19 September 2019

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

FOR RELEASE TO THE MARKET

Dear Sir / Madam,

Re: FY19 Annual Report

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

- Annual Report

About AUB Group

AUB Group Limited is Australasia's largest equity-based insurance broker network driving approximately A$3.2 billion GWP across its network of 93 businesses, servicing more than 550,000 clients and over one million policies across more than 600 locations. In Australia, the Group has around 20 percent of the commercial insurance broking market share with investment in 61 broking businesses, complimented by established capabilities in life insurance broking, premium funding, claims management and legal services. In New Zealand, AUB Group holds equity stakes in seven major insurance broker partners, an underwriting agency as well as equity in NZbrokers, the largest broking management group in New Zealand with presence in 140 locations. The Group also has a portfolio of 19 agencies within its SURA business with access to delegated global underwriting capacity for niche specialist insurance products. The Group's Risk Services division includes equity investments in three businesses with capabilities in loss adjustment, investigations, claims management, claims legal support and rehabilitation services.

Yours faithfully,

David Franks
Company Secretary

For further information, contact David Franks   Tel: 0414 899 897
davidf@aubgroup.com.au

2019 ANNUAL REPORT

AUB GROUP

CONTENTS

CHAIR'S MESSAGE

Dear Shareholders,

I am pleased to share another set of results and consistent growth for AUB Group in Financial Year 2019. Our results for the year are less than we would wish for when consolidated, however notwithstanding setbacks, the Group's core insurance broking and underwriting agency business in Australia and New Zealand have performed well, delivering double digit growth. In the financial year, the business as a whole delivered a 4.1% increase in Adjusted Net Profit After Tax ("ANPAT") of $46.4 million, while maintaining a strong balance sheet and capital position.

As a result, the Directors have declared a final fully franked dividend of 32.5 cents per share, payable on 8 October 2019. This, together with the interim dividend of 13.5 cents, results in a full year dividend of 46.0 cents, being a net earnings payout ratio of 73%. Earnings per share retracted slightly, reducing by 3.1% due to a combination of an increase in outstanding shares as a result of the capital raising in November 2019 and under-performance in a small number of businesses.

The Group continues to have significant scale and footprint and an excellent market reputation. Our Australian Broking, Underwriting Agencies and NZ Broking businesses all performed well in FY19 with the Group's Adjusted NPAT growing 10% year on year (excluding Canberra results), and growth is expected to continue in FY20. In pursuit of acquisition growth, the Company undertook major additional equity-steps in BWRS in New Zealand and Adroit, funded through a combination of debt and equity from the capital raising.

The financial result for the year was disrupted by two events. Firstly, the concluding ramifications of a substantial fraud event in Austbrokers Canberra impacted underlying Adjusted NPAT by $2.3 million. Whilst recovery proceedings continue, the Group does not expect any further negative impacts of the matter on future periods. Secondly, the market-driven ongoing under-performance of two businesses within the Health and Rehabilitation sector, in our Risk Services division. Unfortunately, the external environment for these businesses, particularly in NSW, is expected to continue to be under pressure in the short term, management has initiated a cost-management program while accelerating expansion into other states.

Our balance sheet is well positioned and we will continue our strategy of disciplined acquisitions as well as supporting our partner businesses to improve their underlying performance. The Company continues to be prudent in managing capital, with the Group gearing ratio reducing to 22% in FY19. The business has strong ongoing cash flow generation, whilst the corporate entity has access to cash and long-term corporate debt facilities to fund future acquisition and organic growth initiatives.

While our business and partner network remain focused on sustainable growth, the Board recognises a need for renewal and investment in the development of the business to meet the evolving market environment. In March 2019, Mark Searles retired after 6 years of expansion and growth for the Group. I'd like to thank Mark for his contributions to the Group and we wish him all the best in the next stage of his career.

Following Mark's departure, Mike Emmett was welcomed as the new Chief Executive and Managing Director for AUB Group in Q3 FY19. Mike's impressive experience in a range of executive positions across distributed business models provides for an exciting period at AUB and the Board is looking forward to working with him to achieve enhanced outcomes for our shareholders. Mike has been charged by the Board with the task of reviewing strategies required to successfully execute on the long-term growth vision for the Group.

We have operated a very successful business model for many years, looking after and protecting the assets and livelihood of our clients. Mike has seen the strength of our core businesses and has quickly gone about implementing new and exciting initiatives to build on that strength.

The Group's strategic plan involves an expansion of our existing portfolio through continued focus on acquisitions as well as driving organic growth via further investment in our broker value proposition to improve our partners' ability to serve clients. This includes taking control of our core insurance capacity sourcing capabilities via a re-vamped wholly owned AIMS and expanding it to deliver improved technology capabilities, partner support services and a centralised claims capability, all of which will assist partners in meeting the needs of their clients more efficiently and effectively.

The Board is mindful of the heightened focus and scrutiny of the financial services industry in light of the Hayne Royal Commission findings and are actively participating in industry groups and working with regulators on key areas to ensure a strong, ethical, sustainable and client-focused industry.

We have recognised the need for companies to embrace the increased focus on the health of its corporate culture, to have clearly articulated governance principles, and be active in promoting diversity in the workforce. The ESG section of this report (page 27) highlights a small number of the many contributions our partners make to the communities they operate in.

I would like conclude by thanking all our employees and partners for their contribution during the year. Whilst it is disappointing to have performed below our potential in FY19, we know that the business is built on strong foundations by a focused and committed team. As such, we are optimistic about our future and anticipating an improved performance in future years under the leadership of our new CEO.

On Tuesday 12 November 2019, we will be hosting our Annual General Meeting in Sydney. The Directors and senior management team will be present and look forward to answering your questions on our FY19 performance, strategy and future outlook.

David Clarke
Chair

CEO'S MESSAGE

Dear Shareholders,

I am honoured to have taken on the role as CEO of AUB Group. The Group's partnership model is designed to reward both our shareholders and our partners' performance. The strength of the business model, the diversity and capabilities of the broking and underwriting agency businesses and their underlying potential is what attracted me to my role at AUB Group.

2019 was a challenging year for the Group. Pleasingly the core insurance broking and underwriting agency businesses delivered a solid performance however we faced significant headwinds arising from the difficulties in the health and rehabilitation components of the Risk Services division as well as the costs arising from remediation of the Canberra fraud.

Since joining in March 2019, I have performed a detailed review of our underlying businesses and their growth and profitability drivers. I am very impressed with the quality and capability in each business and have observed excellent strengths and specialist expertise in key industry sectors and insurance areas, access to significant scale and footprint and an excellent market reputation. I am also comfortable that the issues experienced in Canberra are not systemic across the AUB Group.

Australian Broking, Underwriting Agencies and NZ Broking are expected to continue strong growth performance in FY20. The Group has also made good progress to remediate the issues that have impacted FY19 results namely Canberra (remediated) and Risk Services. Additionally, we are enhancing services to our network partners to drive stronger organic growth.

We have refreshed the Group's strategic agenda which involves an expansion of our existing portfolio through continued focus on M&A, and an ongoing focus on driving organic growth via investment in our broker value proposition to improve our partners' ability to win in the market.

We will continue to grow our core broking businesses and expand our underwriting agency capabilities in Australia and New Zealand. Having built a strong distribution platform in New Zealand, the Group will look to introduce new services to that market that accord with the Group's strategy. FY20 will be a year of consolidation and simplification of our portfolio to unlock benefits of scale and focus. In Australia, our network has pockets of strong specialist expertise in key industry sectors and insurance risk areas, providing an opportunity to leverage these through consolidation and, where appropriate, proactively make acquisitions that accelerate our ability to optimise our footprint and specialisms. The business will also increase focus on cost-management initiatives, both at a Group and partner level, to improve the Group's operating leverage.

In FY19, we commenced a process to take control of AIMS and expand the group's partner services proposition. The restructured and expanded AIMS will comprise four units delivering best in class services for underwriting capacity and placement, technology, claims handling and partner back-office support.

- Capacity sourcing and product offering design is a key component of the Group's value proposition for its partners. We will provide our partners with more competitive products with differentiated features tailored for their customers. We have commenced a review of our underwriting and placement arrangements. We will ensure current and potential insurance partners can better participate with us to deliver market leading offerings that meet the tailored needs of our members and clients. We will also be creating closer alignment with SURA. The response from our insurance partners and broker network is very positive.

- The Group has made good progress with a range of IT initiatives that seek to provide access to significantly improved technology enhancing our partners' responsiveness and efficiency. Initiatives include a high-volume broking system focused on efficiency and improved customer service outcomes and a new underwriting agency system.

- The Group has a strong set of claims propositions in larger brokers as well as in Procare. We will be leveraging these to provide better services to our clients and brokers across the full Austbrokers network.

- We are consolidating the AUB Business Centre into AIMS in order to provide the scale and capability to deliver enhanced accounting, reporting, compliance, payroll, HR and training services designed to support the back-office needs of our partners. Our commitment to partners is that we'll deliver these services better or cheaper than they can source themselves.

The AIMS restructure and these initiatives allow us to leverage our scale in ways that enhance the services to our customers in a manner that is more efficient for our partners.

FY20 will be an important year for AUB, a year in which the Group will deliver benefits to our customers and partners whilst also completing the remediation of Risk Services, reducing Group overhead costs and addressing any other under-performing elements of our portfolio. This will position us for accelerated growth in the years ahead.

The Group announced a guidance of Adjusted NPAT growth of 8% to 10% from the $46.4m comparative base (excluding major one-off acquisition legal and financing costs).

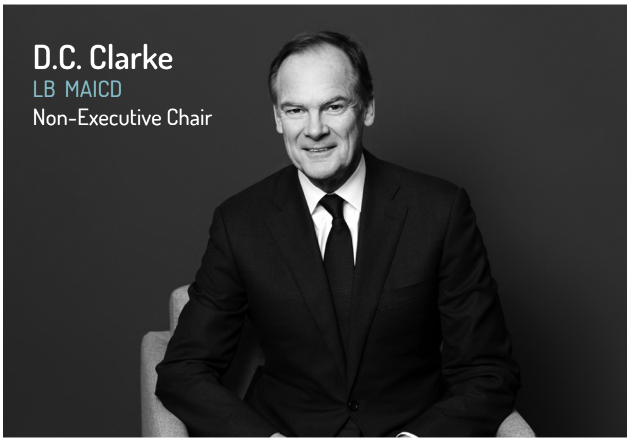
Whilst 2019 has been disappointing on several fronts, the core business remains strong, with potential to unlock significant value as we remediate and build AUB Group for the future. I look forward to updating you on our progress.

Michael Emmett
Chief Executive Officer and Managing Director

FINANCIAL REPORT

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2019

Your Directors submit their report for the year ended 30 June 2019. 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.

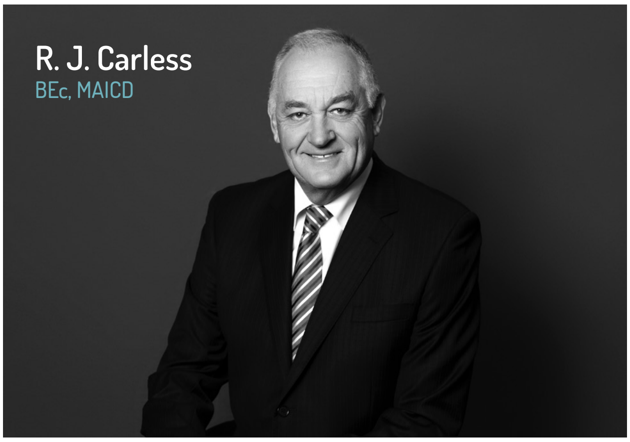


D.C. Clarke
LB MAICD
Non-Executive Chair

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 Charter Hall Group and Fisher Funds Management Limited. Mr Clarke joined the Board on 3 February 2014 and was elected Group Chairman on 26 November 2015. He is on the Audit & Risk Management and Remuneration & People Committees and Chairs the Nomination Committee.

M.P.C. Emmett
B Com, H.Dip. Acc CA (SA)
CEO and Managing Director
(appointed 11 March 2019)

In addition to his role as Group CEO, Mike serves on a number of boards for companies in the Group including the Risk Services businesses, BWRS and, NZbrokers and, as well as serving as Chair of Austagencies, AIMS and AUB Group NZ. Prior to joining AUB Group he was Group CEO for Cover-More, previously an ASX-listed global travel insurer and now part of the Zurich Group. Mike also held senior roles in Australia at QBE as Group Executive, Operations and at EY leading the Financial Services Advisory business. Before moving to Australia, Mike spent several years working in London including at IBM leading the Insurance and Banking consulting teams and at Morse PLC (Application Services) as Managing Director. Mike's earlier career in South Africa included senior roles in consulting at IBM, Accenture and PwC. Mike is also a Non-Executive Director of 1st Group Limited (ASX:1ST) and the Gold Coast Suns AFL Club.



R. J. Carless
BEc, MAICD

Ray Carless was appointed to the Board on 1 October 2010 and has over 40 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 over 30 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 Public Education Foundation, Primary Ethics and Guide Dogs NSW/ACT. 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, IPH Limited, Australian Reinsurance Pool Corporation and Gordian Runoff Limited.

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 Chair of Cuscal Limited and Australian Retail Credit Association, and sits on the boards of NESS Super and Sezzle Ltd. Paul holds a BSc from Sydney University and is a Fellow of the Australian Institute of Company Directors. He is on the Audit & Risk Management, Nomination and Chairs the Remuneration & People Committee.

Cath was appointed to the Board on 3 May 2018. She is a Non Executive Director of Digital Wallet Pty Ltd (trading as Beem It), a payments app funded by CommBank, NAB and Westpac, a Director and co-founder of Digital Receipt Exchange Limited and a member of the Commercialisation Committee of the Heart Research Institute. Cath holds a Bachelor of Commerce from the University of New South Wales, an MBA from INSEAD, is a CFA Charterholder and a graduate of the Australian Institute of Company Directors. She was previously a Director of McGrath Limited (2016-2018) and has held Senior roles in leading investment and financial services organisations in Sydney and overseas including AirTree Ventures, Anchorage Capital Partners, Masdar Capital and Credit Suisse. Cath is a member of the Audit & Risk Management, Nomination and Remuneration & People Committees.

M. P. L. Searles

GAICD, DipM, Grad Dip Mktg
CEO and Managing Director
(ceased 11 March 2019)

Whilst Mark was Group CEO, he also served on the Boards of a number of Group companies. 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 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.

COMPANY SECRETARY

D. J. Franks

BEc, CA, F Fin, FGIA, JP
Joint Company Secretary

David was appointed Joint Company Secretary of AUB Group Ltd on 13 December 2018. With over 20 years in finance and accounting, initially qualifying with Price Waterhouse in their Business Services and Corporate Finance Divisions, David has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering financial services, energy retailing, transport, mineral exploration, technology, automotive, software development and healthcare. David is a non-executive director of JCurve Solutions Limited(ASX: JCS) and a director of the Automic Group.

A. K. T. Luu

BBus, LLB, MCom, LLM, FGIA, Dip IT
Joint Company Secretary

Allan joined AUB Group Ltd on 10 December 2018 as General Counsel (Interim) and was appointed Joint Company Secretary on 21 December 2018. He is a solicitor with almost 20 years' experience across a variety of industries, including infrastructure, major projects and technology. He was previously Legal Counsel at DXC (formerly CSC) and the Transurban Group and General Counsel and Company Secretary at a number of SMEs. Prior to that, he was in private practice at K&L Gates, Baker & McKenzie and Ogier. Allan also previously lectured at the Sydney College of Law, Governance Institute, University of Melbourne and RMIT.

J. L. Coss

BA, LLB, Dip CII, ANZIIF (Fellow) CIP, FGIA, FCIS, Adv Dip (Management)
(ceased 21 December 2018)

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, E ngland and Wales. He was previously General Counsel and Company Secretary of InterRisk Australia Pty Ltd and prior to that was in private practice with Allens Arthur Robinson.

H. T. Edelman

JD, BA
(ceased 21 December 2018)

Howard joined AUB Group Ltd in October 2017 as Group Legal Counsel and was appointed Company Secretary alongside J Coss in December 2017. Howard brings over 25 years' corporate and commercial experience across a variety of industries. He was previously General Counsel and Company Secretary of iSoft Group Limited and CIMB Australia and worked at ASIC in developing company reforms. Howard was also in private practice with Allens Arthur Robinson, New York based Skadden and Arps, and was partner at the US firm Pillsbury Winthrop. Howard is admitted to practice law in NSW and New York, USA.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2019

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 (ceased 11/03/19)	164,129	99,920
M. P. C. Emmett	–	–
R. J. Carless	22,932	–
D. C. Clarke	11,646	–
R. J. Low	12,917	–
C. L. Rogers	–	–
P. A. Lahiff	10,334	–

PRINCIPAL ACTIVITIES

AUB Group Limited (AUB Group or Group) is Australasia's largest equity-based insurance broker network driving approximately A$3.2 billion GWP across its network of 93 businesses, servicing more than 600,000 clients, over one million policies across more than 500 locations. In Australia, the Group has around 20 percent of the commercial SME insurance broking market share with investment in 61 broking businesses, complimented by established capabilities in life insurance broking, premium funding, claims management and legal services. In New Zealand, AUB Group holds equity stakes in seven major insurance broker partners, an underwriting agency as well as equity in NZbrokers, the largest broking management group in New Zealand with presence in 140 locations and Insurance Advisernet NZ. The Group's Underwriting Agencies business has a portfolio of 19 specialist agencies with access to delegated global underwriting capacity for niche specialist insurance products. The Group's Risk Services division includes equity investments in three businesses with capabilities in loss adjustment, investigations, claims management, claims legal support and rehabilitation services.

Our business model means that we have equity stakes in our 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 individual brokers (Cluster Groups), leveraging the benefits of its services where appropriate.

AUB Group primarily operates through two key business segments:

1. Insurance intermediaries: we make investments in businesses that provide insurance and risk related services to clients. These businesses include:

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

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 intermediary 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.

2. Risk Services: We invest in organisations that provide people-related risk management solutions for clients, insurance brokers and insurance companies

Two of the three Risk Services businesses have seen their business volumes impacted materially by changes in market conditions.

The Risk Services businesses earn fees for services such as occupational health and safety consulting, injured worker rehabilitation services, corporate health and wellness initiatives, investigations, training, risk advice and claims management to insurers and clients. Fees are negotiated with State/Territory-based scheme agents and insurers or directly with clients.

OPERATING AND FINANCIAL REVIEW

Operating results for the year

In the year ended 30 June 2019 (FY19) net profit after tax (Reported NPAT) attributable to equity holders of AUB Group was $48.4 million (FY18: $46.5 million), a 4.0% increase over the prior year.

This increase was mainly driven by the underlying performance of the business as reflected in the increase in Adjusted NPAT.

Reported NPAT includes non-cash fair value movements on investments and a reduction in the put option reserve offset by impairment adjustments relating to the entities subject to the put options and $3.2 million in losses resulting from misconduct by the former Managing Director of a controlled entity (in addition to $1.5 million included in the first half of FY19).

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 $46.4 million in FY19 up 4.1% on prior year (FY18: $44.6 million).

