exchange		2,786	295
Cash and cash equivalents at the end of the period		1,027,378	272,552

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the Financial Report.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

1. CORPORATE INFORMATION

The consolidated financial statements are those of AUB Group Limited (the parent 'Company') and all entities that AUB Group Limited controlled (together the 'Group') during the half year and at the reporting date.

The interim financial report of AUB Group Limited for the six months ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 23 February 2023.

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

The principal activities of entities within the consolidated Group for the half year were the provision of services globally for insurance broking, agencies, and distribution of ancillary products within the support services businesses.

The registered office and principal place of business of the Company is Level 14, 141 Walker Street, North Sydney NSW 2060, Australia.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of the financial report

The general purpose condensed financial report for the half year ended 31 December 2022 has been prepared in accordance with AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

The financial report is presented in Australian dollars (\$) and all values are rounded to the nearest \$1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Company under ASIC instrument "Rounding in Financial / Directors' Reports" 2016/191. The functional currency of the Group and all segments other than New Zealand Broking and Tysers is Australian Dollars. The New Zealand Broking segment's functional currency is New Zealand dollars. The Tysers segment's functional currency is Great British Pounds.

The financial statements have been prepared on a going concern basis.

There are no changes to significant accounting judgements, estimates and assumptions from those used at 30 June 2022, except for those related to Tysers as outlined in Note 7. The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and the corresponding interim reporting period.

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

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 should be read in conjunction with the Group's Annual Consolidated Financial Statements as at 30 June 2022

Fair value

The carrying value of most of the Group's financial assets and financial liabilities approximate their fair value due to their short term nature. There were no material differences between the book value and the fair value of the Group's financial assets and liabilities.

Please refer to the Group's Annual Consolidated Financial Statements as at 30 June 2022 for further information on the Group's measurement of fair value of recognised assets and liabilities, and their classification in the fair value hierarchy.

b) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions are found in the relevant notes to the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill / intangibles and investments in associates

The Group determines whether goodwill is impaired at least on an annual basis and for any identifiable intangibles and investments in associates that have an indicator of impairment. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. COVID-19 was considered in our assessment of (1) EBIT market multiples, (2) required return on equity in relation to discounted cash flow (DCF) models and (3) future cash flow projections in DCF models. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 13 to the Group's Annual report as at 30 June 2022. At half year the Group performs a review of impairment indicators.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of contingent considerations

The Group recognises contingent consideration at fair value through profit or loss. The terms of contingent considerations vary between transactions but generally involves either (1) an EBIT or revenue (fixed) performance hurdle (generally 2-3 years) post the acquisition date (i.e. high water mark) or (2) future dated (generally 2-3 years) EBIT or revenue times a fixed multiple less historic payments made. See Note 7 for further details on current year transactions.

Re-estimation of put options financial liability

A financial liability has been recognised representing an estimate of the value the Group could be required to pay on the future exercise by holders of put options over non-controlling interests. The Group re-estimates the put options financial liability at the reporting date, taking into account the estimated future outcomes for income or profit, on which the purchase price will be determined. Generally this involves projecting the EBIT of the entity to the first exercise date multiplied by the expected EBIT multiple and projected net debt (based on known information and the company's gearing targets). Historical trends and any relevant external factors are taken into account in determining the likely outcome.

Deferred tax assets

Deferred tax assets (DTA) are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required in relation to DTAs recognised in relation to carry forward losses. The future profitability of each entity or tax consolidation group (if a part of a tax consolidation group) needs to be assessed including where a capital loss is made, the probability of a future capital gain to offset the carry forward capital loss. See Note 5 to the Group's Annual Report as at 30 June 2022 for further details.

Pensions

Tysers operates two defined benefit pension schemes, which require contributions to be made to separately administered funds. The cost of the defined benefit pension scheme and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in a valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Remeasurements, comprising actuarial gains and losses, the effect of any asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Climate change

Climate change is a material risk to the global economy including the insurance sector. As a result of an increased frequency and severity of climate related events, the availability and cost of insurance coverage for some of our customers may be materially impacted.

