ANNUAL REPORT 2017

SAFEGUARDING A STRONGER FUTURE

AUB GROUP

OUR VALUES

RELATIONSHIP FOCUSSED

We are respectful, collaborative and seek to amplify potential.

GENUINE

We are easy to deal with, honest and fair.

RESOURCEFUL

We are creative and agile in our delivery of the best outcome.

ASPIRATIONAL

We are progressive, explore opportunities for growth and continually raise the bar.

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OUR PURPOSE:

SAFEGUARDING A STRONGER FUTURE

Since our inception in 1985, we committed ourselves to safeguarding a stronger future for clients, partners, employees and shareholders - and we stand by that commitment today.

We're building our company by placing clients at the heart of everything we do – providing products, services and solutions that help protect them from harm, damage and financial burden. Our partners and advisors provide trusted support and guidance to clients on the optimal combination of physical, people and financial risk solutions.

Our approach is backed by the same commitment to high-quality service that we've had from the start. Our services are designed to help our partners operate safely, manage the business more profitably, and achieve better outcomes for clients.

Together we're providing a safer and stronger future for all.

For clients: We're dedicated to provide advice and options that extend beyond general business insurance into other business and personal protection products. Clients sit at the heart of everything we do and we never forget that we exist to provide a safer future for them, their business and their families.

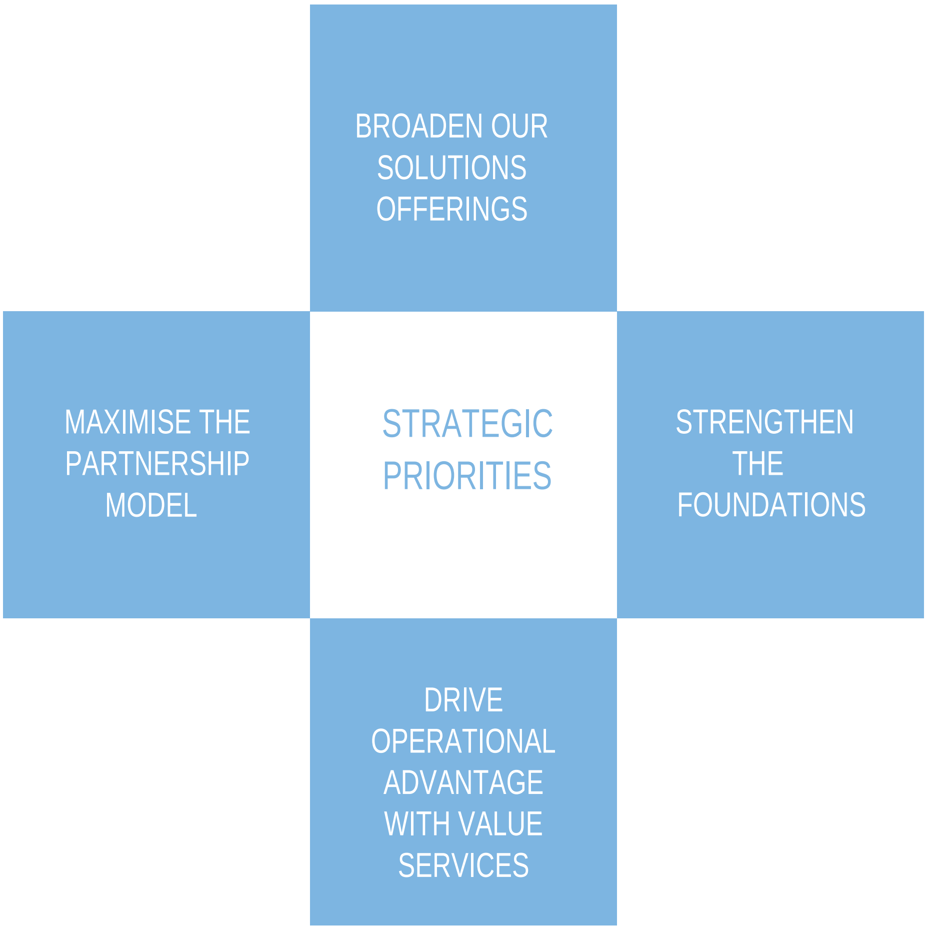
For our partners: Hundreds of thousands of client policies are handled by our partners each year. As the trusted advisors for clients, our partners play an important role in providing the best solutions and advice. When they thrive, we thrive, so we're committed to work alongside them.

For our employees: We employ market leading individuals. Our people are the driving force of our business, and the reason we make it possible to provide market leading products, services and solutions to clients. We provide opportunities for them to grow in a nurturing and supportive environment.

For our shareholders: We're committed to ensuring strong returns and a growing business to safeguard our shareholders financial investment.

OUR STRATEGIC INTENT:

HELPING CLIENTS REALISE A STRONGER, MORE PROTECTED FUTURE, THROUGH VALUED ADVICE SOLUTIONS AND SERVICES



Maximise the partnership model

Our partners are one of our biggest competitive advantages. We will continue to invest in delivering opportunities for partners to grow and thrive. They have confidence in our group and know that clients will benefit from a trusted advisory experience across all insurance and risk needs – physical, financial and people related.

Broaden our solutions offerings

We're committed to better serve clients and help them secure their future. We'll continue to expand our horizons to deliver risk and insurance products and services that are designed to protect them from harm, damage and financial burden. Our offerings are genuinely client centric, comprehensive and relevant.

Drive operational advantage with value services

We'll continue to excel at the things we are good at and ensure our services create value. They'll be more efficient, sustainable and profitable - focused on providing a better client outcome and revenue growth. We will help drive productivity through simplifying the business.

Strengthen the foundations

We know that we will not achieve our strategy unless we have solid foundations. Our people will be supported with enhanced capabilities; we will remain disciplined in our approach to investments; and we will collectively drive our desired outcomes with shared accountabilities.

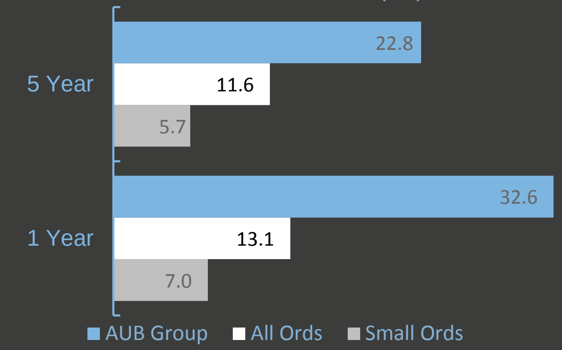
PERFORMANCE HIGHLIGHTS

DELIVERING STRONG PROFIT AND REVENUE GROWTH

Group Revenue increased to $264.5M [1]	+13.1%
Adjusted NPAT growth to $40.4M [2]	+7.5%

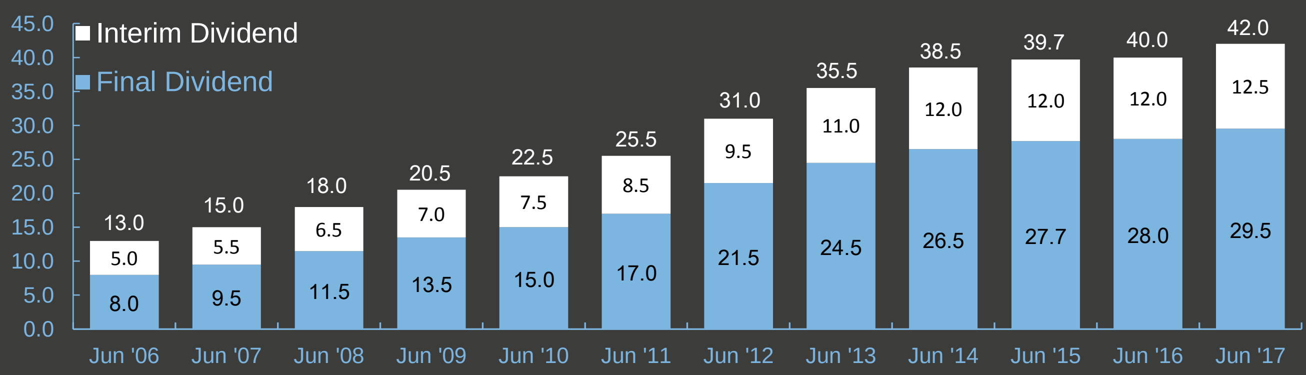
A TRACK RECORD OF ACHIEVING POSITIVE SHAREHOLDER RETURNS

Total Shareholder Return (%)[3]



12 CONSECUTIVE YEARS OF DIVIDEND INCREASES

Dividend Per Share (cents)



[1] Revenue from ordinary activities include; revenue, other income and profit from associates

[2] Removes the impact of one-off non-cash adjustments, profit on sales and amortisation

[3] AUB Group and S&P reports

DISCIPLINED EXECUTION OF OUR STRATEGY ACROSS ALL AREAS - SAFEGUARDING A STRONGER FUTURE

Maximise the partnership model

Positive NPS[4]	18
New partnerships	+2
Improved profit margin	60 basis points

Broaden our solutions offering

Client policy growth	+5.0%
Life insurance premium (organic)	+12%
Supporting clients with claims	+5%

Strengthen the foundations

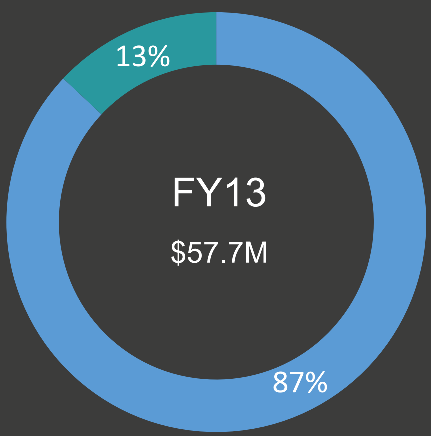
Employee engagement score	+13%
Leadership academy participation	+38%

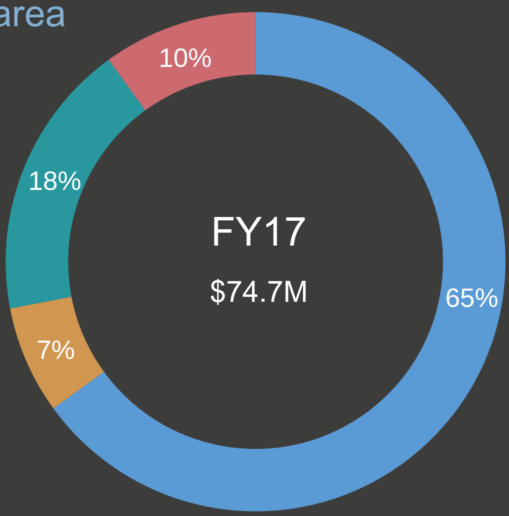
Drive operational advantage

Partner marketing service usage	+6%
Deployment of specialist risk services employees nationally	+45%

REALISING A BALANCED BREADTH OF SOLUTIONS AND GEOGRAPHIES

Pre-tax profit contribution by business area





Australian Broking Underwriting Risk Services New Zealand Broking

[4] Net Promoter Score (NPS) from Reflections Research report July 2016. An NPS >0 is positive.

OUR BUSINESS AREAS

AUB Group represents over 1 million client policies via 135 partner businesses across more than 425 locations in Australasia. Combined, we have over 3,500 people focused on serving clients, and collectively manage over $4.5 billion in policy premium.

By operating across key areas of risk we are helping our clients to safeguard a stronger future across Australia and New Zealand.

BROKING NETWORKS

AUB Group's insurance broking networks (Austbrokers and NZbrokers) are represented by almost 110 businesses across Australia and New Zealand.

UNDERWRITING

SURA is a broad group of specialised underwriting agencies that underwrite, distribute and manage specific niche insurance products and portfolios on behalf of licensed insurance companies, including Lloyd's. With expert underwriters at each agency, SURA is able to provide purpose-built insurance cover, a comprehensive understanding of the risks associated and offer tailored and competitive insurance solutions specific to client industry and need.

RISK SERVICES

Our Risk Services partners specialise in providing specialist risk solutions primarily in the people/workplace risk arena. We provide comprehensive risk management and claims solutions for clients, insurance brokers and insurance companies.

AUSTRALIAN BROKING

Client policies[1]	>588,000
Locations where clients can reach us	238
Clients we assist with claims each day	220

NEW ZEALAND BROKING

Client policies[2]	>310,000
Locations where clients can reach us	85
Clients we assist with claims each day	90

UNDERWRITING

Client policies	+13%
Locations where clients can reach us	38
New partners/start-up agencies	+3

RISK SERVICES

Locations where clients can reach us	67
Increase in fee earning personnel	45%
Increase in revenue	+33%

[1] Total client policy increase from Austbrokers network of equity partners in FY17.

[2] Total client policy increase from NZbrokers network (equity and non-equity) partners in FY17.

THE BOARD

DAVID CLARKE

Chairman

David has 35 years' experience in investment banking, funds management, property and retail banking. He has formerly held roles as CEO of Investec Bank, Allco Finance Group, MLC and Westpac's Wealth Management Business, BT Financial Group. He was also Director of AMP. David is Chairman of The University of New South Wales Medicine Advisory Council, Charter Hall Group and a Director of Fisher Funds Management Limited. He serves on the Audit Committee and Chairs the Nomination and Remuneration & People Committees.

MARK SEARLES

CEO & Managing Director

Mark has been in the role since 2013. He has over 25 years' experience in senior executive roles, including Chief Commercial Officer at CGU, a division of IAG. Managing Director, Direct & Partnerships and Chief Marketing Officer with Zurich Financial Services in the UK, and Marketing and Group Brands Director with Lloyds TSB Group. Mark serves on the Boards of a number of Group companies including undertaking the role of Chairman of Austagencies, AUB Group NZ and AIMS amongst others.

PAUL LAHIFF

Non-Executive Director

Paul was previously Chief Executive of Mortgage Choice. Prior to that he was Executive Director of Heritage Bank and Permanent Trustee and held senior roles in Westpac in Sydney and London. Paul is also Chairman of NPP Australia and a Director of Endometriosis Australia, LIXI Australia and is Chair of Retail Finance Intelligence. Paul holds a BSc from Sydney University. He serves on the Audit & Risk Management, Nomination and Remuneration & People Committees.

RAY CARLESS

Non-Executive Director

Ray has over 35 years' experience in the insurance industry based in Australia but with management responsibilities throughout the Pacific Rim. He previously held the positions of Managing Director of reinsurance brokers Benfield Greig in Australia, and has also been a director of the worldwide holding company located in London for 10 years. He has been a director of a number of companies involved in the Australian insurance industry. Ray serves on the Audit & Risk Management, Nomination and Remuneration & People Committees.

ROBIN LOW

Non-Executive Director

Robin was a partner at PwC with 28 years' experience in financial services, particularly insurance, assurance and risk management. Robin is a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations. Robin serves a Director of CSG, Appen, IPH, the Australian Reinsurance Pool Corporation and Gordian Runoff. She is Chair of the Audit & Risk Management Committee and serves on the Nomination and Remuneration & People Committees.

CHAIRMAN'S MESSAGE

It has been another positive year for AUB Group, with the company making good progress on its strategy, and delivering sound results towards the upper end of our guidance.

The Group's portfolio showed its value in a complex market, with all business areas achieving growth. With the focus on optimising profitability and performance across the entire portfolio of businesses, the achievement of 7.5% growth of underlying Net Profit After Tax, and a 6.2% increase in Earnings Per Share, was encouraging.

Market Conditions. The soft premium cycle in Australasia stabilised in the financial year, with premium rates in commercial lines insurance evidencing growth in the last quarter. An increasing premium rate environment positively impacts income for our Broking and Underwriting Agencies' business areas and provides confidence as we look to financial year 2018.

The industry landscape and competitive pressure continued to change, with greater emphasis on technology seeing InsureTech offerings start to emerge. Many of these look to increase the operational efficiency of various parts of the insurance value chain. The pace of innovation in this arena is continuing to accelerate. Recognising this, from a Group perspective we have completed a review of our core network and infrastructure capability and how we deliver that to our partners. This will mean some change moving forward and we are confident it will place a better solution in the hands of our business partners.

Shareholder Value. The Group has achieved strong Earnings Per Share growth, generated from prudent capital management throughout the year.

We have declared a final dividend of 29.5 cents per share, the total dividend for the year increased to 42.0 cents per share.

AUB Group is in a strong financial position, and our investments to diversify our client offering and strengthen our operations have put the Group in a position to provide more comprehensive risk protection solutions to our clients.

Board and People Update. The Board and Executive team composition was stable over the year. The Board introduced an additional oversight to its Corporate Governance this year by appointing a main Board Director to the Boards of our business divisions within the Group. This initiative was instituted from the growth of New Zealand, SURA and Risk Services and the Boards' belief that it would enhance decision making and risk management at the Group level.

We continue to invest and build the capability of our leaders, and this year accelerated the expansion of our AUB Group Academy. This leadership based program is aimed at building capability in the areas of strategic thinking, emotional intelligence, change management and resilience skills. The Group has partnered with learning and development experts to design and deliver this program, and on completion, participants achieve a Diploma of Leadership and Management from the Australian Institute of Management (AIM). We are committed to creating opportunities for our people while at the same time enhancing our skills and capabilities as an organisation.

Look Forward. The Group's efforts in the coming financial year will be focused on continuing to execute its strategy and grow shareholder value. In doing so, we will have an increased focus on driving client outcomes, further strengthening our partners performance, and championing growth across all business areas.

The financial year ahead is an interesting one. Premium rates in the insurance market appear to be improving, and our New Zealand expansion gains in momentum and reputation. Be assured we will focus on driving revenue, keeping costs under control and being careful with our capital management.

On behalf of the Board, I would like to thank all AUB Group employees and our partner businesses for their efforts to grow your business.

DClarke

David Clarke
Chairman

CEO'S MESSAGE

During the financial year, AUB Group made considerable progress. Our commitment to supporting our client's risk needs (principally SME and mid-market businesses) via our partners saw continued expansion and growth across all our business areas.

The 2017 financial year saw the Group delivering a good financial result with underlying Net Profit After Tax of $40.4 million in the context of a flat premium rate environment. Central to this performance was the growth across all business areas, and our disciplined approach to managing costs during a soft insurance premium cycle.

Our Purpose and Strategy. This year we've been firmly focussed on the execution of our purpose "safeguarding a stronger future" and our longstanding strategy to fulfil this. In executing our strategy we concentrate on four key areas: maximise the partnership model; broaden our offerings; drive operational advantage; and strengthen the foundations.

The improvement in key drivers, including an increase in client numbers, improved profit margins by 60 basis points for our partner businesses, the introduction of a new Life Solutions offering and our operational advantages gained through services are testament to this focus.

Business Area Operating Performance. Our partner businesses continued to focus on levers relating to driving productivity, efficiency and growing client numbers this year.

- **Australian Broking (Austbrokers):** Despite the headwinds of a soft premium rate environment and lower interest rates, we recorded a 3.7% organic profit growth. Our focus this year on partners where profitability has been under pressure has demonstrated an operating margin improvement of 7%, and our model proved attractive with 1 stand alone and 4 bolt-on acquisitions undertaken in the year.
- **Underwriting Agencies (SURA**): With a strong 13% growth in client policy numbers, profit contribution for this area increased 21% year on year. Our focus on start-ups has traditionally delivered high return on capital employed, and our cost to income ratio improved throughout the year. In total, we had 1 acquisition and launched 2 new segment offerings throughout the year.
- **Risk Services:** A strong 33% revenue increase, and a 5% increase in profit contribution was supported by geographic expansion, the introduction of new specialist services and acquisitions. Client satisfaction metrics consistently outperformed industry average.
- **New Zealand:** Significant growth has been achieved since we entered the market less than three years ago. This financial year achieved 90% profit growth and 59% growth in revenue. New Zealand is performing ahead of our expectations. This is a major step for our international expansion, and underlines the strength of our model.

Outlook. We have a clear purpose and strategy, focussed on our aspiration to drive long-term growth. We are excited about the opportunities to continue to enhance our solutions and services offered to partner and clients, and build AUB Group's position in the industry. What is good for partners and clients, will be good for our business and long-term shareholder value.

I am extremely grateful to the AUB Group team, and its partners, for their dedication and willingness to embrace change as we continue to grow and evolve. We are committed to making AUB Group not just a great company and a great place to work, but one that safeguards a stronger future for all.

Mark Searles
Chief Executive Officer & Managing Director

FINANCIAL REPORT

Your Directors submit their report for the year ended 30 June 2017.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

D. C. Clarke LLB (Non-Executive Chairman), MAICD

David Clarke was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 2013. Prior to joining Investec Bank, David was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles, including Chief Executive of the Wealth Management Business, BT Financial Group. David has 35 years' experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited. David is Chairman of The University of New South Wales Medicine Advisory Council, Charter Hall Group and a Director of Fisher Funds Management Limited. Mr Clarke joined the Board on 3 February 2014 and was elected Group Chairman on 26 November 2015, is a member of the Audit Committee and Chairs the Nomination and Remuneration & People Committees.

M. P. L. Searles GAICD, DipM, Grad Dip Mktg (Chief Executive Officer and Managing Director)

In addition to his role as Group CEO, Mark serves on the Boards of a number of Group companies including undertaking the role of Chairman of Austagencies, AUB Group NZ and AIMS amongst others. Prior to joining AUB Group and being appointed to the Board on 1 January 2013, he was previously General Manager, Broker & Agent and Chief Commercial Officer at CGU, a division of IAG. From 2005-09, Mr Searles was with Zurich Financial Services in the UK where he was Managing Director, Direct & Partnerships and Chief Marketing Officer. From 2001-05 he worked for Lloyds TSB Group holding the positions of Marketing and Group Brands Director and prior to that was Managing Director, CSL/ Goldfish/Goldfish Bank, the UK's leading direct-to-customer financial services group. During the 1990s he held roles as Managing Director at MyBusiness Ltd, UK Managing Director/ Marketing Director the Sage Group Plc, Head of Marketing at HSBC Plc. During the 1980s he held a number of senior roles in marketing led organisations, including five years at American Express Europe.

R. J. Carless BEc, MAICD

Ray Carless was appointed to the Board on 1 October 2010 and has over 35 years' experience in the insurance industry based in Australia but with management responsibilities throughout the Pacific Rim. Until 2000 he was Managing Director of reinsurance brokers Benfield Greig in Australia, a position he had held for over 14 years, and he had also been a director of the worldwide holding company located in London for 10 years. He has been a director of a number of companies involved in the Australian insurance industry since 2000. Mr Carless is a member of the Audit & Risk Management, Nomination and Remuneration & People Committees.

R. J. Low B Com, FCA, GAICD

Robin Low was a partner at PricewaterhouseCoopers with 28 years' experience in financial services, particularly insurance, and in assurance and risk management. Robin was appointed to the Board on 3 February 2014, is a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Ms Low Chairs the Audit & Risk Management Committee and is a member of the Nomination and Remuneration & People Committees. During the past three years Ms. Low served and continues to serve as a Director of CSG Limited, Appen Limited and IPH Limited. More recently, Ms. Low has been appointed to the board of the Australian Reinsurance Pool Corporation and Gordian Runoff Limited.

P. A. Lahiff BSc Agr, GAICD

Paul joined the Board on 1 October 2015. Paul was previously Chief Executive of Mortgage Choice Limited (2003 - 2009) and prior to that was an Executive Director of Heritage Bank and Permanent Trustee and held senior roles in Westpac in Sydney and London. Paul is also Chairman of NPP Australia Limited and a Director of Endometriosis Australia, LIXI Australia and is Chair of Retail Finance Intelligence. Paul holds a BSc from Sydney University and is a Fellow of the Australian Institute of Company Directors. Mr Lahiff is a member of the Audit & Risk Management, Nomination and Remuneration & People Committees.