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

The Group has benefited from the increase in ownership in Australian broking businesses (44% of Adroit Holdings, 17% of Northlake Holdings) and New Zealand broking businesses (50% of BrokerWeb Risk Services) and an acquisition within our underwriting agency business (50% of Cinesura Pty Ltd).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

RECONCILIATION OF ADJUSTED NPAT TO REPORTED NPAT [1]	FY19	FY18	Variance
	$'000	$'000	%
Net Profit after tax attributable to equity holders of the parent	48,361	46,520	4.0%
Reconciling items net of tax and non-controlling interest adjustments for:			
Adjustments to contingent consideration for acquisitions of controlled entities and associates[2]	(44)	(114)	
Add back offsetting impairment charge to the carrying value of associates & goodwill, related to above[2]	3,868	153	
Add back impairment charge to the carrying value of controlled entities[3]	15,093	2,300	
Less non controlling interest relating to impairment charge to the carrying value of controlled entities	(6,336)	(575)	
Less/plus profit on sale or deconsolidation of controlled entities net of tax[4]	(788)	157	
Plus cost of fraud relating to Austbrokers Canberra Pty Ltd - 1 January to 30 June 2019[5]	3,189	-	
Movement in put option liability (net of interest charge)[6]	(6,484)	527	
Less profit on sale of associates/insurance broking portfolios net of tax[7]	(68)	(861)	
Less adjustment to carrying value of entities (to fair value) on date they became controlled or deconsolidated[8]	(15,871)	(7,753)	
Net Profit from operations	40,920	40,354	1.4%
Add back amortisation of intangibles net of tax[9]	5,459	4,200	30.0%
Adjusted NPAT	**46,379**	**44,554**	**4.1%**

1 The financial information in this table has been derived from the audited financial statements. The adjusted NPAT is non-IFRS financial information and has not been audited in accordance with Australian Accounting Standards.

2 The Group's acquisition policy is to defer a component of the purchase price, which is determined by future financial results. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change, or payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate or payment is reduced, an offsetting adjustment (impairment) may be made to the carrying value.

3 Where the carrying value of a controlled entity exceeds the fair value an impairment expense is recognized during the period.

4 Gain/loss on deconsolidation are excluded from adjusted NPAT. Such adjustments will only occur in future if further sales of this type are made.

5 The costs associated with the misconduct by the former Managing Director of Austbrokers Canberra incurred from 1 January 2019 to 30 June 2019 have been excluded from adjusted NPAT.

6 Movement in value of the put option liability

7 Insurance broking portfolios may be sold from time to time and any gains/loss from sale are excluded from adjusted NPAT.

8 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.

9 Amortisation expense is a non-cash item.

Results by operating division

Insurance intermediaries:

Australian Broking – profit increased by 3.7% to $52.8 million in FY19. The current year result includes the increased profit contribution from an increased interest in Adroit effective 1 July 2018 and several smaller acquisitions and mergers by partner businesses.

Organic growth was achieved through client policy premium growth, as well as margin improvement.

New Zealand Broking – profit increased by 41.5% to $9.2 million in FY19 primarily due to the increased interest in BWRS effective 1 January 2019. Acquisition expansion opportunities remain strong with investment in people, processes and infrastructure (including technology) continuing as the business expands.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Underwriting Agencies:

Profit increased by 11.6% to $15.5 million in FY19, in the context of significant revenue growth in a number of agencies partially offset by the impact of delays in replacing strata binders, now successfully transferred to a new panel of insurers with a strong appetite for this portfolio. Income from profit shares increased reflecting continued strong underwriting results delivered for insurers.

Risk Services:

Profit decreased by 66% to $2.4 million, impacted by reduced business volumes and excess service capacity in Altius and Allied. Procare continued to deliver claims management and loss adjustment services to insurers with the prospect of expanding these to Austbrokers' network clients.

Overall:

The core operational areas (now excluding Risk Services) grew, with continued organic growth complemented by key step-up changes.

The Group's focus on managing the overall cost base resulted in an improvement to our corporate cost-to-PBT ratio to 16.5%[2] (FY18: 17.4%).

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

RECONCILIATION OF OPERATING SEGMENTS	Consolidated FY19			Consolidated FY18		
	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	52,821	-	52,821	50,948	-	50,948
- Insurance broking - New Zealand	9,159	-	9,159	6,474	-	6,474
- Underwriting agencies	15,518	-	15,518	13,903	-	13,903
- Risk Services	-	2,362	2,362	-	6,963	6,963
Profit after tax and after non-controlling interests	77,498	2,362	79,860	71,325	6,963	78,288
Corporate income	4,545	-	4,545	2,187	-	2,187
Corporate expenses[3]	(13,837)	-	(13,837)	(13,770)	-	(13,770)
Corporate interest expense and borrowing costs	(3,732)	-	(3,732)	(2,353)	-	(2,353)
	64,474	2,362	66,836	57,389	6,963	64,352
Tax	(19,649)	(808)	(20,457)	(17,633)	(2,165)	(19,798)
Adjusted NPAT	44,825	1,554	46,379	39,756	4,798	44,554
Other corporate expense adjustments (net of tax)	(623)	623	-	(553)	553	-
Less amortisation expense (net of tax and non-controlling interests)	(5,459)	-	(5,459)	(4,200)	-	(4,200)
Plus impairment of controlled entity (net of non-controlling entity interest)	(3,912)	(8,713)	(12,625)	(1,725)	-	(1,725)
Plus cost of fraud relating to Austbrokers Canberra Pty Ltd -1 January to 30 June 2019	(3,189)	-	(3,189)	-	-	-
Plus non-controlling interests in relation to contingent consideration adjustments [1]	-	-	-	(76)	(30)	(106)
Plus non controlling interests in relation to fair value adjustments[1]	(1,292)	-	(1,292)	-	-	-
portfolios by controlled entities and associates (net of tax)[1]	(297)	-	(297)	799	-	799
Profit after income tax and non-controlling interests (refer Annual Report note 23 Operating Segments)	**30,053**	**(6,536)**	**23,517**	**34,001**	**5,321**	**39,322**

[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))

[2] Calculated as AUB corporate costs (excluding acquisition, finance and project costs) as a percentage of Adjusted PBT before corporate costs and tax

[3] Corporate expenses for Australian Broking and Risk Services, previously captured in corporate expenses, have been reclassified to the respective divisions. Comparative information has been restated to conform with the presentation in the current period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Shareholder returns

On an Adjusted NPAT basis, earnings per share decreased by 3.1% over the prior year. Reported EPS decreased from 71.84 (TERP adjusted) cents to 69.49 cents due to the issue of 9.7 million shares under the Group's late calendar year 2018 equity capital raising.

Compound annual growth rate in earnings per share from FY10 to FY19 on an adjusted basis was 6.1%. Dividend per share declared for FY19 totalled 46.0 cents, an increase of 1.1% on prior year.

Dividends	Cents	$'000
Final dividend recommended:		
• on ordinary shares	32.5	23,888
Dividends paid in the year:		
• on ordinary shares - interim	13.5	9,923
• on ordinary shares - final	32.0	20,431
		30,354

FINANCIAL CONDITION

Shareholders' equity increased to $483.4 million from $357.2 million at 30 June 2019, mainly due to the proceeds of the equity capital raising.

The Group generated positive cash flow from operating activities before customer trust account movements of $54.2 million (2018: $46.2 million).

Cash flows used in investing activities increased in FY19 due mainly to increases in shareholdings in controlled entities.

Cash flows from financing activities increased over the previous year due to the equity capital raising partially offset by a partial repayment of Group borrowings.

Cash held at the end of the period totalled $220.0 million ($70.0 million, excluding $150.0 million of monies held in trust).

Interest-bearing loans and borrowings decreased by $16.7 million to $104.5 million as a result of the partial repayment of the corporate debt facility, resulting in a reduction in the debt to debt plus equity ratio to 22% in the year (FY18: 31%) on a look through basis including share of associates debt. Borrowings by associates of $23.0 million (FY18: $36.7 million)[1] are not included in the Group balance sheet as these entities are not consolidated. The borrowings by associates relate largely to funding of acquisitions, premium funding and other financing activities.

[1] Total debt of associates, after considering AUB Group's percentage shareholding.

BUSINESS STRATEGY

AUB Group and the broader insurance market has gained from pricing tailwinds in the past few years and we expect this to continue, albeit at a slower rate. The Group has a modest outlook on the underwriting cycle with a premise that we are in the midst of a positive phase with potential for extension considering recent losses in key global Underwriting markets.

The Group's strategic plan involves an expansion of our existing portfolio to drive further organic growth and a continued disciplined approach to M&A activity, while continuing to improve our partners' ability to win in the market by delivering a market leading broker value proposition. We will continue to grow our core broking businesses and expand our underwriting agencies in Australia. Having built a strong distribution platform in New Zealand, the Group will look to introduce new services to that market that accord with the Group's strategy.

FY20 Strategic Priorities

- Enhance our core business partner proposition with improved product and capacity offerings.
- Implement best-in-house technology features across the Group.
- Reduce Corporate costs and drive efficiency through cross-network synergies.
- Consolidate our core businesses for scale and create sector specialisations to build market leadership.
- Execute on strategically aligned acquisitions that drive outperformance.
- Redefine Risk Services strategy.

PROSPECTS FOR FUTURE FINANCIAL YEARS

During FY20 the Group anticipates strong growth from Insurance Broking in Australia and New Zealand as well the Underwriting Agencies. This will be reduced by several factors:

- reduced interest rates;
- lease accounting changes;
- reduced revenues in Austbrokers Canberra, post restructuring;
- delayed effect of remediation to health and rehabilitation service lines;
- lag to benefit from cost-out activities;
- planned shareholding sell-downs to support succession planning in broker partners; and
- major acquisition legal and financing costs.

RISK MANAGEMENT

The Group recognises that appropriate risk management is required to ensure the effective delivery of strategy and achievement of its objectives. The oversight of material risks is the responsibility of the Board. The Board Audit & Risk Committee provides support to the Board in reviewing the risk management framework including the identification, assessment, management and monitoring of material risks.

The activities of the Board and the Audit & Risk Committee specifically include:

- Board approval of the strategy, which encompasses the Group's vision, purpose and strategy statements designed to meet stakeholders' needs and manage 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;
- approval of the Risk Management Framework and consideration of the adequacy of risk treatments to achieve the Board's defined risk appetite; and
- oversight of policies, procedures and activities to support the effective management of regulatory risk across the Group.

KEY BUSINESS RISKS

The Group is exposed to various material risks in the course of its operations and achievement of its strategic objectives.

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

- compliance and regulatory risk – changes in the regulatory environment continue to represent a potential business risk for the Group. The risk of regulatory action or policy change that could negatively impact the Group's financial position remains. Regulatory changes are closely monitored and reported internally. In turn, internal controls are reviewed and revised so that they are appropriate for managing regulatory risk;
- investment risk – the Group as part of its strategy invests in partner businesses which may be subject to impairment or decreases in value over time as a result of the changing macroeconomic environment, including the markets in which they operate. The 'owner-driver' model incentivises businesses to continue to grow after joining the AUB network and the Group service offering is designed to support partner business growth. The Group strategy also relies upon access to funding to capitalise on opportunities and recognises that performance can be impacted by the macroeconomic environment including interest rate changes and premium fluctuations. The Group closely monitors the macroeconomic environment and regularly reviews and revises its overall strategy and capital and debt facilities to ensure adequate funding is available;
- people, conduct and culture risk – employees or partners may act in a way which is inconsistent with the expected behaviours, culture and values of the Group. Misconduct can result in financial loss and reputational damage which impacts the relationship with clients, partners, regulators and stakeholders. The Group has policies, procedures and controls in place to manage and monitor these risks;
- technology and cyber risk - the Group relies upon internal and externally sourced technology and services in conducting its operations. AUB Group is continuing to modernise its information technology environment to ensure that it meets future needs. Malicious cyber activity may impact on privacy or data security. This has been an area of focus for the Group and controls include external IT audits on its service providers, an overhaul of the Group's cyber security framework, security testing, cyber insurance, and an internal cyber security education program; and
- dependence on key suppliers – AUB Group and partners rely on external third party suppliers and outsourcing arrangements to provide certain services. These include insurance underwriting and binder arrangements in the broking and underwriting businesses. AUB Group actively manages key relationships and monitors contracts, service level agreements and performance targets to ensure required deliverables and standards are met. This risk is also addressed in the Group's business continuity measures.

The above does not address all risks faced by the Group and the risks discussed are not in any particular order. In addition to the Key Business Risks, further information about material risks which could impact the performance of the Group are detailed in the Operating and Financial Review.

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 and disposals disclosed above.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 August 2019, AUB Group Limited (AUB) executed a conditional sale agreement with Pemba Capital Partners (Pemba Capital) to acquire its 49% interest in Coverforce Holdings Pty Ltd (Coverforce) and is working with Pemba Capital to acquire the shares of all Coverforce shareholders.

The transaction and purchase price are subject to the outcome of AUB's due diligence and other customary terms and conditions such as regulatory approvals and no restraints preventing completion.

The acquisition is for a total aggregate consideration payable to Coverforce's shareholders of approximately $150 million to $200 million, with the purchase price to be finalised following AUB's due diligence and subject to customary adjustments for net debt and working capital amounts. AUB will fund the acquisition via available cash and a committed extension of its existing debt facilities. The Group's leverage ratio (net debt/EBITDA) is not expected to exceed three times as a result of this transaction.

On 20 August 2019, the Directors of AUB Group Limited declared a final fully franked dividend on ordinary shares of 32.5 cents per share in respect of the 2019 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is estimated to be $23.888 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.

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.

DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2019

REMUNERATION REPORT

Dear Shareholders,

AUB Group is pleased to present its Remuneration Report for the year ended 30 June 2019. 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 FY19 period reflects a business strategy that has continued to evolve and deliver positive results.

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

Key people and culture highlights over the year ended 30 June 2019 have included the following:

Culture

This year, the Remuneration & People Committee has continued to focus on building a culture of shared accountability, embedding the AUB Group purpose and values across the business and determining how we measure success. The AUB Board acknowledges its role in establishing and maintaining an effective culture. A behavioural gateway has been incorporated into the STI program in recognition of the importance of cultivating good corporate culture.

AUB Group Academy

The Academy has continued to deliver leadership and soft skills programs during FY19 with the introduction of a public speaking and presentation skills program.

The Diploma of Leadership and Management has continued to receive strong support across AUB Group and Partner businesses with over 50 leaders across the network now holding the qualification.

The Academy will continue to support the development of leadership capability linking to succession planning activities.

Paul Lahiff
Chair
Remuneration & People Committee

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 2019 (FY19). This report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001 (Cth). The Report details the remuneration arrangements for the Company's Key Management Personnel (KMP) comprising the Company's Non-Executive Directors, the Executive Director and certain employees.

Details of Key Management Personnel

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

The table below outlines the KMP of the Company in FY19

Name	Position
Non-Executive Directors	
David Clarke	Non-Executive Chair
Ray Carless	Non-Executive Director
Robin Low	Non-Executive Director
Paul Lahiff	Non-Executive Director
Cath Rogers	Non-Executive Director
Executive Director	
Michael Emmett	Managing Director and Chief Executive Officer (from 11 March 2019)
Mark Searles	Managing Director and Chief Executive Officer (ceased 11 March 2019)
Senior Executives	
Mark Shanahan	Chief Financial Officer
Elyse Henderson	Chief Operating Officer (ceased 19 March 2019)
Fabian Pasquini	Divisional Chief Executive - National Partners and Group Acquisitions (ceased 30 November 2018)
Sunil Vohra	Divisional Chief Executive - Risk Services (ceased 8 April 2019)
Keith McIvor	Managing Director, AUB Group NZ
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 (Committee) of the Board of Directors of the Company on remuneration outcomes for the Company's senior executives and other employees.

The Committee is responsible for reviewing compensation arrangements for the Directors, CEO and Senior Executives, including the Company's KMP and making recommendations in that regard for determination by the Board. The Committee comprises 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 2018 Annual General Meeting to increase the aggregate available remuneration to $850,000 per year to reflect prevailing market conditions.

The manner in which remuneration is paid to Non-Executive Directors is reviewed by the Committee and determined by the Board every second year. This review was carried out in FY18 by Guerdon & Associates, resulting in no increase in the normal remuneration payable to Non-Executive Directors.

The total amount paid for FY19 was $691,000 from the maximum available pool of $850,000.

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. The Chairs of the Audit & Risk Management Committee and the Remuneration & People Committee receive an additional fee to recognise the additional workload that these positions entail. 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.

REMUNERATION REPORT (CONTINUED)

From 1 July 2018 to 30 June 2019 each Non-Executive Director received annual fees as set out in the table below:

Name	Chair	Member
Board	$210,000	$105,000
Audit & Risk Management Committee	$21,000	-
Remuneration & People Committee	$10,000	-
Nomination Committee	-	-
Subsidiary Boards	-	$10,000

The remuneration of Non-Executive Directors for the year ended 30 June 2019 is detailed in Tables 3 and 4 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.

CEO and Senior Executive 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.

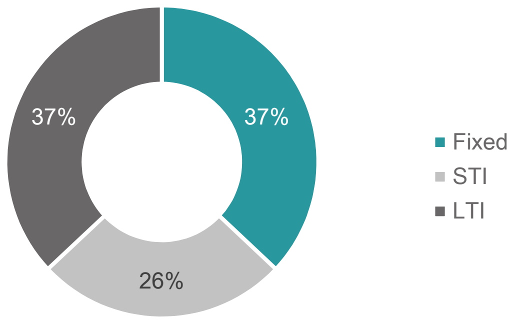
Structure

Remuneration consists of the following key elements:

- fixed Remuneration
- variable Remuneration – Short Term Incentive (STI)
- variable Remuneration – Long Term Incentive (LTI)

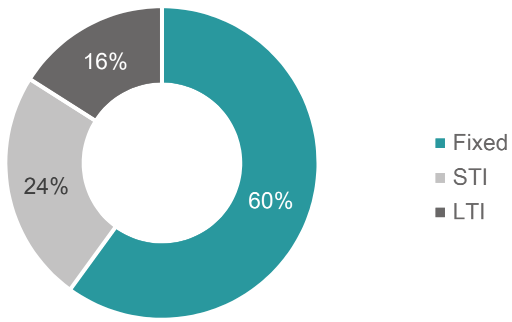
The new CEO's target remuneration mix comprises 37% fixed remuneration, 26% target STI opportunity and 37% LTI and is as set out in the accompanying graph.

CEO Remuneration Mix



The target remuneration mix of Senior Executives ranges from 56-66% fixed remuneration, 23-25% target STI opportunity and 11-20% LTI as set out in the graph below (using averages for each component).

Senior Executive Remuneration Mix



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

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

Fixed remuneration

Objective

The objective of the fixed remuneration component is to attract and retain talented executives to the Company. The setting 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.

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 of the Group is detailed in Tables 3 and 4.

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 executive 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. A behavioural gateway was incorporated into the FY19 performance review process. The behavioural gateway operates to reduce an incentive payment on the basis of conduct that is inconsistent with the Company's values, irrespective of performance.

The table below provides a summary of key balanced scorecard objectives and outcomes for the Group for FY19.

Measure	Objective
Financial	Deliver Group adjusted NPAT at or above budget
Partner	Drive Group strategy to improve client opportunities
Governance	Ensure 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 this amount. 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, thereby 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 review by the Committee and approval of the Board. Payments made are delivered as a cash bonus in the following reporting period.

For FY18, the STI cash bonus of $2.176 million provided in the financial statements was paid in FY19. The Committee considered the STI payments for FY19 and has allocated a pool in the sum of $0.882 million for STI cash bonuses for employees and senior management. This amount has been provided for in FY19.

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 are as follows.

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 (the Second Test Date);

b) Options comprised 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%

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%

REMUNERATION REPORT (CONTINUED)

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 that 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 those options.

f) Where in the opinion of the Board:

   i. a participant in the Company's LTIP has acted fraudulently or dishonestly, engaged in serious misconduct or 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, 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.

g) The exercise conditions for the 250,000 options (99,920 options unvested at 30 June 2019) granted to Mr Searles in 2016 are the same as set out above in paragraphs (a) – (f) (inclusive).

h) All options issued before 1 July 2015 have now lapsed. For vesting conditions on those options refer to the FY18 Annual Report.