Our decentralised operating approach and diversified investment strategy helps manage concentration risk to locations, industries, and products. As a result we are not materially exposed to industries expected to be significantly impacted by climate change. There are opportunities for the Group to facilitate alternative insurance cover for customers impacted by climate change. There are also opportunities for the Group within new and emerging markets such as renewable energy.

Hedge Accounting

The Group uses derivative financial instruments, such as forward currency contracts to hedge its exposure to foreign currency risk in forecast transactions and firm commitments. At the inception of a hedge relationship, AUB Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Capital Risk Management

AUB Group's risk management policy is to identify, assess, and manage risks, which are likely to adversely impact on its financial performance, continued growth and its survival. In terms of financial risk management, the Group takes a risk-averse approach, and seeks to minimise risk, whilst bearing in mind cost effectiveness. AUB will not engage in speculative activity, nor will it explicitly seek opportunities to profit from expected movements in the financial markets. The Group hedges cash flows where there is a mis-match in receipts compared to the functional expense base of an entity. As at 31 December 2022, AUB Group's hedge program includes foreign currency hedges, to mitigate the risk of variability of operating cash flows in caused by foreign currency fluctuations. The current hedges are designed to ensure that USD revenue exposures are hedged to GBP, the Tysers operating currency. Where possible the Group takes advantage of natural hedges offsetting foreign currency assets and liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation are the same as those adopted at 30 June 2022. The 31 December 2022 financial statements, and respective notes to the financial statements have been prepared in accordance with the new and amended accounting standards.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2022:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

3. OPERATING SEGMENTS

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

1. **Australian Broking:** assesses the insurable risks and risk appetite of customers and sources relevant insurance products from insurers and underwriters to meet the needs of the customer. Post policy-binding services primarily include claims handling on behalf of the customer (claims preparation). Customers generally comprise Small and Medium Enterprise (SME) businesses, however services are also provided to larger institutions and to individuals.
2. **Agencies:** assesses, on behalf of the insurer, the risk profile of the end customer and pricing of policies requested by brokers. Post policy-binding services primarily include claims handling on behalf of the insurer (claims processing). Business is largely generated by brokers operating within the SME insurance sector. Agencies do not incur or hold policy liabilities.
3. **New Zealand Broking:** provides broking services within the New Zealand market. Operations are centrally monitored and managed by AUB Group NZ Limited. As a distinct overseas operation and investment, performance of the segment is separately monitored.
4. **Support Services:** provides a diversified range of services to support the Broking, Agency, and New Zealand segments, and external clients. Services include post claim rehabilitation, investigation, loss adjusting, legal, white labelling, Group captive insurance and AUB Group head office support. These sub segments are not individually reportable.
5. **Tysers:** includes Wholesale and Retail broking and Managing General Agents (MGA) and is headquartered in London. This is a separately reportable segment given Tysers is largely UK based operating mainly in markets outside Australia. Tysers operates across:
 - Wholesale broking: wholesale broker to the Lloyd's marketplace with global distribution largely through retail brokers.
 - Retail broking: provides retail broking services within the UK market.
 - Managing General Agents: operates insurer delegated authorities, both in-house and through third parties.

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

Each segment, except Support Services, contains entities which operate within a uniform regulatory environment, and contains similar characteristics in relation to customer profile and operational risks.