Company Secretary

J. L Coss, BA, LLB, Dip CII, ANZIIF (Fellow) CIP, FGIA, FCIS, Adv Dip (Management)

Justin joined AUB Group Ltd on 1 October 2015 and was appointed Company Secretary on 30 November 2015. A solicitor with over 20 years' experience, he is admitted to practice in New South Wales and England & Wales, he was previously General Counsel & Company Secretary of InterRISK Australia Pty Ltd and prior to that was in private practice with Allens Arthur Robinson. Justin is a member of the National Insurance Brokers Association Regulatory Affairs Committee and is a Director of the Association of Corporate Counsel Australia.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of AUB Group Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
M. P. L. Searles	74,049	410,00
R. J. Carless	19,973	–
D. C. Clarke	10,143	–
R J Low	9,710	–
P.A Lahiff	5,000	–

PRINCIPAL ACTIVITIES

AUB Group Limited (AUB Group or Group) is a leading provider of risk management, advice and solutions in Australasia. The Group represents over 1 million client policies, via some 135 partner businesses that span 425 locations throughout Australia and New Zealand. Combined, we employ over 3,500 people who help protect clients from harm, damage and financial burden.

The Group's model is to hold equity stakes in partner businesses, who in turn provide trusted support and guidance to clients relating to physical, people and financial risks. This is backed by services that help our partners operate safely, manage their businesses more profitably and ultimately achieve better client outcomes. These services include technology support via a centralised data centre capability; common platforms to enable efficiency and effectiveness; marketing, human resources, risk, compliance and other operational support services.

Additionally, the Group manages/co-manages networks of independent brokers (Cluster Groups) leveraging the benefits of its services where appropriate. In total, the Group represents in excess of $4.5 billion of policy premium (Gross Written Premium).

The AUB Group primarily operates through two key business segments:

Insurance Intermediaries, where it has equity investments in businesses which provide insurance and risk related services to clients. These include:

- Broking networks, operating in Australia and New Zealand, which provide risk and insurance broking and advisory services to, primarily, small to medium sized business clients;
- Underwriting agencies, that underwrite, distribute and manage specialist niche insurance products and portfolios on behalf of licensed insurance companies. These services are available via insurance brokers, in and outside the Group's broking networks; and

Risk Services, which provides risk solutions predominantly in the people risk management arena. These services are provided for clients, insurance brokers and insurance companies.

There has been no significant change in the nature of these activities during the year other than the continued expansion of all areas of the business in Australia and New Zealand including via acquisitions.

The Group's Insurance Intermediaries revenue is largely derived from commissions and fees earned on arranging insurance policies and for other related products and services. The amount of commissions earned is determined by the volume of premiums placed which in turn is affected by premium rates, sums insured and the general level of economic activity.

Other revenue sources relate to interest earned on funds held to pay insurers, income on insurance premium funding and revenue derived from underwriters reflecting the profitability and/or growth in the business placed, which will fluctuate depending on results.

The Risk Services businesses earn fees for services such as occupational health and safety consulting, injured worker rehabilitation services, investigations, registered training, risk advice and claims management to insurers and clients. Fees are negotiated with state based scheme agents and insurers, and in certain jurisdictions are gazetted.

OPERATING AND FINANCIAL REVIEW

Operating results for the year

In the year ended 30 June 2017 (FY17) net profit after tax (Reported NPAT) attributable to equity holders of the parent was $33.0 million (FY16: $42.0 million), a decrease over the prior year due to non-recurring profit on sale of investments and non-cash accounting adjustments relating to mergers and acquisitions.

Reported NPAT includes fair value adjustments to the carrying value of associates, profits on sale and deconsolidation of controlled entities, contingent consideration adjustments and impairment charges. If these items, together with the amortisation of intangibles are excluded (as shown in the table below), the net profit after tax (Adjusted NPAT) was $40.4 million in FY17 up 7.5% on prior year (FY16: $37.6 million), reflecting the underlying performance of the business.

Adjusted NPAT is a key measure used by management and the board to assess and review business performance.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT [1]	FY17	FY16	Variance
	$'000	$'000	%
Net Profit after tax attributable to equity holders of the parent	32,988	42,002	-21.5%
Reconciling items net of tax and non controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates [2]	5,811	343	
Add back offsetting impairment charge to the carrying value of associates & goodwill, related to above [2]	2,623	3,114	
Net adjustment	8,434	3,457	
Less / plus profit on sale or deconsolidation of controlled entities net of tax [3]	-	(191)	
Less profit on sale of associates net of tax [4]	(661)	(6,047)	
Adjustment to carrying value of entities (to fair value) on date they became controlled or deconsolidated [5]	(4,334)	(5,725)	
Net Profit from operations	36,427	33,496	8.8%
Add back amortisation of intangibles net of tax [6]	3,955	4,057	-2.5%
Adjusted NPAT	**40,382**	**37,553**	**7.5%**

1 The financial information in this table has been derived from the audited financial statements. 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) is made to the carrying value.

3 Profits on deconsolidation occur when interests in a controlled entity are sold and it becomes an associate.

4 The Group sold shareholdings in certain entities over the period, resulting in profits on sale. These may not occur in a future periods unless similar transactions take place.

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

6 Amortisation of intangibles expense decreased over last year due to some intangible assets now being fully amortised. The expense is a non-cash item.

The 7.5% increase in Adjusted NPAT continues the trend of year on year growth since listing. This result demonstrates the strength of execution of the Group's strategy, with strong and growing contributions from all divisions, in the context of a stabilising insurance market. Premium rates for commercial insurance have been flat year on year. Small increases in premium rates were experienced over the last quarter of the financial year, and this bodes well for more stable to increasing price environment in FY18.

The Group has benefited from the acquisition of two standalone businesses utilising its 'owner-driver' model and a number of smaller acquisitions by business partners in Australia and New Zealand.

There have been changes to estimates of deferred consideration amounts over the period, and where these have been reductions to the estimates, a corresponding decrease in the carrying value of the asset is recorded. There have been no other impairment charges in the current financial year.

Results by operating segment

Insurance intermediaries:

Australian Broking - profit increased by 2.5% to $49.2 million in FY17, in the context of a stabilising premium rate environment, after several years of reducing premium rates on renewal business. The interest rate environment has also been stable over the last year after a period of year on year reductions. The prior year result included a contribution from a business (Strathearn Insurance Group Pty Ltd) divested in December 2015. The current year results includes the profit contribution from a broking business, LEA Insurance Brokers Pty Ltd acquired on 1 May 2017 and several smaller acquisitions and mergers by partner businesses. Excluding acquisitions and divestments, organic growth in Adjusted NPAT was 3.6%.

New Zealand Broking - profit increased to $5.5 million up significantly on prior year. This includes a full year contribution from Runacres & Associates Ltd net of interest and acquisition costs, compared to six months in the prior comparable period. Our associate BWRS acquired two businesses in the period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Underwriting Agencies – profit of $12.5 million was up $2.2 million, in a flat premium rate environment.

Increasing policy count (up 12.7%) and profit commissions were the key drivers of revenue growth. Margins improved, with cost growth managed tightly despite volume growth together with actions to rationalize the portfolio. The business acquired 50% of an underwriting agency (Fleetsure Pty Ltd) and two new agencies have now been launched to market.

Risk Services:

Profit increased to $7.5 million, up $0.4 million on prior year, including a contribution from acquisitions in the period.

The Risk Services businesses continue to grow through expanded insurer relationships, entering new states and through acquisitions.

The implementation of the AUB Group strategy has led to the diversification of earnings, with Australian broking businesses now contributing 65% to profit before corporate expenses in FY17, down from 87% in FY13.

Due to a strong performance against budget in FY17, there were increased short term and long term incentives paid which contributed to corporate expense growth.

Other cost increases reflect the ongoing investment in infrastructure as the business grows, including increased lease costs, technology costs and an investment in the direct life offer.

A reconciliation of the operating results to the Annual Report operating segments is set out below.

RECONCILIATION OF OPERATING SEGMENTS	Consolidated FY17			Consolidated FY16		
	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	49,166	-	49,166	47,955	-	47,955
- Insurance broking - New Zealand	5,465	-	5,465	2,880	-	2,880
- Underwriting agencies	12,529	-	12,529	10,347	-	10,347
- Risk Services	-	7,520	7,520	-	7,158	7,158
Profit after tax and after non-controlling interests	67,160	7,520	74,680	61,182	7,158	68,340
Corporate income	2,248	-	2,248	2,601	-	2,601
Corporate expenses	(17,055)	-	(17,055)	(13,983)	-	(13,983)
Corporate interest expense and borrowing costs	(1,762)	-	(1,762)	(3,185)	-	(3,185)
	50,591	7,520	58,111	46,615	7,158	53,773
Tax	(15,372)	(2,357)	(17,729)	(14,025)	(2,195)	(16,220)
Adjusted NPAT	**35,219**	**5,163**	**40,382**	**32,590**	**4,963**	**37,553**
Less amortisation expense (net of tax and non controlling interests)	(3,955)	-	(3,955)	(3,797)	(260)	(4,057)
Add/(Less) non controlling interests in relation to contingent consideration adjustments [1]	221	(15)	206	537	-	537
Add/(Less) capital gains tax adjustments relating to sales of associates [1]	631	-	631	(2,520)	-	(2,520)
Profit after income tax and non-controlling interests (refer Annual Report note 23 Operating Segments)	**32,116**	**5,148**	**37,264**	**26,810**	**4,703**	**31,513**

[1] This includes adjustments to non controlling interests and tax expense relating to contingent consideration payments and profit on sale (see Annual Report note 4 (vi), (vii))

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Shareholder returns

On an Adjusted NPAT basis, earnings per share increased by 6.2% over the prior year. Reported EPS reduced to 51.7 cents due to non-recurring profit on sale of investments and non cash accounting adjustments in relation to mergers and acquisitions. Compound annual growth rate in earnings per share over the five years to 30 June 2017 on an adjusted basis was 5.0%. Dividends per share declared for FY17 are 42.0 cents, an increase of 5.0% on prior year and continuing a 12 year trend of year on year dividend growth.

The Company's total shareholder return (comprising share price growth and dividends paid) reflects the performance, with a return of 32.6% for one year and 22.8% (annualised) for the five years to 30 June 2017. These returns are above the returns for the ASX All Ordinaries and ASX Small Ordinaries Indices.

FINANCIAL CONDITION

Shareholders' equity increased to $371.7 million from $351.2 million at 30 June 2016. The main reason for the increase was the profit for the year less dividends paid.

The Group generated positive cash flow from operating activities before customer trust account movements of $56.4 million up significantly on prior year (2016: $34.0 million) due to strong revenue growth. Cashflow on investment activities reduced in FY17 due to lower acquisition spend, net of divestments. Cashflow from financing activities increased due to the suspension of the dividend re-investment plan and higher payments for deferred contingent consideration. After investing and financing activities cash held totaled $63.5 million. Borrowings increased by $6.5 million to $95.1 million as a result of acquisitions by the Group. Borrowings of associates of $74.7 million (2016 $57.4 million)[1] are not included in the Group balance sheet as these entities are not consolidated. The borrowings of associates relate largely to funding of acquisitions, premium funding and other financing activities.

The parent company's banking facilities total $92.4 million with tenure to 30 November 2018. This increased from prior year with the rationalisation of banking arrangements in New Zealand.

Gearing increased slightly to 20.4% in the year, as funds were drawn down to pay for acquisitions.

Dividends	Cents	$'000
Final dividend recommended:		
• on ordinary shares	29.5	18,835
Dividends paid in the year:		
• on ordinary shares - interim	12.5	7,981
• on ordinary shares - final	28.0	17,877
		25,858

BUSINESS STRATEGIES

The Group's strategic intent is to grow by 'helping clients realise a stronger, more protected future, through valued advice, solutions and services'.

Our approach to achieving our strategic goal, balances the immediate needs and profitability of the business today, developing future growth areas, and ensuring the enduring sustainability of the business through:

- Maximising the partnership model, by delivering opportunities for our partners to be more efficient and profitable;
- Broadening our solutions offerings to deliver a better outcome for clients;
- Driving operational advantage via valued services; and
- Strengthening our foundations, by ensuring we remain disciplined in our approach to investments, and by supporting our people.

Our strategy remains focused on supporting and growing our core client-facing partner businesses of insurance broking, underwriting agencies and risk services, organically and via acquisition.

PROSPECTS FOR FUTURE FINANCIAL YEARS

Insurance premium rates in Australia and New Zealand have declined over the FY15 and FY16 financial years as a result of competition between insurers and a benign claims environment. The rate environment over FY17 was flat on renewal business, with small, single digit, percentage increases in premium rates experienced over the last quarter of FY17. While we do not control the setting of prices for insurance products, the outlook for premium rates into FY18 appears to be positive with an expectation of continued increases in premium rates, at low single digit percentages.

Increases to premium rates is expected to enhance broker commission revenues and support improved business margins, where expense growth is maintained to similar levels to wage inflation and CPI growth. The Broking businesses continue to focus on the levers of profit they can control, including other sources of income such as premium funding, life insurance, and services income. Similarly, Underwriting Agencies will continue to focus on expense management and new business development.

Risk Services businesses are likely to be impacted by transition arrangements in NSW impacting managing agents under iCare, with a risk that workers compensation case volumes may slow for a temporary period in FY18. Prospects for these businesses outside of NSW and in ancillary services remain strong.

Acquisitions in FY17 and any future acquisitions will also support future growth.

The Group continues to invest in corporate infrastructure for long term growth as we expand into new areas and geographies.

In this context, organic growth, bolstered by acquisitions should again provide moderate growth in FY18. The extent of that growth will be impacted by the level of future acquisitions, premium rates and interest rates.

Changes to premium rates (increases or decreases) will continue to impact insurance broking and underwriting agency businesses.

Changes in interest rates will impact interest earnings on cash and trust accounts and interest expense on debt facilities. On a net basis and at current gearing rates, the Group generally benefits from increasing interest rates and is negatively impacted by decreasing interest rates.

Profit commissions paid by underwriters, which depend on the growth and profitability of business written, were a significant contributor to the results in 2017 but cannot be reliably predicted for future years.

[1] Total debt of associates, before considering AUB Groups percentage shareholding. FY16 comparable has increased due to the inclusion of debt of an associate both periods.

KEY BUSINESS RISKS

The Group is exposed to multiple risks relating to conduct of its various businesses. The following list of risks are not meant to represent an exhaustive list.

Key risks that may impact the Group's business strategy and prospects for the future financial year include:

- Competitiveness of the premium rate environment – insurance premiums rates are set by insurers independently of AUB Group. Whilst rates have stabilised in the last financial year, any reversion to a negative premium rate environment would put pressure on margins in the Insurance Intermediaries segment. To mitigate this our businesses and the Group focus on business drivers that can be controlled, as outlined above.
- Cyber risk - the Group provides data centre and system support services to many of our partners. These services are supported by the Group and external outsource providers. The Group constantly monitors cyber threats, security and system availability across the network we support. A group-wide cyber insurance policy is in force.
- Regulatory and Industry change - the Australian and New Zealand financial services market continues to undergo significant regulatory change. The impact on the general insurance broking sector has not been as significant as other sectors. The impact on changes to life insurance commission structures has been more significant, however this is not a material component of our business today. In Risk Services the changes proposed by iCare to rationalise Managing Agents (key customers of our businesses) are expected to benefit our Risk Services businesses over the long term, due to increased focus on client and return to work outcomes. However, there may be impacts in the short term if case load volumes slow through the next 12 month transition period. AUB Group constantly monitors changes in legislation and regulation and engages with government via regulatory bodies to ensure we remain vigilant to future changes and impact on our business.
- Dependence of key suppliers – AUB Group has a number of material outsourcing arrangements with external providers that support critical functions. These are largely in relation to technology and telephony services. AUB Group regularly monitors contracts, service level agreements and performance targets to ensure required deliverables and standards are met.
- Disruption to broker model via digital or direct models. To date, the SME segment has not been as impacted by alternative distribution models as the retail insurance lines, however the businesses are not immune from these risks. The Group continues to invest in technologies that support the broker's role as risk adviser to their clients, which we believe is critical to their value proposition. In addition, continued investment in connectivity with insurers ensures that broker role can be delivered cost efficiently for clients.

Other significant risks include refinancing risk, misconduct risk, loss of material binders in the underwriting agencies business and succession planning within our partner businesses. Management have controls in place to manage and mitigate these risks.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than acquisitions disclosed above.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 28 August 2017 the Directors of AUB Group Limited declared a final fully franked dividend on ordinary shares of 29.5 cents per share in respect of the 2017 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is $18.8 million.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory or in New Zealand.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. As it is considered that all non-executive directors should be part of this process, they all serve on the Audit & Risk Management Committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with risks identified by the Board. These include the following:

- Board approval of the strategic plan, which encompasses the Group's vision, purpose and strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators of both a financial and non-financial nature.
- The allocation of specific responsibility to the Audit & Risk Management Committee to review, monitor and report on risk.

Key risks that may impact the Group's business strategy and prospects for the future financial year have been included in the Operating and Financial Review.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of AUB Group Limited against liabilities, past, present and future.

In accordance with normal commercial practice, the disclosure of the total amount of premiums under and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT

Dear Shareholders,

AUB Group is pleased to present its Remuneration Report for the year ended 30 June 2017. The report outlines the Group's remuneration philosophy, framework and outcomes.

The AUB Group remuneration framework is designed to support sustainable value for shareholders, partners and our people.

The FY17 period reflects a business strategy that has continued to evolve and deliver positive results.

Short Term Incentives (STI) and Long Term Incentives (LTI) for employees and senior management have been allocated in accordance with the company and individual objectives and is detailed further throughout the report.

Key people highlights over the year ended 30 June 2017 have included the following:

Restructure of Leadership

In recognition of the expansion of the AUB Group beyond its traditional heritage of Australian Broking, a new management structure was implemented during the year with leaders appointed to each market facing segment (Australian Broking, New Zealand, Underwriting Agencies, Placements/Wholesale Broking and Risk Services).

AUB Group Academy

Designed specifically for the Company and partner businesses the AUB Group Academy was established in 2016 offering leadership development programs focused on building strategic leadership, emotional intelligence, change management and resilience skills. The Company has partnered with learning and development experts to design and deliver the programs.

The Academy continued to gain momentum during FY17 with 19 participants achieving a Diploma of Leadership and Management.

Looking ahead, the focus of the AUB Group Academy will be on the implementation of an additional leadership program. This program is aimed at leadership of business strategy and is targeted at the Senior Leader level and links to ongoing succession planning activities.

Review of Balanced Performance Scorecard

AUB Group undertook a review of the Company's objectives set out in a balanced performance scorecard. As part of this review executive and senior leadership performance is measured across four core areas of:

- Financial;
- Partner;
- Governance; and
- People.

The four core areas are weighted dependent on the role focus to ensure AUB Group is creating a culture of performance that shareholders, partners and clients can rely upon.

Long Term Incentive

The Remuneration & People Committee have taken the opportunity over the 2017 financial year to expand the Long Term Incentive Plan (LTIP) across a number of senior leadership roles that are critical to the long term success of the business.

The Remuneration & People Committee are confident that AUB Group's remuneration framework supports the Group's financial and strategic goals now and into the future and remain committed to a framework that is aligned to AUB Group's strategy.

David Clarke
Chairman

REMUNERATION REPORT (CONTINUED)

The Directors of AUB Group Ltd (the Company) present the Remuneration Report (the Report) for the Company for the financial year ended 30 June 2017 (FY17). This report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for the Company's Key Management Personnel (KMP's) comprising the Company's Non-Executive Directors, the Executive Director and certain employees.

Details of Key Management Personnel

KMP's are those persons with, directly or indirectly, the greatest authority and responsibility for the planning, directing and controlling the activities of the business units that can materially affect the performance of the consolidated entity during the financial year.

The table below outlines the KMP's of the Company in FY17.

Name	Position
Non-Executive Directors	
David Clarke	Non-Executive Chair
Robin Low	Non-Executive Director
Paul Lahiff	Non-Executive Director
Ray Carless	Non-Executive Director
Executive Director	
Mark Searles	Chief Executive Officer and Managing Director
Senior Executives	
Jodie Blackledge	Chief Financial Officer
Fabian Pasquini	Divisional Chief Executive, National Partners and Group Acquisitions
Sunil Vohra	Divisional Chief Executive, Risk Services
Keith McIvor	Managing Director, AUB Group NZ and Head of Group Development
Nigel Thomas	Divisional Chief Executive, Austbrokers Network
Angie Zissis	Managing Director, SURA

Governance

The Chief Executive Officer (CEO) has responsibility for implementation of the Company's Remuneration Policies and making recommendations to the Remuneration & People Committee of the Board of Directors of the Company on remuneration outcomes for the Company's senior executives and other employees.

The Remuneration & People Committee is responsible for reviewing compensation arrangements for the Directors, the CEO and Senior Executives, including the Company's Key Management Personnel and making recommendations in that regard for determination by the Board. The Remuneration & People Committee is comprised of all Non-Executive Directors of the Board.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives. To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre individuals;
- Link executive rewards to shareholder value;
- Have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was approved by shareholders at the 2013 Annual General Meeting to increase the aggregate available remuneration to $750,000 per year. There is no intention to seek an increase in this amount at this year's Annual General Meeting.

The manner in which remuneration is paid to Non-Executive Directors is reviewed by the Remuneration & People Committee and determined by the Board every second year. The last such review was carried out in FY17 resulting in a 5% increase in the remuneration payable to Non-Executive Directors effective from 1 July 2016. This translates to a total amount payable to the Non-Executive Directors of $514,500 from the maximum available of $750,000.

The Remuneration & People Committee and the Board consider advice from external consultants as needed and the fees paid to Non-Executive Directors of comparable companies when undertaking the review process.

REMUNERATION REPORT (CONTINUED)

Each Non-Executive Director receives a fee for serving as a Director of the Company which includes a fee for each Board Committee on which the Director serves. The Chair of the Board receives an all-inclusive fee irrespective of the Committees on which he serves as Chair and the Chair of the Audit & Risk Management Committee receives an additional fee recognising the additional workload that this position entails. Non-Executive Directors do not receive retirement benefits other than amounts paid by way of the superannuation guarantee charge, nor do they participate in any incentive programs but they may be reimbursed for expenses reasonably incurred in the course of carrying out their duties as a Non-Executive Director of the Company.

From 1 July 2016 each Non-Executive Director received annual fees as set out in the table below:

Name	Board	Audit & Risk Management Committee	Remuneration & People Committee	Nomination Committee
Chair	$178,500	$21,000	-	-
Member	$105,000	-	-	-

The remuneration of Non-Executive Directors for the year ended 30 June 2017 is detailed in Table 3 of this report.

Non-Executive Directors have been encouraged by the Board to hold shares in the Company. It is considered good governance for Non-Executive Directors to have a stake in the companies on whose Boards they sit.

The shares held in the Company by each Director are detailed in Table 1 of this report.