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:

	2019	2018	2017	2016	2015
Group Revenue ($m)	307	278	265	234	217
Adjusted NPAT ($m)[1]	46.4	44.6	40.4	37.6	36.3
Share price ($)	10.44	13.58	12.99	10.10	9.00
Change in share price ($)	-3.14	0.59	2.89	1.10	-1.79
Dividends paid (cents)	46.0	45.5	42.0	40.0	39.7
Adjusted EPS (cents)*	66.6	68.8	62.3	58.8	58.5

* The previous periods earnings per share have been adjusted by the theoretical ex-rights price factor (TERP) resulting from the number of new shares issued following a non renounceable entitlement offer. The TERP adjustment factor that has been applied to the EPS values previously reported is 0.986.

[1] 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

The cash bonus pool for FY19 of $0.882 million has been determined under AUB's STI plan by reference to the Company's performance for FY19.

($m)	2019	2018	2017	2016	2015
Cash bonuses	0.882	2.176	2.861	1.417	0.200

REMUNERATION REPORT (CONTINUED)

LTI Outcomes

The LTI outcomes for FY19 are tested at the date that the Company lodges its audited financial statements with the Australian Securities Exchange. Once lodged, it is possible for the Company's Adjusted EPS and TSR for the relevant measurement period comprising FY17 to FY19 to be calculated. The Committee will meet and determine whether vesting conditions have been met and in turn make a recommendation in this respect for the Board's determination. LTIP grants for FY20 will also be determined at this meeting.

The movement in LTI outcomes for FY19 for Senior Employees and the CEO are summarised in the LTIP tables below:

Options

SENIOR EMPLOYEES (including KMP's)

LTIP Financial Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date
2015 (10th)	27,861	-	27,861	-	-	-	-
2016 (11th)	77,682	-	2,403	46,634	28,645	23-Nov-18	23-Nov-22
2017 (12th)	93,510	-	8,105	-	85,405	24-Jan-20	24-Jan-24
2018 (13th)	77,255	-	3,314	-	73,941	23-Nov-20	23-Nov-24
2019 (14th)	-	79,364	15,947	-	63,417	31-Oct-21	31-Oct-25
Total	276,308	79,364	57,630	46,634	251,408		

Former CEO - Mark Searles

LTIP Financial Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date
2016 (2nd)	250,000	-	-	150,080	99,920	1-Jan-19	1-Jan-23
Total	250,000	-	-	150,080	99,920		

Shares issued as a result of the exercise of options

During FY19, 196,714 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 351,328 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.

CEO Employment Contracts

Michael Emmett (current CEO)

The current CEO, Mr Emmett, is employed under an ongoing Executive Agreement, with a mutual termination right on 12 months' notice.

The Company may terminate his contract at any time without notice if serious misconduct has occurred. On termination for cause, Mr Emmett is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination for cause any unvested options are immediately forfeited.

Mark Searles (former CEO)

Mr Searles was employed under a fixed term contract, with a mutual termination right on 12 months' notice. Mr Searles provided notice in August 2018 of employment cessation on 16 October 2019.

CEO Remuneration

Michael Emmett (current CEO)

From 11 March 2019, Mr Emmett received a fixed remuneration of $850,000 per annum.

Mr Emmett was entitled to a pro rata short term incentive (STI) covering the period 11 March 2019 to 30 June 2019.

Mr Emmett was granted 200,000 options on 1 July 2019 over ordinary shares under the Senior Executive Option Plan. The LTI grant is subject to achievement of earnings per share target growth criteria, relative total shareholder returns criteria and approval at the 2019 Annual General Meeting.

Mark Searles (former CEO)

From 1 July 2018, Mr Searles received fixed remuneration of $678,628 plus an accommodation allowance of up to $60,000 per annum.

Mr Searles was eligible to participate in the FY19 Short Term Incentive Scheme (STI) with a maximum entitlement of 120 per cent of his fixed remuneration.

Mr Searles was granted a transitional incentive (TI) in lieu of equity long term incentive up to a maximum $580,000 assessed and payable over three equal tranches over FY19, FY20 and FY21.

Other Key Management Personnel

Other KMP have letters of offer of employment or employment contracts with no fixed term, and mutual termination rights on prior notice for varying periods of up to six months. Details of remuneration are contained in Tables 3 and 4.

REMUNERATION REPORT (CONTINUED)

Table 1: Shares held in AUB Group Limited at 30 June 2019

Shares held in AUB Group Limited at 30 June 2019	Balance at 30-Jun-18	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-19
Directors				
R. J. Carless	19,973	2,959	-	22,932
D. C. Clarke	10,143	1,503	-	11,646
R. J. Low	9,710	3,207	-	12,917
P. A. Lahiff	9,000	1,334	-	10,334
C. L. Rogers	-	-	-	-
M. P. C. Emmett	-	-	-	-
M. P. L. Searles*	74,049	150,080	224,129	-
Executives				
M. Shanahan	-	2,227	-	2,227
F. Pasquini*	77,039	9,691	86,730	-
K. McIvor	-	1,950	-	1,950
S. Vohra*	-	9,697	9,697	-
N. Thomas	989	9,394	-	10,383
A. Zissis	-	-	-	-
Total	200,903	192,042	320,556	72,389

* M. Searles, F. Pasquini and S. Vohra were deemed to have disposed of their total shareholding on the date they ceased being a KMP.

Table 2: Option holdings of Key Management Personnel

Options held at 30 June 2019	Balance at beginning of period 01-Jul-18	Granted as remuneration	Options exercised	Options lapsed/ forfeited	Balance at end of period 30-Jun-19	Total options at year end	
						Vested/ exercisable	Not vested/not exercisable
Director							
M. P. C. Emmett	-	-	-	-	-	-	-
M. P. L. Searles*	250,000	-	150,080	-	99,920	-	99,920
Executives							
M. Shanahan	-	12,011	-	-	12,011	-	12,011
E. Henderson*	-	9,919	-	9,919	-		-
F. Pasquini*	45,590	-	9,691	5,590	30,309	-	30,309
N. Thomas	43,904	10,012	9,384	4,396	40,136	-	40,136
S. Vohra*	45,626	10,012	9,697	5,595	40,346	-	40,346
A. Zissis	21,574	9,394	-	-	30,968	-	30,968
Total	406,694	51,348	178,852	25,500	253,690	-	253,690

The outstanding options have an exercise price of $NIL.

During the current year a total of 79,364 zero priced options were issued (51,348 to KMP). Of the 51,348 options issued during the year, 9,919 lapsed due to the KMP no longer being employed at year end.

There are no loans outstanding owing by KMP at 30 June 2019.

* These employees are no longer KMP's and their unvested options (if any) are expected to lapse after 30 June 2019.

REMUNERATION REPORT (CONTINUED)

Compensation of Directors and other Key Management Personnel
Table 3: Statutory Reporting Basis – period ending 30 June 2019

The table below outlines senior management team remuneration as calculated in accordance with accounting standards and the *Corporations Act 2001* (Cth) requirements. The amounts shown are equal to the amount expensed in the Company's financial statements for the particular year.

		Short-term			Post employment	Share-based payment		
30-Jun-19	Year	Salary & fees $	Cash short term incentive* $	Non monetary benefits $	Super-annuation $	Equity options** $	Total Remuneration $	Total per-formance related %
Non Executive Directors								
D. C. Clarke	2019	191,781	-	-	18,219	-	210,000	-
	2018	163,014	-	-	15,486	-	178,500	-
R. J. Carless	2019	90,001	-	-	24,999	-	115,000	-
	2018	90,000	-	-	25,000	-	115,000	-
P. A. Lahiff	2019	105,023	-	-	9,977	-	115,000	-
	2018	105,023	-	-	9,977	-	115,000	-
R. J. Low	2019	124,201	-	-	11,799	-	136,000	-
	2018	124,201	-	-	11,799	-	136,000	-
C. L. Rogers	2019	105,023	-	-	9,977	-	115,000	-
	2018	15,466	-	-	1,469	-	16,935	-
Executive Director								
M. P. C. Emmett	2019	238,719	82,911	5,361	7,212	-	334,202	24.81%
	2018	-	-	-	-	-	-	-
M.P.L. Searles	2019	684,555	175,028	33,437	25,000	144,918	1,062,938	30.10%
	2018	618,556	438,766	15,037	25,000	289,835	1,387,194	52.52%
Executives								
M. Shanahan	2019	409,401	74,623	3,487	25,000	26,610	539,121	18.78%
	2018	104,083	-	336	9,888	-	114,307	0.00%
J. Blackledge	2019	-	-	-	-	-	-	-
	2018	307,055	50,000	-	25,000	-	382,055	13.09%
E. Henderson	2019	468,470	67,470	1,404	25,000	-	562,345	12.00%
	2018	135,353	-	805	10,577	-	146,735	0.00%
F. Pasquini	2019	149,522	31,076	22,376	12,746	31,045	246,765	25.17%
	2018	274,725	155,805	52,256	25,000	66,698	574,484	38.73%
K. McIvor***	2019	651,037	-	-	-	-	651,037	0.00%
	2018	669,008	50,000	-	-	-	719,008	6.95%
S. Vohra	2019	334,344	62,203	306	25,000	-	421,853	14.75%
	2018	324,299	155,932	1,992	25,000	66,750	573,973	38.80%
N. Thomas	2019	352,059	73,271	2,560	25,000	53,250	506,140	25.00%
	2018	304,655	155,928	21,627	25,000	66,110	573,320	38.73%
A. Zissis	2019	332,451	126,021	1,902	24,999	49,075	534,448	32.76%
	2018	303,713	139,613	2,050	25,000	41,739	512,115	35.41%
Total Remuneration	2019	4,236,587	692,603	70,834	244,928	304,899	5,549,851	
Total Remuneration	2018	3,539,151	1,146,044	94,103	234,197	531,132	5,544,627	

Statutory remuneration represents the accounting expense of remuneration in the financial year. It includes salary remuneration, annual and long service leave payments, the amortisation expense of deferred share awards previously granted and an accrual for STIs.

* STI amounts included above relate to the accrued provision in respect of the current year's performance that will be paid during the following financial year if each KMP achieves at least 85% of their personal objectives for performance to 30 June 2019. The 2019 amounts are yet to be approved by the Remuneration Committee and are subject to each KMP achieving their personal objectives for the year.

**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 -80% probability that the Group will achieve the performance hurdles required for those options to vest.

*** Total remuneration for K McIvor is in respect of his role as Managing Director of New Zealand operations.

REMUNERATION REPORT (CONTINUED)

Compensation of Directors and other Key Management Personnel (continued)
Table 4 – Cash and vesting basis - period ending 30 June 2019

The table below outlines remuneration received individually during the year including the prior year STI paid in cash in the reporting year and the benefit received from vesting of shares granted under the Employee Share Option Scheme.

		Short-term			Post employment	Share-based payment		
30-Jun-19	Year	Salary & fees $	Cash short term incentive* $	Non monetary benefits $	Super-annuation $	Equity options** $	Total Remuneration $	Total performance related %
Non Executive Directors								
D. C. Clarke	2019	191,781	-	-	18,219	-	210,000	-
	2018	163,014	-	-	15,486	-	178,500	-
R. J. Carless	2019	90,001	-	-	24,999	-	115,000	-
	2018	90,000	-	-	25,000	-	115,000	-
P. A. Lahiff	2019	105,023	-	-	9,977	-	115,000	-
	2018	105,023	-	-	9,977	-	115,000	-
R. J. Low	2019	124,201	-	-	11,799	-	136,000	-
	2018	124,201	-	-	11,799	-	136,000	-
C. L. Rogers	2019	105,023	-	-	9,977	-	115,000	-
	2018	15,466	-	-	1,469	-	16,935	-
Executive Director								
M. P. C. Emmett	2019	238,719	-	5,361	7,212	-	251,291	-
	2018	-	-	-	-	-	-	-
M.P.L. Searles	2019	684,555	450,784	33,437	25,000	1,943,536	3,137,313	76.32%
	2018	618,556	638,796	15,037	25,000	-	1,297,389	49.24%
Executives								
M. Shanahan	2019	409,401	40,000	3,487	25,000	-	477,888	8.37%
	2018	104,083	-	336	9,888	-	114,307	0.00%
J. Blackledge	2019	-	45,662	-	4,338	-	50,000	91.32%
	2018	307,055	272,120	-	25,000	-	604,175	45.04%
E. Henderson	2019	468,470	10,000	1,404	25,000	-	504,874	1.98%
	2018	135,353	-	805	10,577	-	146,735	0.00%
F. Pasquini	2019	149,522	173,816	22,376	12,746	115,323	473,783	61.03%
	2018	274,725	191,019	52,256	25,000	-	543,000	35.18%
K. McIvor***	2019	651,037	47,929	-	-	-	698,966	6.86%
	2018	669,008	92,140	-	-	-	761,148	12.11%
S. Vohra	2019	334,344	167,485	306	25,000	115,394	642,529	44.03%
	2018	324,299	145,771	1,992	25,000	-	497,062	29.33%
N. Thomas	2019	352,059	161,110	2,560	25,000	111,670	652,399	41.81%
	2018	304,655	222,235	21,627	25,000	-	573,517	38.75%
A. Zissis	2019	332,451	150,000	1,902	24,999	-	509,352	29.45%
	2018	303,713	150,000	2,050	25,000	-	480,763	31.20%
Total Remuneration	2019	4,236,587	1,246,787	70,834	249,266	2,285,923	8,089,397	
Total Remuneration	2018	3,539,151	1,712,081	94,103	234,197	-	5,579,532	

* STI amounts paid during each financial year for performance during the prior financial year based on agreed KPIs.

** The actual remuneration relating to share based payments is based on the market value on the date the options were exercised multiplied by the actual number of options vested during the year.

*** Total remuneration for K McIvor in respect of his Group Executive role and Managing Director of New Zealand operations role.

REMUNERATION REPORT (CONTINUED)

Table 5: Number of options granted as part of remuneration

Year ended 30-Jun-19	Granted no.	Grant date	Fair value per option at grant date ($) (see note 16)	Exercise price per option ($) (see note 16)	Expiry date	First exercise date	Last exercise date
Directors							
M. P. C Emmett	-	-	-	-	-	-	-
M. P. L. Searles	-	-	-	-	-	-	-
Executives							
M. Shanahan	12,011	31-Oct-18	10.72	0.00	31-Oct-25	31-Oct-21	31-Oct-25
E. Henderson	9,919	31-Oct-18	10.72	0.00	31-Oct-25	31-Oct-21	31-Oct-25
F. Pasquini	-	-	-	-	-	-	-
K. McIvor	-	-	-	-	-	-	-
S. Vohra	10,012	31-Oct-18	10.72	0.00	31-Oct-25	31-Oct-21	31-Oct-25
N. Thomas	10,012	31-Oct-18	10.72	0.00	31-Oct-25	31-Oct-21	31-Oct-25
A. Zissis	9,394	31-Oct-18	10.72	0.00	31-Oct-25	31-Oct-21	31-Oct-25
Total	51,348						

Where options are exercised within two years after the date the options vest, the resulting shares issued cannot be disposed of prior to the expiry of the two year period from the date the options originally vested, except if employment is terminated or the employee resigns.

The fair value above is the weighted average price of the EPS options and the TSR options at the date the options were granted.

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

30 June 2019	* 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. C Emmett	-	-	-	-	-	-
M. P. L. Searles	-	1,187,133	13.63%	150,080	-	150,080
Executives						
M. Shanahan	128,758	-	-	-	-	-
E. Henderson	106,332	-	-	-	-	-
F. Pasquini	-	76,947	12.58%	9,691	-	9,691
K. McIvor	-	-	-	-	-	-
S. Vohra	107,329	76,994	-	9,697	-	9,697
N. Thomas	107,329	74,509	10.52%	9,394	-	9,384
A. Zissis	100,704	-	9.18%	-	-	-
Total	550,451	1,415,582		178,862	-	178,852

* 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.

**Total value of options exercised during the year is calculated based on the fair value of the options at grant date multiplied by the number of options exercised.

*** 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 - 80% 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 June 2019	Grant year (FY)	Granted during current year	Award date	vesting date	Fair value of options at grant date	Number lapsed during year	Number vested during year
M. P. C. Emmett	2019	-	-	-	-	-	-
M. P. L. Searles	2016	-	07-Apr-16	01-Jan-19	$7.91	-	150,080
M. Shanahan	2019	12,011	31-Oct-18	31-Oct-21	$10.72	-	-
E. Henderson	2019	9,919	31-Oct-18	31-Oct-21	$10.72	9,919	-
F. Pasquini	2015	-	31-Oct-14	31-Oct-17	$9.09	5,590	-
	2016	-	23-Nov-15	23-Nov-18	$7.94	-	9,691
	2019	-	-	-	$0.00	-	-
K. McIvor	2019	-	-	-	$0.00	-	-
S. Vohra	2015	-	31-Oct-14	31-Oct-17	$9.09	5,595	-
	2016	-	23-Nov-15	23-Nov-18	$7.94	-	9,697
	2019	10,012	31-Oct-18	31-Oct-21	$10.72	-	-
N. Thomas	2015	-	31-Oct-14	31-Oct-17	$9.09	4,396	-
	2016	-	23-Nov-15	23-Nov-18	$7.94	-	9,384
	2019	10,012	31-Oct-18	31-Oct-21	$10.72	-	-
A. Zissis	2019	9,394	31-Oct-18	31-Oct-21	$10.72	-	-
		51,348				25,500	178,852

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

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:	20	6	4	5
No. of meetings attended:				
R. J. Carless	18	6	4	5
D. C. Clarke	19	6	4	5
M. P. C. Emmett*	4	2	-	1
P. A. Lahiff	20	5	3	5
R. J. Low	20	6	4	5
C. L. Rogers	20	6	4	5
M. P. L. Searles*	16	4	3	4

* Mr Searles and Mr Emmett were not members of any committee but attended all possible committee meetings as an invitee whilst they were a KMP. All other Directors were eligible to attend all meetings held.

DIRECTORS' MEETINGS (CONTINUED)

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 as follows:

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

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 26 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 2019 were predominantly in relation to tax matters. Other services included independent investigation and reviews. 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* (Cth). 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	M. P. C. Emmett
Chair	Chief Executive Officer and Managing Director
Sydney, 20 August 2019	Sydney, 20 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

As lead auditor for the audit of AUB Group Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

David Jewell

David Jewell
Partner
20 August 2019

AUB Group is committed to being a responsible and sustainable Group of businesses. We believe it makes good business sense to have environmental, social and governance (ESG) policies and programs where doing the right thing by our people, our partners, our environment and the communities in which we operate is part of our ethos.

Our Environmental Commitment

When it comes to AUB Group's purpose, environmental sustainability is integral in helping clients realise a stronger, more sustainable future. Our broking and underwriting partners are subject to the risk-based pricing of insurer terms, which inevitably considers the exposure of our clients to climate change.

AUB Group's direct environmental and social impacts mainly relate to the operation of our tenanted offices, travel and the resources consumed by these activities. AUB Group Limited has taken steps to lower this impact with less staff travelling by using interoffice video conferencing to reduce reliance on air travel, and the closure of the AUB Melbourne Office.

In addition, we are committed to reducing our own environmental footprint. AUB Group Limited has a corporate social responsibility policy that reflects the Group's ESG stance. The policy is provided to our partners for their adoption and requires that AUB Group and our partner businesses develop and follow a robust environmental management approach. Future iterations of this policy will continue to explore ways in which our businesses can assess climate risks and promote sustainability.