Underlying Net Profit Before Tax

Performance of segments is reviewed by the Chief Operating Decision Maker ('CODM') on an Underlying net profit before tax (UNPBT) basis. UNPBT excludes the effects of non-recurring events or other items not representative of the underlying operations of the Group. Items of income and expenditure which do not represent the underlying performance of the Group and segments include restructuring costs, acquisition costs, fair value gains / losses, profits / losses on sale, amortisation of broking registers and impairments. Such items are considered to be a result of non-recurring events or non-representative of the underlying operations of the Group and its segments. UNPBT also excludes non-controlling interests to reflect the performance attributable to the shareholders of the Group.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

3. OPERATING SEGMENTS (continued)

Underlying net profit after tax (UNPAT) reconciles to the Profit after income tax attributable to equity holders of the parent (Reported NPAT) within the Statement of Comprehensive Income (SOC1) as follows:

	Notes	HY23 \$'000	HY22 \$'000
Net Profit After Tax attributable to equity holders of the parent	SOC1	364	29,684
Add back / (less) net impact (after NCI and income tax):			
- Amortisation of broking registers		16,265	5,520
- Adjustments to value of entities (to fair value) on the day they became controlled entities		(1,814)	(8,868)
- Remeasurement of put option liability (net of Interest unwind)		117	968
- Impairment charge		-	7,591
- Movements in contingent consideration, net of impairment charge		3,560	-
- (Profit) / loss on deconsolidation of controlled entities		-	(3,079)
- Equity accounted profits not previously recognised		-	(510)
- Profit from sale or dilution of interests in associates, controlled entities and broking portfolio		(7,586)	(1,695)
- Impairment of the Right of Use Asset and Onerous Lease Expense		-	283
- Legal and due diligence costs		35,752	727
Underlying Net Profit After Tax		46,658	30,621
Represented by:			
Underlying profit before tax		65,948	43,914
Tax expense		(19,290)	(13,293)
Underlying Net Profit After Tax		46,658	30,621

	6 months ended 31 December 2022					
	Australian Broking	Agencies	New Zealand Brokers	Tysers	Support Services	Total
Segment Financial Performance	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Inter-segment revenue	1,825	-	-	-	9,491	11,316
Revenue from external customers	131,672	57,294	27,177	93,944	988	311,075
Total revenue and other income	133,497	57,294	27,177	93,944	10,479	322,391

Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	22,066	1,248	490	-	5,671	29,475
Total income	155,563	58,542	27,667	93,944	16,150	351,866
Less: Expenses						
Total underlying cost to provide services and administrative expenses	(87,435)	(38,351)	(19,378)	(69,978)	(20,668)	(235,810)
Inter-segment expenses	(660)	(3,027)	(2,045)	(5,584)	-	(11,316)
Interest paid and other borrowing costs	(4,700)	(20)	(451)	(29)	(12,667)	(17,867)
Non-controlling interest	(14,673)	(4,856)	(1,018)	(378)	-	(20,925)
Underlying Net Profit Before Tax	48,095	12,288	4,775	17,975	(17,185)	65,948

*Management fees and interest on loans are recognised as revenue within the Support services segment, and as an expense within other segments.

**Excludes non-operating expenses, refer to preceding table for reconciliation between statutory profit and underlying profit before tax.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