Senior Manager and Executive Director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

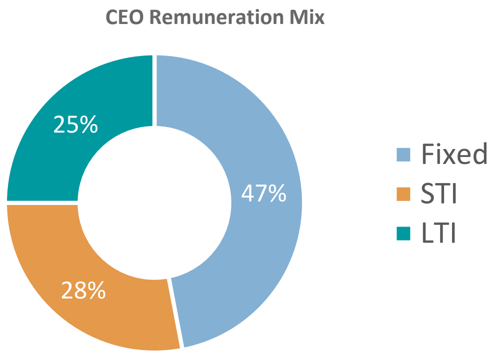
- Reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interest of executives with those of shareholders;
- Link rewards with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

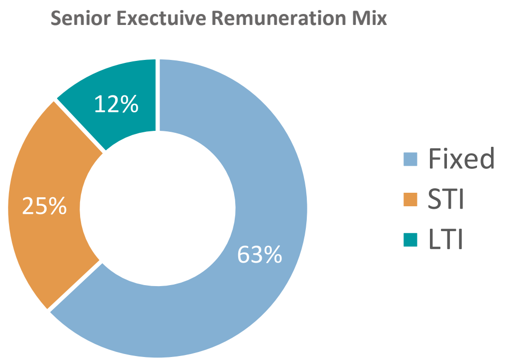
Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration – Short Term Incentive (STI)
- Variable Remuneration – Long Term Incentive (LTI)

The CEO's target remuneration mix comprises 47% fixed remuneration, 28% target STI opportunity and 25% LTI. The CEO's Key Performance Indicators (KPI's) together with the relevant weighting of each KPI to achieve the target STI opportunity are set out in the graph below:



Senior executives target remuneration mix ranges from 60-70% fixed remuneration, 20-25% target STI opportunity and 10-15% LTI as set out in the graph below:



It is the Company's practice to have fixed remuneration at market median and total remuneration at the upper quartile.

To ensure the Remuneration & People Committee is fully informed when making remuneration decisions it seeks external remuneration advice as needed.

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration & People Committee. The process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external advice independent to management which was last obtained as part of the 2014 review.

Structure

Senior executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles.

The fixed remuneration component of the executive KMP's of the Group is detailed in Table 3.

Variable remuneration

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI is available at a set level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

REMUNERATION REPORT (CONTINUED)

Structure

The Group sets financial targets and each executive has set personal objectives against which their performance is evaluated.

The table below provides a summary of key balanced scorecard objectives and outcomes for the Group ended 30 June 2017:

Measure	Objective
Financial	Deliver Group Adjusted NPAT at or above budget
Partner	Drive Group Strategy to improve client opportunities
Governance	Ensuring Group governance frameworks are implemented across all entities
People	Deliver a continued improvement on employee engagement

On an annual basis, a rating is determined for each executive based on an evaluation of each executive's performance against predetermined objectives. This rating is then applied to an allocated STI opportunity determined as a percentage of fixed remuneration. This amount is then scaled up or down to reflect the Group's performance against its financial target for growth in Adjusted NPAT over the prior year to a maximum of two times. The financial targets for growth are reviewed annually to ensure they align with current expectations. As a result, the level of incentive reflects the performance of the Company and the executive, therefore ensuring it is aligned with shareholders' interests. An incentive pool is set aside annually based on company performance and amounts are allocated to individual executives as set out above.

The aggregate of annual STI payments available for executives across the Group is subject to the review by the Remuneration & People Committee and approval of the Board. Payments made are delivered as a cash bonus in the following reporting period.

For the 2016 financial year, the STI cash bonus of $1.417 million provided in the financial statements was paid in the 2017 financial year. The Remuneration & People Committee considered the STI payments for the 2017 financial year and has allocated a pool in the sum of $2.861 million for STI cash bonuses for employees and senior management. This amount has been provided for in the 2017 financial year.

Variable remuneration – long term incentive

Objective

The objective of the long term incentive plan (LTIP) is to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of options. The following were selected as the measures for the LTIP in 2016 onwards:

a) Total Shareholder Return including share price appreciation and the amount of any dividends or capital returns (TSR) measured against the S&P/ASX Small Ordinaries Index (the Target Group) determined by the relevant VWAP in the 60 day period leading up to the relevant date in respect of the testing period; and

b) Compound annual growth rate (CAGR) of the adjusted earnings per share for the measurement period calculated based on the adjusted NPAT divided by weighted average number of ordinary shares in the Company on issue during the relevant financial year.

It is believed the differing measures of TSR and CAGR provide improved alignment between comparative shareholder return and reward for executives.

Option exercise conditions

Exercise conditions for options granted in FY16 onwards

a) Subject to satisfaction of the performance hurdles referred to in paragraphs below, options will vest and become capable of exercise on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the First Test Date) and on the date on which the Company's audited financial statements for the fourth financial year ending after the grant are lodged with the Australian Securities Exchange four years (the Second Test Date);

b) Options are comprised of 60% EPS options and 40% TSR options and will vest and may be exercised at the First Test Date and the Second Test Date, subject to the Participant being an employee of the Company or a subsidiary of the Company at the time of exercise, (except where his or her employment has been terminated by the Company without cause or has terminated as a result of the Participant being unable to perform his or her duties due to illness, injury, incapacity or death) and the performance hurdles as follows:

The EPS Options

CAGR over period	Percentage Vesting
Less than 4%	0%
Equal to 4%	25%
Between 4% and 7%	Straight line vesting between 25% and 50%
Equal to 7%	50%
Between 7% and 10%	Straight line vesting between 50% and 100%
Equal to or greater than 10%	100%

REMUNERATION REPORT (CONTINUED)

The TSR Options

Total Shareholder Return	Percentage Vesting
Less than Target Group	0%
Equal to Target Group	50%
Greater than Target Group	Straight line vesting between 50% and 100%
Greater than 150% of Target Group	100%

c) If all of the options do not become exercisable on the First Test Date and the performance criteria on the Second Test Date are higher than on the First Test Date an additional number of options will become exercisable as is equal to the difference between the number of options which became exercisable on the First Test Date and the number of options which are exercisable on the Second Test Date;

d) Any options which have not become exercisable by the Second Test Date lapse and are of no further force or effect.

e) All options have further restrictions on their disposal or the disposal of any shares acquired on their exercise for a further two years from vesting of these options.

Exercise conditions for options granted prior to FY16:

f) Option exercise conditions for options granted in the 2014 and 2015 financial years have the performance hurdles set out in the table below:

The EPS Options

CAGR over the period	Percentage Vesting
Less than 8.5%	0%
Equal to 8.5%	20%
Between 8.5% and 10%	Straight line vesting between 20% and 50%
Equal to 10%	50%
Between 10% and 15%	Straight line vesting between 50% and 100%
Equal to or greater than 15%	100%

Exercise conditions for options granted to the CEO:

g) The exercise conditions for 200,000 of the options granted to the CEO on 1 January 2013 (of which 160,000 remain unvested) are the same as set out above for FY15 except that 20% vest below 8.5% CAGR for FY15 and FY17

h) The exercise conditions for the 250,000 options granted to the CEO in 2016 are the same as set out above in paragraphs (a)-(e).

i) Where in the opinion of the Board:

   i. a participant in the Company's LTIP has acted fraudulently or dishonestly, has engaged in serious misconduct or has materially breached his or her duties or obligations to the Company or any of its subsidiaries;

   ii. the participant has been involved in a material misstatement, error or omission in the financial statements of the Company or any of its subsidiaries; or

   iii. the Company is required or entitled by law to reclaim remuneration from the participant,

then the Board may determine all or any of the following:

   i. that any options (whether or not capable of exercise) held by the participant will lapse;

   ii. any shares held by the participant as a result of exercise of the options will be deemed to be forfeited; or

   iii. where the participant has sold, encumbered or otherwise transferred shares it received as a result of exercise of the options, that the participant must repay to the Company as a debt all or part of the proceeds or benefit received from the sale, encumbrance or transfer of those Shares.

Company performance and the link to remuneration

Long term incentives are based on Adjusted EPS Growth and Total Shareholder Returns. Short term incentives are based on Adjusted NPAT growth and balanced scorecard outcomes.

The table below provides a summary of the Company's earnings performance for the current and prior years:

	2017	2016	2015	2014	2013
Group Revenue ($m)	265	234	217	199	168
Adjusted NPAT* ($m)	40.4	37.6	36.3	35.5	32.1
Share price ($)	12.99	10.10	9.00	10.79	10.90
Change in share price ($)	2.89	1.10	-1.79	-0.11	3.96
Dividends paid (cents)	42	40	40	39	36
TSR (%)	32.57	16.63	-13.02	2.34	61.74
Adjusted EPS* (cents)	63	60	59	60	56

* The financial information in this table has been derived from the audited financial statements. The Adjusted NPAT and Adjusted EPS are non-IFRS financial information and as such have not been audited in accordance with Australian Accounting Standards.

STI Outcomes

($m)	2017	2016	2015	2014	2013
Cash bonuses	2.861	1.417	0.200	0.879	1.754

REMUNERATION REPORT (CONTINUED)

LTI Outcomes

The movement in LTI outcomes for FY17 is summarized in the LTIP table below:

Options

SENIOR EMPLOYEES

LTIP Calendar Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date
2012 (8th)	26,490	–	26,490	–	–	31-Oct-15	5-Oct-19
2013 (9th)	28,264	–	4,018	–	24,246	30-Oct-16	5-Oct-20
2014 (10th)	33,111	–	5,250	–	27,861	31-Oct-17	31-Oct-21
2015 (11th)	69,891	32,321	7,816	–	94,396	23-Nov-18	23-Nov-22
2016 (12th)	–	115,702	–	–	115,702	24-Jan-20	24-Jan-24
Total	157,756	148,023	43,574	–	262,205		

A Further 32,321 options were issued in FY17 under the 2015 LTIP to remedy an administrative error in the number of options issued under the plan in FY16.

CEO

LTIP Calendar Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date
2012 (1st)	160,000	–	–	–	160,000	1-Jan-16	1-Jan-20
2015 (2nd)	250,000	–	–	–	250,000	1-Jan-19	1-Jan-23
Total	410,000	–	–	–	410,000		

Shares issued as a result of the exercise of options

During the financial year, no options were exercised to acquire shares in AUB Group Limited under the LTIP.

All options are granted over shares in the ultimate controlling entity AUB Group Limited.

Unissued shares

As at the date of this report, there were 672,205 unissued ordinary shares under options as part of the Long Term Incentive Plan that have not vested. Refer to note 16 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Employment contracts

Chief Executive Officer

The CEO, Mr Searles, is employed under contract terminating on 31 December 2018, subject to twelve months' notice by either party.

CEO Remuneration

From 1 July 2016, Mr Searles received fixed remuneration of $642,600 per annum.

Mr Searles was granted 233,000 options on 1 January 2013 to subscribe for ordinary shares under the Senior Executive Option Plan comprised as follows:

(i) 200,000 options are subject to performance conditions. 40,000 of these options vested under this grant on 1 January 2016 and, subject to performance hurdles, further options may vest on 1 January 2018.

(ii) 33,000 options were not subject to any performance hurdles other than Mr Searles being an employee of a group. These options vested on 1 January 2016 and were exercised on 7 April 2016. They are not subject to disposal restrictions.

For all options issued to Mr Searles on 1 January 2013 other than 33,000 options listed in (ii) above, if options are exercised within two years of the date the options vest, the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. Mr Searles was granted 250,000 additional options on 7 April 2016 to subscribe for ordinary shares under the Senior Executive Option Plan. The options are subject to performance conditions tested at 30 June 2018 and vest on 1 January 2019. Unvested options are retested at 30 June 2019 and may vest at 1 January 2020 subject to performance hurdles being met.

The exercise price for each option was zero for all of the options.

CEO Termination Provisions

Mr Searles or the company may terminate this contract by giving twelve months written notice. If Mr Searles terminates the contract prior to 31 December 2018, any unvested options held will be forfeited.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Searles is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Other Key Management Personnel

Other KMP's have letters of offer of employment or employment contracts with no fixed term, and varying periods up to six months for either party to terminate. Details of remuneration are contained in Table 3.

REMUNERATION REPORT (CONTINUED)

Table 1: Shareholdings of Key Management Personnel

Shares held in AUB Group Limited at 30 June 2017	Balance at 01-Jul-16	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-17
Directors				
R. J. Carless	19,973	-	-	19,973
D. C. Clarke	10,143	-	-	10,143
R. J . Low	8,710	1,000	-	9,710
P. A. Lahiff	5,000	-	-	5,000
M. P. L. Searles	74,049	-	-	74,049
Executives				
J. Blackledge	-	-	-	-
F. Pasquini	77,039	-	-	77,039
K. McIvor	-	-	-	-
S. Vohra	989	-	-	989
A. Zissis	-	-	-	-
N. Thomas	-	-	-	-
Total	195,903	1,000	-	196,903

Table 2: Option holdings of Key Management Personnel

Options held at 30 June 2017	Balance at beginning of period 01-Jul-16	Granted as remuneration	Options exercised	Options lapsed/ forfeited	Balance at end of period 30-Jun-17	Total options at year end	
						Vested/ exercisable	Not vested/not exercisable
Director							
M. P. L. Searles	410,000	-	-	-	410,000	-	410,000
Executives							
J. Blackledge	8,357	22,095	-	-	30,452	-	30,452
F. Pasquini	24,157	21,338	-	6,130	39,365	-	39,365
N. Thomas	16,135	21,093	-	-	37,228	-	37,228
S. Vohra	18,666	21,354	-	-	40,020	-	40,020
A. Zissis	-	11,628	-	-	11,628	-	11,628
Total	477,315	97,508	-	6,130	568,693	-	568,693

The outstanding options have an exercise price of $NIL.

During the current year a total of 148,023 options were issued (97,508 to KMP).

There are no loans outstanding owing by Key Management Personnel at 30 June 2017.

REMUNERATION REPORT (CONTINUED)

Table 3: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2017 (Consolidated)

	Short-term			Post employment	Share-based payment		
30-Jun-17	Salary & fees $	Cash short term incentive* $	Non monetary benefits $	Super-annuation $	Equity options** $	Total $	Total perform-ance related %
Directors							
D. C. Clarke	163,014	-	-	15,486	-	178,500	-
Chairman							
M. P. L. Searles	616,096	235,933	14,377	34,992	289,835	1,191,233	44.14%
Chief Executive Officer							
R. J. Carless	75,000	-	-	30,000	-	105,000	-
Non-executive Director							
P. A. Lahiff	95,890	-	-	9,110	-	105,000	-
Non-executive Director							
R. J. Low	115,068	-	-	10,932	-	126,000	-
Non-executive Director							
Executives							
J. Blackledge	323,840	87,508	366	30,000	41,017	482,731	26.62%
Chief Financial Officer							
F. Pasquini	279,567	99,353	38,882	32,307	39,612	489,721	28.38%
Divisonal Chief Executive, National Partner & Group Acquisition							
K. McIvor	190,682	94,055	-	-	-	284,737	33.03%
*Managing Director, AUB Group NZ ****							
S. Vohra	318,956	84,617	1,992	30,000	39,641	475,206	26.15%
Divisonal Chief Executive, Risk Services							
N. Thomas	278,721	81,924	37,555	34,147	39,003	471,350	25.66%
Divisional Chief Executive, Austbrokers Network							
A. Zissis	272,526	997	1,584	25,890	17,423	318,420	5.78%
Managing Director, SURA							
	2,729,360	684,387	94,756	252,864	466,531	4,227,898	

* Short term incentives (STI) were paid during the year in respect of the group's performance for 30 June 2016. Any amount payable in respect of 2017 performance will be paid during 2018 and will be included in the 2018 remuneration report. An estimate of the amounts expected to be paid in respect of June 2017 entitlements has been provided for in the financial statements.

** Share based payments are calculated on the accrued cost to the company recognising that options issued to KMP will vest over 3 years after taking into account a 40 -50% probability that the Group will achieve the performance hurdles required for those options to vest.

*** Remuneration for K McIvor is in respect to his role as a member of the Group Executive and does not include other remuneration received for his role as Managing Director of New Zealand operations totalling $367,973 which were paid to K McIvor in New Zealand.

REMUNERATION REPORT (CONTINUED)

Table 4: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2016 (Consolidated)

	Short-term			Post employment	Share-based payment		
30-Jun-16	Salary & fees $	Cash short term incentive* $	Non monetary benefits $	Super-annuation $	Equity options** $	Total $	Total perform-ance related %
Directors							
D.C. Clarke	129,541	–	–	12,306	–	141,847	–
Chairman (appointed 26 November 2015)							
R.A. Longes	62,860	–	–	5,972	–	68,832	–
Chairman (retired 26 November 2015)							
M. P. L. Searles	569,428	18,750	28,497	35,000	164,792	816,467	22.48%
Chief Executive Officer							
R. J. Carless	70,000	–	–	30,000	–	100,000	–
Non-Executive Director							
P.A. Lahiff	68,493	–	–	6,507	–	75,000	–
Non-Executive Director (appointed 1 October 2015)							
R. J. Low	109,589	–	–	10,411	–	120,000	–
Non-Executive Director							
Executives							
J. Blackledge	315,843	–	1,584	29,995	10,182	357,604	2.85%
Chief Financial Officer (appointed 1 July 2015)							
F. Pasquini	269,017	12,500	42,403	22,500	9,833	356,253	6.27%
Chief Distribution Officer							
K. McIvor	165,900	12,500	792	7,153	–	186,345	6.71%
MD AUB Group NZ and Head of Group Development							
S. Vohra	305,239	12,500	1,583	28,963	9,841	358,126	6.24%
Chief Operating Officer							
T. Stevens	218,094	12,500	55,597	20,781	9,523	316,495	6.96%
Chief Information Officer (ceased 20 May 2016)							
N. Thomas	262,033	7,500	37,804	24,893	9,523	341,753	4.98%
General Manager, Broker Network Development							
	2,546,037	76,250	168,260	234,481	213,694	3,238,722	

* short term incentives (STI) were paid during the year in respect of the group's performance for 30 June 2015. Any amount payable in respect of 2016 performance will be paid during 2017 and will be included in the 2017 remuneration report. An estimate of the amounts expected to be paid in respect of June 2016 entitlements has been provided for in the financial statements.
** Share based payments are calculated on the accrued cost to the company recognising that options issued during the period will vest over 3 years after taking into account a 50% probability that the Group will achieve the performance hurdles required for those options to vest.

REMUNERATION REPORT (CONTINUED)

Table 5: Number of options granted as part of remuneration

Options held at 30 June 2017	Granted no.	Grant date	Fair value per option at grant date ($) (note 16)	Exercise price per option ($) (note 16)	Expiry date	First exercise date	Last exercise date
Executives							
J. Blackledge	8,357	8-Dec-16	9.36	0.00	23-Nov-22	23-Nov-18	23-Nov-22
	13,738	24-Jan-17	8.99	0.00	24-Jan-24	24-Jan-20	24-Jan-24
F. Pasquini	8,071	8-Dec-16	9.36	0.00	23-Nov-22	23-Nov-18	23-Nov-22
	13,267	24-Jan-17	8.99	0.00	24-Jan-24	24-Jan-20	24-Jan-24
S. Vohra	8,077	8-Dec-16	9.36	0.00	23-Nov-22	23-Nov-18	23-Nov-22
	13,277	24-Jan-17	8.99	0.00	24-Jan-24	24-Jan-20	24-Jan-24
N. Thomas	7,816	8-Dec-16	9.36	0.00	23-Nov-22	23-Nov-18	23-Nov-22
	13,277	24-Jan-17	8.99	0.00	24-Jan-24	24-Jan-20	24-Jan-24
A. Zissis	11,628	24-Jan-17	8.99	0.00	24-Jan-24	24-Jan-20	24-Jan-24
Total	97,508						

For options granted since 2012 financial year, where options are exercised within two years after the date the options vest, the shares cannot be disposed of prior to the expiry of the two year period from the date the options vested, except if employment is terminated.

Table 6: Value of options granted as part of remuneration to Key Management Personnel (Consolidated)

30 June 2017	Value of options granted during the year* $	Value of options exercised during the year $	Percentage of remuneration consisting of value share based payments incurred during the year** %	Shares issued on exercise of options: Number of shares issued on exercise of options No.	Shares issued on exercise of options: Paid per share on shares issued on exercise of options $	Options fully vested during the year No.
Directors						
M. P. L. Searles	-	-	24.33%	-	-	-
Executives						
J. Blackledge	201,726	-	8.50%	-	-	-
F. Pasquini	194,815	-	8.09%	-	-	-
S. Vohra	194,961	-	8.34%	-	-	-
N. Thomas	192,518	-	8.27%	-	-	-
A. Zissis	104,536	-	5.47%	-	-	-
Total	888,556	-		-	-	-

* Total gross value of options granted during the year which will vest over three years if all performance hurdles required for options to vest, are met.
**Share based payments as a percentage of remuneration is calculated on the accrued cost to the company recognising that options issued to KMP will vest over 3 years after taking into account a 40 - 50% probability that the Group will achieve the performance hurdles required for those options to vest.

REMUNERATION REPORT (CONTINUED)

Table 7: Options granted, vested or lapsed during the year

30-Jun-17	Grant year	Granted during current year	Award date	vesting date	Fair value of options at grant date	Number lapsed during year	Number vested during year
J. Blackledge	2016	8,357	23-Nov-15	23-Nov-18	$ 9.36	–	–
	2016	13,738	24-Jan-17	24-Jan-20	$ 8.99	–	–
F. Pasquini	2012	–	31-Oct-12	31-Oct-15	$ 7.71	6,130	–
	2016	8,071	23-Nov-15	23-Nov-18	$ 9.36	–	–
	2016	13,267	24-Jan-17	24-Jan-20	$ 8.99	–	–
S. Vohra	2016	8,077	23-Nov-15	23-Nov-18	$ 9.36	–	–
	2016	13,277	24-Jan-17	24-Jan-20	$ 8.99	–	–
N. Thomas	2016	7,816	23-Nov-15	23-Nov-18	$ 9.36	–	–
	2016	13,277	24-Jan-17	24-Jan-20	$ 8.99	–	–
A. Zissis	2016	11,628	24-Jan-17	24-Jan-20	$ 8.99	–	–
		97,508				6,130	-

All options were issued with an exercise price of $NIL and the expiry date of the options is 4 years after the vesting date.

All options shown above with an award date of 23 Nov 2015, totalling 32,321 options, were granted on 8 Dec 2016, with terms, conditions and vesting periods similar to those issued in the previous year on 23 Nov 2015. Those options were issued in FY17 under the 2015 LTIP to remedy an administrative error in the number of options issued under the plan in FY16.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director were as follows:

		Meetings of Committees		
	Directors' Meetings	Audit & Risk Management	Nomination	Remuneration & People
No. of meetings held:	6	6	1	5
No. of meetings attended:				
M. P. L. Searles	6	6	1	5
R J Carless	5	5	1	4
D. C. Clarke	6	6	1	5
R. J. Low	6	6	1	5
P. A. Lahiff	6	5	1	5

Mr Searles was not a member of any Committee. All other Directors were eligible to attend all meetings held.

Committee membership

As at the date of this report, the Company had an Audit & Risk Management Committee, Remuneration & People Committee and a Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit & Risk Management	Remuneration & People	Nomination
R. J. Low (Chairman)	D. C. Clarke (Chairman)	D. C. Clarke (Chairman)
R. J. Carless	R. J. Carless	R. J. Carless
D. C. Clarke	R. J. Low	R. J. Low
P. A. Lahiff	P. A. Lahiff	P. A. Lahiff

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) 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.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received an independence declaration from the auditors of AUB Group Limited. Refer to page 29 of the Directors' Report.

Non-audit services provided to the AUB Group by the entity's auditor, Ernst & Young, in the financial year ended 30 June 2017 were predominantly in relation to tax matters. Other services included policy and project assurance. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. The amounts received or due to be received are detailed in Note 24 of the Financial Report.

Signed in accordance with a resolution of the Directors.