Our objectives:	How we're achieving this:
Reduce water and energy consumption	• Green buildings: AUB Group Limited's head office building has a 4.0 Star NABERS[1] Energy rating and a 3.5 Star NABERS Water rating, while the SURA head office building has a 5.0 Star NABERS Energy rating and a 4.0 Star NABERS Water rating. • Meeting room lights are sensor triggered and are turned out completely by 8.00pm each night.
Minimise waste, and encourage the reuse and recycling of waste items	• Active encouragement of recycling with paper, glass and aluminum, print toner and cartridge recycling stations in each office.
Promote sustainable transport to employees, clients and suppliers	• Head offices are in central locations with public transport hubs. No car-parking spaces are made available in head office, so employees travel to and from work via public transport (train, bus, ferry) or active transport (walking and bicycle). • Participation in the Global Step Challenge, which encouraged employees to walk, run or cycle to work.
Support sustainable procurement and other sustainable work practices	• Where possible, only office stationery and supplies with environmentally-friendly attributes are procured. • We progress with eliminating hard copy corporate brochures and reports in a move to online versions. Annual report printing reduced by half between FY17 and FY18.

[1] National Australian Built Environment Rating System

Partnering and connecting with our community

AUB Group and our partner businesses are committed to supporting community organisations including charities and sporting clubs through fundraising, sponsorship and volunteering.

Because our partners are spread through a variety of communities, we adopt an approach of decentralised community support. Individual partners determine the best approach to engage with and support their local communities. From golf days and gala dinners, to fun runs and local bushland clean ups, the AUB family is ready to get involved and show their support.

Over $600,000 in donations and sponsorships were made and hundreds of hours were given to volunteering and event participation in FY19. Being part of the community in this way enables our partners to deliver social value to their community.

Highlights

Broking

Two of our partner businesses have gone the extra mile to show their commitment to their communities:

Insurance Advisernet

Through the Insurance Advisernet Foundation, Insurance Advisernet Australia and their authorised representatives raised funds for a number of organisations through a range of fundraising activities. Some of the Foundation's beneficiaries include Australian Men's Shed Association, Act For Kids, Starlight Children's Foundation and Top Blokes Foundation. In recognition of their efforts, the Foundation was awarded the Best Community Engagement Program of the Year – Broker at the 2019 Insurance Business Awards.

MGA Insurance Brokers

The MGA Whittles Foundation raised money for various organisations, including AllKids, Rotary Australia, Cancer Council and Australian Melanoma Research Foundation.

ENVIRONMENT, SOCIAL AND GOVERNANACE
YEAR ENDED 30 JUNE 2019

Underwriting agencies

SURA once again helped organise, and participated in the Insurance Ashes cricket day in support of the Primary Club of Australia, raising money for the purchase of soft-fall surfaces and safe play equipment at the Spring Farm Public School in Western Sydney. The school takes care of more than 30 students with autism.

SURA also supported the Dive In Festival and served as the Melbourne event lead since the inaugural event in 2016. Dive In is a global movement in the insurance industry supporting the development of inclusive workplace cultures.

Risk Services

The Procare Group Sydney team raised funds for the Sydney Children's Hospital Foundation through their annual SCHF Charity Cricket Challenge, which started in 2009. The Canberra office held their own charity cricket day in support of this year's chosen charity, OzHarvest.

As well as supporting the community, we actively support workplace diversity and inclusion, and are committed to developing and caring for our people.

Workplace diversity and inclusion

AUB Group and our partnering businesses strive to create an inclusive workplace where individuals can reach their full potential and a strategy that supports the recruitment, retention and development of the most diverse talent.

This year AUB Group Limited signed the CEO Pledge of promoting inclusive behaviours in insurance, making a commitment to set the standard for inclusive behaviours from the top.

The gender composition of our workforce is 61% female[1]

Workplace health and safety

We are committed to ensuring we provide a safe workplace for our people that is focused on a total wellbeing strategy. In addition to our ongoing commitment to workplace health and safety over the past 12 months we have introduced wellness and financial wellbeing platforms for AUB Group Limited employees.

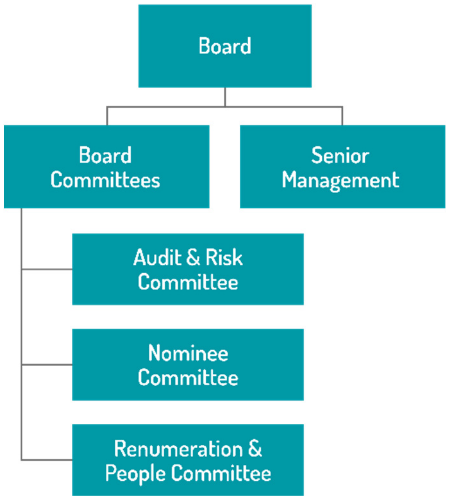
AUB Group Academy

Our leadership development programs are designed to ensure we stretch our people and give them the skills and opportunities to step into their next role.

Focused on building leadership resilience and emotional intelligence skills our programs span all levels of the business. Across AUB Group and our business partners 50 leaders have graduated with a Diploma of Leadership and Management in addition to over 5,000 hours of professional training and soft skills development.

Corporate governance

The AUB Group Limited Board of Directors is responsible for the corporate governance of AUB Group Limited. The Board guides and monitors the business and affairs of AUB Group on behalf of stakeholders and its activities are governed by the Constitution. The board structure is summarised here:



Our Corporate Governance Statement is founded on the ASX Corporate Governance Council's principles and recommendations. The Statement is periodically reviewed and, if necessary, revised to reflect the changing nature of the industry.

The responsibilities of the Board of Directors and those functions reserved to the Board, together with the responsibilities of the Chief Executive Officer are set out in our Board Charter. To assist with governance AUB Group has established Board Committees and policies.

For copies of policies and charters noted in this section, please visit the AUB Group website and navigate to Who we are > Corporate governance.

Future commitment

In FY20, AUB Group and its partners will continue to seek ways in which we can contribute to the communities that support us, and to minimise the environmental impact of our business activities.

We will further refine AUB Group's Corporate Responsibility policy to become several ESG policies and programs. AUB Group will formalise the process by which we and our partners report adherence to the policy.

Delivering on our corporate responsibility statement policy is integral to safeguarding a stronger future for our clients, our partners, our employees and our shareholders.

[1] For businesses where AUB Group has more than 51% shareholding

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes	$'000	$'000
Revenue	4 (i)	276,396	246,111
Other income	4 (ii)	3,415	2,377
Share of profit of associates	4 (iii)	27,367	29,991
Expenses	4 (iv)	(245,031)	(210,467)
Finance costs	4 (v)	(6,596)	(5,320)
		55,551	62,692
Income/(Expenses) arising from adjustments to carrying values of associates, sale of interests in associates, controlled entities and broking portfolios			
– Adjustments to carrying value of associates and estimates for contingent consideration and movements in put option liability	4(vi)	5,424	5,551
– Profit/(loss) from sale of interests in controlled entities, associates and insurance portfolios	4(vii)	1,155	(95)
Profit before income tax		62,130	68,148
Income tax expense	5	12,958	13,177
Net Profit after tax for the period		49,172	54,971
Net Profit after tax for the period attributable to:			
Equity holders of the parent		48,361	46,520
Non-controlling interests		811	8,451
		49,172	54,971
Basic earnings per share (cents per share)	8	69.49	71.84
Diluted earnings per share (cents per share)	8	69.41	71.57

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2019

	Consolidated	
	2019	2018
	$'000	$'000
Net Profit after tax for the period	49,172	54,971
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement in foreign currency translation reserve	972	(789)
Income tax benefit relating to currency translation	-	-
Other comprehensive income after income tax for the period	972	(789)
Total comprehensive income after tax for the period	50,144	54,182
Total comprehensive income after tax for the period attributable to:		
Equity holders of the parent	49,192	45,849
Non-controlling interests	952	8,333
	50,144	54,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes	$'000	$'000
Assets			
Current Assets			
Cash and cash equivalents	6	70,016	58,688
Cash and cash equivalents – Trust	6	149,981	99,969
Trade and other receivables	9	243,309	179,704
Other financial assets	10	8	9
Total Current Assets		463,314	338,370
Non-current Assets			
Trade and other receivables	9	133	429
Other financial assets	10	393	18
Investment in associates	11	127,453	155,888
Property, plant and equipment	13	14,559	11,996
Intangible assets and goodwill	14	401,146	267,097
Deferred income tax asset	5	12,645	7,343
Total Non-current Assets		556,329	442,771
Total Assets		1,019,643	781,141
Liabilities			
Current Liabilities			
Trade and other payables	17	385,835	244,637
Income tax payable	5	6,533	5,140
Provisions	18	15,432	14,568
Interest-bearing loans and borrowings	19	18,945	8,917
Total Current Liabilities		426,745	273,262
Non-current Liabilities			
Trade and other payables	17	1,021	26,403
Provisions	18	3,362	3,165
Deferred tax liabilities	5	19,587	8,796
Interest-bearing loans and borrowings	19	85,530	112,285
Total Non-current Liabilities		109,500	150,649
Total Liabilities		536,245	423,911
Net Assets		483,398	357,230
Equity			
Issued capital	20	255,662	141,708
Retained earnings		171,168	169,022
Share based payments reserve	21	7,820	6,861
Put option reserve	21	(19,919)	(26,403)
Foreign currency translation reserve	21	372	(459)
Asset revaluation reserve	21	-	-
Equity attributable to equity holders of the parent		**415,103**	**290,729**
Non-controlling interests	21	68,295	66,501
Total Equity		**483,398**	**357,230**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2019

	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	Put option reserve $'000	Share based payment reserve $'000	Total $'000	$'000	$'000
At 1 July 2018	141,708	169,022	-	(459)	(26,403)	6,861	290,729	66,501	357,230
Impact due to change in accounting standard*	-	(4,183)	-	-	-	-	(4,183)	(631)	(4,814)
Adjusted balance at 1 July 2018	141,708	164,839	-	(459)	(26,403)	6,861	286,546	65,870	352,416
Profit for the year	-	48,361	-	-	-	-	48,361	811	49,172
Other comprehensive income	-	-	-	831	-	-	831	141	972
Total comprehensive income for the year	-	48,361	-	831	-	-	49,192	952	50,144
Transactions with owners in their capacity as owners:									
Adjustment relating to increases in the voting shares in controlled entities. (see note 7(a))	-	(7,282)	-	-	-	-	(7,282)	(5,767)	(13,049)
Adjustment relating to reductions in the voting shares in controlled entities. (see note 7(a))	-	2,088	-	-	-	-	2,088	2,687	4,775
Non controlling interests relating to new acquisitions (see notes 7(d))	-	-	-	-	-	-	-	14,320	14,320
Transfer to put option reserve	-	(6,484)	-	-	6,484	-	-	-	-
Cost of share-based payment	-	-	-	-	-	773	773	-	773
Tax benefit related to employee share trust transactions	-	-	-	-	-	186	186	-	186
Exchange rate movements	-	-	-	-	-	-	-	202	202
Proceeds from capital raising	116,353	-	-	-	-	-	116,353	-	116,353
Share issue expenses	(2,399)	-	-	-	-	-	(2,399)	-	(2,399)
Equity dividends	-	(30,354)	-	-	-	-	(30,354)	(9,969)	(40,323)
At 30 June 2019	255,662	171,168	-	372	(19,919)	7,820	415,103	68,295	483,398

* The Group adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of $4,183,000 to retained earnings at 1 July 2018, being the cumulative effect on initial application of the standard referred to in note 2. As permitted by the new accounting standard, the comparative results for the year ended 30 June 2018 are not restated.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2019

	Attributable to equity holders of the parent							Non-controlling interest	Total equity
	Issued capital	Retained earnings	Asset revaluation reserve	Foreign currency translation reserve	Put option reserve	Share based payment reserve	Total		
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	141,708	154,579	199	212	(25,875)	6,090	276,913	68,868	345,781
Profit for the year	-	46,520	-	-	-	-	46,520	8,451	54,971
Other comprehensive income	-	-	-	(671)	-	-	(671)	(118)	(789)
Total comprehensive income for the year	-	46,520	-	(671)	-	-	45,849	8,333	54,182
Transactions with owners in their capacity as owners:									
Adjustment relating to movements in the voting shares in controlled entities (see note 7(b))	-	(5,350)	-	-	-	-	(5,350)	(2,963)	(8,313)
Reduction to non-controlling interests relating to deconsolidated entities (see note 7(e))	-	-	-	-	-	-	-	(2,120)	(2,120)
Transfer from asset revaluation reserve	-	199	(199)	-	-	-	-	-	-
Transfer to put option reserve	-	528	-	-	(528)	-	-	-	-
Cost of share-based payment	-	-	-	-	-	652	652	-	652
Tax benefit related to employee share trust transactions	-	-	-	-	-	119	119	-	119
Exchange rate movements								(126)	(126)
Equity dividends	-	(27,454)	-	-	-	-	(27,454)	(5,491)	(32,945)
At 30 June 2018	141,708	169,022	-	(459)	(26,403)	6,861	290,729	66,501	357,230

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes	$'000	$'000
Cash flows from operating activities			
Receipts from customers		258,349	232,837
Dividends received from others		36	1
Dividends/trust distributions received from associates		26,371	22,620
Interest received		3,379	2,376
Management fees received from associates/related entities		13,736	12,390
Payments to suppliers and employees		(229,720)	(205,095)
Income tax paid		(12,038)	(14,204)
Interest paid		(5,886)	(4,679)
Net cash from operating activities before customer trust account movements		54,227	46,246
Net increase/(decrease) in cash held in customer trust accounts		15,257	11,261
Net cash flows from operating activities	6(a)	69,484	57,507
Cash flows from investing activities			
Proceeds from reduction in interests in controlled entities	7(a),(b)	3,262	1,639
Payment for increase in interests in controlled entities	7(a),(b)	(12,308)	(10,327)
Payments for new consolidated entities, net of cash acquired	7(d),(e)	(13,748)	(8,656)
Cash outflow from sale/deconsolidation of controlled entities	7(d),(e)	1,184	(2,760)
Payment for new associates	11	(1,938)	(3,031)
Payment for new broking portfolios purchased by members of the economic entity		(5,028)	(460)
Proceeds from sale of broking portfolios by member of the economic entity		327	-
Proceeds from sale of associates		-	38
Proceeds from sale of other financial assets		5	(4)
Proceeds from new shares issued to non-controlling interests	7(a),(b)	-	368
(Payment for) / proceeds from purchases / sale of other financial assets		-	-
Proceeds from sale of plant and equipment		1,161	659
Payment for plant and equipment and capitalised projects		(7,171)	(5,733)
Repayment/(advances) of loans to associates/related entities		28	103
Advance settlement sale of associates		3,400	-
Proceeds from loan repayments from associates/related entities		-	-
Net cash flows (used in) investing activities		(30,826)	(28,164)
Cash flows from financing activities			
Dividends paid to shareholders		(30,354)	(27,454)
Dividends paid to shareholders of non-controlling interests		(9,969)	(5,491)
Net proceeds from issue of share capital		113,197	-
Payment for contingent consideration on prior year acquisitions	6(b)	(3,934)	(18,411)
Increase in borrowings and lease liabilities	6(b)	4,216	27,428
Repayment of borrowings and finance lease liabilities		(48,808)	-
Advances to related entities		(1,666)	(76)
Net cash flows (used in)/from financing activities		22,682	(24,004)
Net (decrease)/increase in cash and cash equivalents		61,340	5,339
Cash and cash equivalents at beginning of the period		158,657	153,318
Cash and cash equivalents at end of period	6(a)	219,997	158,657

1. CORPORATE INFORMATION

The financial report of AUB Group Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 20 August 2019.

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

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 except for the new and amended accounting standards which came into effect on 1 July 2018, which are detailed in note 2.3 below.

The 30 June 2019 financial statements, and respective notes to the financial statements have been prepared in accordance with the new and amended accounting standards. The accounting policies in note 2.2 below have also been updated to reflect the new and amended accounting standards in effect during the year.

The 30 June 2018 prior year comparatives have been prepared in accordance with the previous accounting standards applicable for that period. The relevant accounting policies for 30 June 2018 can be found in the Group's 2018 Annual Report, note 2.2 Summary of Significant Accounting Policies.

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 (Cth), 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. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, the Group also considers all relevant facts and circumstances in assessing whether it has control over an entity, including rights arising from contractual arrangements with the entity and/or other vote holders of the entity.

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 Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position.

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 accumulated 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 and investments in associates that have an indicator of impairment. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. 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.

Re-estimation of put options financial liability

A financial liability has been recognised representing an estimate of the value the Group could be required to pay on the future exercise by holders of put options. The Group re-estimates put options financial liability at the reporting date, taking into account the estimated future outcomes for income or profit, on which the purchase price will be determined. Historical trends and any relevant external factors are taken into account in determining the likely outcome.

(f) Fair value measurement

The Group measures its financial instruments at fair value at each balance sheet date. Refer to note 28(c).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes places either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or lability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interests.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the unobservable inputs.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed on 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 value 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.

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

(g) Current versus non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is current when it is:

- expected to be realised, or intended to be sold, or consumed in the normal operating cycle;
- expected to be realised within twelve months after the reporting period;
- held primarily for the purpose of trading; or
- cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- it is expected to be settled in the normal operation cycle;
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other assets and liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(h) Revenue recognition

Revenue from contracts with customers

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

(i) Insurance intermediary segment

Commission, brokerage and fees

The Group considered whether commissions, brokerage and fee revenue in respect of its broking and underwriting agency services ("insurance intermediary revenue") should be recognised at invoice date or insurance policy inception date.

Based on the main considerations that: (a) the Group acts primarily as an agent of the customer when acting in the capacity as a broker, and as an agent of the insurer while acting in the capacity as underwriting agent; (b) the Group's performance obligations are distinct from those of the insurer; and (c) the Group's performance obligations are predominantly completed prior to the inception of the insurance policy, the invoice date is the relevant date to recognise the fixed components associated with the insurance intermediary revenue.

Claims handling and premium settlement activities

The Group recognises the variable amount of revenue only to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variability is resolved. Revenue associated with claims handling services and premium settlement activities is recognised over time as the services are provided to the customer and variable consideration is constrained to reflect potential cancellations.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in AABS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Performance-based income

The Group recognises performance-based income either:

- upon receipt of payment; or
- upon receipt of the insurers' advice of the amount earned.

(ii) Risk services segment

Fees

Fee revenue earned by the Group's risk services segment is recognised upon issue of an invoice, plus an accrual for a percentage of completion of any work in progress (including a profit margin), which has yet to be invoiced, but for which the Group has an enforceable right of payment.

Revenue for other services performed by the risk services segment is recognised once the services have been performed and provided to the customer, to the extent the recognition criteria for variable consideration are met.

(iii) Management fees and other income

Management fees and other revenue are recognised at the point in time when the Group has satisfied its performance obligations and the transaction price is determined.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition (continued)

Interest Income

Interest income is recognised as interest accrues using the effective interest method.

Dividends and Distributions from trusts

Dividends and distributions from trusts recognised when the shareholder's right to receive the payment is established.

Other income

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

(i) Cash and cash equivalents

Cash and cash equivalents, and cash and cash equivalents - trusts (trust cash), in the Consolidated 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 Consolidated Statement of Cash Flows, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(j) 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.

(k) Trade and other receivables

Trade and other receivables which generally have 30 day credit terms, are initially recognised at fair value and subsequently measured at amortised cost.

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 the 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.

See also accounting policy (q) Impairment of financial assets and expected credit loss.

(l) 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 Consolidated Statement of Comprehensive Income.