3. OPERATING SEGMENTS (continued)

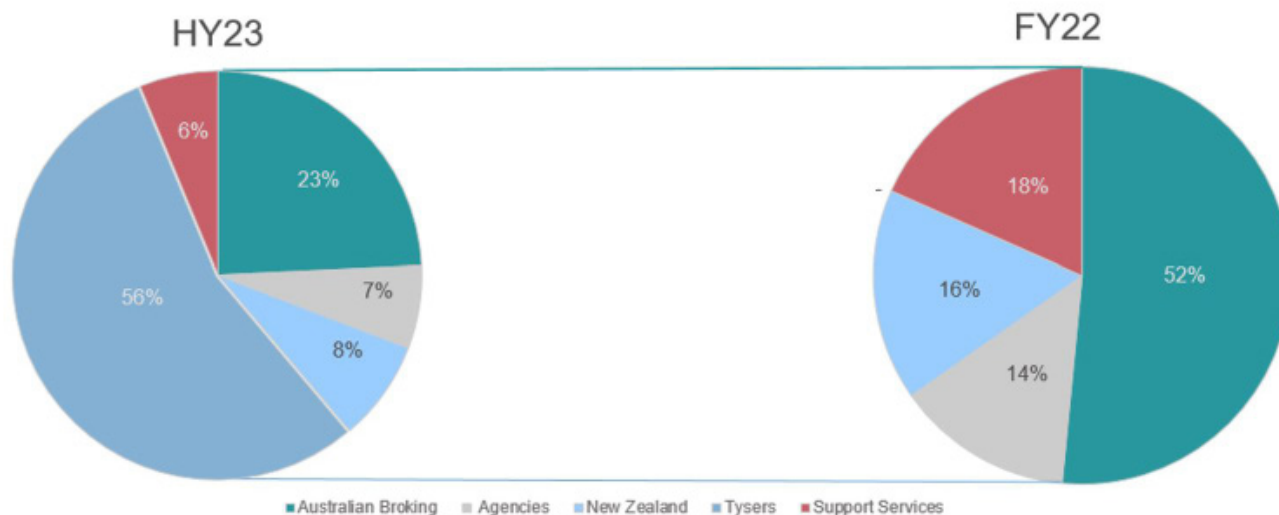
	6 months ended 31 December 2021					Total
	Australian Broking	Australian Agencies	New Zealand Brokers	Support Services	Tysers	
Segment Financial Performance	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Inter-segment revenue	1,007	-	-	903	-	1,910
Revenue from external customers	92,126	41,693	23,087	49	-	156,955
Total revenue and other income	93,133	41,693	23,087	952	-	158,865
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	20,486	1,371	851	4,921	-	27,629
Total income	113,619	43,064	23,938	5,873	-	186,494
Less: Expenses						
Total underlying cost to provide services and administrative expenses**	(68,229)	(28,680)	(19,163)	(10,641)	-	(126,713)
Inter-segment expenses*	(1,011)	-	(899)	-	-	(1,910)
Interest paid and other borrowing costs	(823)	-	(6)	(2,083)	-	(2,912)
Non-controlling interest	(5,243)	(5,479)	(323)	-	-	(11,045)
Underlying Net Profit Before Tax	38,313	8,905	3,547	(6,851)	-	43,914

*Management fees and interest on loans are recognised as revenue within the Support services segment, and as an expense within other segments.

**Excludes non-operating expenses, refer to preceding table for reconciliation between statutory profit and underlying profit before tax.

Segment Non-Current Assets

The total of non-current assets other than financial instruments and deferred tax assets are provided in the following graphs. The measurement of segment non-current assets follows the accounting policies of the Group.



Intangible assets such as goodwill, and investment in associates have been presented within the segment the respective underlying operations is contained.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

4. REVENUE AND EXPENSES

The Group will recognise as revenue the amount of the transaction price that is allocated to the performance obligation, excluding any amounts highly probable of significant reversal, when the performance obligation has been satisfied.

Expenses including salaries and wages, business technology and software costs, insurance, advertising and marketing, and interest are recognised as incurred or as services are provided to the Group. For further information on the Group's policies, please refer to the 2022 Annual Report.

	HY23	HY22
	\$'000	\$'000
i) Revenue from contracts with customers		
Commission, brokerage and fee Income	293,083	146,341
Other revenue	9,090	10,235
Total revenue from contracts with customers	302,173	156,576
Recognised at a point in time	281,170	146,811
Recognised over time	21,003	9,765
ii) Share of profit of associates		
Share of associates profits after tax but before amortisation	19,742	21,288
Amortisation of intangibles – Associates	(3,177)	(3,322)
Total share of profit of associates	16,565	17,966
iii) Expenses		
Salaries and wages	158,627	79,245
Business technology and software costs	21,071	8,769
Commission expense	15,789	9,572
Amortisation / impairment of right of use asset and rent expense	7,132	4,729
Amortisation of broking registers and contract asset	18,584	4,742
Amortisation of capitalised project costs	476	297
Depreciation	1,735	1,097
Insurance	9,914	6,776
Advertising, marketing and travel costs	12,275	3,046
Acquisition related expenses	26,616	1,947
Other expenses	18,807	10,503
Total cost to provide services and administrative expenses	291,026	130,723
iv) Finance Costs		
Interest paid and other borrowing costs	17,867	2,912
Interest unwind on lease liability	1,192	500
Interest unwind on put option liability	117	98
Finance charge on movement in trust minority	5,160	-
Total finance costs	24,336	3,510