D.C. Clarke
Chairman
Sydney, 28 August 2017

M.P.L. Searles
Chief Executive Officer and Managing Director

Ernst & Young
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Sydney NSW 2000 Australia
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As lead auditor for the audit of AUB Group Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

David Jewell

David Jewell
Partner
28 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017	2016
	Notes	$'000	$'000
Revenue	4 (i)	234,225	202,977
Other income	4 (ii)	5,614	7,629
Share of profit of associates	4 (iii)	24,670	23,272
Expenses	4 (iv)	(201,723)	(178,064)
Finance costs	4 (v)	(4,133)	(5,389)
		58,653	50,425
Income arising from adjustments to carrying values of associates, sale of controlled entities and broking portfolios			
– Adjustments to carrying value of associates and estimates for contingent consideration	4(vi)	(4,306)	1,730
– Profit from sale of interests in controlled entities, associates and insurance portfolios	4(vii)	30	8,759
Profit before income tax		54,377	60,914
Income tax expense	5	11,276	12,127
Net Profit after tax for the period		43,101	48,787
Net Profit after tax for the period attributable to:			
Equity holders of the parent		32,988	42,002
Non-controlling interests		10,113	6,785
		43,101	48,787
Basic earnings per share (cents per share)	8	51.67	66.60
Diluted earnings per share (cents per share)	8	51.50	66.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2017

	Consolidated	
	2017	2016
	$'000	$'000
Net Profit after tax for the period	43,101	48,787
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement in foreign currency translation reserve	(42)	575
Income tax benefit relating to currency translation	-	(13)
Other comprehensive income after income tax for the period	(42)	562
Total comprehensive income after tax for the period	43,059	49,349
Total comprehensive income after tax for the period attributable to:		
Equity holders of the parent	32,952	42,429
Non-controlling interests	10,107	6,920
	43,059	49,349

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		Consolidated	
		2017	2016
	Notes	$'000	$'000
Assets			
Current Assets			
Cash and cash equivalents	6	63,546	70,933
Cash and cash equivalents – Trust	6	89,772	87,513
Trade and other receivables	9	175,979	165,801
Other financial assets	10	108	670
Total Current Assets		329,405	324,917
Non-current Assets			
Trade and other receivables	9	476	163
Other financial assets	10	51	40
Investment in associates	11	141,713	133,894
Property, plant and equipment	13	11,648	9,806
Intangible assets and goodwill	14	263,859	246,746
Deferred income tax asset	5	7,210	5,535
Total Non-current Assets		424,957	396,184
Total Assets		754,362	721,101
Liabilities			
Current Liabilities			
Trade and other payables	17	253,412	239,510
Income tax payable	5	4,706	5,593
Provisions	18	15,244	12,415
Interest bearing loans and borrowings	19	6,169	4,461
Total Current Liabilities		279,531	261,979
Non-current Liabilities			
Trade and other payables	17	970	11,452
Provisions	18	3,606	2,730
Deferred tax liabilities	5	9,672	9,520
Interest bearing loans and borrowings	19	88,927	84,185
Total Non-current Liabilities		103,175	107,887
Total Liabilities		382,706	369,866
Net Assets		**371,656**	**351,235**
Equity			
Issued capital	20	141,708	141,708
Retained earnings		154,579	146,533
Share based payments reserve	21	6,090	5,384
Foreign currency translation reserve	21	212	248
Asset revaluation reserve	21	199	370
Equity attributable to equity holders of the parent		**302,788**	**294,243**
Non-controlling interests	21	68,868	56,992
Total Equity		**371,656**	**351,235**

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2017

Consolidated	Issued capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Share based payment reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
	Attributable to equity holders of the parent							
At 1 July 2016	141,708	146,533	370	248	5,384	294,243	56,992	351,235
Profit for the year	-	32,988	-	-	-	32,988	10,113	43,101
Other comprehensive income	-	-	-	(36)	-	(36)	(6)	(42)
Total comprehensive income for the year	-	32,988	-	(36)	-	32,952	10,107	43,059
Transactions with owners in their capacity as owners:								
Adjustment relating to movements in the voting shares in controlled entities. (see note 7 (a))	-	745	-	-	-	745	5,387	6,132
Non controlling interests relating to new acquisitions (see notes 7(c))	-	-	-	-	-	-	4,886	4,886
Transfer from asset revaluation reserve	-	171	(171)	-	-	-	-	-
Cost of share-based payment	-	-	-	-	580	580	-	580
Tax benefit related to employee share trust transactions.	-	-	-	-	126	126	-	126
Equity dividends	-	(25,858)	-	-	-	(25,858)	(8,504)	(34,362)
At 30 June 2017	141,708	154,579	199	212	6,090	302,788	68,868	371,656

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2017

	Attributable to equity holders of the parent						Non-controlling interest	Total equity
Consolidated	Issued capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Share based payment reserve $'000	Total $'000	$'000	$'000
At 1 July 2015	128,890	128,165	540	(179)	5,707	263,123	48,203	311,326
Profit for the year	-	42,002	-	-	-	42,002	6,785	48,787
Other comprehensive income	-	-	-	427	-	427	135	562
Total comprehensive income for the year	-	42,002	-	427	-	42,429	6,920	49,349
Transactions with owners in their capacity as owners:								
Adjustment relating to an increase in the voting shares in controlled entities. (see note 7(b))	-	1,800	-	-	-	1,800	835	2,635
Non controlling interests relating to new acquisitions (see notes 7(d))	-	-	-	-	-	-	11,999	11,999
Adjustment resulting from the deconsolidation of controlled entity (see note 7 (e))	-	(758)	-	-	-	(758)	(6,566)	(7,324)
Transfer from asset revaluation reserve	-	170	(170)	-	-	-	-	-
Cost of share-based payment	-	-	-	-	(312)	(312)	-	(312)
Tax benefit related to employee share trust transactions.	-	-	-	-	(11)	(11)	-	(11)
On 30 October 2015 and 29 April 2016, 1,505,688 shares were issued as a result of a Dividend Reinvestment Plan (see note 20)	12,852	-	-	-	-	12,852	-	12,852
Allotted 11,099 shares at an issue price of $NIL (see note 20)	-	-	-	-	-	-	-	-
Allotted 73,000 shares at an issue price of $NIL (see note 20)	-	-	-	-	-	-	-	-
Share issue expenses	(34)	-	-	-	-	(34)	-	(34)
Equity dividends	-	(24,846)	-	-	-	(24,846)	(4,399)	(29,245)
At 30 June 2016	141,708	146,533	370	248	5,384	294,243	56,992	351,235

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers		226,691	191,629
Dividends received from others		1	2
Dividends/trust distributions received from associates		21,839	20,454
Interest received		2,784	3,619
Management fees received from associates/related entities		10,661	11,099
Payments to suppliers and employees		(186,858)	(175,886)
Income tax paid		(14,976)	(12,700)
Interest paid		(3,730)	(4,179)
Net cash from operating activities before customer trust account movements		56,412	34,038
Net decrease in cash held in customer trust accounts		(883)	(9,292)
Net cash flows from operating activities	6	55,529	24,746
Cash flows from investing activities			
Proceeds from reduction in interests in controlled entities	7(a),(b)	6,624	2,425
Payment for increase in interests in controlled entities	7(a),(b)	(165)	(291)
Payments for new consolidated entities, net of cash acquired	7(c),(d)	(1,001)	(40,007)
Cash outflow from sale/deconsolidation of controlled entities	7(e)	-	(10,539)
Payment for new associates	11	(8,477)	(2,971)
Payment for new broking portfolios purchased by members of the economic entity		-	(1,836)
Proceeds from sale of broking portfolios by member of the economic entity		60	-
Proceeds from sale of associates		-	30,432
Proceeds from sale of other financial assets		2	14
Proceeds from new shares issued to non-controlling interests	7(d)	-	2,714
Proceeds from sale of plant and equipment		326	195
Payment for plant and equipment and capitalised projects		(6,457)	(5,032)
Repayment/(advances) of loans to associates/related entities		123	(2,316)
Proceeds from loan repayments from associates/related entities		-	1,815
Net cash flows (used in) investing activities		(8,965)	(25,397)
Cash flows from financing activities			
Dividends paid to shareholders		(25,858)	(12,028)
Dividends paid to shareholders of non-controlling interests		(8,504)	(4,399)
Payment for contingent consideration on prior year acquisitions		(23,555)	(4,330)
Increase in borrowings and lease liabilities		6,610	23,387
Advances to related entities		(385)	458
Net cash flows (used in)/from financing activities		(51,692)	3,088
Net increase in cash and cash equivalents		(5,128)	2,437
Cash and cash equivalents at beginning of the period		158,446	156,009
Cash and cash equivalents at end of period	6	153,318	158,446

1. CORPORATE INFORMATION

The financial report of AUB Group Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 28 August 2017.

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

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.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation are the same as those adopted in prior years.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

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

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

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising AUB Group Limited (the parent company) and all entities that AUB Group Limited (the Group) controlled from time to time during the year and at the reporting date.

Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

The financial information in respect of controlled entities is prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in the consolidated accounts. Unrealised losses are eliminated unless costs cannot be recovered.

Non controlling interests represent the portion of profit or loss and net assets in subsidiaries which are not 100% owned by the AUB Group. These are presented separately in the income statement and within equity in the consolidated Statement of Financial Position. When the Group acquires a non controlling interest in a subsidiary, the transaction is accounted for as a transaction between owners in their capacities as owners and the difference between purchase price and recorded value of non controlling interest is accounted for as an equity transaction.

Transactions with owners in their capacity as owners

A change in ownership interest without loss of control is accounted for as an equity transaction. The difference between the consideration transferred and the book value of the share of the non controlling interest acquired or disposed is recognised directly in equity attributable to the parent entity.

Where the parent entity loses control over a controlled entity, it derecognises the assets including goodwill, liabilities and non controlling interests in the controlled entity together with any cumulated translation differences previously recognised in equity. The Group recognises the fair value of the consideration received and the fair value of the investment retained together with any gain or loss in the Consolidated Statement of Profit or Loss.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(e) 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 may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future tax profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

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 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. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 15.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the options at the date at which they are granted. The fair value of options has been valued taking into account the vesting period, expected dividend payout and the share price at the date the options were granted.

Net assets acquired in a business combination

The Group measures the net assets acquired in a business combination at their fair value at the date of acquisition. Fair value is estimated with reference to market transactions for similar assets or Discounted Cash Flow (DCF) analysis.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as lease terms for office fitouts. In addition, the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Fair value of assets acquired

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.

(f) Cash and cash equivalents

Cash and cash equivalents, and cash and cash equivalents - trusts (trust cash), in the Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

Trust cash relates to cash held for insurance premiums received from policyholders which will ultimately be paid to underwriters.

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Commission, brokerage and fees

Commission, brokerage and fees are recognised when it is probable that the Group will be compensated for services rendered and the amount of consideration for such services can be reliably measured. This is deemed to be the invoice date. An allowance is made for anticipated lapses and cancellations.

Interest

Revenue is recognised as interest accrues using the effective interest method.

Dividends and Distributions from trusts

Revenue is recognised when the shareholder's right to receive the payment is established.

Management fees

Revenue is recognised when the service has been performed and the right to receive the payment is established.

Other Income

"Other income" revenue is recognised when the service has been performed and the right to receive the payment is established.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. This requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Consolidated Statement of Profit or Loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Consolidated Statement of Profit or Loss on a straight-line basis over the lease term. Lease incentives are recognised in the Consolidated Statement of Profit or Loss as an integral part of the total lease expense.

(i) Trade and other receivables

Trade and other receivables which generally have 30 day credit terms, are recognised and carried at original amount less an allowance for lapses and cancellations. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Insurance policies that are not paid in 90 days of inception of the insurance are, in absence from approval from insurer of an extended term to pay, cancelled from inception date. The Group's exposure in relation to these receivables is limited to commissions and fees charged.

(j) Investment in associates

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

The financial statements of the associates are used by the Group to apply the equity method. The reporting dates of the associates and the AUB Group are identical and adjustments are made to bring into line dissimilar accounting policies used by associates.

The investment in associates is carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less dividends and any impairment in value. The Consolidated Statement of Profit or Loss reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Comprehensive Income.

(k) Interest-bearing loans and borrowing

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing process. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. Payables to related parties are carried at the principal amount. Interest, when charged, is recognised as an expense on an accrual basis. Payables are normally settled on 90 day terms.

Trade and other payables include amounts payable to insurers in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Insurance policies that are not paid in 90 days of inception of the insurance are, in absence from approval from insurer of an extended term to pay, cancelled from inception date.

(m) Investments and other financial assets

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Consolidated Statement of Profit or Loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(n) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred or retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(o) Impairment of financial assets

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Other than for goodwill and insurance broking register, an assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange. All acquisition costs including stamp duty and legal fees are charged against profits as incurred.

Change in the ownership interest in a controlled entity (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will not give rise to a gain or loss in the Consolidated Statement of Profit or Loss. Where there is a change in ownership and the Group loses control, the gain or loss will be recognised in the Consolidated Statement of Profit or Loss and the carrying value of non-controlling interests is reset to fair value.

In the year a new business is acquired, an estimate is made of the fair value of the future contingent consideration. Any variation to this amount in future periods (either up or down) is recognised through the Consolidated Statement of Profit or Loss. Over accruals are recognised as income in the year the amount is reversed and any under accruals are charged as an expense against profits. The contingent consideration is carried in the Statement of Financial Position at net present value. The interest expense in the Consolidated Statement of Profit or Loss relating to the unwinding of this discounting is offset by a reduction in deferred tax which was raised at the time the net present value adjustment was recognised.

All identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interests.

(i) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation of that unit is disposed, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Impairment losses recognised for goodwill are not subsequently reversed.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Business combinations (continued)

(ii) Intangible assets - Insurance Broking Register

Identifiable intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment costs. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life, currently estimated to be 10 years for broking portfolios/client relationships and 15 years for financial services businesses (life risk), and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an identifiable intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on identifiable intangible assets with finite lives is recognised in the expense category of the Consolidated Statement of Profit or Loss consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an identifiable intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised.

(iii) Revaluation

When a business combination occurs, the acquiree's identifiable assets and liabilities are notionally restated to their fair value at the date of the exchange transaction to determine the amount of any goodwill associated with the transaction. Any adjustment to those fair values relating to previously held interests of the acquiree is accounted for as an adjustment to fair value and the movement is reflected in the Consolidated Statement of Profit or Loss as either a profit or loss. Prior to 1 July 2009, adjustments to fair value were accounted for as a revaluation. This revaluation which related to broking registers was credited to the asset revaluation reserve and included in the equity section of the Statement of Financial Position.

For revaluations that occurred prior to 1 July 2009, an annual transfer from the asset revaluation reserve to retained earnings is made for the difference between amortisation based on the revalued carrying amounts of the broking register and amortisation based on the broking registers' original costs.

Upon disposal, any revaluation reserve relating to the particular broking register being sold is transferred to retained earnings.

(r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Liabilities for employee entitlements to annual leave and other current entitlements are accrued at amounts calculated on the basis of current wage and salary rates, including package costs and on-costs. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

Liabilities for employee entitlements to long service leave, which are not expected to be settled within twelve months after balance date, are accrued at the present value of the future amounts to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and periods of service. The discount factor applied to all such future payments is determined using the corporate bond rates attaching as at the reporting date, with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Any contributions made to the accumulation superannuation funds by entities within the Group are charged against profits when due.

(s) Issued capital

Ordinary share capital is recognised at the fair value of the consideration received by the company, net of issue costs.

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

An Employee Share Options Plan (ESOP) is in place which provides benefits to executive directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. Details of methodology to value of options is included in note 16.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AUB Group Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Profit or Loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards that are cancelled or where vesting is only conditional upon a market condition.

In the event options are cancelled, or cancelled and reissued, the unexpensed cost for these is brought forward and recognised immediately in addition to the expense for any reissued/new options.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured, at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 8).

(u) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates on the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve, in equity. If the foreign operation is not a wholly owned controlled entity then the relevant proportion of the translation difference is allocated to non controlling interests.

(v) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the year end date as presented in the Statement of Financial Position.

Deferred income tax is provided on all temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. No deferred tax liability has been recognised in respect of any potential profit on the disposal of an associate or controlled entity by the Group as there is no intention of disposing of these assets in the foreseeable future. Any tax liability will be recognised when the asset is disposed.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each year end date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the year end date as presented in the Statement of Financial Position.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(w) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Property, plant and equipment

Property, plant and equipment, is stated at cost less depreciation and any impairment in value.

Depreciation is calculated on a straight-line over the estimated useful life of the asset as follows:

- Motor vehicles 5 to 8 years.
- Plant and equipment 5 to 10 years.

Impairment

The carrying value of property, plant and equipment is reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to their recoverable amount.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(y) Make good provision

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling existing fitouts, repainting of premises and carpet replacement where necessary.

The calculation of this provision requires assumptions such as engineering cost estimates and future labour costs. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimates of future costs are recognised in the Statement of Financial Position by adjusting both the expense or asset and the provision. The related carrying amounts are disclosed in note 18.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by members of the senior executive management team who are the entity's chief operating decision makers (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the aggregation criteria is still reported separately where information about the segment would be useful for the users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category.

The company's corporate structure includes equity investments in insurance intermediary entities.

The activities of an Insurance intermediary involves providing insurance products, advice and services to clients which range from individuals to small, medium and large enterprises. Within the AUB Group, the intermediaries are made up of insurance brokers, underwriting agencies and other providers of insurance related services. The activities of these businesses are similar in nature, regardless of whether it is a general insurance risk business or life insurance risk business. The only significant difference between the operations is that the underwriting agencies distribute through other intermediaries (brokers) to the final customer. All businesses within the network (both in Australia and New Zealand) deal with the same underwriters, earn income based on a commission and/or fee structure and the underwriting agencies are licenced under the same regulatory framework as insurance brokers.

The New Zealand broking market, whilst operating under a separate statutory regime and geographic region, operates in a similar manner to brokers in Australia and therefore is not considered a separate operating segment.

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. AUB Group have defined these operations as being a separate segment, “Insurance Intermediary Business”.

Although Risk Services entities within the group supply insurance related services to the same underwriters that support our brokers and underwriting agencies, they do not earn commission in the same way but rather tender for business and are paid on a fee for service basis based on the tasks they perform. Risk Services businesses also differ from Insurance Intermediary segment in that they do not require an Australian Financial Services Licence (AFSL) to operate and are governed by different legislation and therefore are considered a separate segment, "Risk Services".

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain Australian and International Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year end reporting period 30 June 2017. The directors have assessed the impact of these new or amended standards and interpretations (to the extent relevant to the group) as follows:

AASB 15: Revenue from Contracts with Customers Summary

AASB 15 Revenue from Contracts with Customers which will be effective for the Group from annual periods beginning on or after 1 July 2018 will replace all of the current revenue standards and interpretations including AASB 118 Revenue. The core principle of AASB 15 is that revenue is recognised when a customer obtains control of promised goods or services. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has introduced a five-step model as the framework for applying that core principle as follows: (i) identify the contract with the customer; (ii) identify the performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to separate performance obligations; and (v) recognise revenue when a performance obligation is satisfied. Moreover, AASB 15 includes more disclosure requirements about the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers.

The Group has collated relevant information from the majority of controlled entities and associates for the implementation of AASB 15, with an aim to identify potential areas of impact by each operating segment (i.e. Insurance Intermediary & Risk Services entities) and to consider the need to adjust internal control systems over financial reporting, if necessary. Whilst we do not believe that there will be a significant impact on the treatment of revenue for the Risk Services entities arising from AASB 15, our preliminary assessment has identified a number of potential changes in accounting treatments required for revenue under AASB 15.

Revenue generated by insurance intermediaries represents commissions, brokerage and fees in respect of broking and underwriting agency services, the majority of which are non-refundable up-front fees which are currently generally recognised as revenue under AASB 118 upon the invoice issuance date. As part of the fees charged to customers, they may receive claims handling services and other general advice.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

AASB 15: Revenue from Contracts with Customers Summary (continued)

Under AASB 15, different services included in a contract need to be classified as individual performance obligations whilst separate transaction prices will need to be allocated for each performance obligation. This is likely to cause a change in the pattern of revenue recognition for non-refundable up-front fees during the delivery of services. In particular, the Group may need to identify any specific performance obligations associated with the additional services provided to the customers, and allocate transaction prices to each of these additional performance obligations.

Furthermore, the businesses earn two types of performance-based incentive commissions, with corresponding current revenue recognition methods under AASB 118 as follows:

(i) Brokers' override commissions from insurers based on volume of premiums - the Group generally recognises this revenue upon receipt of the insurers' advice of the amount of commissions earned; and

(ii) Profit commissions of brokers and underwriting agencies from insurers based on the profitability of underwritten policies - the Group generally recognises this revenue using probability estimates of the profit commissions earned.

AASB 15 requires the entity to estimate the amount of variable considerations using the method which best predicts the amount of consideration to which the entity will be entitled (i.e. either the 'expected value' or 'most likely amount' method). The estimated variable consideration is included in the transaction price to the extent it is highly probable that a significant revenue reversal will not subsequently occur. Revenue is only recognised in respect of closed underwriting years when it is certain that the amount is due and payable. In respect of open underwriting years, a probability of receipt will be applied to determine if an amount should be recognised during the period. Although the investigations are not complete, the Group does not expect material changes in the revenue recognition pattern for profit commissions or brokers' override commissions under AASB 15.

Impact on financial report

A detailed impact assessment arising from AASB 15 is in progress, and will be finalised along with the establishment of revised accounting policies on revenue recognition, and implementation of necessary procedures to capture any adjustments and additional disclosures required during the course of the next financial year. There are two transitions approaches (i.e. "full retrospective" and "modified retrospective"). The Group is in the process of assessing which one will be adopted.

AASB 16: Leases

Summary

AASB 16 Leases will replace AASB 117 Leases and other related interpretations. The new lease standard will be effective from the annual reporting period commencing 1 July 2019.

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

Although depreciation on the right-of-use asset will be recorded on a straight-line basis, the total periodic expense (i.e. the sum of interest and depreciation expenses) will be generally higher in the early periods and lower in the later periods. As a constant interest rate is applied to the lease liability, interest expenses decrease as lease payments are made during the lease term and the lease liability decreases. This trend in the interest expense, combined with straight-line depreciation of the right-of-use asset, results in a front-loaded expense recognition pattern.

Impact on financial report

At this stage, the Group is not able to reasonably measure the quantitative impact arising from AASB 16 as there may be new lease agreements between the date of this report and the effective date of AASB 16, which could be materially different from the existing lease agreements. Nevertheless, after its initial assessment on the impact arising from AASB 16, the Group anticipates that upon adoption of this standard:

- The Group's Statement of Financial Position will be grossed up (both assets and liabilities) to reflect the rights and obligations relating to the Group's leases. For leased properties occupied by the Group, the Statement of Financial Position will hold a depreciating non-financial asset and the associated payable under the lease. Refer to the current existing commitments Note 22 in the financial report for an indicator of the impact of the gross up.
- In the Statement of Comprehensive Income, net rental expense will be replaced by a 'front-loaded' net interest expense and a straight-lined depreciation expense. This is expected to have some impact on the Group's earnings before interest and tax ('EBIT').

The Group is considering the available options for transition which include "full retrospective" and "modified retrospective" approaches. The Group will determine in due course which transition approach will be adopted.

AASB 9: Financial Instruments

Summary

AASB 9 (December 2014) is a new standard that replaces AASB 139, which will be effective from the annual reporting period commencing 1 July 2018. This new standard supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting.

Impact on financial report

Although the assessment is still being undertaken, the Group does not expect material changes arising from this new standard.