Refer to note 15 Impairment Testing Identifiable Intangible Assets and Goodwill.

(m) Interest-bearing liabilities

Interest-bearing liabilities are initially recognised at fair value of the consideration received, net of any directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

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

Borrowing costs

Borrowing costs are amortised over the term of the loan.

(n) 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other payables (continued)

Put option financial liability

The Group recognises put options financial liability initially at present value of the value the Group could be required to pay on the future exercise by holders of the put options. After initial recognition, put options financial liability is subsequently measured at amortised cost using the effective interest method. The Group re-estimates put options financial liability at the reporting date, taking into account the estimated future outcomes for income or profit, on which the purchase price will be determined. The Group recalculates the carrying amount of these put options financial liability by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. The adjustment is recognised through the Consolidated Statement of Profit or Loss as income or expense.

(o) 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.

See also accounting policy (q) Impairment of financial assets and expected credit loss.

(p) 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.

(q) Impairment of financial assets and expected credit loss

Expected credit loss

Lifetime expected credit losses are recorded on receivables, including trade and other receivables, interest-bearing loans, investments and other financial assets.

(i) Cash and cash equivalents

Cash and cash equivalents are subject to an insignificant risk of changes in value. See also accounting policy (i) Cash and cash equivalents.

(ii) Trade receivables

- Fiduciary receivables - the Group's exposure to fiduciary receivables is limited to commissions and fees charged. See Other receivables - commissions and fees below.
- *Other receivables - commissions and fees* - an allowances is made for anticipated lapses and cancellations based upon historical information, adjusted for forward-looking information. The provision for lapses provides an amount for expected cancellations and loss of commissions and fees. See accounting policy (k) Trade and other receivables.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) 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 derecognised.

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 Consolidated 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.

(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 (2018:10 to 15 years) for broking portfolios/client relationships and 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Intangible assets - Insurance Broking Register (continued)

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 Consolidated 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.

(t) 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 accumulated superannuation funds by entities within the Group are charged against profits when due.

(u) 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.

(v) 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.

For options vesting based on earnings per share hurdles, 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Share-based payment transactions (continued)

For options issued based on total shareholder return hurdles, an expense is recognised based on the Group's meeting market expectations.

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).

(w) 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.

(x) 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 Consolidated Statement of Financial Position.

Deferred income tax is provided on all temporary differences at the date of the Consolidated 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.

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 Consolidated 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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 Consolidated Statement of Financial Position. Cash flows are included in the Consolidated 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.

(z) 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.

(aa) 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 Consolidated Statement of Financial Position by adjusting both the expense or asset and the provision. The related carrying amounts are disclosed in note 18.

(bb) 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".

2.3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR

The following Australian and International Accounting Standards and interpretations have been adopted by the Group for the year ended 30 June 2019.

AASB 9: Financial Instruments

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

Financial Assets

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

Cash is held at fair value. Trade receivables are initially recorded at the fair value amounts to be received, and are subsequently measured at amortised cost using the effective interest method. The Group derecognises financial assets when the contractual rights to the cash flows from the financial assets have expired, or the Group transfers substantially all the risks and rewards associated with ownership of the financial asset.Where receivables result from contracts with customers and do not contain a significant financing component, such receivables are measured at their transaction price as required by AASB 15 Revenue from Contracts with Customers. See further below for the Group's AASB 15 accounting policy.

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

Financial liabilities

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

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

Expected credit loss

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

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

Hedge accounting

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

Impact of AASB 9

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

2.3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR (CONTINUED)

AASB 15: Revenue from Contracts with Customers

Quantitative impact of AASB 15

On 1 July 2018, the Group adopted AASB 15 Revenue from Contracts with Customers which replaced all revenue standards and interpretations, including AASB 118 Revenue. As permitted by AASB 15, the Group adopted AASB 15 on a modified retrospective basis, so that prior year comparative results have not been restated. As disclosed in note 3 of the 30 June 2018 Financial Statements, the estimated total impact on equity (after tax) would fall into the range of $4.0 million and $5.0 million. The actual impact on equity upon adoption was $4.814 million after tax – see table below for the breakdown between equity holders and non-controlling interests. See note 11(j) for the impact to the carrying value of associates.

	$'000
Impact of AASB 15 on retained earnings and non controlling interests at 1 July 2018:	
Retained earnings resulting from AASB 15 adjustment to consolidated entities	2,748
Retained earnings resulting from AABS 15 adjustment to associates (after tax)	1,435
Impact on equity holders of the parent	4,183
Non-controlling interests	631
Impact of AASB 15 after tax - total impact on equity	4,814

The above values include the impact on deferred taxes in respect of deferred revenue from contracts with customers as shown in note 17.

The amount included in the deferred income tax asset is $1,340,000.

Impact on deferred revenue from contracts with customers (see note 17)*	$'000
Impact on opening deferred revenue relating to equity holders of the parent (before tax)	3,926
Impact on opening deferred revenue relating to non-controlling interests (before tax)	901
Less: adjustments relating to tax rate differences and translation movements	(326)
Impact of AASB 15 on deferred revenue from contracts with customers	4,501

* Impact on opening deferred revenue has been calculated at 30 cents tax rate. Adjustments for foreign tax rates have been included in the tax rate differences.

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

This deferral, mainly arises from the change in the timing of the recognition of a portion of insurance intermediary revenue, which the Group allocates to two new distinct performance obligations, namely claims handling services and premium settlement activities, along with an allowance for policy cancellations. As a result, the insurance intermediary revenue is still recognised at invoice date, but the portion associated with claims handling services and premium settlement activities is recognised over time as the services are provided to the customer and variable consideration is constrained to reflect potential cancellations. See accounting policy 2.2(h).

Refer to the Consolidated Statement of Changes in Equity and note 17 Trade and Other Payables which show the quantitative impact of AASB 15.

2.3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR (CONTINUED)

AASB 15: Revenue from Contracts with Customers (continued)

Transitional disclosure

Set out below, are the amounts by which each line item in the Consolidated Statement of Profit or Loss is affected for the year ended 30 June 2019, as a result of the adoption of AASB 15. The first column shows amounts as prepared under AASB 118, the second column shows the AASB 15 adjustments for the financial year, and the last column shows the actual amounts, as prepared under AASB 15:

	Amounts prepared under previous AASB 118 $'000	Current period adjustments due to AASB 15 $'000	Amounts prepared under AASB $'000
Revenue	276,636	(240)	276,396
Other income	3,415	-	3,415
Share of profit of associates	27,431	(64)	27,367
Expenses	(245,031)	-	(245,031)
Finance costs	(6,596)	-	(6,596)
Impact of AASB 15 after tax - total impact on equity	55,855	(304)	55,551
Income arising from adjustments to carrying values of controlled entities and profit from sale of interests in controlled entities and broking portfolios			
- Adjustments to carrying value of controlled entities and contingent consideration payments	5,424	-	5,424
- Profit from sale of interests in controlled entities and broking portfolios	1,155	-	1,155
Profit before income tax	62,434	-	62,130
Income tax expense	13,030	(72)	12,958
Net profit after tax for the period	49,404	(232)	49,172

Other amendments to Australian Accounting Standards

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

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

For the year ended 30 June 2019, the adoption of this amendment and interpretation had no material impact on the Financial Statements of the Group.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS – ISSUED BUT NOT YET EFFECTIVE

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

AASB 16: Leases

The new lease standard (AASB 16) will become effective for the Group from the annual reporting period commencing 1 July 2019. Although early adoption is permitted, the Group has not early adopted this standard or any other standards, interpretations or amendments that have been issued, but are not yet effective.

The Group intends to apply the exemptions available under AASB 16 for short term leases and low value underlying assets. In addition, the Group intends to apply AASB 16 using the modified retrospective approach under paragraph C8(b)(ii), along with practical expedients permitted by the standard. The modified retrospective approach does not require the restatement of comparative financial information.

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

Estimated impact of AASB 16

Upon initial application of AASB 16 on 1 July 2019, the Group estimates that the modified retrospective approach will result in a right-of-use asset of $36.48 million and a lease liability of $36.48 million measured, at the present value of the remaining lease payments using each lessee's respective incremental borrowing rate. The Group estimates that the impact to retained earnings will not be material.

AASB 17: Insurance contracts

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

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

4. REVENUE AND EXPENSES

	Consolidated	
	2019	2018
	$'000	$'000
(i) Revenue		
Commission, brokerage and fee income	257,319	228,256
Management fees from related entities	13,736	12,390
Other revenue	5,341	5,465
Total revenue	276,396	246,111
(ii) Other income		
Dividends from other persons/corporations	36	1
Interest from related persons/corporations	65	23
Interest from other persons/corporations	3,314	2,353
Total other income	3,415	2,377
(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)	29,929	33,197
Amortisation of intangibles – associates	(2,562)	(3,206)
Total share of profit of associates	27,367	29,991
(iv) Expenses		
Amortisation of intangibles - controlled entities	6,375	4,032
Amortisation of capitalised project costs	1,503	574
Advertising and marketing	3,070	3,864
Audit fees	1,749	1,661
Business technology and software costs	7,613	8,766
Commission expense	12,465	13,242
Depreciation of property plant and equipment	3,432	2,690
Insurance	6,078	4,662
Legal fees/acquisition costs	5,025	1,289
Rent (operating leases)	12,945	11,145
Salaries and wages	164,348	140,475
Share-based payments	773	652
Travel/telephone/motor/stationery	7,935	9,156
Other expenses	11,720	8,259
Total other expenses	245,031	210,467
(v) Finance costs		
Interest paid and other borrowing costs	5,900	4,762
Interest unwind on put option liability	696	558
Total finance costs	6,596	5,320
(vi) Adjustments to carrying value of associates and contingent consideration payments and put option liability		
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities or deconsolidated (see notes 7(e),(d))	17,162	7,752
Movement in put option liability	7,179	31
Adjustment to contingent consideration on acquisition of controlled entities and associates (see note 15)	44	287
Impairment charge relating to the carrying value of associates and goodwill (see note 15)	(18,961)	(2,519)
Total adjustments to carrying value of associates and contingent consideration payments and put option liability	5,424	5,551
(vii) Profit from sale of interests in controlled entities and insurance portfolios		
Profit (loss) from sale on deconsolidation of controlled entities (see note 7 (d),(e))	1,192	(339)
Profit from sale of insurance broking/underwriting agency portfolios	(37)	244
Total profit from sale of interests in controlled entities and insurance/underwriting agency portfolios	1,155	(95)

5. INCOME TAX

	Consolidated	
	2019	2018
	$'000	$'000
Major components of income tax expense		
Consolidated Statement of Profit or Loss		
Current income tax		
Current income tax charge	16,725	14,254
Adjustment for prior years	(8)	(14)
Deferred tax credit		
Origination and reversal of temporary differences	(3,759)	(1,063)
Total income tax expense in Consolidated Statement of Profit or Loss	12,958	13,177

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	62,130	68,148
At the Company's statutory income tax rate of 30% (2018: 30%)	18,639	20,444
Impact of:		
Rebateable dividends	(11)	-
Equity accounted income from associates	(5,611)	(6,587)
Non taxable distributions from associates operating as trusts	(480)	(130)
Non-taxable/(deductible) gains/losses on sale	96	501
Tax Losses not recognised	1,240	-
Income taxed at different tax rates on overseas operations	(183)	(119)
Put options liability	(1,945)	158.00
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities or deconsolidated	(5,149)	(2,259)
Adjustments to contingent consideration on acquisition of controlled entities and associates	(13)	(86)
Impairment charge relating to the carrying value of associates and controlled entities	5,688	755
(Over)/ under provision prior year	(8)	(14)
Non deductible expenses/other	694	514
Income tax expense reported in the Consolidated Statement of Profit or Loss	12,958	13,177

Income tax payable	6,533	5,140

5. INCOME TAX (CONTINUED)

	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Income accrued not yet assessable	2,930	2,284	646	258
Unamortised value of broker registers	6,643	7,700	-	-
Deferred tax relating to new broking registers acquired	11,930	-		
Tax credit on insurance broking registers amortisation expense	(1,916)	(1,188)	(1,916)	(1,188)
Deferred income tax liabilities	19,587	8,796		
Deferred tax asset				
Provisions and accruals not yet claimed for tax purposes	9,832	7,343	(2,489)	(133)
Acquisition/disposal of controlled entities	2,813	-		
Deferred income tax assets	12,645	7,343		
Deferred tax credits			(3,759)	(1,063)

Tax consolidation

For the purposes of income taxation, AUB Group Limited (AUB) 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 formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

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 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.

Effective Tax Rate

AUB is conscious of its social responsibility to pay corporate taxes. The Group's effective Australian corporate tax rate at 30 June 2018 was 30.52%.

The information reported by the Australian Taxation Office (ATO) (as prescribed by statute) in respect of corporate tax entities will not necessarily provide the complete picture, particularly for organisations such as AUB that receive the majority of its income through franked dividends.

The AUB consolidated group consists of AUB Group Limited, the parent entity and ASX listed entity, plus over 130 businesses wholly or partly owned by the parent entity, including associates.

The AUB Tax Consolidation Group (AUB TCG), comprises only AUB Group Limited (the parent entity) and its 100% wholly owned entities. The primary income of the AUB TCG is the receipt of franked dividend income received from the partly owned entities. Given tax has already been paid in respect of the franked dividends, the AUB TCG is entitled to a credit equal to that tax. That is, the franking credits attaching to the dividends reflect tax that has already been paid by the individual entity paying the dividends. While the franking credits represent tax paid, they are reflected in the income tax return of the AUB TCG group as an offset against AUB's gross tax, thereby reducing the amount disclosed as “tax payable”. Accordingly, the amount disclosed by the ATO in their report is after the franking credits have been taken into account.

6. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents

	Consolidated	
	2019	2018
	$'000	$'000
Reconciliation of profit after tax to net cash flows from operations		
Profit after tax for the period	49,172	54,971
Equity accounted (profits) after income tax	(27,367)	(29,991)
Dividends/trust distributions received from associates	26,371	22,620
Amortisation of intangibles	6,375	4,032
Amortisation of capitalised project costs	1,503	574
Depreciation of fixed assets	3,432	2,690
Share options expensed	773	652
Net movement in put option liability (including interest unwind)	(6,483)	527
Profit/Loss from sale of insurance portfolios and controlled entities	(1,155)	95
Adjustment to contingent consideration on acquisition of controlled entities and associates	(44)	(287)
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities or deconsolidated	(17,162)	(7,752)
Impairment charge relating to the carrying value of associates and goodwill	18,961	2,519
Changes in assets and liabilities		
(Decrease) in trade and other receivables	(7,775)	(1,593)
Increase/(decrease) in trade and other payables	7,032	(2,210)
(Decrease) in trust receivables	(10,392)	(9,386)
Increase in trust payables	26,216	20,647
(Decrease)/increase in provisions	(893)	426
(Increase) in deferred tax asset	(995)	(344)
Increase/(decrease) in deferred tax liability	5,742	(483)
(Increase) in provision for tax	(3,827)	(200)
Net cash flows from operating activities	69,484	57,507
Cash and cash equivalents	70,016	58,688
Cash and cash equivalents – trust	149,981	99,969
Total cash and cash equivalents	219,997	158,657

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 Consolidated Statement of Financial Position.

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

6. CASH AND CASH EQUIVALENTS (CONTINUED)

b) Changes in liabilities arising from financing activities

Disclosure: AASB 107

Listed below are the disclosure requirements in respect of the changes in the liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

	Consolidated						
Year ended 30 June 2019	1 July 2018 $'000	Cash Flows $'000	Foreign Exchange movement $'000	New acquisitions $'000	Other $'000	New consolidated entity $'000	30 June 2019 $'000
Current interest-bearing loans and borrowings (excluding items listed below)	8,302	2,405	-	-	-	7,763	18,470
Current obligations under finance leases and hire purchase contracts	468	(95)	-	-	-	-	373
Non current interest-bearing loans and borrowings (excluding items listed below)	111,621	(46,010)	1,798	-	-	17,706	85,115
Unsecured Loan Other	147	(45)	-	-	-	-	102
Non current obligations under finance leases and hire purchase contracts	664	(847)	-	-	-	598	415
	121,202	(44,592)	1,798	-	-	26,067	104,475
Amounts payable under contingent consideration arrangements	2,981	(3,934)	3	5,228	(44)	2,289	6,523
Total liabilities from financing activities	124,183	(48,526)	1,801	5,228	(44)	28,356	110,998

	Consolidated						
Year ended 30 June 2018	1 July 2017 $'000	Cash Flows $'000	Foreign Exchange movement $'000	New acquisitions $'000	Other $'000	New leases $'000	30 June 2018 $'000
Current interest-bearing loans and borrowings (excluding items listed below)	5,305	2,997	-	-	-	-	8,302
Current obligations under finance leases and hire purchase contracts	488	(20)	-	-	-	-	468
Non current interest-bearing loans and borrowings (excluding items listed below)	88,298	24,658	(1,335)	-	-	-	111,621
Unsecured Loan Other	376	(229)	-	-	-	-	147
Non current obligations under finance leases and hire purchase contracts	629	22	-	-	-	13	664
	95,096	27,428	(1,335)	-	-	13	121,202
Amounts payable under contingent consideration arrangements	19,272	(18,411)	(71)	2,130	61	-	2,981
Total liabilities from financing activities	114,368	9,017	(1,406)	2,130	61	13	124,183

7. BUSINESS COMBINATIONS

The business combinations referred to in note 7(a) - 7(e) relate to insurance broking and underwriting agency businesses except for 7(a), Altius Group Pty Ltd, which relates to risk 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 a best estimate of future outcomes for income or profit, on which the purchase price is determined, discounted to present value. Historical trends and any relevant external factors are taken into account in determining the likely outcome.

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

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

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

(a) Equity transactions between owners–current period

Transactions resulting in an increase in shareholding

Effective 1 July 2018, the Group acquired 5% of AUB Group NZ for $3,091,637 increasing its shareholding to 85%. On 1 January 2019, the Group subscribed to further shares in AUB Group NZ Ltd increasing it’s shareholding to 89.3%.

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

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

Effective 1 January 2019, the Group acquired a further 5% of the voting shares of Film Insurance Underwriting Agencies Pty Ltd (FIUA) for $751,000 including a deferred payment of $191,000, increasing its shareholding to 100%.

Effective 1 January 2019, the Group acquired a further 7.95% of the voting shares in Insurance Brokers Alliance Ltd (IBAL) for $1,355,481 increasing its shareholding to 100%.

Effective 1 January 2019, the Group acquired a further 20% of the voting shares of ABFS NSW for $1,066,269 increasing its shareholding to 95%.

Effective 1 January 2019, the Group acquired a further 20% of the voting shares of Citycover Insurance Brokers Pty Ltd (Citycover) for $2,172,000 including a deferred settlement of $200,000 increasing its shareholding to 95%.

Effective 1 December 2018, a controlled entity, purchased an additional 3.0388% equity in Adroit Bellarine Pty Ltd (Bellarine). The value of the transaction was $509,540, which represented fair value of the shares acquired.

Effective 1 February 2019, a controlled entity purchased an additional 14.5% equity in Adroit MHL Unit Trust (MHL). The value of the transaction was $1,262,381, which represented fair value of the units acquired.

Effective 1 April 2019, a controlled entity purchased an additional 5.9% equity in Adroit Sandhurst Pty Ltd (Sandhurst). The value of the transaction was $461,043, which represented fair value of the shares acquired.

Transactions resulting in a decrease in shareholding

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

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

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

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

Effective 1 January 2019, a controlled entity disposed of 10% of the voting shares in Austbrokers Unit Trust Pty Ltd (ABS UT) for $1,513,000 decreasing its ownership from 100% to 90%. Sale proceeds have been deferred until 30 September 2019.