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

4. REVENUE AND EXPENSES (continued)

	HY23 \$'000	HY22 \$'000
v) Adjustments to carrying value		
Adjustment to contingent consideration on acquisitions	(12)	-
Remeasurement of put option liability	-	(870)
Impairment to carrying value of associates and goodwill	-	(8,500)
Fair value adjustment relating to the carrying value of associates and goodwill	1,814	8,922
Total adjustments to carrying value	1,802	(448)
vi) Profit from sale or dilution of interests in controlled entities, associates and insurance broking portfolios		
Profit on sale of controlled entities leading to deconsolidation	-	3,788
Profit from sale or dilution of interests in associates, controlled entities and broking portfolios	11,893	1,687
Total profit from sale or dilution of interests in controlled entities, associates and insurance broking portfolios	11,893	5,475

5. DIVIDENDS PAID AND PROPOSED

	HY23 \$'000	HY22 \$'000
Equity dividends on ordinary shares:		
<i>Dividends paid or recognised as a liability during the period</i>		
Final franked dividend for financial year ended 30 June 2021: 39.0 cents	-	29,017
Final franked dividend for financial year ended 30 June 2022: 38.0 cents	35,154	-
Total dividends paid/provided in current period	35,154	29,017
 <i>Dividends proposed and not recognised as a liability</i>		
Interim franked dividend for financial year ended 30 June 2022: 17.0 cents	-	12,658
Interim franked dividend for financial year ended 30 June 2023: 17.0 cents	17,260	-
	17,260	12,658

In addition to the above, dividends paid to non-controlling interests totalled \$10.38m (HY22:\$6.83m).

The tax rate at which paid and proposed dividends have been franked is 30% (HY22: 30%).

The Dividend Reinvestment Plan (DRP) remains suspended and will not apply to the interim dividend.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

6. INTEREST BEARING LOANS AND BORROWINGS

Group Borrowing facilities as at 31 December 2022

AUB Group entered into a Syndicated Debt Facility totaling \$675m to fund the completion of the Tysers acquisition. The facility has a maturity date of 30th September 2027. The total facility consists of:

- Tranche A: AUD term facility of \$525m (amortising \$1.5m per quarter).
- Tranche B: multi-currency facility of \$150m.

At 31 December 2022 the total outstanding facility balance is \$640.9m. AUB Group Limited's borrowing facilities are subject to financial undertakings and warranties typical of facilities of this nature and have sub-limits for various purposes including acquisitions.

A small number of controlled entities within the Group in Australia and New Zealand have negotiated facilities with other banks. During the current and prior periods, there were no defaults or breaches of terms and conditions of any of these facilities.

Group leverage ratio

The Group monitors capital using the leverage ratio. Leverage is calculated as Net Debt divided by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).

- Net Debt contains the Group's interest-bearing loans and borrowings, plus other debt (including guarantees) plus the Group's contingent consideration plus the Group's share of borrowings and contingent consideration in relation to associates less Uncommitted Cash and Cash Equivalents.

Contingent consideration excludes contingent consideration recognised by wholly owned Group entities.

Uncommitted cash and cash equivalents excludes trust accounts, and restricted cash such as to meet regulatory obligations.

- EBITDA is calculated on a forward looking basis. EBITDA includes the Group's share of associate EBITDA plus an annualised EBITDA of entities acquired during the period plus any pro forma cost synergies achieved during the period in relation to entities acquired less contribution of EBITDA for any entities disposed during the period.