4. REVENUE AND EXPENSES

	Consolidated	
	2017	2016
	$'000	$'000
(i) Revenue		
Commission, brokerage and fee income	223,564	191,878
Management fees from related entities	10,661	11,099
Total revenue	234,225	202,977
(ii) Other income		
Dividends from other persons/corporations	1	2
Interest from related persons/corporations	32	54
Interest from other persons/corporations	2,752	3,565
Other income	2,829	4,008
Total other income	5,614	7,629
(iii) Share of profit of associates		
Share of net profits of associates accounted for using the equity method before amortisation (net of income tax expense)	27,462	26,536
Amortisation of intangibles – associates	(2,792)	(3,264)
Total share of profit of associates	24,670	23,272
(iv) Expenses		
Amortisation of Intangibles - controlled entities	3,763	3,323
Amortisation of capitalised Project Costs	415	405
Advertising and Marketing	2,607	2,218
Audit fees	1,609	1,488
Business Technology and software costs	7,821	6,763
Commission expense	12,173	12,344
Depreciation of property plant and equipment	2,851	2,532
Insurance	4,640	4,517
Legal Fees/Acquisition Costs	1,774	1,532
Rent (operating leases)	10,786	9,737
Salaries and wages	134,411	116,231
Share-based payments	580	(313)
Travel/Telephone/Motor/Stationery	8,122	7,741
Other expenses	10,171	9,546
Total other expenses	201,723	178,064
(v) Finance costs		
Interest paid and other borrowing costs	4,133	5,389
Total finance costs	4,133	5,389
(vi) Adjustments to carrying value of associates and contingent consideration payments		
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities or deconsolidated	4,334	5,724
Adjustment to contingent consideration on acquisition of controlled entities and associates (see notes 7(d),11,15)	(5,657)	277
Impairment charge relating to the carrying value of associates and goodwill (see notes 11, 15)	(2,983)	(4,271)
Total adjustments to carrying value of associates and contingent consideration payments	(4,306)	1,730
(vii) Profit from sale of interests in controlled entities and associates		
Losses from sale of interests in controlled entities and associates	-	(649)
Profit from sale of interests in controlled entities, associates and insurance portfolios	30	9,408
Total profit from sale of interests in controlled entities and associates	30	8,759

5. INCOME TAX

	Consolidated	
	2017	2016
	$'000	$'000
Major components of income tax expense		
Statement of Profit or Loss		
Current income tax		
Current income tax charge	14,145	13,485
Adjustment for prior years	(292)	(315)
Deferred tax credit		
Origination and reversal of temporary differences	(2,577)	(1,043)
Total income tax expense in Consolidated Statement of Profit or Loss	11,276	12,127
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	54,377	60,914
At the Company's statutory income tax rate of 30% (2016: 30%)	16,313	18,274
Rebateable dividends	-	(1)
Equity accounted income from associates	(5,759)	(5,169)
Non-taxable gains/losses on sale	(650)	(305)
(Over)/under provision prior year	(292)	(315)
Income taxed at different tax rates on overseas operations	(60)	(21)
Tax on distributions from associates operating as trusts	(154)	(138)
Adjustments to contingent consideration on acquisition of controlled entities and associates	1,697	(97)
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities or deconsolidated	(1,300)	(1,894)
Impairment charge relating to the carrying value of associates and controlled entities	895	1,281
Non deductible expenses/other	586	512
Income tax expense reported in the Consolidated Statement of Profit or Loss	11,276	12,127
Income tax payable	4,706	5,593

5. INCOME TAX (CONTINUED)

	Consolidated		Consolidated	
	Statement of Financial Position		Statement of Profit or Loss	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Income accrued not yet assessable	2,026	1,821	205	(96)
Unamortised value of broker register	8,753	8,685	-	-
Tax credit on insurance broking register amortisation expense	(1,107)	(986)	(1,107)	(986)
Deferred income tax liabilities	9,672	9,520		
Deferred tax asset				
Provisions and accruals not yet claimed for tax purposes	7,210	5,535	(1,675)	39
Deferred income tax assets	7,210	5,535		
Deferred tax income/(expense)			(2,577)	(1,043)

Tax consolidation

For the purposes of income taxation, AUB Group Limited entered into a Consolidated Tax Group with its 100% owned subsidiaries. Tax consolidation results in the subsidiary members being treated as part of the Head Company for tax purposes rather than as a separate taxpayers.

The Income Tax Assessment Act (1997) provides that the Consolidated Tax Group is to be treated as a single entity for Australian tax purposes with the Head Company responsible for the tax payable. AUB Group Limited formally notified the Australian Taxation Office of its adoption of the tax consolidation regime by lodging notice with the Australian Taxation Office.

The Consolidated Tax Group was formalised by entering into tax sharing and tax funding agreements in order to allocate income tax payable to group members. Each member of the group calculates tax expense on an entity basis. The agreement also provides that AUB Group Limited carries forward tax funding assets or tax funding liabilities for which an intercompany loan is recognised between the parties.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each quarter.

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	$'000	$'000
Reconciliation of profit after tax to net cash flows from operations		
Profit after tax for the period	43,101	48,787
Equity accounted (profits) after income tax	(24,670)	(23,272)
Dividends/trust distributions received from associates	21,839	20,454
Amortisation of intangibles	3,763	3,324
Amortisation of capitalised project costs	415	405
Depreciation of fixed assets	2,851	2,532
Share options expensed	580	(313)
Losses from sale of interests in controlled entities and associates	-	649
Profit from sale of interests in controlled entities and associates	(30)	(9,408)
Adjustment to contingent consideration on acquisition of controlled entities and associates	5,657	(277)
Adjustment to carrying value of entities (to fair value) on the date they became controlled entities	(4,334)	(5,724)
Impairment charge relating to the carrying value of associates and goodwill	2,983	4,271
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	3,918	(1,964)
Increase/(decrease) in trade and other payables	4,002	(5,186)
(Increase)/decrease in trust receivables	(8,074)	203
Increase/(decrease) in trust payables	3,973	(11,792)
Increase in provisions	3,253	2,630
(Increase) in deferred tax asset	(1,511)	(27)
Increase/(decrease) in deferred tax liability	130	(732)
(Decrease)/increase in provision for tax	(2,317)	186
Net cash flows from operating activities	55,529	24,746
Cash and cash equivalents	63,546	70,933
Cash and cash equivalents – trust	89,772	87,513
Total cash and cash equivalents	153,318	158,446

Due to acquisitions/disposal of consolidated entities during the year, some changes in assets and liabilities shown above will not agree to the movements in the Statement of Financial Position.

Non cash financing activity transactions include transactions resulting from the dividend reinvestment plan.

Trust cash (other than undrawn income) cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policy holder.

7. BUSINESS COMBINATIONS

The business combinations referred to in note 7(a) - 7(e) relate to Insurance Intermediaries except for 7 (c) and (d), PeopleSense Pty Ltd, Allied Health Australia Pty Ltd and CIM Pty Ltd, which relates to Risk Services.

A major strategy of the Group is to acquire insurance broking portfolios or part ownership in insurance broking, underwriting agency and risk services businesses. 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 an agreed multiple of a probability weighted best estimate of future outcomes for income or profit, on which the purchase price is determined, discounted to present value. Future outcomes for income or profit are significant unobservable inputs. Historical trends and any relevant external factors are taken into account in determining the likely outcome.

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

For business combinations referred to in notes 7(c) and 7(d) goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits.

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

7. BUSINESS COMBINATIONS (CONTINUED)

(a) Equity transactions between owners–current period

Transactions resulting in a decrease in shareholding

Effective 1 July 2016, a controlled entity disposed of 7.5% of the voting shares in Austbrokers Financial Solutions (ACT) Pty Ltd (AFS (ACT)) for $166,344 decreasing its ownership from 100% to 92.5%.

On 1 July 2016, the Group disposed of 17.2% of the voting shares in Terrace Insurance Brokers (Terrace) Pty Ltd for $1,372,734 decreasing its ownership from 70.83% to 53.7%.

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

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

Effective 30 November 2016, a controlled entity, Altius Group holdings Pty Ltd (Altius), issued shares to its employees at fair value for $899,440. The issue of the additional shares by Altius diluted the Group's shareholding from 56.5% to 55.3%.

On 1 March 2017, a controlled entity disposed of 15% of the voting shares in Asia Mideast Insurance and Reinsurance Pty Limited (AMIR) for $565,000 decreasing its ownership from 75% to 60%.

Transaction resulting in an increase in shareholding

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

Carrying value of assets on the date of change in voting shares were:

	Increase in voting shares	Dilution in voting shares	Dilution in voting shares
	Carrying value of assets attributable to Atlas	Carrying value of assets attributable to Runacres	Carrying value of assets attributable to AFS (ACT), Terrace, FIUA, Altius and AMIR
	$'000	$'000	$'000
Cash	1,157	5,725	9,718
Receivables	961	11,454	10,399
Property plant and equipment	8	467	54
Intangibles	1,689	31,330	4,262
Total assets	3,815	48,976	24,433
Payables and provisions	1,862	11,401	16,141
Tax liabilities	(17)	3,341	194
Total liabilities	1,845	14,742	16,335
Net assets	1,970	34,234	8,098
Non-controlling interest in net assets	-	-	-
Net assets attributable to AUB Group	1,970	34,234	8,098
Cash (received)/paid on sale of shares	165	(3,449)	(3,175)
Deferred settlement	110	-	-
Capital gains tax on sale of units	-	-	217
Adjustment to non-controlling interest	(179)	3,408	2,158
Transfer to retained earnings on equity transactions between owners	(96)	41	800

7. BUSINESS COMBINATIONS (CONTINUED)

(b) *Equity transactions between owners–previous period*

Transactions resulting in a decrease in shareholding

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

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

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

Transactions resulting in an increase in shareholding

On 1 February 2016, a controlled entity acquired a portfolio for a consideration $1,300,000 by issuing $500,000 of voting shares plus a cash payment of $800,000. This transaction resulted in AUB Group diluting its shareholding in AB Phillips from 56.9% to 55.4%.

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

Carrying value of assets attributable to Interfin, InterRISK, AB Phillips and Canberra on the date of change in voting shares were:

	Increase in voting shares	Dilution in voting shares
	Carrying value of assets attributable to InterRISK and Interfin	Carrying value of assets attributable to Canberra, SPT and AB Phillips
	$'000	$'000
Cash	16,207	18,947
Receivables	17,135	16,249
Property plant and equipment	298	979
Intangibles	25,161	13,664
Total assets	58,801	49,839
Payables and provisions	32,289	31,743
Borrowings	-	3,805
Tax liabilities	17	988
Total liabilities	32,306	36,536
Net assets	26,495	13,303
Non-controlling interst in net assets	(1,725)	-
Net assets attributable to AUB Group	24,770	13,303
Cash (received) on sale of shares/units in trust	-	(1,883)
(Proceeds) from additional units in trust/shares issued	-	(1,101)
Cash paid	291	-
Capital gains tax on sale of units	-	59
Adjustment to non-controlling interest	(499)	1,333
Transfer to retained earnings on acquisition/dilution in voting shares	208	1,592

7. BUSINESS COMBINATIONS (CONTINUED)

(c) *Acquisition / disposal of controlled entities - current period*

On 1 July 2016, Altius Group Holdings Pty Limited (Altius), acquired 100% of the voting shares in PeopleSense Pty Ltd (PeopleSense) for $8,582,268 which included the fair value of the deferred consideration payment of $3,290,402 payable no later than 18 months after the date of acquisition. The maximum amount of the contingent consideration payable is $3,300,000.

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

On 20 June 2017, a 55% controlled entity acquired 50% of the voting shares in Bruce Park Pty Ltd (Bruce Park) for $3,963,647 increasing the Group's ownership of Bruce Park to 100% of the voting shares. The Group's share of voting shares through this transaction increased from 50% to 75%. On this date, Bruce Park ceased being an associate and became a controlled entity. The acquisition of the additional 50% of the voting shares in Bruce Park was through an issue of additional voting shares by the controlled entity valued at $1,724,971 plus a cash payment of $2,238,676. The issue of additional voting shares by the controlled entity reduced the Group's direct ownership from 55% to 51%.

On 1 April 2017, a controlled entity acquired a further 50% of the voting shares in Blumberg Pty Ltd through an issue of additional voting shares by that controlled entity valued at $157,000. The Group already held 50% of the voting shares before this transaction and through this additional acquisition of voting shares, the consolidated group increased the voting shares to 51%. On this date, the entity ceased being an associate and became a controlled entity.

On 28 February 2017, a controlled entity acquired 40% of the voting shares in Northern Tablelands Insurance Brokers Pty Ltd (NTIB) for $1,600,000 including a contingent consideration payment of $564,000. The Group already held 50% of the voting shares before this transaction and through this additional acquisition of voting shares, the consolidated group increased the voting shares to 78%. On this date, the entity ceased being an associate and became a controlled entity.

On 30 June 2017, a controlled entity disposed of all the voting shares in All-Trans Underwriting Pty Ltd for $1.

Fair values of the identifiable assets and liabilities of PeopleSense, Bruce Park, Blumberg and NTIB as at the date of acquisition were:

	Fair value recognised on acquisition
Cash	4,983
Receivables	4,338
Intangibles	3,570
Plant and equipment	208
Total assets	13,099
Payables and borrowings	8,009
Tax provisions	336
Deferred tax liability	1,071
Provisions	241
Total liabilities	9,657
Net assets	3,442
Net assets acquired	3,355
Current carrying value transferred from associates	1,744
Fair value on the date the associates became controlled entities (see note 4(vi))	**4,334**
Purchase price - cash paid	**5,984**
Purchase price - share issue	4,464
Purchase price - deferred payment	3,854
Total purchase price of acquisition	20,380
Goodwill arising on acquisition relating to the group	11,672
Goodwill arising on acquisition relating to non-controlling interests	5,666
Increase in non-controlling interest	4,886
Cash outflow on acquisition is as follows;	
Net cash acquired with the acquisition	4,983
Cash paid	(5,984)
Net cash (outflow)	**(1,001)**

The acquisition of 100% of PeopleSense was effective on 1 July 2016. The acquisition contributed $1,621,364 to net profit after tax and $9,872,571 to revenue. Since the date they became controlled entities, the acquisition of Bruce Park and NTIB contributed $197,613 to net profit after tax and $668,131 to revenue. If the acquisition had taken place at the beginning of the year, Bruce Park and NTIB would have contributed $1,178,761 and $4,620,386 to net profit after tax and revenue respectively.

7. BUSINESS COMBINATIONS (CONTINUED)

(d) Acquisition of new controlled entities– previous period

On 1 July 2015, the Group acquired 60% of the voting shares in Allied Health Australia Pty Ltd (Allied) for $13,966,080 which included the fair value of the deferred consideration payment of $4,490,984 payable no later than 24 months after the date of acquisition. The maximum amount of the contingent consideration payable is $12,245,000.

On 1 July 2015, a controlled entity incorporated a new entity, Insurance Investment Solutions Pty Ltd (previously Expert Strata Pty Ltd) with issued capital of $200,000. The group acquired 55% of the voting shares of this entity contributing $110,000 of issued capital and non controlling interests contributing $90,000.

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

On 1 December 2015, Altius purchased the assets of Rebem Pty Ltd through a newly incorporated 100% owned subsidiary, CIM Group Holdings Pty Ltd (CIM) for $2,453,244 including a contingent consideration of $698,612. There is no cap on the contingent amount payable.

Effective 1 January 2016, an 80% controlled entity in New Zealand acquired 100% of the voting shares in Runacres (Runacres) Pty Ltd for $34,488,000.

Portfolio acquisitions of $1.836 million by members of the group that occurred during the year are not separately disclosed.

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

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

	Fair value recognised on acquisition of Runacres	Fair value recognised on acquisition of Allied Financial Affairs and CIM
	$'000	$'000
Cash	8,330	821
Receivables	10,199	1,740
Intangibles	11,235	1,277
Plant and equipment	594	438
Total assets	30,358	4,276
Payables and borrowings	12,685	1,375
Borrowings	-	344
Deferred tax liability	3,146	383
Provisions	39	631
Total liabilities	15,870	2,733
Net assets	14,488	1,543
Net assets acquired	14,488	1,310
Purchase price – cash paid	34,488	14,670
Purchase price – deferred payment/contingent consideration payments	-	6,006
Total purchase price of acquisition	34,488	20,676
Goodwill arising on acquisition relating to the Group	20,000	19,366
Goodwill arising on acquisition relating to the non-controlling interests	-	9,077
Total goodwill arising on acquisition	20,000	28,443
Cash outflow on acquisition is as follows;		
Net cash acquired with the acquisition	8,330	821
Cash paid	(34,488)	(14,670)
Net cash (outflow)	**(26,158)**	**(13,849)**

The acquisition of 60% of Allied was effective on 1 July 2015. The acquisition contributed $1,023,494 to net profit after tax and $15,609,210 to revenue.

The acquisition of 100% of Financial Affairs was effective on 15 July 2015. The acquisition contributed $291,505 to net profit after tax and $1,705,513 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been $291,505 and $1,719,602 to revenue.

The acquisition of 100% of CIM was effective on 1 December 2015. The acquisition contributed $120,700 to net profit after tax and $1,494,313 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been $264,034 and $2,625,099 to revenue.

The acquisition of 100% of Runacres was effective on 1 January 2016. The acquisition contributed $1,131,000 to net profit after tax and $4,086,000 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been $ 2,250,000 and $5,250,000 to revenue.

7. BUSINESS COMBINATIONS (CONTINUED)

(e) Deconsolidation of controlled entities on loss of control - previous year

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

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

	Carrying value of assets and liabilities
Assets	
Cash	11,530
Receivables	13,577
Plant and equipment	58
Other assets	93
Intangibles	11,143
Total assets	36,401
Liabilities	
Payables	22,725
Borrowings	2,000
Tax liabilities	171
Total liabilities	24,896
Net assets	11,505

Carrying value of controlled entity transferred to shares in associates	3,593
Fair value adjustment on the date the controlled entity became an associate	**6,313**
Fair value of associate on the date the Group lost controlling interest	9,906
Sale proceeds	**991**
Less: carrying value of shares sold	(605)
Reversal of previous period transaction between owners previously transferred to retained earnings on sale of voting shares in controlled entity	**758**
Profit on sale of of voting shares in controlled entity	**1,144**
Fair value adjustment on the date the controlled entity became an associate	**6,313**
Profit on deconsolidation of controlled entities before tax and non-controlling interests	7,457
Tax expense	(952)
Total fair value adjustment and profit on deconsolidation of controlled entity - after tax	**6,505**
Non-controlling interests	-
Profit after tax and non controlling interests	6,505

Cash outflow on disposal is as follows;	
Net cash reduction on deconsolidation of controlled entity acquired with the controlled entity	(11,530)
Cash received on sale	991
Net cash (outflow) on deconsolidation of controlled entity	**(10,539)**

8. EARNINGS PER SHARE (EPS) / DIVIDENDS PAID AND PROPOSED

Earnings Per Share (EPS)

(a) 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.

(b) 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.

(c) Information on the classification of securities

Options granted to employees as described in note 16 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 year minus the exercise price.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2017	2016
	$'000	$'000
Net profit attributable to ordinary equity holders of the parent	32,988	42,002

	2017	2016
	Thousands shares	Thousands shares
Weighted average number of ordinary shares for basic earnings per share	63,846	63,041
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	213	160
Weighted average number of ordinary shares adjusted for the effect of dilution	64,059	63,201
Basic earnings per share (cents per share)	51.7	66.6
Diluted earnings per share (cents per share)	51.5	66.5

8. EARNINGS PER SHARE (EPS) / DIVIDENDS PAID AND PROPOSED (CONTINUED)

Dividends Paid and Proposed

(d) Equity dividends on ordinary shares:

	Consolidated	
	2017	2016
	$'000	$'000
Dividends paid during the year		
Final franked dividend for financial year ended 30 June 2015: 27.7 cents	-	17,245
Interim franked dividend for financial year ended 30 June 2016: 12.0 cents	-	7,601
Final franked dividend for financial year ended 30 June 2016: 28.0 cents	17,877	-
Interim franked dividend for financial year ended 30 June 2017: 12.5 cents	7,981	-
Total dividends paid in current year	25,858	24,846
In addition to the above, dividends paid to non controlling interests totalled $8,504,000 (2016: $4,399,000)		
Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2016: 28.0 cents	-	17,877
Final franked dividend for financial year ended 30 June 2017: 29.5 cents	18,835	-
	18,835	17,877
Dividends paid per share (cents per share)	40.5	39.7
Dividends proposed per share (cents per share) not recognised at balance date	29.5	28.0

(e) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	2017	2016
– franking account balance as at the end of the financial year at 30% (2016: 30%)	34,529	32,255
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	133	1,966
The amount of franking credits available for future reporting periods	34,662	34,221
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(8,072)	(7,662)
The amount of franking credits available for future reporting periods after payment of dividend	26,590	26,559

The tax rate at which paid dividends have been franked is 30% (2016: 30%)

Dividends proposed will be franked at the rate of 30% (2016: 30%)

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Trade receivables	26,501	29,961
Amount due from customers on broking/underwriting agency operations	138,118	126,788
Amount due from clients in respect of premium funding operations	7,788	6,366
Other receivables – related entities	3,572	2,686
Total trade and other receivables (current)	175,979	165,801
Non-Current		
Trade receivables	50	163
Loans to associated entitites	426	-
Total trade and other receivables (non-current)	476	163

10. OTHER FINANCIAL ASSETS

Current		
Secured loans - related entitites (amortised cost)	-	459
Other	108	211
Total other financial assets (current)	108	670

The secured loans are supported by registered fixed and floating charges over assets in the business, securities and supplemented with cross guarantees and indemnities where necessary.

Non-current		
Other	51	40
Total other financial assets (non-current)	51	40

11. INVESTMENT IN ASSOCIATES

	Consolidated	
	2017 $'000	2016 $'000
Investment in associates		
Associated entities – unlisted shares	141,713	133,894

Associated entities (and their controlled entities)	Equity percentage owned 2017	2016	Equity accounted amount 2017	2016
Unlisted shares - equity percentage owned and equity accounted	%	%	$'000	$'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,852	2,787
Austbrokers AEI Transport Pty Ltd	50.0	50.0	9,677	9,597
A & I Member Services Pty Ltd	50.0	50.0	-	-
Adroit Holdings Pty Ltd	50.0	50.0	13,229	13,333
Austbrokers RIS Pty Ltd	49.9	49.9	2,686	2,653
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	277	253
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,483	3,029
Austcan Risk Services (UK) Ltd	30.0	30.0	89	63
Bruce Park Pty Ltd (controlled entity from 20 June 2017)	75.0	49.9	-	1,523
Brett Grant and Associates Pty Ltd	50.0	50.0	1,596	1,661
Brokerweb Risk Services Ltd*	40.0	40.0	14,943	16,499
Blumberg Pty Ltd (controlled entity from 1 April 2017)	51.0	50.0	-	103
Bluestone Insurance Pty Ltd	50.0	50.0	-	-
Insurance Advisernet Australia Pty Ltd/Insurance Advisernet Australia Unit Trust	49.9	49.9	15,566	15,350
Insurance Advisernet Holdings Pty Ltd/Insurance Advisernet Holdings Unit Trust	49.9	49.9	616	874
JMD Ross Insurance Brokers Pty Ltd	50.0	49.9	969	877
Markey Group Pty Ltd	49.9	49.9	3,626	3,742
Global Assured Finance Pty Ltd	49.9	49.9	-	-
HQ Insurance Pty Ltd	40.4	40.4	2,028	1,877
KJ Risk Group Pty Ltd	49.0	49.0	1,728	1,752
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust	50.0	-	5,844	-
MGA Management Services Pty Ltd	49.9	49.9	14,444	12,199
Northern Tablelands Insurance Brokers Pty Ltd (controlled entity from 1 March 2017)	78.0	49.9	-	117
Northlake Holdings Pty Ltd	50.0	50.0	5,558	5,554
Nexus (Aust) Pty Ltd	50.0	50.0	9,951	11,157
Peter L Brown & Associates Pty Ltd	49.9	49.9	582	562
The Procare Group Pty Ltd	50.0	50.0	11,322	11,337
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,122	3,074
Supabrook Pty Ltd	49.9	49.9	837	785
R.G Financial Services Pty Ltd	50.0	50.0	15	5
SRG Group Pty Ltd	50.0	50.0	2,043	2,137
Western United Financial Services Pty Ltd	49.9	49.9	2,010	1,985
WRI Insurance Brokers Pty Ltd	50.0	50.0	3,165	3,052
Countrywide Tolstrup Financial Services Group Pty Ltd/Countrywide Tolstrup Group Unit Trust	49.9	49.9	2,318	2,214
Oxley Insurance Brokers Pty Ltd/Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	120	155
Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	153	140
Aust Re Brokers Pty Ltd	50.0	50.0	1,427	943
Cinesura Entertainment Pty Ltd	50.0	50.0	171	71
Fleetsure Pty Ltd	50.0	-	3,622	-
Longitude Insurance Pty Ltd***	58.5	56.1	837	794
Millennium Underwriting Agency Pty Ltd**	50.0	50.0	508	446
Sura Professional Risks Pty Ltd	50.0	50.0	900	696
Sura Accident and Health Pty Ltd	50.0	50.0	-	-
Tasman Underwriting Pty Ltd	50.0	50.0	399	498
			141,713	133,894

11. INVESTMENT IN ASSOCIATES (CONTINUED)

* The Group has an 80% interest in the controlled entity which has a 50% interest in Brokerweb Risk Services Ltd.