7. BUSINESS COMBINATIONS (CONTINUED)

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

	Decrease in voting shares	Increase in voting shares
	Carrying value of assets attributable to Runacres, Insurics, Construction, Engineering and ABS UT $'000	Carrying value of assets attributable to Hospitality, FIUA, AUB Group NZ, Citycover, Bellarine, MHL, Sandhurst and Altius $'000
ASSETS		
Cash	16,365	19,568
Receivables	18,292	20,597
Property plant and equipment	471	735
Intangibles	14,424	98,251
Total assets	49,552	139,151
LIABILITIES		
Payables and provisions	29,893	70,043
Tax liabilities	217	3,444
Total liabilities	30,110	73,487
Net assets	19,442	65,664
Less non-controlling interest in net assets	-	(9,578)
Net assets attributable to Parent entity	19,442	56,086
Cash (received)/paid on sale of shares	(3,262)	12,308
Deferred Settlement	(1,513)	741
(Increase)/decrease to non-controlling interests	(2,687)	5,767
Transfer to retained earnings on equity transactions between owners	(2,088)	7,282

(b) Equity transactions between owners–previous period

Transactions resulting in an increase in shareholding

Effective 1 July 2017, the Group acquired 10% of Sura Specialty Pty Ltd (Specialty) for $671,400 increasing its shareholding to 100%.

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

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

On 1 May 2018, InterRisk issued further shares to existing shareholders valued at $4,900,000 ($368,264 contribution from non-controlling interests) to enable the acquisition of a further 57% of InterRisk Qld Limited increasing its shareholding to 100%. On this date AUB increased its shareholding in InterRisk from 89.2% to 89.95%.

Effective 1 May 2018, the group acquired a further 0.5% of InterRisk for $111,039 increasing its shareholding to 90.47%.

7. BUSINESS COMBINATIONS (CONTINUED)

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

Transactions resulting in an increase in shareholding (continued)

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

Effective 1 April 2018, a controlled entity acquired a further 49% of the voting shares in SURA Engineering Pty Ltd (Engineering) for $1,006,000 increasing its ownership to 100%.

Transactions resulting in a decrease in shareholding

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

Effective 1 July 2017, the Group disposed of 15% of Sura Hospitality Pty Ltd (Hospitality) for $290,756 decreasing its shareholding to 85%.

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

	Decrease in voting shares	Increase in voting shares
	Carrying value of assets attributable to Runacres $'000	Carrying value of assets attributable to Construction, Engineering, SPTFS, Specialty, Hospitality and InterRisk $'000
ASSETS		
Cash	5,075	19,071
Receivables	9,800	31,036
Property plant and equipment	351	314
Intangibles	27,725	32,761
Total assets	42,951	83,182
LIABILITIES		
Payables and provisions	12,251	46,503
Tax liabilities	2,542	423
Total liabilities	14,793	46,926
Net assets	28,158	36,256
Non-controlling interest in net assets	(2,816)	(5,186)
Net assets attributable to Parent Entity	25,342	31,070
Cash (received)/paid on sale of shares	(1,639)	10,327
Adjustment to non-controlling interest	(1,522)	4,860
Transfer to retained earnings on equity transactions between owners	(117)	5,467

7. BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of new controlled entities - previous period

During the previous period a controlled entity, incorporated 2 new entities SURA NZ Limited and NZbrokers Limited for a total of $2. During the period a controlled entity acquired 50% of the voting shares of AB Phillips Professional Lines Pty Ltd for $1,072,000. Net assets acquired on this acquisition were $17,000.

(d) Consolidation/Deconsolidation of controlled entities – current period

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

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

On 1 October 2018, the Group acquired a further 15.8% of the voting shares of Northlake Holdings Pty Ltd (Northlake), increasing its shareholding to 65.8%. On this date, Northlake ceased to be an associate and became a controlled entity. The purchase price for the additional 15.8% of Northlake was $1,494,240.

On 1 January 2019, the Group acquired a further 50% of the voting shares of Cinesura Entertainment Pty Ltd (Cinesura), increasing its shareholding to 100%. On this date, Cinesura ceased to be an associate and became a controlled entity. The purchase price for the additional 50% of Cinesura was $2,182,000 including a deferred payment of $561,000.

On 1 January 2019, a controlled entity acquired a further 50% of the voting shares of BWRS Ltd (BWRS), increasing its shareholding to 100%. On this date, BWRS ceased to be an associate and became a controlled entity. The purchase price for the additional 50% of BWRS was $37,867,100.

On 1 March 2019, a controlled entity acquired a further 90% of the voting shares of Primesure Insurance Brokers BWRS Ltd (Primesure) for $2,595,213. The settlement date was deferred until September 2019.

On 1 April 2019, a controlled entity acquired 100% of the business assets of MIG Fire and General Ltd (MIG) for $2,676,100 including a deferred payment of $845,960.

7. BUSINESS COMBINATIONS (CONTINUED)

(d) Consolidation/Deconsolidation of controlled entities – current period (continued)

Fair values of the assets and liabilities of consolidated/carrying values of the assets and liabilities of deconsolidated entities.

	Carrying value of assets and liabilities of CEM	Fair value of assets and liabilities of BWRS	Fair value of assets and liabilities of Northlake, Adroit, Cinseura, MIG and Primesure
	$'000	$'000	$'000
Assets			
Cash	1,501	21,009	29,754
Receivables	1,573	18,019	27,091
Investment in Associates	-	7,552	-
Plant and equipment	166	390	2,453
Intangibles	1,746	21,829	23,691
Total assets	4,986	68,799	82,989
Liabilities			
Payables and other provisions	3,162	34,874	49,954
Borrowings	93	18,743	7,262
Deferred tax liabilities	-	6,112	5,367
Total liabilities	3,255	59,729	62,583
Net Assets	1,731	9,070	20,406
Less Non-controlling interest	-	(1,239)	(8,232)
Net Assets attributable to Parent Entity	1,731	7,831	12,174
Carrying value of investment in associate/controlled entity	-	16,491	17,556
Acquisition price of controlled entities	-	37,867	26,644
Deferred consideration on acquisition of controlled entities	-	-	4,296
Fair value adjustments on the date the Associate became a controlled entity	-	10,520	6,643
Total purchase price/fair value of acquisition/disposal	-	64,878	55,139
Goodwill arising on acquisition relating to the Group	-	57,047	42,216
Goodwill arising on acquisition relating to non controlling interests	-	-	4,849
Goodwill reduction on deconsolidation of controlled entities	(1,746)	-	-
Sale proceeds - received	2,685	-	-
Less : carrying value of voting shares sold	1,494	-	-
Profit on deconsolidation of controlled entities before tax and non-controlling interests	1,191	-	-
Tax expense - relating to sale of voting shares	(403)	-	-
Profit after tax on deconsolidation of controlled entity	788	-	-
Cash outflow on acquisition/disposal is as follows:			
Net cash acquired on consolidation or reduction on deconsolidation of controlled entities	(1,501)	21,009	29,754
Cash (paid) on acquisition / cash received on disposal	2,685	(37,867)	(26,644)
Net cash inflow/(outflow) on acquisition or deconsolidation of controlled entities (including cash available in insurance broking trust accounts)	1,184	(16,858)	3,110

7. BUSINESS COMBINATIONS (CONTINUED)

(e) Consolidation/Deconsolidation of controlled entities – previous period

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

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

On 1 March 2018, the Group disposed all its voting shares in Austbrokers Premier Pty Ltd (Premier), to an associate for $2,898,839. Premier was no longer consolidated from that date.

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

Effective 1 April 2018, a controlled entity acquired 50% of the voting shares in SURA Accident and Health Pty Ltd for $NIL.

Fair values of the assets and liabilities of consolidated/carrying values of the assets and liabilities of deconsolidated entities.

	Fair value of assets and liabilities of Aust Re and SURA AH	Carrying value of assets and liabilities of SPT, AMIR and Premier
	$'000	$'000
Assets		
Cash	815	7,623
Receivables	1,989	9,609
Plant and equipment	-	242
Intangibles	-	8,539
Total assets	2,804	26,013
Liabilities		
Payables and other provisions	2,135	15,588
Borrowings	-	146
Tax liabilities	285	484
Total liabilities	2,420	16,218
Net Assets	384	9,795
Non-controlling interest	-	(2,120)
Net Assets attributable to AUB Group	384	7,675
Carrying value of investment in associate / controlled entity	327	1,442
Acquisition price of controlled entity	8,400	-
Deferred consideration on acquisition of controlled entity	2,049	-
Fair value adjustment on the date the controlled entity became an Associate	-	2,871
Fair value adjustments on the date the Associates became controlled entities	4,881	-
Total purchase price/fair value of acquisition/disposal	15,657	4,313
Goodwill arising on acquisition relating to the Group	15,273	-
Goodwill reduction on deconsolidation of controlled entities	-	(8,539)
Sale proceeds - received	-	4,863
Sale proceeds - deferred settlement	-	844
Less: carrying value of voting shares sold	-	(6,046)
Loss on sale on deconsolidation of controlled entities	-	(339)
Fair value adjustment on the date the entity became an associate or controlled (see note 4(vii))	4,881	2,871
Profit on consolidation/deconsolidation of controlled entities before tax and non-controlling interests	4,881	2,532
Tax expense - relating to sale of voting shares	-	183
Total fair value adjustment/profit on deconsolidation of controlled entity	4,881	2,715
Cash outflow on acquisition/disposal is as follows:		
Net cash acquired on consolidation or reduction on deconsolidation of controlled entities	815	(7,623)
Cash (paid) on acquisition/cash received on disposal	(8,400)	4,863
Net cash (outflow) on acquisition or deconsolidation of controlled entities	(7,585)	(2,760)

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

Earnings Per Share (EPS)

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

	Consolidated	
	2019	2018
	$'000	$'000
Net profit attributable to ordinary equity holders of the parent	48,361	46,520

	2019 Thousands shares	2018 Thousands shares
Weighted average number of ordinary shares for basic earnings per share	69,593	63,846
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	81	242
Weighted average number of ordinary shares adjusted for the effect of dilution	69,674	64,088
Basic earnings per share (cents per share)	69.49	71.84
Diluted earnings per share (cents per share)	69.41	71.57

(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:

(d) The previous period earnings per share have been adjusted by the theoretical ex-rights price factor (TERP) resulting from the number of new shares issued following a non renounceable entitlement offer. The TERP adjustment factor that has been applied to the EPS values previously reported is 0.986.

	As at 30 June 2018 cents per share
Restatement of earnings per share	
Basic earnings Per Share - previously reported	72.86
Diluted Earnings Per Share - previously reported	72.59
TERP adjustment	0.986
Adjusted Basic Earnings Per Share	71.84
Adjusted Diluted Earnings Per Share	71.57

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

Dividends Paid and Proposed

(e) Equity dividends on ordinary shares:

	Consolidated	
	2019	2018
	$'000	$'000
Dividends paid during the year		
Final franked dividend for financial year ended 30 June 2017: 29.5 cents	-	18,835
Interim franked dividend for financial year ended 30 June 2018: 13.5 cents	-	8,619
Final franked dividend for financial year ended 30 June 2018: 32.0 cents	20,431	-
Interim franked dividend for financial year ended 30 June 2019: 13.5 cents	9,923	-
Total dividends paid in current year	30,354	27,454

In addition to the above, dividends paid to non-controlling interests totalled $9,969,000 (2018: $5,491,000)

Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2018: 32.0 cents	-	20,431
Final franked dividend for financial year ended 30 June 2019: 32.5 cents	23,888	-
	23,888	20,431
Dividends paid per share (cents per share)	45.50	43.00
Dividends proposed per share (cents per share) not recognised at balance date	32.50	32.00

(e) Franking credit balance

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

– franking account balance as at the end of the financial year at 30% (2018: 30%)	36,423	34,498
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	535	385
The amount of franking credits available for future reporting periods	36,958	34,883
– 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	(10,238)	(8,756)
The amount of franking credits available for future reporting periods after payment of dividend	26,720	26,127

The tax rate at which paid dividends have been franked is 30% (2018: 30%)

Dividends proposed will be franked at the rate of 30% (2018: 30%)

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019	2018
	$'000	$'000
Current		
Trade receivables	37,271	28,186
Amount due from customers on broking/underwriting agency operations	196,951	148,026
Amount due from clients in respect of premium funding operations	2,285	350
Other receivables – related entities	6,802	3,142
Total trade and other receivables (current)	243,309	179,704
Non-Current		
Trade receivables	133	26
Loans to associated entities	-	403
Total trade and other receivables (non-current)	133	429

10. OTHER FINANCIAL ASSETS

	Consolidated	
	2019	2018
	$'000	$'000
Current		
Other	8	9
Total other financial assets (current)	8	9
Non-current		
Secured loans - related entities (amortised cost)	375	-
Other	18	18
Total other financial assets (non-current)	393	18

11. INVESTMENT IN ASSOCIATES

	Consolidated	
	2019	2018
Investments at equity accounted amount:	$'000	$'000
Associated entities – unlisted shares	127,453	155,888

	Equity percentage owned		Equity accounted amount	
Associated entities (and their controlled entities)	2019	2018	2019	2018
Unlisted shares - equity percentage owned and equity accounted carrying value	%	%	$'000	$'000
Insurance Broking Entities - Australia				
Adroit Holdings Pty Ltd	-	50.0	-	13,437
Austbrokers AEI Transport Pty Ltd	50.0	50.0	9,724	9,512
Austbrokers SPT Pty Ltd	50.0	50.0	4,652	4,771
Trust (AB CWT)	49.9	49.9	2,441	3,494
HQ Insurance Pty Ltd	49.7	49.7	4,607	3,740
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust	49.9	49.9	16,738	16,178
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust	50.0	50.0	5,553	5,934
Markey Group Pty Ltd	49.9	49.9	3,876	4,085
MGA Management Services Pty Ltd	49.9	49.9	18,232	16,686
Nexus (Aust) Pty Ltd	50.0	50.0	7,257	9,868
Northlake Holdings Pty Ltd (Country Wide Ins Brokers WA)	-	50.0	-	5,676
Rivers Insurance Brokers Pty Ltd	49.9	49.9	4,643	4,626
Other Australian Insurance Broking Associates not material to the Group	-	-	21,331	22,224
Insurance Broking Entities - New Zealand				
Brokerweb Risk Services Ltd *	-	40.0	-	15,937
Dawson Insurance Brokers (Rotorua) Ltd	44.6	-	4,576	-
Commercial and Rural Insurance Limited	44.6	-	3,141	-
Other New Zealand Insurance Broking Associates not material to the Group	-	-	1,273	-
Underwriting Agencies				
Fleetsure Pty Ltd	50.0	50.0	3,805	4,038
Longitude Insurance Pty Ltd **	58.5	58.5	735	1,355
Other Underwriting Agency Associates not material to the Group	-	-	2,385	2,414
Risk Services				
The Procare Group Pty Ltd	50.0	50.0	12,484	11,913
			127,453	155,888

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

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

11. INVESTMENT IN ASSOCIATES (CONTINUED)

During the current year, the following transactions occurred;

- On 1 July 2018, the Group acquired 25% of the voting shares in Rosser Underwriting Ltd for $1,298,228.
- On 1 October 2018 the Group acquired a further 15.8% of the voting shares in Northlake Holdings Pty Ltd. On that date Northlake Holdings Pty Ltd became a controlled entity.
- NRIG Pty Ltd and Broker Claims Pty Ltd were acquired when Adroit Holdings Pty Ltd became a controlled entity.
- During the current period, further adjustments to contingent considerations relating to prior year acquisitions resulted in a net decrease in estimates previously recognised by the Consolidated Group by $44,000 (see note (4vi)).
- On 1 January 2019, the Group acquired a further 50% of the voting shares of Cinesura Entertainment Pty Ltd (Cinesura), increasing its shareholding to 100%. On this date, Cinesura ceased to be an associate and became a controlled entity.
- On 1 January 2019, the Group acquired a further 50% of the voting shares of Brokerweb Risk Services Ltd (BWRS). On this date BWRS ceased to be an associate and became a controlled entity.
- During the period, two associates were subject to impairment totalling $3,868,000 see note 15.

During the previous year, the following transactions occurred;

- On 1 July 2017, the Group disposed 10% of the voting shares in Austbrokers SPT Pty Ltd and its controlled entities (SPT) for $862,737 reducing its equity from 60% to 50%. On that date SPT became an Associate. On 1 March 2017, the consolidated entity acquired 50% of the voting shares of Fleetsure Pty Ltd.
- On 1 October 2017, the Group acquired a further 50% of the voting shares in Aust Re Pty Ltd and its controlled entities for $10,500,000 increasing its equity from 50% to 100%. On that date Aust Re Pty Ltd became a controlled entity.
- On 1 March 2018, Rivers Insurance Brokers Pty Ltd issued voting shares to the total of $2,629,000 ($1,314,500 AUB Group Limited share) to acquire 100% of the voting shares in Austbrokers Premier Pty Limited.
- On 1 March 2018, the Group acquired a further 9.2% of the voting shares in HQ Insurance Pty Ltd for $1,717,800
- On 1 April 2018, a controlled entity acquired an additional 50% of the voting shares in SURA Accident and Health Pty Ltd for $NIL. On this date it ceased being an associate and became a controlled entity.
- On 1 April 2018, a controlled entity disposed all of the voting shares in Austcan Risk Services (UK) Ltd for $1.

There were no associates disposed of during the previous year.

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

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

(b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust where the voting power is 37.5%, Longitude Insurance Pty Ltd where voting power is 38.75%, Millennium Underwriting where the voting power is 18.4% and HQ Insurance Brokers Pty Ltd where the voting power is 49.7%.

(c) The reporting date of each associate is 30 June 2019 (prior year reporting date 30 June 2018).

(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. Brokerweb Risk Services Ltd became a controlled entity on 1 January 2019.