	HY23	FY22
	\$'000	\$'000
Leverage ratio		
Interest-bearing loans and borrowings	701,408	47,802
Other debt and contingent consideration	19,861	19,231
Interest-bearing loans, borrowings & contingent consideration payable - associates (AUB Group share)	26,729	31,063
Uncommitted cash and cash equivalents	(57,784)	(196,550)
Total Net Debt	690,214	(98,455)
 Total EBITDA- controlled entities	 187,268	 84,195
Total EBITDA- associates (AUB Group share)	64,542	62,450
Total EBITDA	251,810	146,645
Leverage Ratio - Net Debt/EBITDA	2.74	(0.67)

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL

Business combinations

A major strategy of the Group is to acquire equity in insurance broking, underwriting agency and other insurance intermediary 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.

The business combinations in the current period relate to insurance broking and agency businesses in Australia and New Zealand, and the purchase of Tysers which is incorporated in the UK.

For further information on the Group's policies, please refer to the 2022 Annual Report.

a) During the current period, the following transactions occurred:

- Effective 8 September 2022, AUB Group acquired 100% of Strata Unit Underwriting Agency Pty Ltd.
- Effective 30 September 2022, the Group acquired 100% of Integro Insurance Brokers Holdings Limited and entities it controls (collectively "Tysers") for GBP 520m comprising GBP 320m in cash, GBP 100m in AUB shares, and GBP 100m in contingent consideration. The contingent consideration is subject to Tysers meeting revenue growth hurdles within 24 months of completion. The fair value of the contingent consideration at acquisition date is based on the probability weighted outcome discounted over 24 months at 9.88%.

Tysers is a leading Lloyd's and London based broker with access to specialist underwriting expertise and global distribution capabilities. Tysers operates primarily out of the UK but has operations in more than a dozen countries, and services clients in more than 100 countries.

Tysers is a material acquisition for the Group. The acquisition will enable the Group to enhance client service, by increasing capacity for harder to place risks for our clients and generate synergies through economies of scale, cost rationalisation and direction of wholesale placement from our Agencies to Tysers. The acquisition will also provide Brokers and Agencies across the Group to access capabilities and facilities in the Lloyd's and International markets. Additional synergies are expected from increased capacity and new product offerings.

Total transaction costs for the Tysers acquisition were \$35m of which \$19m was expensed in the prior year

Regulatory investigation

Tysers Insurance Brokers Limited ("TIBL"), a subsidiary of the Group received notification in 2020 (prior to AUB's acquisition of TIBL) from law enforcement agencies in the UK and the US that it is the subject of investigations into suspicions of bribery and corruption in relation to historic conduct between 2013 and 2017, in respect of one particular client based in a specific territory, by Integro Insurance Brokers Limited (the former trading and registered name of TIBL), its employees, agents and associated persons, and also into related suspicions of money laundering. TIBL is cooperating with all ongoing investigations related to this matter and no charges have been brought against it in either the UK or the US. The potential outcome and total costs associated with the regulatory investigation remain uncertain.

- Effective 1 December 2022, Broker Web Risk Services Limited (BWRS) acquired 100% of shares in Prism Group Limited (Prism). Prism owns 100% of the shares ICIB Limited, which provides broking and risk management services to individuals and business in New Zealand. As part of the transaction, Prism acquired 25.76% of shares in BWRS, resulting in AUB diluting its ownership in BWRS from 100% to 74.24%.