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

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

During the current year, the following transactions occurred;

- On 13 January 2017, the consolidated entity contributed a further capital to Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust.
- On 1 March 2017, the consolidated entity acquired 50% of the voting shares of Fleetsure Pty Ltd.
- On 1 April 2017, the consolidated entity acquired a further 1.25% of the voting shares of Longitude Pty Ltd.
- On 1 May 2017, the consolidated entity acquired 50% of the voting shares in Lea Insurance broking Pty Ltd.

  The cost of acquisitions and additional capital in respect of these transactions was $9,387,000 including a deferred payment of $910,000.
- On 20 June 2017, a controlled entity acquired 50% of the voting shares in Bruce Park Pty Ltd on which date it became a controlled entity.
- On 1 March 2017, a controlled entity acquired 40% of the voting shares in Northern Tablelands Insurance Brokers Pty Ltd on which date it became a controlled entity.
- Further adjustments to estimated contingent consideration payable in respect of associates, resulted in a reduction to the estimates previously recognised by the Consolidated Group by $2,664,000 (see note 4(vi)). As the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of $2,664,000 was recognised against the carrying value of that associate (see note 4(vi)).

There were no associates disposed of during the year.

During the previous year, the following transactions occurred;

- On 1 July 2015, the consolidated entity acquired 49% of the voting shares of KJ Risk Group Pty Ltd for $1,748,134.
- On 1 July 2015, the group disposed 5% of the voting shares in AEI Transport Pty Ltd and its controlled entities for $990,622 reducing its equity from 55% to 50%. On that date AEI Transport Pty Ltd ceased to be a controlled entity and became an associate.
- On 1 July 2015, a controlled entity acquired 50% of the voting shares in a newly incorporated entity, Austbrokers RG Financial Services Pty Ltd for $100.
- On 1 January 2015, the consolidated entity acquired an associate, Austcan Risk Services (UK) Ltd for $30.
- Further adjustments to contingent considerations in respect of associates resulted in a reduction to the estimates previously recognised by the Consolidated Group by $2,231,640. As the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of $2,231,640 was recognised against the carrying value of that associate (see note 4(vi)).
- Further adjustments to contingent considerations in respect of an associate resulted in an increase to the estimates previously recognised by the Consolidated Group by $881,000 to reflect the estimated final payment. In recognition of the increase in the contingent consideration, a $687,000 impairment charge booked in prior periods was reversed and a further $195,000 was charged against profits. (see note 4(vi)).

During the previous year the consolidated entity disposed of the following associates;

- On 1 December 2015, the group disposed of all the voting shares owned in Strathearn Insurance Group Pty Ltd.
- On 1 February 2016, the group disposed of all the voting shares owned in Risk Strategies Pty Ltd.
- Between 30 September 2015 and 1 March 2016, a controlled entity disposed all of the voting shares owned in NewSurety Pty Ltd.

The total sales proceeds in respect of the disposal of the associates above were $30,648,882.

11. INVESTMENT IN ASSOCIATES (CONTINUED)

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

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

(b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust where the voting power is 37.5%, Longitude Insurance Pty Ltd where voting power is 38.75%, Millennium Underwriting where the voting power is 18.4%, HQ Insurance Brokers Pty Ltd where the voting power is 40.4% and Austcan Risk Services (UK) Ltd where the voting power is 30%.

(c) The reporting date of each associate is 30 June 2017 (prior year reporting date 30 June 2016).

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

(e) Other than disclosed in note 15, there were no other impairments of investment in associates for the year.

(f) All associates, including unit trusts, were incorporated or established in Australia except for Brokerweb Risk Services Ltd which is incorporated in New Zealand and Austcan Risk Services (UK) Limited which is incorporated in the United Kingdom.

(g) The entity's share of the associate's commitments and contingent liabilities are disclosed in note 22.

(h) The entity's share of associates' profits/(losses):

	Consolidated	
	2017	2016
	$'000	$'000
Revenue	108,305	108,473
Operating profits before income tax	35,575	34,060
Amortisation of intangibles	(2,792)	(3,264)
Net profit before income tax	32,783	30,796
Income tax expense attributable to operating profits	(8,113)	(7,524)
Share of associates' net profits	24,670	23,272
(i) The entity's share of the assets and liabilities of associates:		
Current assets	235,025	220,047
Non-current assets	61,374	54,212
Current liabilities	(225,502)	(210,656)
Non-current liabilities	(14,079)	(10,122)
Net assets	56,818	53,481
(j) Reconciliation of carrying value of associates:		
Balance at the beginning of the financial year	133,894	141,661
Acquisition of associates	9,386	2,971
Reclassification of investment in controlled entities to associates	-	9,906
Reclassification of investment in associates to controlled entities	(1,744)	650
Disposal of associates	-	(22,357)
Share of associates' profit after income tax	24,670	23,272
Impairment resulting from adjustment to contingent consideration	(2,664)	(2,231)
Dividends/trust distributions received	(21,839)	(20,454)
Net foreign exchange and other movements	9	476
Balance at the end of the financial year	141,712	133,894

12. SHARES IN CONTROLLED ENTITIES

	Equity Interest Held	
	2017 %	2016 %
All controlled entities are incorporated in Australia except for AUB Group NZ Ltd and its controlled entities which are incorporated in New Zealand, and comprise:		
Name and Interests in controlled entities:		
Austbrokers Pty Ltd and its controlled entities	100	100
- Austbrokers Investments Pty Ltd	100	100
- Austbrokers Trade Credit Pty Ltd	75	75
- Austbrokers SPT Pty Ltd AS Trustee for Austbrokers SPT Unit Trust	70	70
- Finsura Holdings Pty Ltd and its controlled entities	70	70
- Finsura Insurance Broking (Australia) Pty Ltd	70	70
- Finsura Financial Services Pty Ltd	70	70
- Finsura FinPlanning & Risk Pty Ltd	70	70
- Finsura Investment Management Services Pty Ltd	70	70
- Finsura Insurance Broking Unit Trust	70	70
- Finsura Workers Compensation Services Pty Ltd	28	28
- RI Hornsby Pty Ltd	70	70
- Northern Tablelands Insurance Brokers Pty Ltd	78	50
Allied Health Australia Pty Ltd and its controlled entities	60	60
- Peak Conditioning Pty Ltd	60	60
- Peak Support Services Pty Ltd	60	60
- Pinnacle Rehab Pty Ltd	60	60
- Securis Pty Ltd	60	60
AUB Group Services Pty Ltd	100	100
AUB Group Business Centre Pty Ltd	100	100
Kyros Cook & Associates Pty Ltd	100	100
Adept Insurance Brokers Pty Ltd and its controlled entity	100	100
- Geary Smith Pty Ltd	100	100
AB Phillips Group Pty Ltd and its controlled entities	51	56
- AB Phillips Pty Ltd	51	56
- Austbrokers Compensation Services Pty Ltd	51	56
- Interfin Pty Ltd	51	56
- Financial Affairs Pty Ltd	51	56
- Blumberg Pty Ltd	51	56
- Bruce Park Pty Ltd	75	50
AEI Holdings Pty Ltd / AEI Insurance (Brokers) Pty Ltd	100	100
Austbrokers Financial Solutions (Syd) Pty Ltd and its controlled entities	75	75
- SPT Financial Services Pty Ltd	52	52
- Austbrokers Financial Solutions (ACT) Pty Ltd	69	75
Austbrokers C.E. McDonald Pty Ltd and its controlled entity	100	100
- Traders Voice Services Pty Ltd	100	100
Austbrokers Central Coast Pty Ltd and its controlled entities	80	80
- Austbrokers Central Coast Financial Services Pty Ltd	80	80
- Austbrokers Affinity Pty Ltd	40	40

12. SHARES IN CONTROLLED ENTITIES (CONTINUED)

	2017 %	2016 %
All controlled entities are incorporated in Australia except for AUB Group NZ Ltd and its controlled entities which are incorporated in New Zealand, and comprise:		
Name and Interests in controlled entities:		
Austbrokers City State Pty Ltd	70	70
Austbrokers Life Pty Ltd*	100	-
Austbrokers Premier Pty Ltd	90	90
Austbrokers Southern Pty Ltd	80	80
Austbrokers Canberra Pty Ltd	75	75
Australian Bus and Coach Underwriting Agency Pty Ltd	100	100
Austbrokers Sydney Pty Ltd and its controlled entities	100	100
- Austbrokers FWR Pty Ltd	100	100
- Austbrokers Professional Services Pty Ltd	80	80
Austbrokers RWA Pty Ltd and its controlled entities	60	60
- CTRL Pty Ltd	60	60
AHL Insurance Brokers (Aust) Pty Ltd	100	100
Austagencies Pty Ltd and its controlled entities	100	100
- Sura Plant and Equipment Pty Ltd	100	100
- Latitude Underwriting Agency Pty Ltd	100	100
- Dolphin Insurance Pty Ltd	100	100
- Sura Hospitality Pty Ltd as trustee for G.U.S. Trust	100	100
- All-Trans Underwriting Pty Ltd (sold 30 June 2017)	-	100
- Sura Pty Ltd	100	100
- Trinity Pacific Underwriting Agency Pty Ltd	100	100
- Asia Mideast Insurance and Reinsurance Pty Ltd	60	75
- 5 Star Underwriting Agency Pty Ltd	100	100
- Film Insurance Underwriting Agencies Pty Ltd	95	100
- Sura Film and Entertainment Pty Ltd	95	100
- Lawsons Underwriting Agency Pty Ltd	90	90
- Sura Labour Hire Pty Ltd	90	90
- Insurance Investment Solutions Pty Ltd (formerly Expert Strata Pty Ltd)	55	55
- Sura Construction Pty Ltd	51	51
- Sura Engineering Pty Ltd	51	51
Citycover (Aust) Pty Ltd	75	75
Comsure Insurance Brokers Pty Ltd and controlled entities	80	80
- Austbrokers Financial Solutions (QLD) Pty Ltd	60	60
- Comsure Financial Solutions Pty Ltd	60	60
Altius Group Holdings Pty Ltd (previously Forean Group Holdings Pty Ltd) and its controlled entities	55	60
- Altius Group Pty Ltd	55	60
- Rehabilitation Services Pty Ltd	55	60
- Occheath Network Pty Ltd	55	60
- Psychological Health Interventions Pty Ltd	55	60
- Altius Group Services Pty Ltd	55	60
- CIM Group Holdings Pty Ltd	55	60
- PeopleSense Pty Ltd	55	-

12. SHARES IN CONTROLLED ENTITIES (CONTINUED)

	2017 %	2016 %
All controlled entities are incorporated in Australia except for AUB Group NZ Ltd and its controlled entities which are incorporated in New Zealand, and comprise:		
Name and Interests in controlled entities:		
AUB Group NZ Ltd and its controlled entities	80	80
- NZ Brokers Management Ltd	80	80
- Runacres and Associates Ltd	72	80
Austbrokers Coast to Coast Pty Ltd and its controlled entity	75	75
- Austbrokers Coast to Coast Financial Services Pty Ltd	75	75
Insurics Pty Ltd	100	100
InterRISK Australia Pty Ltd and its controlled entities	79	79
- InterRISK Queensland Pty Ltd	35	35
- Atlas Insurance Brokers Pty Ltd	35	27
Shield Underwriting Holdings Pty Ltd	100	100
McNaughton Gardiner Insurance Brokers Pty Ltd and its controlled entity	70	70
- McNaughton Gardiner Financial Services Pty Ltd	70	70
North Coast Insurance Brokers Pty Ltd and its controlled entity	70	70
- NCFS Unit Trust	70	70
Terrace Insurance Brokers Pty Ltd and controlled entity	54	71
- Austbrokers Financial Solutions (SA) Pty Ltd	36	47
AUB International Pty Ltd	100	100
Austbrokers Employee Share Acquisition Schemes Trust	100	100

* During the year, the Group incorporated a new controlled entity, Austbrokers Life Pty Ltd, with capital of $200,000.

During the current year, the following transaction occurred;

- Further adjustments to contingent considerations in respect of controlled entities resulted in increases to the estimates previously recognised by the Consolidated Group by $8,674,000. This amount was charged against profits in the current year. (see note 4(vi)).

During the previous year, the following transactions occurred;

- Further adjustments to contingent considerations in respect of controlled entities resulted in a reduction to the estimates previously recognised by the Consolidated Group by $2,039,518. As the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of $2,039,518 was recognised against the carrying value of those associates (see note 4(vi)).
- Further adjustments to contingent considerations in respect of controlled entities resulted in increases to the estimates previously recognised by the Consolidated Group by $3,799,302. This amount was charged against profits in the current year. (see note 4(vi)).

See note 7 - Business Combinations, for details of increases and decreases in voting shares in controlled entities and acquisition of new controlled entities during the current and previous year.

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Property	Plant and equipment	Motor vehicles	Total
Property, plant and equipment	$'000	$'000	$'000	$'000
Year ended 30 June 2017				
Balance at the beginning of the year	803	19,093	2,463	22,359
Acquisition of controlled entities	-	636	21	657
Translation movements	-	(4)	(3)	(7)
Additions during the year	-	4,462	355	4,817
Disposals during the year	(101)	(1,078)	(379)	(1,558)
Property, plant and equipment at cost	702	23,109	2,457	26,268
Depreciation				
Balance at the beginning of the year	124	11,307	1,122	12,553
Acquisition of controlled entities	-	449	-	449
Disposals during the year	(17)	(891)	(324)	(1,232)
Translation movements	-	(2)	1	(1)
Depreciation during the year	8	2,446	397	2,851
Accumulated depreciation	115	13,309	1,196	14,620
Summary				
Net carrying amount at beginning of year	679	7,786	1,341	9,806
Net carrying amount at end of year	**587**	**9,800**	**1,261**	**11,648**
Year ended 30 June 2016				
Balance at the beginning of the year	730	16,690	1,401	18,821
Acquisition of controlled entities	-	1,249	849	2,098
Disposal of controlled entities	-	(214)	-	(214)
Translation movements	-	7	13	20
Additions during the year	73	4,408	550	5,031
Disposals during the year	-	(3,047)	(350)	(3,397)
Property, plant and equipment at cost	803	19,093	2,463	22,359
Depreciation				
Balance at the beginning of the year	114	11,593	607	12,314
Acquisition of controlled entities	-	639	382	1,021
Disposal of controlled entities	-	(156)	-	(156)
Disposals during the year	-	(3,005)	(198)	(3,203)
Translation movements	-	39	6	45
Depreciation during the year	10	2,197	325	2,532
Accumulated depreciation	124	11,307	1,122	12,553
Summary				
Net carrying amount at beginning of year	616	5,097	794	6,507
Net carrying amount at end of year	**679**	**7,786**	**1,341**	**9,806**

14. INTANGIBLE ASSETS AND GOODWILL

	Consolidated			
	Capitalised project costs	Goodwill	Insurance broking registers	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2017				
Balance at the beginning of the year	1,011	219,766	53,382	274,159
Additional businesses and portfolios acquired	-	17,338	3,570	20,908
Additional capitalised project acquired	879	-	-	879
Impairment charge	-	(319)	-	(319)
Translation of foreign exchange rate movements	-	(117)	(60)	(177)
Total intangibles	1,890	236,668	56,892	295,450
Amortisation				
Balance at the beginning of the year	405	-	27,008	27,413
Amortisation current year	415	-	3,763	4,178
Accumulated amortisation	820	-	30,771	31,591
Summary				
Net carrying amount at beginning of year	606	219,766	26,374	246,746
Net carrying amount at end of year	**1,070**	**236,668**	**26,121**	**263,859**
Year ended 30 June 2016				
Balance at the beginning of the year	1,011	181,251	43,725	225,987
Additional businesses and portfolios acquired	-	50,650	12,693	63,343
Impairment charge	-	(2,040)	-	(2,040)
Translation of foreign exchange rate movements	-	477	-	477
Deconsolidation of controlled entity	-	(10,572)	(3,036)	(13,608)
Total intangibles	1,011	219,766	53,382	274,159
Amortisation				
Balance at the beginning of the year	-	-	26,151	26,151
Deconsolidation of controlled entity	-	-	(2,466)	(2,466)
Amortisation current year	405	-	3,323	3,728
Accumulated amortisation	405	-	27,008	27,413
Summary				
Net carrying amount at beginning of year	1,011	181,251	17,574	199,836
Net carrying amount at end of year	**606**	**219,766**	**26,374**	**246,746**

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14. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Individual intangible assets material to the group are attributable to the following controlled entities.

(i) Goodwill

	Consolidated	
	2017	2016
	$'000	$'000
InterRisk Australia Pty Ltd and its controlled entities	18,995	18,995
Austbrokers Sydney Pty Ltd and its controlled entities	8,890	8,890
Altius Group Holdings Pty Ltd and its controlled entities	45,969	38,349
Austagencies Pty Ltd and its controlled entities	33,828	33,828
AUB Group NZ Ltd and its controlled entities	27,001	27,134
Citycover (Aust) Pty Ltd	8,689	8,689
Allied Health Australia Pty Ltd and its controlled entities	22,693	22,693
AB Phillips Group Pty Limited and its controlled entities	13,317	6,974

(ii) Insurance Broking Registers

	Remaining amortisation period (years)			
	2017	2016		
AUB Group NZ Ltd and its controlled entities	8.5	9.5	9,503	10,674
InterRISK Australia Pty Ltd and its controlled entities	6.0	7.0	3,747	4,364
Citycover (Aust) Pty Ltd	7.5	8.5	2,475	2,804
AB Phillips Group Pty Limited and its controlled entities	9.5	8.0	3,560	1,391

15. IMPAIRMENT TESTING OF IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. Ongoing reviews of the performance of each cash generating unit (CGU) is carried out regularly to determine if any CGU shows new indicators of impairment.

The recoverable amount of the identifiable intangible assets and goodwill is determined based on the higher of the estimate of fair value of the CGU to which they relate less costs to sell and its value in use. In determining fair value, each controlled entity or associate is considered a separate CGU or grouped into a single CGU for impairment testing where cash inflows are interdependent and have similar characteristics.

The CGU represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Australian insurance broking entities, New Zealand insurance broking entities and Risk Services entities are viewed as separate CGUs at the entity level for impairment purposes, whilst the underwriting agency businesses have each been aggregated into a single CGU.

To conduct impairment testing, the group compares the carrying value with the recoverable amount of each CGU.

The recoverable amount is based on the higher of:

- Fair value - based on maintainable earnings; or
- Value in use - based on a discounted cash flow model.

Fair value

The Company has sought independent external advice to determine the appropriate pre tax profit multiple used to determine fair value. The Weighted Average Cost of Capital (WACC) is based on the cost of capital calculated for each CGU after taking into account: market risks; a risk loading recognising; the size of the business; current borrowing interest rates, borrowing capacity of the businesses; and the risk free rate.

Key assumptions for the fair value methodology	2017	2016
Fair value is based on estimates of maintainable earnings. The appropriate pre tax maintainable earnings for each CGU is multiplied by a multiple from within the range, depending on the type of business carried out by the CGU	7 – 8 times	7 – 8 times
The risk free rate (before risk margin)	2.8%	2.4%
Multiples have been determined after factoring in the following assumed sustainable profit growth	Up to 2%	2.0%

Value in use

Where the Value In Use methodology produces a higher valuation than Fair Value, this valuation is used for the Recoverable Amount. This measurement takes into account the expected discounted cash flows for the next 5 years based on the forecast profitability (DCF). The valuation takes into account the weighted average cost of capital (WACC) for those CGUs and also looks at the expected long term growth rate with a terminal value calculation at the end of 5 years. This methodology will result in a better estimate valuation for entities where historic performance may not factor in the medium and long term expected growth from this business.

During the current year, five CGUs (2016: two) were valued using the value in use methodology. All other CGUs were supportable using the fair value methodology.

Key assumptions for the value in use methodology	2017 %	2016 %
Post tax discount rates (WACC)	9.5% - 11.3%	10.7% - 12.1%
Short term revenue growth rate - used in discount cash flow assumptions (1-5 years)	2.0% – 10.0%	1.0% - 5.0%
Long term revenue growth rate	1.0% - 1.5%	1.5% - 2.0%

The short term growth rate of 10% relates to a CGU in the Risk Services segment which has a different income and expense growth characteristics to other CGUs within the group. Given the largely different CGUs tested under the DCF methodology this year, compared to those in last year, the assumptions presented above are not fully comparable.

The fair value and value in use measurements were categorised as level 3 fair value based on the inputs in the valuation technique used (see note 28 (c)).

The resulting recoverable amounts derived from the appropriate measures described above are compared to the carrying value for each CGU and in the event that the carrying value exceeds the recoverable amount, an impairment loss is recognised.

No reasonable possible change in key assumptions would result in the recoverable amount of a CGU that is material to the group's total intangible assets, goodwill and investment in associates, being significantly less than the carrying value included in the accounts.

15. IMPAIRMENT TESTING OF IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The Group's acquisition policy is to pay a deposit and defer a component of the purchase price to be determined based on future financial results. Estimates of the final acquisition cost are made and recognised in the financial statements. 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 actual payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate is reduced an offsetting adjustment (impairment) is made to the carrying value.

During the current year, due to current market conditions further adjustments to contingent considerations in respect of current and prior year acquisitions resulted in a net increase to the estimates previously recognised by the Consolidated Group. Where the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of $2,983,000 (2016: $4,271,000) was recognised against the carrying value of those investments (see note 4(vi)).