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

11. INVESTMENT IN ASSOCIATES (CONTINUED)

(h) The entity's share of associate's revenue, profits/(losses):

	Consolidated	
	2019	2018
	$'000	$'000
Revenue	113,030	123,808
Operating profits before income tax	38,491	42,261
Amortisation of intangibles	(2,562)	(3,206)
Net profit before income tax	35,929	39,055
Income tax expense attributable to operating profits	(8,562)	(9,064)
Share of associates' net profits	27,367	29,991
(i) The entity's share of the assets and liabilities of associates:		
Current assets	283,006	303,391
Non-current assets	61,827	80,551
Current liabilities	(269,321)	(291,480)
Non-current liabilities	(12,184)	(22,873)
Net assets	63,328	69,589
(j) Reconciliation of carrying value of associates:		
Balance at the beginning of the financial year	155,888	141,713
Associate acquired through new controlled entity	7,552	38
Acquisition of associates	1,938	3,032
Reclassification of investment in controlled entities to associates	-	4,313
Reclassification of investment in associates to controlled entities	(34,193)	(327)
Share of associates' profit after income tax	27,367	29,991
Impairment loss on carrying value of associates	(3,868)	-
Adjustment to carrying value of associates due to impact of AASB 15	(1,435)	-
Impact of AASB 15 acquired through new controlled entity	(253)	-
Dividends/trust distributions received	(26,371)	(22,620)
Net foreign exchange and other movements	828	(252)
Balance at the end of the financial year	127,453	155,888

12. SHARES IN CONTROLLED ENTITIES

	Equity Interest Held	
	2019 %	2018 %
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:		
Corporate Entities		
Adept Insurance Brokers Pty Ltd and its controlled entity	100	100
AEI Holdings Pty Ltd / AEI Insurance (Brokers) Pty Ltd	100	100
AHL Insurance Brokers (Aust) Pty Ltd	100	100
AUB Group Business Centre Pty Ltd	100	100
AUB Group Services Pty Ltd	100	100
AUB International Pty Ltd	100	100
Austbrokers Investments Pty Ltd	100	100
Austbrokers Employee Share Acquisition Schemes Trust	100	100
Austbrokers Pty Ltd	100	100
Australian Bus and Coach Underwriting Agency Pty Ltd	100	100
Kyros Cook & Associates Pty Ltd	100	100
Shield Underwriting Holdings Pty Ltd	100	100
Insurance Broking Entities - Australia		
AB Phillips Group Pty Ltd and its controlled entities[1]	56.9	51.0
Adroit Holdings Pty Ltd and its controlled entities	94.0	-
ABFS (NSW) Pty Ltd and its controlled entities[2]	95.0	75.0
Austbrokers Canberra Pty Ltd	75.0	75.0
Austbrokers C.E. McDonald Pty Ltd and its controlled entity (sold 1 November 2018)[3]	-	100
Austbrokers Central Coast Pty Ltd and its controlled entities	80.0	80.0
Austbrokers Coast to Coast Pty Ltd and its controlled entity	75.0	75.0
Austbrokers City State Pty Ltd and its controlled entity	70.0	70.0
Insurics Pty Ltd[4]	-	100
Austbrokers Life Pty Ltd	100	100
Austbrokers RWA Pty Ltd and its controlled entity	60.0	60.0
Austbrokers Southern Pty Ltd	80.0	80.0
Austbrokers Sydney Pty Ltd and its controlled entities	100	100
Austbrokers Trade Credit Pty Ltd	75.0	75.0
Citycover (Aust) Pty Ltd[7]	95.0	75.0
Comsure Insurance Brokers Pty Ltd and controlled entities	80.0	80.0
Finsura Holdings Pty Ltd and its controlled entities	70.0	70.0
InterRISK Australia Pty Ltd and its controlled entities	90.5	90.5
McNaughton Gardiner Insurance Brokers Pty Ltd and its controlled entity (MGIB)	70.0	70.0
North Coast Insurance Brokers Pty Ltd and its controlled entity (NCFS)	70.0	70.0
Northlake Holdings Pty Ltd (Country Wide Ins Brokers WA)	65.8	-
Terrace Insurance Brokers Pty Ltd and controlled entity	53.7	53.7
Insurance Broking Entities - New Zealand		
AUB Group NZ Ltd and its controlled entities[5]	89.3	80.0
Underwriting Agencies		
Austagencies Pty Ltd and its controlled entities	100	100
Risk Services		
Allied Health Australia Pty Ltd and its controlled entities	60.0	60.0
Altius Group Holdings Pty Ltd and its controlled entities[6]	56.6	55.0

12. SHARES IN CONTROLLED ENTITIES (CONTINUED)

During the current year, the following transaction occurred;

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

[2] Effective 1 January 2019, the Group acquired 20% of ABFS (NSW) Pty Ltd for $1,066,269 increasing its shareholding from 75% to 95%.

[3] On 1 November 2018, the Group disposed 100% of the voting shares in Austbrokers C E McDonald to an associate for $2,685,000. On this date it ceased to be a controlled entity.

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

[5] Effective 1 July 2018, the Group acquired 5% of AUB Group NZ for $3,091,637 including a deferred amount of $65,000 increasing its shareholding to 85%. On 1 January 2019, the Group subscribed to further shares in AUB Group NZ Ltd increasing its shareholding to 89.3%.

[5] Effective 1 January 2019, a controlled entity acquired a further 50% of the voting shares in Brokerweb Risk Services Ltd increasing its shareholding to 100%. On this date this entity became a controlled entity.

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

[7] Effective 1 April 2019, the Group acquired a further 20% of the voting shares of Citycover Insurance Brokers Pty Ltd for $2,172,000 increasing its shareholding to 95%.

Further adjustments to contingent considerations in respect of controlled entities resulted in decreases in the estimates previously recognised by the Consolidated Group by $44,000. This amount was credited to the profit and loss in the current year (see note 4(vi)).

During the period, two cash generating units (CGU's) were subject to impairment totalling $15,049,000 ($8,713,000 net of non-controlling interest) see note 15.

During the previous year, the following transactions occurred;

Further adjustments to contingent considerations in respect of controlled entities resulted in decreases in the estimates previously recognised by the Consolidated Group by $287,000. This amount was credited to the profit and loss in the current year (see note 4(vi)).

The Group incorporated a new controlled entity, NZbrokers Life and Health Ltd, with capital of $100.

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 $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost				
Year ended 30 June 2019				
Balance at the beginning of the year	702	22,025	2,906	25,633
Acquisition of controlled entities	-	7,673	603	8,276
Deconsolidation of controlled entities	-	(141)	(140)	(281)
Translation of foreign exchange rate movements	-	38	25	63
Additions during the year	-	3,511	388	3,899
Disposals during the year	-	(1,627)	(648)	(2,275)
Property, plant and equipment at cost	702	31,479	3,134	35,315
Depreciation				
Balance at the beginning of the year	123	12,431	1,083	13,637
Acquisition of controlled entities	-	5,173	260	5,433
Deconsolidation of controlled entities	-	(152)	(78)	(230)
Disposals during the year	-	(1,353)	(202)	(1,555)
Translation movements	-	25	14	39
Depreciation during the year	8	2,881	543	3,432
Accumulated depreciation	131	19,005	1,620	20,756
Summary				
Net carrying amount at beginning of year	579	9,594	1,823	11,996
Net carrying amount at end of year	571	12,474	1,514	14,559

Cost				
Year ended 30 June 2018				
Balance at the beginning of the year	702	23,109	2,457	26,268
Acquisition of controlled entities	-	300	-	300
Deconsolidation of controlled entities	-	(1,101)	(126)	(1,227)
Translation of foreign exchange rate movements	-	(34)	(23)	(57)
Additions during the year	-	2,482	1,150	3,632
Disposals during the year	-	(2,731)	(552)	(3,283)
Property, plant and equipment at cost	702	22,025	2,906	25,633
Depreciation				
Balance at the beginning of the year	115	13,309	1,196	14,620
Acquisition of controlled entities	-	214	-	214
Deconsolidation of controlled entities	-	(867)	(57)	(924)
Disposals during the year	-	(2,490)	(437)	(2,927)
Translation movements	-	(22)	(14)	(36)
Depreciation during the year	8	2,287	395	2,690
Accumulated depreciation	123	12,431	1,083	13,637
Summary				
Net carrying amount at beginning of year	587	9,800	1,261	11,648
Net carrying amount at end of year	579	9,594	1,823	11,996

14. INTANGIBLE ASSETS AND GOODWILL

	Consolidated			
	Capitalised project costs $'000	Goodwill $'000	Insurance broking registers $'000	Total $'000
Cost				
Year ended 30 June 2019				
Balance at the beginning of the year	2,737	242,499	54,956	300,192
Additional businesses and portfolios acquired	-	4,651	1,500	6,151
Acquisition of controlled entities	-	109,703	39,927	149,630
Deconsolidation of controlled entities	-	(1,403)	(343)	(1,746)
Additional capitalised project acquired	1,706	-	-	1,706
Disposal businesses and portfolios	-	(631)	-	(631)
Disposal capitalised project	(1,113)	-	-	(1,113)
Impairment charge	-	(15,094)	-	(15,094)
Translation of foreign exchange rate movements	15	1,185	490	1,690
Total intangibles	3,345	340,910	96,530	440,785
Amortisation				
Balance at the beginning of the year	383	-	32,712	33,095
Deconsolidation of controlled entities	-	-	(342)	(342)
Disposal capitalised project	(1,114)	-	-	(1,114)
Amortisation current year	1,503	-	6,375	7,878
Disposals of broking portfolios	-	-	-	-
Translation of foreign exchange rate movements	-	-	122	122
Accumulated amortisation	772	0	38,867	39,639
Summary				
Net carrying amount at beginning of year	2,354	242,499	22,244	267,097
Net carrying amount at end of year	2,573	340,910	57,663	401,146
Year ended 30 June 2018				
Balance at the beginning of the year	1,890	236,668	56,892	295,450
Additional businesses and portfolios acquired	-	17,881	729	18,610
Deconsolidation of controlled entities	-	(8,345)	(2,205)	(10,550)
Additional capitalised project acquired	1,858	-	-	1,858
Disposal businesses and portfolios	-	(74)	-	(74)
Disposal capitalised project	(1,011)	-	-	(1,011)
Impairment charge	-	(2,518)	-	(2,518)
Translation of foreign exchange rate movements	-	(1,113)	(460)	(1,573)
Total intangibles	2,737	242,499	54,956	300,192
Amortisation				
Balance at the beginning of the year	820	-	30,771	31,591
Deconsolidation of controlled entities	-	-	(2,011)	(2,011)
Disposal capitalised project	(1,011)	-	-	(1,011)
Amortisation current year	574	-	4,032	4,606
Translation of foreign exchange rate movements	-	-	(80)	(80)
Accumulated amortisation	383	0	32,712	33,095
Summary				
Net carrying amount at beginning of year	1,070	236,668	26,121	263,859
Net carrying amount at end of year	2,354	242,499	22,244	267,097

14. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

(i) Goodwill

	Consolidated	
	2019	2018
	$'000	$'000
InterRISK Australia Pty Ltd and its controlled entities	18,995	18,995
Adroit Holdings Pty Ltd	39,806	-
Austbrokers Sydney Pty Ltd and its controlled entities	8,886	8,890
ABFS NSW and its controlled entities	8,054	6,259
AB Phillips Group Pty Limited and its controlled entities	14,901	14,654
Altius Group Holdings Pty Ltd and its controlled entities	37,321	45,969
Allied Health Pty Ltd and its controlled entities	16,719	22,693
Austagencies Pty Ltd and its controlled entities	50,817	46,464
AUB Group NZ Ltd and controlled entities	87,231	25,887
Citycover (Aust) Pty Ltd	8,689	8,689
Other controlled entities	49,491	43,999
Total Goodwill	340,910	242,499

(ii) Insurance Broking Registers

	Remaining amortisation period (years)			
	2019	2018		
InterRISK Australia Pty Ltd and its controlled entities	4.0	5.0	2,514	3,130
Adroit Holdings Pty Ltd	9.0	-	11,460	-
ABFS NSW and its controlled entities	7.5	8.5	2,171	1,598
AB Phillips Group Pty Limited and its controlled entities	7.5	8.5	2,672	3,108
AUB Group NZ Ltd and its controlled entities	9.5	7.5	30,987	8,039
Finsura Holdings Pty Ltd and its controlled entities	7.5	8.5	1,027	1,161
Citycover (Aust) Pty Ltd	5.5	6.5	1,815	2,144
Northlake Holdings Pty Limited and its controlled entities	9.5	-	2,167	-
Other controlled entities			2,850	3,064
Total Insurance Broking Register			57,663	22,244

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	2019	2018
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 – 9.75 times	7 – 8 times
The risk free rate (before risk margin)	1.8%	2.8%
Multiples have been determined after factoring in the following assumed sustainable long term profit growth	Up to 2.0%	Up to 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, two CGUs (2018: five) 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	2019 %	2018 %
Post tax discount rates (WACC)	8.9% - 10.8%	9.5% - 12.3%
Short term revenue growth rate - used in discount cash flow assumptions (1-5 years)	2.5% – 4.0%	3.0% – 10.0%
Long term revenue growth rate	1.5% -2.0%	1.5% - 2.0%

The short term growth rate of 10% in the previous year relates to a CGU in the Risk Services segment which has a different income and expense growth characteristics to other CGUs within the Group.

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 reduction (previous year increase) to the estimates previously recognised by the Consolidated Group of $44,000 (2018: $287,000). Where the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of $44,000 (2018: $219,000) was recognised against the carrying value of those investments (see note 4(vi)).

Impairment – current year

Two associates in the insurance intermediary segment were valued during the financial year using the value in use methodology. The valuations used cash flow projections and were based on previous year forecasts which are no longer supportable due to loss of revenue in the current year as a result of continuing market competition. For valuation purposes, more conservative growth assumptions have been incorporated for future periods resulting in the carrying values now being higher than the recoverable amounts. Based on the outcomes of these valuations the Group has recognised an impairment loss on these two CGU's totalling $3,868,000. This impairment represents 0.7% of the Group's investment in associates and controlled entities. The impairment loss was charged to the income statement (see note 4(vi)).

Based on the continuing market condition impacting two risk services CGUs, the carrying values of the intangibles in these entities was impaired by a total of $15,048,985 ($8,712,766 net of non-controlling interests). The CGU's are subject to put option arrangements which have been re-estimated at 30 June 2019 (see note 22). At 30 June 2019, the movement in the fair value of those put options was determined to be a reduction of $6,483,717 resulting in a net charge to the Consolidated Statement of Profit or Loss of $2,229,049 (net of non-controlling interests).

Impairment – previous year

A financial services entity (insurance intermediary segment) had been subject to legislative changes including changes to the trail commissions from dormant superannuation funds which has resulted in a loss of revenue in the last 3 years which is also expected to continue for at least next year. The main impact is a reduction in upfront commissions since January 2018 due to the Life Insurance Framework legislation.

The resulting recoverable amount of $5,326,000 as at 30 June 2018 was based on the fair value less cost of disposal of a controlled entity using the valuation methodology above resulted in an impairment of $2,300,000 ($1,725,000 after adjusting for non-controlling interests). This impairment represented 0.54% of the Group's investment in associates and controlled entities. The impairment loss was charged to the income statement (see note 4(vi)).

	Contingent consideration adjustments		Impairment charges	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Reductions in contingent consideration and impairment adjustments relating to controlled entities	(44)	(287)	44	219
Impairment adjustments relating to investments in associates	-	-	3,868	-
Impairment charge relating to controlled entities	-	-	15,049	2,300
Total impairment/contingent consideration adjustment	(44)	(287)	18,961	2,519
Adjustments attributable to non-controlling interests	-	-	(6,336)	(575)
Net adjustment attributable to equity holders of the parent	(44)	(287)	12,625	1,944

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.

	2019	2018	2019	2018
Share options movements (applicable to each relevant financial year)	No.	No.	WAEP ($)	WAEP ($)
Outstanding at the beginning of the year	526,308	672,205	0.00	0.00
Granted during the year	79,364	80,217	0.00	0.00
Options lapsed or forfeited during the period relating to options previously issued during the financial year ending 30 June;				
- 2013	-	(160,000)	0.00	0.00
- 2014	-	(24,246)	0.00	0.00
- 2015	(27,861)	-	0.00	0.00
- 2016	(199,117)	(8,357)	0.00	0.00
- 2017	(8,105)	(30,549)	0.00	0.00
- 2018	(3,314)	(2,962)	0.00	0.00
- 2019	(15,947)	-	0.00	0.00
Outstanding at the end of the year	351,328	526,308	0.00	0.00

The number of options outstanding as at 30 June 2019 is represented by:

Financial year in which options were issued	Option grant date	Earliest exercise date	Valuation	Number of options outstanding at year end	
			$	2019	2018
2015	31-Oct-14	31-Oct-17	9.09	-	27,861
2016	23-Nov-15	23-Nov-18	7.31	19,067	53,718
2016	07-Apr-16	01-Jan-19	7.90	99,920	250,000
2017	08-Dec-16	23-Nov-18	9.36	9,578	23,964
2017	24-Jan-17	24-Jan-20	8.99	85,405	93,510
2018	23-Nov-17	23-Nov-20	11.83	73,941	77,255
2019	31-Oct-18	31-Oct-21	10.72	63,417	-
Options outstanding at the end of the year				351,328	526,308

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

- 79,364 (63,417 after lapses due to staff resignations) share options were granted on 31 October 2018, exercisable 3 years from 31 October 2018 at an exercise price of $NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was $11.90. 60% of these options are subject to Earnings Per Share hurdles and 40% are subject to Total Shareholder Return hurdles. The options were valued using an average price of $11.93 for EPS options and $8.90 for TSR options (weighted average price of $10.72). All options were issued on the same terms and conditions as options issued in the previous year.
- 27,861 options issued in 2015 lapsed due to vesting conditions not being met.
- 29,769 options issued in 2015, 2016, 2017, 2018 and 2019 lapsed due to various staff members no longer employed.
- 46,634 options issued 23 November 2015 vested on 23 November 2018 due to vesting conditions being met. The remainder will be retested in 12 months and if vesting conditions are not met the balance of 28,645 options will lapse.
- 150,080 options issued 7 April 2016 vested on 1 January 2019 due to vesting conditions being met. The remainder will be retested after 30 June 2019 and if vesting conditions are not met the balance of 99,920 options will lapse.

16. SHARE-BASED PAYMENT PLANS (CONTINUED)

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

- 80,217 Share options were granted on 23 November 2017, exercisable 3 years from 23 November 2017 at an exercise price of $NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was $13.23. 60% of these options are subject to Earnings Per Share hurdles and 40% are subject to Total Shareholder Return hurdles. The options were valued using an average price of $11.83.
- 41,868 options lapsed due to various staff members no longer employed.
- 184,246 options lapsed due to vesting conditions over the 4 years ended 30 June 2017, not being met.

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 2019 is 5.67 years (2018: 4.90 years).

Employee Share Option Plan – Option Exercise conditions

(a) Options issued before 1 July 2015

All unvested options at 30 June 2018 which were issued before 30 June 2015 have now lapsed. For vesting conditions on those options refer to 30 June 2018 Financial Statements.

(b) Options issued after 1 July 2015

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");

(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	
	2019	2018
	$'000	$'000
Current		
Trade payables	18,152	16,449
Amount payable on broking/underwriting agency operations	313,298	215,768
Contingent consideration and other payables	27,346	11,537
Put option liability	19,919	-
Deferred revenue from contracts with customers*	5,590	-
Other payables – related entities	1,530	883
Total trade and other payables (current)	385,835	244,637

Non-current		
Contingent consideration payables	872	-
Put option liability	-	26,403
Other payables - other	149	-
Total trade and other payables (non-current)	1,021	26,403

Deferred revenue from contracts with customers*		
Balance at 1 July 2018	4,501	-
Balances previously included in the financial statements	498	-
Amounts resulting from associates becoming consolidated entities	351	-
Movement during the year	240	-
Balance at the end of the year	5,590	-

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

Included in trade and other payable are the following contingent consideration payables;

Balance at the beginning of the year	2,981	19,272
Contingent consideration on current year acquisitions (at net present value)	5,037	2,418
Payments made in respect of previously recognised contingent consideration	(3,934)	(18,411)
Adjustments to contingent consideration payments previously recognised	(44)	(287)
Contingent consideration payments recognised on acquisition of new controlled entities	2,289	-
Foreign currency translation movements	3	(72)
Interest recognised in original contingent consideration at net present value	191	61
Balance at the end of the year	6,523	2,981

18. PROVISIONS

	Consolidated		
	Employee entitlements $'000	Make good provision $'000	Total $'000
Year ended 30 June 2019			
Balance at the beginning of the year	16,636	1,097	17,733
Acquisition of controlled entity	2,236	45	2,281
Movement in provisions charged to consolidated statement of profit or loss	(738)	(65)	(803)
Deconsolidation of controlled entities	(417)	-	(417)
Balance at the end of the year	17,717	1,077	18,794
Current 2019	15,116	316	15,432
Non-current 2019	2,601	761	3,362
	17,717	1,077	18,794

	Consolidated		
	Employee entitlements $'000	Make good provision $'000	Total $'000
Year ended 30 June 2018			
Balance at the beginning of the year	17,725	1,125	18,850
Acquisition of controlled entity	7	-	7
Movement in provisions charged to consolidated statement of profit or loss	(285)	(28)	(313)
Deconsolidation of controlled entities	(811)	-	(811)
Balance at the end of the year	16,636	1,097	17,733
Current 2018	14,374	194	14,568
Non-current 2018	2,262	903	3,165
	16,636	1,097	17,733

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(t) 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	
	2019	2018
	$'000	$'000
Current		
Secured bank loan*	18,470	8,302
Obligations under finance leases and hire purchase contracts (note 22)	373	468
Unsecured loan - other	102	147
Total interest-bearing loans and borrowings (current)	18,945	8,917
Non-current		
Secured bank loan*	85,115	111,621
Obligations under finance leases and hire purchase contracts (note 22)	415	664
Total interest-bearing loans and borrowings (non-current)	85,530	112,285
** Summary of secured bank loans*		
St George Bank	*8,272*	*9,362*
Syndicated finance facility (ANZ Banking Group and St George Bank)	*55,513*	99,576
Macquarie Bank	*9,358*	*8,237*
Commonwealth Bank	*2,739*	*1,045*
National Australia Bank	*2,567*	*1,703*
Bendigo Bank	*6,691*	-
Hunter Premium Funding	18,445	-
Total secured bank loans	*103,585*	*119,923*

Group borrowing facilities as at 30 June 2019

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

AUB Group Limited secured a syndicated, multi-currency debt facility comprising ANZ Banking Group and St George Bank for $150 million (2018: $150 million). This facility includes an advance in $NZ totalling $NZ45 million. The syndicated debt facility expires on 6 December 2021 with a mechanism for a one year extension on agreement of both parties. During the period, $68.5 million was repaid from the proceeds of the non renounceable entitlement offer.