The above acquisitions have been provisionally accounted for as the initial accounting for the business combinations are incomplete at the reporting date. The accounting will be completed within 12 months of the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL (continued)

i) During the period the following transactions occurred:

Business Acquired	Transaction date(s)	HY23	FY22
		% /\$'000	%
SRS Broking Pty Ltd	01-Jul-22	100.00%	0.00
Strata Unit Underwriting Agency Pty Limited	31-Aug-22	100.00%	0.00
Tysers Insurance Brokers Limited	30-Sept-22	100.00%	0.00
Prism Group Limited	01-Dec-22	74.24%	0.00
All other transactions	Various	Various	Various
Total consideration paid for all additional interest acquired		1,068,156	
Less contingent/deferred consideration		152,787	
Less shares issues by the AUB Group Limited		215,016	
Less cash acquired		122,047	
Less trust cash acquired		460,534	
Payments for acquisition of consolidated entities, net of cash acquired		(117,772)	
Goodwill arising on acquisition related to the Group		638,760	
Goodwill arising on acquisition relating to non-controlling interests		19,824	
Total Goodwill arising on acquisition		658,584	
Other intangibles including deferred taxes		381,834	
Net increase in non-controlling interest		48,525	

The total Revenue and Net Profit After Tax recognised during 6 months ended 31 December 2022 in relation to the current period acquisitions were \$118.1m, and \$5.2m respectively. Group revenue would have been \$212.9m had all of the above transactions closed on 1 July 2022. The profit contribution to the Group had all the above transactions closed on 1 July is impractical to measure given significant change in operational and financing aspects of the acquirees prior to acquisition.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL (continued)

The fair value of the identifiable assets and liabilities recognised as a result of the acquisition of Tysers are as follows:

	Tysers \$'000
ASSETS	
Cash and Cash equivalents*	116,911
Cash and Cash equivalents - Trust	422,766
Trade and Other Receivables	154,984
Right of Use Assets and Lease Net Investments	36,225
Intangible Assets	479,077
Property, Plant and Equipment	9,063
Deferred Acquisition costs	10,320
Total Assets	1,229,346
LIABILITIES	
Trade Payables	598,290
Deferred Revenue from Contracts with Customers	9,694
Provisions	93,853
Lease Liabilities	37,198
Deferred Tax Liability	95,410
Total Liabilities	834,445
Net Assets	394,901
Total consideration paid for interest acquired**	937,099
Less contingent/deferred consideration	152,611
Less shares issued by AUB Group Limited	175,870
Less cash acquired	116,911
Less trust cash acquired	422,766
Payments for acquisition of controlled entity, net of cash acquired**	(68,941)
Total Goodwill arising on acquisition	542,198

*Includes restricted cash of \$5.6m held for regulatory capital purposes. The cash is not freely available and can only be utilised by Tysers in an acute liquidity event.

**Includes \$23m transferred from Hedge reserve, being the effective portion of the cash flow hedge that had accumulated in the Hedge reserve. The cash flow hedge had been entered into to hedge foreign currency risk on the business combination, which qualified as a highly probable forecast transaction. The movement in the current period in the cash flow hedge reserve was \$22m (balance at 1 July 2022: \$1m).

Loss of Control

During the period there were no significant transactions which resulted in the Group losing control of any of its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

8. INVESTMENT IN ASSOCIATES

The Group's investments in its associates are accounted for under the equity method of accounting in the Consolidated Financial Statements. Associates are entities in which the Group has significant influence, and which are not controlled entities. The Group deems that it has significant influence if it has more than 20% of the voting rights.

For further information on the Group's policies, please refer to the 30 June 2022 Annual Report.

There were no significant transactions related to associates during the period.

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

- The principal activity of each associate is insurance broking or agency business and The Procure Group Pty Ltd offers investigation, and loss adjusting services.
- There have been no significant subsequent events affecting the associates' profits for the period.

9. SHARES IN CONTROLLED ENTITIES

New acquisitions of controlled entities or transactions which lead to the Group obtaining or losing control in an entity during the current and previous period are disclosed in Note 7. The following transactions involve transactions between owners where there is no change in the control assessment.