	Contingent consideration adjustments		Impairment charges	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Increases in contingent consideration adjustments relating to controlled entities	8,674	3,799	-	-
Increases in contingent consideration adjustments relating to associates	-	195	-	-
Reductions in contingent consideration and impairment adjustments relating to controlled entities	(353)	(2,040)	319	2,040
Reductions in contingent consideration and impairment adjustments relating to associates	(2,664)	(2,231)	2,664	2,231
Total	5,657	(277)	2,983	4,271

16. SHARE-BASED PAYMENT PLANS

Employee share option plan

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

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

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

	2017	2016	2017	2016
Share options movements (applicable to each relevant financial year)	No.	No.	WAEP ($)	WAEP ($)
Outstanding at the beginning of the year	567,756	378,687	0.00	0.12
Granted during the year	115,702	319,891	0.00	0.00
Granted during the year - previous year adjustment	32,321	-	0.00	0.00
Exercised during the period: Options issued during 2009	-	(11,099)	0.00	4.22
Exercised during the period: Options issued during 2014	-	(73,000)	0.00	0.00
Lapsed / forfeited during the period: Options issued during 2012	-	(21,430)	0.00	0.00
Lapsed / forfeited during the period: Options issued during 2013	(26,490)	(5,713)	0.00	0.00
Lapsed / forfeited during the period: Options issued during 2014	(4,018)	(9,235)	0.00	0.00
Lapsed / forfeited during the period: Options issued during 2015	(5,250)	(10,345)	0.00	0.00
Lapsed / forfeited during the period: Options issued during 2016	(7,816)	-	0.00	0.00
Outstanding at the end of the year	672,205	567,756	0.00	0.00

16. SHARE-BASED PAYMENT PLANS (CONTINUED)

Employee share option plan (continued)

The number of options outstanding as at 30 June 2017 is represented by:

Financial year in which options were issued	Option grant date	Earliest exercise date	Valuation	Number of options outstanding at year end	
			$	2017	2016
2013	31-Oct-12	31-Oct-15	7.71	-	26,490
2013	15-Jan-13	01-Jan-16	7.38	160,000	160,000
2014	30-Oct-13	30-Oct-16	10.06	24,246	28,264
2015	31-Oct-14	31-Oct-17	9.09	27,861	33,111
2016	23-Nov-15	23-Nov-18	7.31	62,075	69,891
2016	07-Apr-16	01-Jan-19	7.90	250,000	250,000
2017	08-Dec-16	23-Nov-18	9.36	32,321	-
2017	24-Jan-17	24-Jan-20	8.99	115,702	-
Options oustanding at the end of the year				672,205	567,756

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

- 115,702 Share options were granted on 24 January 2017, exercisable 3 years from 24 January 2017 at an exercise price of $NIL.
- 32,321 Share options were granted on 8 December 2016, exercisable 2 years from 23 November 2016 at an exercise price of $NIL. These options were issued as a result of an administrative error in respect of the number of options issued during the previous year. The additional options were issued on the same terms and conditions as the 62,075 options issued on 23 November 2015.
- 22,726 options, lapsed due to an employee no longer employed.
- 20,848 options lapsed due to vesting conditions over the 4 years ended 30 June 2016, not being met.

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

- 11,099 options were exercised on 16 October 2015 at an exercise price of $NIL. The volume weighted average price for the 5 business days prior to the date the options were exercised was $8.82.
- 25,293 options, lapsed due to employees resigning.
- 69,891 share options were granted on 23 November 2015, exercisable 3 years from 23 November 2018 at an exercise price of $NIL.
- 21,430 options lapsed due to vesting conditions over the 4 years ended 30 June 2015, not being met.
- 250,000 share options were granted on 28 November 2015, exercisable 3 years from 1 January 2019 at an exercise price of $NIL.
- 73,000 Share options were exercised on 6 April 2016 at an exercise price of $NIL. The volume weighted average price for the 5 business days prior to the date the options were exercised was $8.42.

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 30 June 2017 is 4.52 years. (2016: 5.32 years).

16. SHARE-BASED PAYMENT PLANS (CONTINUED)

Employee share option plan (continued)

Option Exercise conditions

These option exercise conditions apply to all options issued up to 30 June 2015 except 160,000 unvested options issued to the Chief Executive Officer (CEO) on 15 January 2013.

(a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the options will vest 3 years after the date of grant;

(b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:

  (i) greater than or equal to 8.5% per annum, 20% of the options will become exercisable;

  (ii) equal to 10% per annum, 50% of the options will become exercisable;

  (iii) between 10% and 15%, the percentage of 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 0.1% additional Compound Growth over 10%;

  (iv) 15% per annum or more, 100% of the options will become exercisable.

In each case on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the "First Test Date");

(c) if all of the options do not become exercisable on the First Test Date and the Second Test Compound Growth is higher than the First Test Compound Growth then on the date on which the Company's audited financial statements for the fourth financial year ending after the grant are lodged with the Australian Securities Exchange (the "Second Test Date") an additional number of options will become exercisable as is equal to the difference between the number of options which became exercisable under paragraph (b) and the number of options which would have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);

(d) any options which have not become exercisable by the Second Test Date lapse and are of no further force or effect;

(e) option exercise conditions for options granted in the 2014 financial year were modified so that between 8.5% and 10% EPSG the options that are exercisable will be determined on a pro rata basis so that the number of options that are exercisable will increase from 20% by 2 percentage points for every 0.1% additional Compound Growth over 8.5%.

The exercise conditions for 160,000 options granted to the CEO on 15 January 2013 are the same as set out above except that between 8.5% and 10% compound growth the options that are exercisable will be determined on a pro rata basis so that the number of options that are exercisable will increase from 20% by 2 percentage points for every 0.1% additional Compound Growth over 8.5%.

The following option exercise conditions apply to all options issued after 1 July 2015.

60% of options issued are subject to the compound annual growth rate hurdle set out in Part (b) below (EPS options). 40% of options issued will be subject to the total shareholder return hurdle set out in Part (d) below (TSR options);

(a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the EPS options will vest 3 years after the date of grant;

(b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:

  (i) greater than or equal to 4.0% per annum, 25% of the options will become exercisable;

  (ii) between 4% and 7%, the percentage of options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 25% by 1 percentage point for every 0.12% additional growth over 4.0%;

  (iii) equal to 7% per annum, 50% of the options will become exercisable;

  (iv) between 7% and 10%, the percentage of 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 0.06% additional growth over 7.0%;

  (v) 10% per annum or more, 100% of the options will become exercisable;

  (vi) in each case on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the "First Test Date");

16. SHARE-BASED PAYMENT PLANS (CONTINUED)

Option exercise conditions (continued)

(c) if all of the options do not become exercisable on the First Test Date and the Second Test Date Compound Growth is higher than the First Test Compound Growth then an additional number of options will become exercisable as is equal to the difference between the number of options which became exercisable under paragraph (b) and the number of options which would have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);

(d) subject to satisfaction of the performance based conditions referred to in paragraphs (e) and (f) below, the TSR options will vest 3 years after the date of grant;

(e) The percentage of TSR options that will be exercisable on the 3 Year Test Date is;

- (i) At Target Group (100% of Target Group TSR) 50% of TSR options become vested.
- (ii) Between 100% and 150% of Target Group, the number of TSR options that are exercisable will increase from 50% by 1 percentage point for every 1% increase in TSR against the Target Group over 100%.
- (iii) If all of the TSR options do not become exercisable on the First Test Date and the performance criteria on the Second Test Date are higher than on the first Test Date, an additional number of TSR options will become exercisable equal to the difference between the number of TSR options which became exercisable at the First Test Date and the number of TSR options which would have become exercisable if the 4 Year TSR had been applied.
- (iv) Any TSR options which have not become exercisable by the Second Test Date lapse and are of no further force or effect.

(f) Target Group means the companies in the S&P/ASX Small Ordinaries Index as adjusted by the Board, in its discretion, to take into account matters or events, which may distort the results. This may include, but is not limited to, removing entities in a particular sector or entities affected by takeovers, mergers or de-mergers.

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Trade payables	27,190	27,141
Amount payable on broking/underwriting agency operations	196,082	186,253
Contingent consideration and other payables	28,868	25,371
Other payables – related entities	1,272	745
Total trade and other payables (current)	253,412	239,510
Non-current		
Contingent consideration payables	260	11,334
Other payable - related entities	710	-
Other payables - other	-	118
Total trade and other payables (non-current)	970	11,452

Included in trade and other payable are the following contingent consideration payables;		
Balance at the beginning of the year	32,217	28,259
Contingent consideration on current year acquisitions (at net present value)	4,764	6,006
Payments made in respect of previously recognised contingent consideration	(23,555)	(4,330)
Adjustments to contingent consideration payments previously recognised	5,657	(277)
Reversal of prior year impairment charge	-	687
Foreign currency translation movements	(78)	683
Interest recognised in original contingent consideration at net present value	267	1,189
Balance at the end of the year	19,272	32,217

18. PROVISIONS

	Consolidated		
	Employee entitlements	Make good provision	Total
	$'000	$'000	$'000
Year ended 30 June 2017			
Balance at the beginning of the year	14,262	883	15,145
Acquisition of controlled entity	458	-	458
Arising during the year	3,005	242	3,247
Balance at the end of the year	17,725	1,125	18,850
Current 2017	15,069	175	15,244
Non-current 2017	2,656	950	3,606
	17,725	1,125	18,850
Year ended 30 June 2016			
Balance at the beginning of the year	11,918	872	12,790
Disposal of controlled entity	603	-	603
Arising during the year	1,741	11	1,752
Balance at the end of the year	14,262	883	15,145
Current 2016	12,006	409	12,415
Non-current 2016	2,256	474	2,730
	14,262	883	15,145

Make good provision on leased premises

In accordance with the various lease agreements, the Group must restore the leased premises to a similar condition that existed prior to leasing the premises by removing all fixed and removable partitions. A provision has been included for expected amounts payable.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. During the year further amounts were provided for premises leased during the year.

Current lease durations range from less than 1 year to 10 years. Make good payments will only be made at the end of the lease.

Employee entitlements

Refer to note 2.2 (r) for the relevant accounting policy and a discussion of the significant estimation and assumptions applied in the measurement of this provision.

19. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2017	2016
	$'000	$'000
Current		
Secured bank loan*	5,305	2,975
Obligations under finance leases and hire purchase contracts (note 22)	488	1,069
Unsecured loan - other	376	-
Unsecured loan - related parties	-	417
Total interest bearing loans and borrowings (current)	6,169	4,461
Non-current		
Secured bank loan*	88,298	83,692
Obligations under finance leases and hire purchase contracts (note 22)	629	493
Total interest bearing loans and borrowings (non-current)	88,927	84,185
** Summary of secured bank loans*		
St George Bank	*82,605*	*65,067*
Macquarie Bank	*7,438*	*4,871*
Commonwealth Bank	*1,143*	*1,245*
National Australia Bank	*2,244*	*2,677*
Hunter Premium Funding	*173*	*353*
Westpac NZ Bank	*-*	*12,454*
Total secured bank loans	*93,603*	*86,667*

Group Borrowing facilities as at 30 June 2017

The facilities are subject to financial undertakings and warranties typical of facilities of this nature and have sub-limits for various purposes including acquisitions.

On 20 April 2017, AUB Group Ltd accepted terms to a revised facility from St George Bank, which increased from $79.5m to $92.4m, incorporating a facility previously arranged through Westpac NZ Bank. The facility, which expires on 30 November 2018, has an undrawn amount of $11.5m (excluding bank guarantees and overdraft of $1.5m). The total amount drawn down under this facility was $42.0m relating to AUB Group Ltd, and an amount of $32.4m advanced to AUB Group NZ Ltd. A further amount of $5.0m has been utilised for credit cards and bank guarantees.

In addition to the St George Bank facilities provided to AUB Group Limited, controlled entities within the Group have also negotiated other facilities with both St George Bank and other banks as disclosed below. 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.

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

19. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Group Borrowing facilities as at 30 June 2017 (continued)

Name of Facility Provider	Type of borrowing	Total Facility $'000	Undrawn Amount $'000	Amount Utilised $'000	Borrowing Amount $'000	Current $'000	Non current $'000	Expiry date	Interest rate %	Variable / Fixed (Var/Fix)
AUB Group Limited										
St George Bank	Loan facility	53,500	11,500	42,000	42,000	-	42,000	30/11/2018	2.35	Var
	Credit cards	1,450	-	1,450	-	-	-	30/11/2018	17.45	Var
	Bank guarantee / overdraft	5,000	1,518	3,482	-	-	-	30/11/2018	N/A	Var
Facilities arranged by other controlled entities										
St George Bank	Loan facility	43,994	3,389	40,605	40,605	2,198	38,407	Between 13/09/2017 & 1/04/2020	3.27 - 6.50	Var/Fix
Finance facilities with other banks	Loan facility	13,472	2,445	11,027	10,998	3,107	7,891	Between 30/07/2017 & 15/06/2022	4.62 - 5.61	Var
Total Borrowing Facilities		**117,416**	**18,852**	**98,564**	**93,603**	**5,305**	**88,298**			

Group borrowing facilities as at 30 June 2016

Name of Facility Provider	Type of borrowing	Total Facility $'000	Undrawn Amount $'000	Amount Utilised $'000	Borrowing Amount $'000	Current $'000	Non current $'000	Expiry date	Interest rate %	Variable / Fixed (Var/Fix)
AUB Group Limited										
St George Bank	Loan facility	53,500	16,500	37,000	37,000	-	37,000	30/11/2018	3.16	Var
	Credit cards	1,450	-	1,450	-	-	-	30/11/2018	17.45	Var
	Bank guarantee / overdraft	5,000	478	4,522	-	-	-	30/11/2018	N/A	Var
Facilities arranged by other controlled entities										
St George Bank	Loan facility	30,732	2,665	28,067	28,067	2,088	25,979	Between 02/07/2015 & 10/07/2020	3.51 - 6.14	Var/Fix
Westpac NZ Bank	Loan facility	12,454	-	12,454	12,454	-	12,454	31/01/2018	4.24	Var
Finance facilities with other banks	Loan facility	10,669	1,526	9,143	9,146	887	8,259	Between 31/10/2017 & 20/06/2021	4.65 - 8.89	Var
Total Borrowing Facilities		**113,805**	**21,169**	**92,636**	**86,667**	**2,975**	**83,692**			

20. ISSUED CAPITAL

	Consolidated 2017 $'000	2016 $'000
Issued capital opening balance	141,708	128,890
Net Proceeds from Dividend Reinvestment Plan	-	12,852
On 10 October 2015 allotted 11,099 shares at an issue price of $NIL	-	-
On 6 April 2016 allotted 73,000 shares at an issue price of $NIL	-	-
Share issue expenses	-	(34)
Issued capital	141,708	141,708

	Shares No.	Shares No.
Number of shares on issue (ordinary shares fully paid)	63,846,476	63,846,476
Movements in number of shares on issue		
Beginning of the financial year	63,846,476	62,256,689
On 10 October 2015 allotted 11,099 shares at an issue price of $NIL	-	11,099
On 30 October 2015 1,004,770 shares were issued at $8.629 as a result of a Dividend Reinvestment Plan	-	1,004,770
On 6 April 2016 73,000 shares were issued at an issue price of $NIL	-	73,000
On 29 April 2016 500,918 shares were issued at $8.3468 as a result of a Dividend Reinvestment Plan	-	500,918
Total shares on issue	63,846,476	63,846,476

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

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

Of the total shares issued up to 30 June 2017, 40,000 had restrictions whereby the shares could not be disposed of before 1 January 2018, except in the case where an employee who owns the shares, resigns.

21. NATURE AND PURPOSE OF RESERVES

Asset revaluation reserve

The asset revaluation reserve was used to record movements in the revalued amounts of broker register acquired through step up acquisition of broking subsidiaries before 1 July 2009. From this date, fair value adjustments on business combinations are no longer recognised through the asset revaluation reserve but in the Consolidated Statement of Profit or Loss. The reserve can only be used to pay dividends in limited circumstances. The current year amortisation expense relating to those step ups is transferred to retained earnings when the amortisation expense is charged to the profit and loss account.

Foreign currency translation reserve

This reserve is used to record foreign currency differences from translation of the financial information of foreign operations that have a currency other than Australian dollars.

Share based payment reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 16 for further details of these plans.

Non controlling interests

This is measured at their proportionate share of the acquirees' identifiable net assets.

		Consolidated	
		2017	2016
		$'000	$'000
Interest in:	Ordinary	-	-
	Non Controlling Interest share of net assets	68,868	56,992
		68,868	56,992

22. COMMITMENTS AND CONTINGENCIES

Finance lease and hire purchase commitments - Group as lessee

The Group has finance leases and hire purchase contracts for various items of software and plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

	Consolidated	
	2017	2016
	$'000	$'000
Finance lease and hire purchase commitments		
Payable		
– Not later than one year	519	1,117
– Later than one year and not later than five years	663	519
– Later than five years	-	-
Minimum lease and hire purchase payments	1,182	1,636
Deduct: future finance charges	65	74
Present value of minimum lease and hire purchase payments (refer note 19)	1,117	1,562

22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating lease commitments - Group as lessee

The Group has entered into leases for premises, commercial leases on certain motor vehicles and fixed assets. These leases have an average life of between 3 and 10 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Operating Lease Commitments: Non Cancellable

Operating leases contracted for but not capitalised in the financial statements

	Consolidated	
	2017	2016
	$'000	$'000
Payable		
– Not later than one year	7,475	6,758
– Later than one year and not later than five years	19,548	18,099
– Later than five years	4,571	5,508
	31,594	30,365

Operating lease commitments: Associates as lessee

Operating lease commitments: Non Cancellable

Operating leases contracted for but not capitalised in the financial statements

Payable		
– Not later than one year	3,374	2,289
– Later than one year and not later than five years	7,348	5,945
– Later than five years	1,741	2,104
	12,463	10,338

Contingent liabilities

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

AUB Group Limited has guaranteed loan facilities provided to associates in proportion to its shareholding	7,477	5,373
AUB Group Limited has guaranteed lease facilities provided to associates in proportion to its shareholding	44	460
	7,521	5,833

AUB Group Limited has provided indemnities to other shareholders of related entities and associates in relation to guarantees given by those shareholders, to financiers of or lessors to entities in which AUB Group Limited has an equity interest. At balance date no liability has arisen in relation to these indemnities.

AUB Group Limited has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to AUB Group Limited at market values current at the date of exercise of that option. These have been given in relation to shares in the related entity/associate pledged by the borrower as security for funding provided to those shareholders in relation to the acquisition of those shares. AUB Group Limited has entered into agreements with various shareholders of related entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at market values current at the date of exercise of that option. The earliest the put option can be exercised is 5 years from the date of AUB acquiring its initial shareholding in those entities, which falls within the next 3 - 4 years.

At balance date no liability has arisen in relation to these indemnities.

23. OPERATING SEGMENTS

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

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

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

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.

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

	30 June 2017			30 June 2016		
	Insurance Intermediary	Risk Services	Total	Insurance Intermediary	Risk Services	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Interest from other persons / corporations	2,617	135	2,752	3,545	20	3,565
Other income received from customers	180,466	56,621	237,087	168,341	38,700	207,041
Total Income	183,083	56,756	239,839	171,886	38,720	210,606
Share of profit of associates						
Share of Net Profits of Associates Accounted for using the Equity Method (net of income tax expense)	27,051	411	27,462	24,914	1,622	26,536
Amortisation of Intangibles - Associates	(2,792)	-	(2,792)	(2,892)	(372)	(3,264)
Total Revenue	207,342	57,167	264,509	193,908	39,970	233,878
Less: Expenses						
Amortisation of Intangibles - controlled entities	3,763	-	3,763	3,323	-	3,323
Depreciation of property plant and equipment	2,332	519	2,851	2,119	413	2,532
Other expenses	151,089	44,020	195,109	142,273	29,936	172,209
Borrowing costs	3,965	168	4,133	5,373	16	5,389
Total expenses including borrowing costs	161,149	44,707	205,856	153,088	30,365	183,453
Profit before income tax	46,193	12,460	58,653	40,820	9,605	50,425
Less: Income tax expense	(7,500)	(3,776)	(11,276)	(9,525)	(2,602)	(12,127)
Profit after income tax	38,693	8,684	47,377	31,295	7,003	38,298
Less: Non-controlling interest	(6,577)	(3,536)	(10,113)	(4,485)	(2,300)	(6,785)
Profit after income tax and non-controlling interests	32,116	5,148	37,264	26,810	4,703	31,513
Other Adjustments to carrying value of associates, contingent consideration payments and profit on sale (see note 4(vi),(vii))			(4,276)			10,489
Profit after non controlling interests attributable to shareholders of the parent			32,988			42,002
Other comprehensive income attributable to members of AUB Group Limited (net of non controlling interests)			(36)			427
Profit after non controlling interests and other comprehensive income			32,952			42,429

23. OPERATING SEGMENTS (CONTINUED)

	Consolidated	
	2017	2016
	$'000	$'000
Geographic information		
Revenue		
Revenue - Australia	248,771	224,179
Revenue - New Zealand	15,738	9,699
Total Revenue	264,509	233,878

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

Total non-current assets		
Non current assets - Australia	372,934	341,056
Non-current assets - New Zealand	52,023	55,128
Total non-current assets	424,957	396,184

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

24. AUDITORS REMUNERATION

	2017	2016
	$	$
Amounts received or due to Ernst & Young (Australia and NZ) for:		
Audit of the financial statements	1,062,511	987,807
Other assurance related services	46,792	-
Other - including taxation services	73,567	44,369
Total	1,182,870	1,032,176
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements	321,098	350,735
Other assurance related services	27,035	10,080
Other - taxation services	77,829	94,704
Total	425,962	455,519
Total auditors' remuneration	1,608,832	1,487,695

25. SUBSEQUENT EVENTS

On 28 August 2017, the Directors of AUB Group Limited declared a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $18,834,710 which represents a fully franked dividend of 29.5 cents per share. The dividend has not been provided for in the 30 June 2017 financial statements.

26. RELATED PARTY DISCLOSURES

a) The following related party transactions occurred during the year:

(i) Transactions with related parties in parent, controlled entities and associates.

Entities within the wholly owned group charge associates $10,660,989 (2016: $11,098,753) management fees for expenses incurred and services rendered.

Entities within the wholly owned group invest in trusts managed by related parties. These transactions are at normal commercial terms and conditions.

Entities within the wholly owned group provide funds to other entities within the group. These funds are non-interest bearing and are repayable on demand. See note 9 for amounts receivables from related parties $3,571,186 (2016: $2,686,093) and note 17 for payables to related parties $1,981,524 (2016: $744,610).

Entities within the wholly owned group have advanced funds to other related entities.

	2017 $	2016 $
Austbrokers Aviation Pty Ltd	9,237	10,704
Austbrokers Hiller Marine Pty Ltd	238,905	53,035
R.G Financial Services Pty Ltd	-	32,191
A & I Member Services Pty Ltd	-	9,877
Geebeejay Pty Ltd	18,800	7,800
Longitude Insurance Pty Ltd	2,090,742	1,318,623
Tasman Underwriting Pty Ltd	7,914	24,487
Austbrokers AEI Transport Pty Ltd	-	30,078
Austbrokers AEI Pty Ltd	-	2,385
Aust Re Brokers Pty Ltd	-	8,498
Newsurety Pty Ltd	-	39,406
All -Trans Underwriting Pty Ltd	50,122	-
Damian Price	25,060	12,671
Sura Accident and Health Pty Ltd	775,059	816,950
Sura Professional Risk Pty Ltd	8,559	78,203
Gard Insurance Pty Ltd	44,498	78,257
Venrick Pty Ltd	48,605	70,000
Blumberg Pty Ltd	-	31,157
Brokerweb Risk Services Ltd	13,705	13,771
Joe Lo Surdo	225,000	-
Bay Insurance Brokers Ltd	7,490	-
Dawson Insurance Brokers (Rotorua) Limited	7,490	-
Tibec Pty Ltd	-	48,000
	3,571,186	2,686,093

26. RELATED PARTY DISCLOSURES (CONTINUED)

a) The following related party transactions occurred during the year: (continued)

(i) Transactions with related parties in parent, controlled entities and associates. (continued)

	$	$
Other payables - related entities		
James Wiechman Pty Ltd ATF Wiechman Family Trust	250,264	227,719
Peter Curtis Pty Ltd ATF Curtis Family Trust	289,102	121,547
Areten Pty Ltd	49,689	44,817
Tim Parry	4,775	2,181
Budin Financial Services Pty Ltd	81,887	90,220
Judd O'Shea	16,377	19,644
Rhys Bastian	-	101,731
Aust Re Brokers Pty Ltd	62,312	-
Cinesura Entertainment Pty Ltd	52,119	-
Derick Borean	475,064	-
Richard Forby	475,064	-
MGA Management Services Pty Ltd	80,000	-
Corunna Investments Pty Ltd	11,988	10,364
SPFS Enterprises Pty Ltd ATF Salisbury Family Trust	132,883	126,387
	1,981,524	744,610

(ii) Transactions with related parties

Entities within the wholly owned group charge associated entities interest on interest bearing loans. Total interest charged for the period was $22,331 (2016: $54,277). The interest charged is on normal commercial terms and conditions.

	Consolidated	
	2017	2016
	$	$
KJ Risk Group Pty Ltd	425,961	458,937
	425,961	458,937

The loan is repayable within 4 years, and includes annual minimum payments.

No further loans have been advanced to members of the economic entity (2016: $2,315,000). Members of the economic entity have repaid loans issued by AUB Group Services Pty Ltd totalling $33,000 (2016: $1,815,000) during the year. The balance outstanding at 30 June 2017 was $425,961 (2016: $458,937).

A key management personnel, K. McIvor, has a 20% interest in the voting shares of a controlled entity, AUB Group NZ Ltd.

(iii) Transactions with directors and director related entities

Entities within the wholly owned group receive fees for arranging insurance cover for directors and/or director related entities. These transactions are at normal commercial terms and conditions.

Other than disclosed above and in notes 26(c) and 26(d), there were no other transactions with director or directors related entities.

Information regarding outstanding balances at year end is included in notes 9, 10 and 17.

26. RELATED PARTY DISCLOSURES (CONTINUED

b) Details of Key Management Personnel:

The directors of the company in office during the year and until the date of signing this report are:

D. C. Clarke	Chairman (non-executive)
R. J. Carless	Director (non-executive)
P. A. Lahiff	Director (non-executive)
R. J. Low	Director (non-executive)
M.P.L Searles	Chief Executive Officer and Managing Director

The following persons were the executives with the greatest authority for the planning, directing and controlling the activities of the consolidated entity during the financial year:

J. Blackledge	Chief Financial Officer
F. Pasquini	Divisional Chief Executive, National Partner & Group Acquisition
S. Vohra	Divisional Chief Executive, Risk Services
K. McIvor	Managing Director, AUB Group New Zealand
N. Thomas	Divisional Chief Executive, Austbrokers Network
A. Zissis	Managing Director, SURA (appointed 1 July 2016)

c) There are no loans outstanding owing by Key Management Personnel at 30 June 2017 (2016: NIL)

d) Compensation of Key Management Personnel by Category

	Consolidated	
	2017	2016
	$	$
Salary, fees and short term incentives	3,508,503	2,790,547
Post employment	252,864	234,481
Other long-term	-	-
Termination benefits	-	-
Share-based payment	466,531	213,694
	4,227,898	3,238,722

27. PARENT ENTITY INFORMATION

	2017 $'000	2016 $'000
Assets		
Cash and cash equivalents	7,600	19,441
Current assets	59,400	56,246
Non-current assets	172,042	167,474
Total assets	239,042	243,161
Liabilities		
Current liabilities	12,624	17,635
Non-current liabilities	-	4,583
Interest bearing loans and borrowings	42,000	37,000
Total liabilities	54,624	59,218
Net assets	184,418	183,943
Equity		
Issued capital	141,708	141,708
Share based payments	6,090	5,384
Retained earnings	36,620	36,851
Total shareholders equity	184,418	183,943
Profit for the year before income tax	24,727	18,433
Income tax (credit)	(901)	(796)
Net profit after tax for the period	25,628	19,229
Other comprehensive (expense)/income after income tax for the period	-	-
Total comprehensive income after tax for the period	25,628	19,229
Other information		
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries or associates		
Austbrokers Holdings Ltd has guaranteed loan facilities provided to associates in proportion to its shareholding.	12,729	10,477
Austbrokers Holdings Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding.	44	460
	12,773	10,937

Contingent liabilities

AUB Group Limited has provided indemnities to other shareholders of related entities and associates in relation to guarantees given by those shareholders, to financiers of or lessors to entities in which AUB Group Limited has an equity interest. At balance date no liability has arisen in relation to these indemnities.

AUB Group Limited has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to AUB Group Limited at market values current at the date of exercise of that option. These have been given in relation to shares in the related entity/associate pledged by the borrower as security for funding provided to those shareholders in relation to the acquisition of those shares.

AUB Group Limited has entered into agreements with various shareholders of related entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at market values current at the date of exercise of that option. The earliest the put option can be exercised is 5 years from the date of AUB acquiring its initial shareholding in those entities, which falls within the next 3-4 years.

At balance date no liability has arisen in relation to these indemnities.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, loans, cash and short-term deposits, payables, finance leases, overdrafts, interest bearing loans and borrowings and bank overdrafts.

The Group manages its exposure to key financial risks, including interest rate and foreign currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group does not enter into derivative transactions nor has any significant foreign currency transactions.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board Audit & Risk Management Committee, supported by a Management Committee, under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk exposures and Responses

a) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, intercompany receivables, loans, trade and other receivables. Although there is a concentration of cash and cash equivalents held with major banks, credit risk is not considered significant.

The company's exposure to credit risk is concentrated in the financial services industry with parties which are considered to be of sufficiently high credit quality. There are no financial assets which are past due or impaired.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Amounts due from premium funding operations

Amounts due from premium funding operations include amounts due from policyholders in respect of insurances arranged by a controlled entity. These arrangement with policyholders have repayment terms up to 10 months from policy inception. The individual funding arrangements are used to pay insurers. Should policyholders default under the premium funding arrangement, the insurance policy is cancelled by the insurer and a refund issued which is credited against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged plus any additional interest charged under the premium funding arrangement.

Insurance Broking Account receivables

Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged. Commission revenue is recognised after taking into account an allowance for expected revenue losses on policy lapses and cancellations, based on past experience.

The Group's assets and liabilities include amounts due from policyholders and amounts due to underwriters from broking activities. Due to the reasons disclosed above, these assets and liabilities have been excluded from the Group's credit risk analysis. The net difference between the assets and liabilities relate to the undrawn commission and fee income brought to account in revenue. This amount has been deducted from amounts payable on broking/underwriting agency operations.

	Consolidated	
	2017	2016
	$'000	$'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/underwriting agency operations	138,118	126,788
Cash held on trust	89,772	87,513
Amounts payable on broking/underwriting agency operations	(196,082)	(186,253)
Undrawn income	(31,808)	(28,048)
Net receivables included in Insurance Broking Account	-	-

28. FINANCIAL INSTRUMENTS (CONTINUED)

a) Credit Risk (continued)

The Group's exposure to credit risk in relation to financial assets arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. Cash and cash equivalents are concentrated with major banks and the risk of default by these counterparties is not considered significant.

Cash and cash equivalents are deposited with Australian Banks. The majority of trade receivables are expected to be collected within 90 days. The remainder of the financial assets are to related entities or entities that have a relationship to our associates and are either on call or where loans have a fixed maturity date, are secured by fixed and floating charges (see note 10). At 30 June 2017, all financial assets were neither past due nor impaired.

	Consolidated	
	2017	2016
Financial assets	$'000	$'000
Cash and cash equivalents	63,546	70,933
Trade and other receivables	26,551	30,124
Amount due from clients in respect of premium funding operations	7,788	6,366
Related party receivables	3,572	2,686
Loans - related entities	80	629
Other receivables	505	81
	102,042	110,819

The amount for trade and other receivables included in the table above excludes insurance broking account receivables.

28. FINANCIAL INSTRUMENTS (CONTINUED)

b) Liquidity Risk

The company's objective is to maintain adequate cash to ensure continuity of funding and flexibility in its day-to-day operations.

The company reviews its cash flows weekly and models expected cash flows for the following 12 to 24 months (updated monthly) to ensure that any stress on liquidity is detected, monitored and managed, before risks arise.

To monitor existing financial assets and liabilities as well as enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

The Group's main borrowing facilities are provided by St George Bank, although some controlled entities have arranged borrowing facilities with other banks. The terms of these arrangements have been disclosed in Note 19 "Interest bearing loans and borrowings".

The company considers the maturity of its financial assets and projected cashflows from operations to monitor liquidity risk.

Liquidity risk arises in the event that the financial assets/liabilities are not able to be realised/settled for the amounts disclosed in the accounts on a timely basis.

The table below reflects all contractually fixed pay-outs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without a fixed amount or timing are based on the conditions existing at 30 June 2017 with comparatives based on conditions existing at 30 June 2016.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Lease liabilities, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as plant and equipment and investments in working capital, e.g. trade receivables and deferred payments on broker acquisitions.

The table summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments.

	Consolidated	
	2017	2016
Financial assets	$'000	$'000
Due not later than 6 months	321,563	318,215
6 months to not later than one year	7,842	6,702
Later than one year and not later than five years	527	203
Later than five years	-	-
	329,932	325,120
Financial liabilities		
Due not later than 12 months	(259,581)	(243,971)
Later than one year and not later than five years	(89,897)	(95,637)
Later than five years	-	-
	(349,478)	(339,608)

The Group's liquidity risk relating to amounts receivable/payable from broking operations have been included in the table above, although trust cash and amounts due from insurance broking account receivables/broking account payables are not available to meet operating expenses/business obligations other than for payments to underwriters and/or repayments to policyholders. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's liquidity risk in relation to these receivables is limited to commissions and fees charged.

28. FINANCIAL INSTRUMENTS (CONTINUED)

c) Fair Values of recognised assets and liabilities

Set out below is a comparison by category of the carrying value and the fair value of all the Group's financial instruments.

All 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 Group's contingent considerations 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, refer to Note 7.

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets	$'000	$'000	$'000	$'000
Cash and cash equivalents	153,318	158,446	153,318	158,446
Trade and other receivables	165,095	156,912	165,095	156,912
Amounts due from clients in respect of premium funding operations	7,788	6,366	7,788	6,366
Related party receivables	3,572	2,686	3,572	2,686
Loans – related entities	80	629	80	629
Loans – other	28	41	28	41
Loan with associated entities	51	40	51	40
Total financial assets	329,932	325,120	329,932	325,120
Financial liabilities				
Loans and other borrowings	(95,096)	(88,646)	(95,092)	(88,641)
Trade and other payables and accruals	(254,382)	(250,962)	(254,382)	(250,962)
Total financial liabilities	(349,478)	(339,608)	(349,474)	(339,603)

Market values have been used to determine the fair value of securities. The fair value of loans and notes and other financial assets has been calculated using market interest rate.

The Group's fair value of recognised assets and liabilities above include trust cash and amounts relating to receivables/ payables from broking operations, although trust cash and amounts due from insurance broking account receivables/broking account payables are not available to meet operating expenses/business obligations other than for payments to underwriters and/or repayments to policyholders.

The value of the deferred consideration payments outstanding at 30 June 2017 was $19.3 million (2016: $32.2 million).

Of the $19.3 million, a total of $12.2 million relates to contingent consideration payments which are due to be paid within 90 days and are based on actual results for those businesses as at 30 June 2017. The balance of $4.3 million is due to be paid within 12 months with only $270,000 expected to be paid over a period greater than 13 months (see note 17 for movements in contingent consideration estimates).

28. FINANCIAL INSTRUMENTS (CONTINUED)

c) Fair Values of recognised assets and liabilities (continued)

The fair value of the non current deferred contingent consideration payments may change as a result of changes in the projected future financial performance of the acquired assets and liabilities.

Reasonable possible changes in assumptions will change these deferred payments as follows:

- If the full year 2018 operating profit declines by 10% compared to the current forecast, a reduction of $1,173,000 in the deferred consideration would result.

- If the full year 2018 operating profit increases by 10% compared to the current forecast, an increase of $1,211,000 in the deferred consideration would result.

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 30 June 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

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

Fair values of the Group’s interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period.

d) Market Risk

Interest rate risk

The Group's exposure to interest rate movements relates to cash and cash equivalents held by the Group and the Group's long-term debt obligations. To manage interest rate risk, interest rates on borrowings are fixed for a period depending on market conditions. This risk is minimal as the Group holds cash received from policyholders to pay insurers in excess of the amount of borrowings and therefore the group has a hedge against interest rate rises. Loans generally have interest rate resets every six months. In the event of interest rate rises, a net increase in interest revenue will occur due to cash and cash equivalents exceeding borrowings.

The main risk to the Group is in relation to interest rate reductions which will decrease the net income earned on cash and cash equivalents held. The cash held to pay insurers must be held in prescribed investments (Australian bank accounts or deposits) and as such will be subject to market interest rate fluctuations. The Group has at balance date, the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated	
	2017	2016
Financial assets	$'000	$'000
Cash and cash equivalents (including trust account balance)	153,318	158,446
Loans – related entities	80	629
Loans – other	28	41
Total financial assets	153,426	159,116
Financial liabilities		
Loans and other borrowings	(94,821)	(88,279)
Net exposure to interest rate movements	58,605	70,837

Borrowings fixed for a period greater than 12 months have been excluded from the table above.

28. FINANCIAL INSTRUMENTS (CONTINUED)

d) Market Risk (continued)

The Group's long term policy is to maintain a component of long term borrowings at fixed interest rates, which are carried at amortised cost and it is acknowledged that exposure to fluctuations in fair value is a by-product of the Group's policy. Due to the current low interest rate environment, the group has determined that variable interest rates will result in a better overall interest rate risk than fixing for extended periods. Of the total current and non current interest bearing loans and borrowings totalling $93.6 million (2016: $86.7 million), $275,000 (2016: $367,000) has been fixed for periods greater than 12 months at approximately 6.5% (2016: 6.1%). All other borrowings are based on variable interest rates. See note 19 for full details of terms and conditions.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the term for fixing interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at year end. The sensitivity for the prior year has been prepared on an equivalent basis.

At year end, had interest rates moved as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

	Post tax profits Higher/(lower)		Impacts directly to equity Higher/(lower)	
	2017	2016	2017	2016
Judgements of reasonably possible movements.	$'000	$'000	$'000	$'000
Consolidated				
+0.5% (50 basis points) (2016 +0.50% (50 basis points))	291	349	-	-
-0.5% (50 basis points) (2016 -0.50% (50 basis points))	(291)	(349)	-	-

The net increase in consolidated profits in respect of interest rate rises is due to the net positive impact of interest bearing assets being greater than borrowings.

Equity securities price risk

Equity securities price risk arises from investments in equity securities. The Group does not invest in listed equity securities or derivatives.

At year end, the Group had no material exposure to equities other than to shares in associated entities and controlled entities and therefore has no exposure to price risk that has not already been reflected in the financial statements. The Group tests for impairment annually and reviews all investments at least half yearly. The methodology for testing for impairment is shown in note 15. Other than shown below, there were no impaired investments at balance date. At 30 June 2017, an impairment charge totalling $2,983,000 (2016: $4,271,000) relating to the carrying value of controlled entities and associates was recognised and was shown as an expense in the Consolidated Statement of Profit or Loss. The impairment charge was offset against a reduction in contingent consideration payments in respect of controlled entities and associates totalling $3,017,000 (2016: $4,271,000) that was in excess of the expected settlement amounts and were credited to the Consolidated Statement of Profit or Loss.

28. FINANCIAL INSTRUMENTS (CONTINUED)

d) Market Risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses is denominated in a foreign currency) and the Group's investment in overseas controlled entities.

The Group does not hedge its exposure in foreign currencies.

The majority of the foreign exchange rate exposure relates to the investment in New Zealand operations, although some controlled entities raise client invoices in foreign currency denominations.

At year end, had foreign exchange rates moved as illustrated in the table below, with all other variables held constant, post tax profits (other comprehensive income) and equity would have been affected as follows:

	Post tax profits Higher/(lower)		Impacts directly to equity Higher/(lower)	
	2017	2016	2017	2016
Judgements of reasonably possible movements.	$'000	$'000	$'000	$'000
Consolidated				
-NZ $0.10 (ten cents) (2015 -NZ $0.10 (ten cents)	1,450	1,397	–	–
+NZ $0.10 (ten cents) (2015 +NZ $0.10 (ten cents)	(1,450)	(1,397)	–	–

e) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimum capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt if required.

The Group monitors capital on the basis of the gearing ratio. The debt to equity ratio is calculated as total borrowings divided by total equity and borrowings.

During 2017, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2016.

	Consolidated	
	2017	2016
The gearing ratios at 30 June were as follows;	$'000	$'000
Debt to equity ratio		
Interest bearing loans and borrowings (see note 19)	95,096	88,646
Total equity	371,656	351,235
Total equity and borrowings	466,752	439,881
Debt/(Debt plus Equity) Ratio	20.4%	20.2%

f) Put Option

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 3-4 years.

At balance date no liability has arisen in relation to these indemnities.

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 30 June 2017 and of its performance for the year ended on that date;

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board

D.C. Clarke
Chairman

Sydney, 28 August 2017

M. P. L. Searles
Chief Executive Officer and Managing Director

Sydney, 28 August 2017

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUB GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AUB Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Why significant	How our audit addressed the key audit matter
Carrying value of goodwill, insurance broker register intangible assets and investment in associates	
Financial report reference: Notes 11, 14,15, 2.2(e)(ii)	
Goodwill, other intangible assets and investment in associates total $406 million and represent 53% of total assets. This is a key matter as the determination of whether or not certain elements of goodwill, insurance broker register intangible assets and investment in associates are impaired, involves complex and subjective judgments by the Group about the future results of the relevant parts of the business. All of these assets are assessed for impairment using the same impairment model. The key inputs and judgments involved in the impairment assessment include: ▶ applicable profit multiples	Our audit procedures included the following: ▶ We assessed the Group's determination of CGUs. ▶ We evaluated the Group's process regarding impairment assessment of goodwill, other intangible assets and investment in associates to determine any asset impairments. ▶ In 2017 the Group engaged an independent valuer to recommend key inputs used in developing the Group's applicable profit multiples and discount rates. We assessed the independence and capability of the valuer and evaluated their work. ▶ We involved our valuation specialists to assist in assessing the appropriateness of the impairment model including key inputs into the models such as the applicable profit multiples.

Why significant	How our audit addressed the key audit matter
▶ forecast cash flows including assumptions on revenue growth ▶ discount rates ▶ terminal growth rate Economic and entity specific factors are incorporated into the profit multiples used in the impairment assessment. The Group has a high number of individual Cash Generating Units (CGUs) which can be impacted positively or adversely by state based changes in the macro-environment changes, particularly those impacted by specific industries or natural events. The future results of brokers and underwriting agencies are exposed to insurance premium rates, volumes and commission rates, and broker fees. Similarly, the risk services entities are likely to be affected by any changes in state based workers compensation scheme arrangements.	▶ We evaluated the cash flow forecasts by comparing them to the Board approved budgets and our understanding of the industry's external factors affecting revenue growth. ▶ We independently developed expectations regarding the impairment testing results based on our understanding of the business, external industry trends and experience and the Group's historic business activity. We evaluated the Group's impairment testing results against those expectations. ▶ We checked the mathematical accuracy of the impairment model and agreed relevant data back to the latest budgets, actual results and other supporting documentation. ▶ We evaluated the estimated useful life attributed to identifiable insurance broking register intangible assets. ▶ We assessed the Group's sensitivity analysis and evaluated whether any reasonably foreseeable change in assumptions could lead to an impairment. ▶ We assessed the adequacy of the disclosures in note 15 to the financial report.
Decentralised operations Financial report reference: Notes 2.2, 11,12	
The Group comprises more than 70 subsidiaries and associates ('components') that are part of two reportable segments, with operations in Australia and New Zealand. This was a key audit matter as the individual components are wide ranging in their size, customers and products. The decentralised and varied nature of these operations require significant oversight by the Group to monitor the activities, review component financial reporting and undertake the Group consolidation procedures. The financial report of a number of controlled entities and associates are audited by component teams and therefore the assessment of the adequacy of the procedures of another auditor is considered significant to the audit.	Our audit procedures included the following: ▶ We assessed the design and operating effectiveness of relevant controls over the Group's decentralised structure, including centralised monitoring controls at the Group, segment and individual component level. ▶ We planned and scoped our audit using a risk based approach across all key components of the Group to determine the extent of audit work to be undertaken at each location. ▶ We met the component audit teams of the significant entities to evaluate, through review of the work papers, scoping of key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and audit findings. ▶ We performed overall analytical review procedures on financial information of all components, including the ones not considered as individually significant. Procedures included discussion with the Group about the components' financial performance against the Board's approved budget, and the prior year actual results, and an assessment as to whether there was any material change not in line with the Group's or our knowledge, or industry general trends.

Information Other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 27 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the AUB Group Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

David Jewell

Partner

Sydney

28 August 2017

ASX ADDITIONAL INFORMATION
YEAR ENDED 30 JUNE 2017

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 25 July 2017.

(a) Distribution of equity securities

Ordinary share capital

- 63,846,476 fully paid ordinary shares are held by 1,726 individual shareholders. All issued shares carry one vote per share and carry the rights to dividends.

40,000 ordinary shares issued on exercise of options under the Senior Executive Option Plan are held in escrow in accordance with the Plan.

Options

- 672,205 options are held by 17 individual option holders.

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Options
1 – 1000	744	-
1,001 – 5,000	636	5
5,001 – 10,000	184	-
10,001 – 100,000	137	11
100,001 and over	25	1
	1,726	17
Holding less than a marketable parcel	103	-

(b) Substantial shareholders

Ordinary shareholders	Date of Notice	Number	Fully paid Percentage
Challenger Limited	22-June-2017	7,603,095	11.91%
FMR LLC	27-October-2016	4,463,275	6.99%
MFS Investment Management on behalf of Sun Life Financial Inc.	30-May-2017	3,514,103	5.50%
Allianz Australia Insurance Limited	27-August-2007	3,324,279	5.21%
QBE Insurance Group Limited	02-March-2017	3,257,942	5.10%
BT Investment Management Limited	06-May-2016	3,189,928	5.00%

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully paid Percentage
Fidelity Mgt & Research	4,860,742	7.60%
BT Investment Mgt	3,601,853	5.60%
MFS Investment Mgt	3,488,792	5.50%
Allianz Australia Insurance	3,324,279	5.20%
QBE Insurance	3,257,942	5.10%
NovaPort Capital	2,973,033	4.70%
Avoca Investment Mgt	2,504,106	3.90%
Ellerston Capital	2,373,937	3.70%
Greencape Capital	2,249,212	3.50%
WaveStone Capital	2,102,637	3.30%
Perpetual Investments	2,036,568	3.20%
Wilson Asset Mgt	1,724,752	2.70%
Fisher Funds Mgt	1,321,609	2.10%
Adam Smith Asset Mgt	1,313,171	2.10%
Aberdeen Asset Mgt	1,192,748	1.90%
Colonial First State - Core Australian Equities	1,163,547	1.80%
Karara Capital	1,097,780	1.70%
Milton Corporation	1,044,795	1.60%
Invesco Australia	876,906	1.40%
Perennial Value Mgt	847,457	1.30%
	43,355,866	67.90%

DIVIDEND DETAILS

Dividend Details

Dividend	Amount	Franking	Ex Date	Record Date	Payment Date
Interim*	12.5c	Fully Franked	6/04/2017	7/04/2017	27/04/2017
Final*	29.5c	Fully Franked	6/10/2017	9/10/2017	31/10/2017

* The Dividend Reinvestment Plan was suspended from 25/08/16

CORPORATE INFORMATION

This annual report covers the consolidated entity comprising AUB Group Limited and its subsidiaries. The Group's functional and presentation currency is AUD($).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' report on pages 11-28.

Directors

D. C. Clarke (Chairman)
M. P. L. Searles (Chief Executive Officer and Managing Director)
R. J. Carless
R.J Low
P.A Lahiff

Company Secretary

J. L. Coss

Annual General Meeting

The Annual General Meeting of AUB Group Limited will be held at the Auditorium, Level 15, 1 Farrar Place, Sydney, NSW 2000 on Tuesday 21st of November 2017 at 10.00am

Registered Office and Principal Place of Business

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P: + 61 2 9935 2222
W: www.aubgroup.com.au

ACN: 000 000 715

Share Register

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Sydney, NSW 2000
P: 1300 554 474
(Outside Australia + 61 2 8280 7100)

AUB Group Limited shares are listed on the Australian Securities Exchange (ASX: AUB)

Auditors

Ernst & Young
200 George Street
Sydney, NSW 2000

AUB GROUP