During the current period, the following transactions occurred:

Entity	Transaction date(s)	HY 23	FY 22
Increase in voting shares		%	%
AUB Group NZ Ltd	01-Jul-22	100.00%	89.30%
All other transactions	Various	Various	Various
Decrease in voting shares			
Austbrokers InterRisk Pty Ltd	01-Jul-22	51.00%	80.00%
Austbrokers RWA Pty Ltd	01-Jul-22	51.00%	60.00%
Austbrokers Southern Pty Ltd	01-Jul-22	51.00%	80.00%
All other transactions	Various	Various	Various

10. FINANCIAL LIABILITIES

	HY23	FY22
	\$'000	\$'000
<i>Current</i>		
Contingent or deferred consideration payables	3,670	8,352
Financial Liability at amortised cost	4,356	1,622
Actuarial Liability	147	-
Total financial liabilities (current)	8,173	9,974
<i>Non-current</i>		
Contingent or deferred consideration payables	155,790	9,224
Financial Liability at amortised cost	49,708	50,239
Actuarial Liability	7,204	5,252
Put Options	8,278	8,161
Total financial liabilities (non-current)	220,980	72,876

NOTES TO THE FINANCIAL STATEMENTS

HALF YEAR ENDED 31 DECEMBER 2022

11. ISSUED CAPITAL

	HY23	FY22
	\$'000	\$'000
Issued capital opening balance	608,520	266,659
Issue of shares net of issue costs	175,545	341,861
Issued capital closing balance	784,065	608,520

	Shares No.	Shares No.
Number of shares on issue (ordinary shares fully paid)	101,530,518	92,409,126

Movements in number of shares on issue

Beginning of the financial period	92,409,126	74,403,507
Issue of shares*	-	17,950,069
Number of shares issued during the period - options exercised	102,418	55,550
Issue of shares- acquisition**	9,018,974	-
Total shares on issue	101,530,518	92,409,126

Weighted average number of shares on issue at end of period	96,838,915	76,545,637
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*On 9 May 2022 AUB announced a \$350m fully underwritten capital raise as a partial funding mechanism of the Tysers acquisition (refer to Note 20 in the Group's 30 June 2022 Annual Report for further information). 17,950,069 ordinary shares were issued at \$19.50 (including a 10.6% discount to the Theoretical Ex-Rights Rights (TERP)) in a 1 for 5.2 pro-rated accelerated non-renounceable entitlement offer. Both the institutional and retail components of the capital raise were completed by 1 June 2022. \$7.92m of capital raising costs have been directly charged to equity

** On 30 September 2022, AUB issued 9,018,974 shares at \$19.50 to the vendors of Tysers as part of the acquisition (refer to Note 7 for further information). The shares whilst issued are held in escrow for 2 years.

Ordinary shares have the right to receive dividends and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary share capital is recognised at the fair value of the consideration received by the company, net of issue costs.

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

12. SUBSEQUENT EVENTS

Effective 1 January 2023, the Group acquired a further 25% of AEI Insurance Group Pty Ltd (AEI) increasing its holding to 65%. On this date the Group gained control of AEI.

On 22 February 2023, the Directors of AUB Group Limited determined an interim dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is \$17.2m which represents a fully franked dividend of 17 cents per share. The dividend has not been provided for in the 31 December 2022 financial statements.

DIRECTORS DECLARATION

HALF YEAR ENDED 31 DECEMBER 2022

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 2022 and of its performance for the 6 month period ended on that date;
 - ii. complying with Australian 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
Chair
Sydney, 22 February 2023



M. P. C. Emmett
Chief Executive Officer and Managing Director
Sydney, 22 February 2023

INDEPENDENT AUDITOR'S REPORT

HALF YEAR ENDED 31 DECEMBER 2022



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of AUB Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the halfyear 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, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply 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 2022 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half year financial report

The directors of the Company are responsible for the preparation of the halfyear 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the halfyear financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the halfyear financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the halfyear ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Ernst & Young

Michael Wright
Partner
Sydney
22 February 2023

Stacey Hooper
Partner
Sydney
22 February 2023