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

In addition to the syndicated debt facility provided to AUB Group Limited, controlled entities within the Group have also negotiated other facilities with other banks as shown 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 2019 (continued)

Name of Facility Provider	Type of borrowing	Total Facility $'000	Undrawn Amount $'000	Amount Utilised $'000	Borrowing Amount $'000	Current $'000	Non current $'000	Expiry date	Interest rate %	Variable / Fixed (Var/Fix)
AUB Group Limited										
Syndicated finance facility	Loan facility	106,987	94,487	12,500	12,500	-	12,500	6/12/2021	3.18	Var
	Loan facility NZ$	43,013	-	43,013	43,013	-	43,013	6/12/2021	3.41	Var
St George	Credit Cards	1,500	1,050	450	-	-	-	6/12/2021	17.45	Var
	Bank guarantee	6,500	3,758	2,742	-	-	-	6/12/2021	1.70	Var
Facilities arranged by other controlled entities										
St George Bank	Loan facility	11,447	3,176	8,271	8,271	6,801	1,470	Between 3/07/2019 & 16/11/2023	2.76 - 6.20	Var
Finance facilities with other banks	Loan facility	45,152	5,237	39,815	39,801	11,669	28,132	Between 1/07/2019 & 30/06/2033	2.76 - 13.99	Var
Total Borrowing Facilities		214,599	107,708	106,791	103,585	18,470	85,115			

Group borrowing facilities as at 30 June 2018

Name of Facility Provider	Type of borrowing	Total Facility $'000	Undrawn Amount $'000	Amount Utilised $'000	Borrowing Amount $'000	Current $'000	Non current $'000	Expiry date	Interest rate %	Variable / Fixed (Var/Fix)
AUB Group Limited										
Syndicated finance facility	Loan facility	118,924	50,424	68,500	68,500	-	68,500	6/12/2020	3.86	Var
	Loan facility NZ$	31,076	-	31,076	31,076	-	31,076	6/12/2020	3.75	Var
St George	Credit cards	1,500	1,154	346	-	-	-	6/12/2020	17.45	Var
	Bank guarantee /overdraft	6,500	3,380	3,120	-	-	-	6/12/2020	1.70	Var
Facilities arranged by other controlled entities										
St George Bank	Loan facility	11,506	2,144	9,362	9,362	6,002	3,360	Between 25/07/2018 & 29/06/2020	3.59 - 8.14	Var/Fix
Finance facilities with other banks	Loan facility	13,466	2,476	10,990	10,985	2,300	8,685	Between 31/07/2018 & 15/06/2022	4.87 - 5.53	Var
Total Borrowing Facilities		182,972	59,578	123,394	119,923	8,302	111,621			

20. ISSUED CAPITAL

	Consolidated	
	2019	2018
	$'000	$'000
Issued capital opening balance	141,708	141,708
Proceeds from capital raising as a result of the accelerated pro-rata non-renounceable entitlement offer	116,353	-
Share issue expense (net of tax)	(2,399)	-
Issued capital	255,662	141,708

	Shares	Shares
	No.	No.
Number of shares on issue (ordinary shares fully paid)	73,502,778	63,846,476
Movements in number of shares on issue		
Beginning of the financial year	63,846,476	63,846,476
Number of shares issued during period - options exercised on 23 November 2018	46,634	-
Number of shares issued during period - options exercised on 28 February 2019	150,080	-
Number of shares issued during period - non-renounceable entitlement offer	9,459,588	-
Total shares on issue	73,502,778	63,846,476
Weighted average number of shares on Issue at end of period	69,593,019	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 2019, 193,104 have restrictions whereby the shares could not be disposed of before 23 November 2020, unless an employee resigns at which time the restrictions cease.
- AUB Group Limited raised $116,353,032 via a fully underwritten 4 new shares issued for every 27 shares currently held, accelerated pro-rata non-renounceable entitlement offer at $12.30 per share.
- The Institutional Entitlement Offer was conducted from 12 November 2018 to 13 November 2018.

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

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.

Put Option Reserve

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 7 – 15 months. Movements in the put option liability are ultimately transferred to the Put Option Reserve.

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 identifiable net assets and proportion of goodwill.

		Consolidated	
		2019	2018
		$'000	$'000
Interest in:	Ordinary shares	-	-
	Non-controlling Interest share of net assets	68,295	66,501
		68,295	66,501

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 plant and machinery, which include motor vehicles and office fitouts. 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	
	2019	2018
Finance lease and hire purchase commitments		
Payable		
– Not later than one year	409	502
– Later than one year and not later than five years	420	680
– Later than five years	-	-
Minimum lease and hire purchase payments	829	1,182
Deduct: future finance charges	41	50
Present value of minimum lease and hire purchase payments (refer note 19)	788	1,132

Operating lease commitments - Group as lessee

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

Operating Lease Commitments: Non Cancellable

Operating leases contracted for but not capitalised in the financial statements

	Consolidated	
	2019	2018
	$'000	$'000
Operating Lease Commitments: Non Cancellable		
Operating leases contracted for but not capitalised in the financial statements		
Payable		
– Not later than one year	10,870	8,423
– Later than one year and not later than five years	26,500	21,252
– Later than five years	3,233	2,923
	40,603	32,598

22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating lease commitments: Associates as lessee

Operating lease commitments: Non Cancellable

Operating leases contracted for but not capitalised in the financial statements

	Consolidated	
	2019	2018
	$'000	$'000
Operating Lease Commitments: Non Cancellable		
Operating leases contracted for but not capitalised in the financial statements		
Payable		
– Not later than one year	3,109	3,783
– Later than one year and not later than five years	6,572	7,456
– Later than five years	1,018	1,915
	10,699	13,154
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	9,969	12,805
AUB Group Limited has guaranteed lease facilities provided to associates in proportion to its shareholding	-	27
	9,969	12,832

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

Put/call options

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

AUB Group Limited has entered into agreements with various shareholders of related entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at market values current at the date of exercise of that option. The earliest the put option can be exercised is 5 years from the date of AUB acquiring its initial shareholding in those entities, which falls within the next 7 - 15 months.

Other than shown on note 17, at balance date no liability has arisen in relation to these arrangements.

Other put/call option

Included in the above arrangements are instances where AUB Group Limited (AUB) had acquired a controlling interest in two cash generating units (CGU's) where they granted an option to non-controlling shareholders to put their shares to AUB at fair value on a specified date after 20 January 2020.

This has been determined by AUB to be a financial liability and the amount expected to be paid after that date, if the shares are put to AUB, has been included in the financial statements as a current liability (2018: non-current) as an amount payable under put/call options obligations under those contracts. The movement in fair value of those obligations during subsequent financial years has been included as an expense or revenue in the Consolidated Statement of Profit or Loss (see note 4).

An amount of $6.484 million (2018: $0.527) has been credited (2018: charged) to the Consolidated Statement of Profit or Loss recognising that the value of those CGU's has decreased (2018: increased) during the period.

Whilst this obligation will only be payable in the event that non-controlling shareholders put their remaining shares to AUB, a put option reserve has been created to recognise the liability. The financial liability will be derecognised when the put option expires unexercised. At balance date there has been no indication from the non-controlling shareholders that they wish to exit their respective businesses and put their shares to AUB.

22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Austbrokers Canberra Pty Ltd

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

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

AUB Group has announced that the investigation into the impact of the reported financial misconduct within its subsidiary Austbrokers Canberra has been completed and remediation work is in its final stages.

The following is the net impact (after tax and non-controlling interest) in respect of the cost of the fraud on the AUB Group FY19 Consolidated result:

	2019 $'000
Financial impact of fraud reported in 31 December 2018 Consolidated Statement of Profit or Loss	1,525
Additional financial Impact of fraud included in period 1 January 2019 to 30 June 2019	3,189
Full year reduction in profit after tax resulting from financial impact of fraud included in 30 June 2019 Consolidated Statement of Profit or Loss	4,714

AUB Group does not expect any further material negative impact of the matter on future results.

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.

23. OPERATING SEGMENTS (CONTINUED)

	30 June 2019			30 June 2018		
	Insurance Intermediary $'000	Risk Services $'000	Total $'000	Insurance Intermediary $'000	Risk Services $'000	Total $'000
Revenue and other income						
Revenue	225,263	51,133	276,396	187,416	58,695	246,111
Total other income	3,366	49	3,415	2,325	52	2,377
Total revenue and other income	228,629	51,182	279,811	189,741	58,747	248,488
Share of profit of associates						
Share of Net Profits of Associates Accounted for using the Equity Method (net of income tax expense)	28,808	1,121	29,929	31,956	1,241	33,197
Amortisation of Intangibles - Associates	(2,562)	-	(2,562)	(3,206)	-	(3,206)
Total income	254,875	52,303	307,178	218,491	59,988	278,479
Less: Expenses						
Amortisation of Intangibles - controlled entities	6,375	-	6,375	4,032	-	4,032
Depreciation of property plant and equipment	2,920	512	3,432	2,113	577	2,690
Operating expenses	187,451	47,773	235,224	156,289	47,456	203,745
Borrowing costs (excluding interest unwind on put option liability)	5,733	167	5,900	4,637	125	4,762
Total expenses including borrowing costs	202,479	48,452	250,931	167,071	48,158	215,229
Profit before income tax	52,396	3,851	56,247	51,420	11,830	63,250
Less: Income tax expense	(12,089)	(869)	(12,958)	(9,886)	(3,291)	(13,177)
Profit after income tax	40,307	2,982	43,289	41,534	8,539	50,073
Less: Non-controlling interest	(6,342)	5,531	(811)	(5,233)	(3,218)	(8,451)
Profit after income tax and non-controlling interests	33,965	8,513	42,478	36,301	5,321	41,622
Impairment charge on carrying value of goodwill	(3,912)	(15,049)	(18,961)	(2,300)	-	(2,300)
Profit after income tax and non-controlling interests and impairment charges	30,053	(6,536)	23,517	34,001	5,321	39,322
Other Adjustments to carrying value of associates, contingent consideration payments and profit on sale (see note 4(vi),(vii)	18,361	-	18,361	7,725	-	7,725
Profit after non-controlling interests attributable to shareholders of the parent	48,414	(6,536)	41,878	41,726	5,321	47,047
Movement in put option liability (including finance charge)	-	6,483	6,483	-	(527)	(527)
Other comprehensive income attributable to members of AUB Group Limited (net of non-controlling interests)	831	-	831	(671)	-	(671)
Profit after non-controlling interests and other comprehensive income	49,245	(53)	49,192	41,055	4,794	45,849

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

Included in revenue of the insurance intermediary segment of $225,263,000 is an amount of $240,000 representing the current year movement relating to deferred revenue from customers (see note 17). Included in the share of profit of associates of the insurance intermediary segment of $28,808,000 is an amount of $64,000 representing the Group's share of the current year movement relating to deferred revenue from customers (see note 2.3).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2019

23. OPERATING SEGMENTS (CONTINUED)

	Consolidated	
	2019	2018
	$'000	$'000
Geographic information		
Revenue and other income		
Revenue - Australia	264,487	260,966
Revenue - New Zealand	42,691	17,513
Total Revenue and other income	307,178	278,479

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	426,082	391,884
Non-current assets - New Zealand	130,247	50,888
Total non-current assets	556,329	442,772

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

24. AUDITORS' REMUNERATION

	2019	2018
	$	$
Amounts received or due to Ernst & Young (Australia and NZ) for:		
Audit of the financial statements	1,108,474	1,044,633
Other assurance related services	103,107	189,850
Other - including taxation services	87,739	45,500
Total	1,299,320	1,279,983
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements	362,759	290,914
Other assurance related services	12,350	18,927
Other - taxation services	75,062	71,591
Total	450,171	381,432
Total auditors' remuneration	1,749,491	1,661,415

25. SUBSEQUENT EVENTS

On 1 August 2019, AUB Group Limited (AUB) executed a conditional sale agreement with Pemba Capital Partners (Pemba Capital) to acquire its 49% interest in Coverforce Holdings Pty Ltd (Coverforce) and is working with Pemba Capital to acquire the shares of all Coverforce shareholders.

The transaction and purchase price are subject to the outcome of AUB's due diligence and other customary terms and conditions such as regulatory approvals and no restraints preventing completion.

The acquisition is for a total aggregate consideration payable to Coverforce's shareholders of approximately $150 million to $200 million, with the purchase price to be finalised following AUB's due diligence and subject to customary adjustments for net debt and working capital amounts. AUB will fund the acquisition via available cash and a committed extension of its existing debt facilities. The Group's leverage ratio (net debt/EBITDA) is not expected to exceed three times as a result of this transaction.

On 20 August 2019 the Directors of AUB Group Limited declared a final dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend is $23,888,403 which represents a fully franked dividend of 32.5 cents per share. The dividend has not been provided for in the 30 June 2019 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 Consolidated Group charge associates $13,735,542 (2018: $12,390,265) management fees for expenses incurred and services rendered.

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

Entities within the Consolidated Group provide funds to other related entities within the Group. These funds are interest bearing, except in the case of small working capital advances, and are repayable on demand. See note 9 for amounts receivable from related parties $6,801,827 (2018: $3,142,299) and note 17 for payables to related parties $1,529,411 (2018: $883,069).

Entities within the Consolidated Group have advanced funds to other related parties.

	2019 $	2018 $
Austbrokers Aviation Pty Ltd	11,136	11,167
All -Trans Underwriting Pty Ltd	-	49,849
Austbrokers AEI Transport Pty Ltd	-	2,198
Austbrokers Hiller Marine Pty Ltd	321,350	293,899
Brian Reedy	339,278	-
Barreto Family Trust	4,438	-
Blackfish Pty Ltd	24,079	24,079
Blair Arnot	904,686	-
Brian Barreto	-	5,800
Brokerweb Risk Services Ltd	-	50,186
Commercial and Rural Insurance Limited	269,058	-
Craig Walker	45,759	43,736
Cruden & Read Pty Ltd	490,203	108,177
Damian Price	54,072	39,702
Dawson Insurance Brokers (Rotorua) Ltd	158,961	-
Dean Fiddes	-	34,422
David Crick	7,505	-
Gard Insurance Pty Ltd	346,365	297,221
Geebeejay Pty Ltd	5,000	6,000
HQ Insurance Pty Ltd	-	546,857
Joe Lo Surdo	-	165,000
Lexsa Pty Ltd	-	110,000
Longitude Insurance Pty Ltd	8,434	401,741
Maurice Carmeri	133,434	-
Michael Holbrook	904,686	-
NRIG Pty Ltd	50,000	-
Paul Brown	508,761	-
Paul Wilkes	48,950	-
R.G Financial Services Pty Ltd	-	20,055
Rebecca Wilson	1,318,909	-
Rosser Underwriting Ltd	94,624	-
Sally Underwood	739,422	804,000
Sura Professional Risk Pty Ltd	-	61,347
Tasman Underwriting Pty Ltd	8,847	39,653
Venrick Pty Ltd	3,870	27,210
	6,801,827	3,142,299

26. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2019	2018
Other payables - related parties	$	$
Beaubella Investments Pty Ltd	96,997	-
Blair Arnot	-	-
Cinesura Entertainment Pty Ltd	-	54,161
Derick Borean	340,618	235,064
Fleetsure Pty Ltd	-	300,000
LaTrobe Insurance Brokers (Vic) Pty Ltd	169,744	-
Michael Holbrook	-	-
Northern Tablelands Insurance Brokers Pty Ltd	-	53,091
Paul Dlitvich	17,192	-
Richard Forby	340,619	235,064
Samkris Pty Ltd	37,310	-
Theodorus Sanders	2,221	-
Trickey & Proctor Insurance Agencies Pty Ltd	522,365	-
Tim Parry	2,345	5,689
	1,529,411	883,069

(ii) Transactions with other related parties

Entities within the Consolidated Group charge associated entities interest on interest bearing loans. Total interest charged for the period was $19,477 (2018: $23,039). The interest charged is on normal commercial terms and conditions.

	Consolidated	
	2019	2018
	$	$
KJ Risk Group Pty Ltd	374,641	403,164
	374,641	403,164

No further loans have been advanced to members of the economic entity (2018: $NIL). During the year members of the economic entity have repaid loans issued by AUB Group Services Pty Ltd totalling $28,523 (2018: $22,797). The balance outstanding at 30 June 2019 was $374,641 (2018: $403,164).

A key management personnel, K. McIvor, has a 10.7% (2018: 20.0%) interest in the voting shares of a controlled entity, AUB Group NZ Ltd.

(iii) Transactions with directors and director related entities

Entities within the Consolidated 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 director 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	Chair (non-executive)
R.J. Carless	Director (non-executive)
P.A. Lahiff	Director (non-executive)
R.J. Low	Director (non-executive)
C.L. Rogers	Director (non-executive)

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:

M.P.C. Emmett	Director and Chief Executive Officer (from 11 March 2019)
M.P.L Searles*	Director and Chief Executive Officer (ceased 11 March 2019)
M. Shanahan	Chief Financial Officer
E. Henderson	Chief Operating Officer (ceased 19 March 2019)
F. Pasquini	Divisional Chief Executive, National Partners & Group Acquisitions (ceased 1 December 2018)
S. Vohra	Divisional Chief Executive, Risk Services (ceased 8 April 2019)
K. McIvor	Managing Director, AUB Group New Zealand
N. Thomas	Divisional Chief Executive, Austbrokers Network
A. Zissis	Managing Director, SURA

*M.P.L. Searles ceased being a KMP upon appointment of M.P.C. Emmett upon which date M Searles took on an advisory role.

c) There are no loans outstanding owing by Key Management Personnel at 30 June 2019 (2018: NIL)

d) Compensation of Key Management Personnel by Category

	Consolidated	
	2019	2018
	$	$
Salary, fees and short term incentives	5,000,024	4,779,298
Post employment	244,928	234,197
Other long-term	-	-
Termination benefits	-	-
Share-based payment	304,899	531,132
	5,549,851	5,544,627

The above amounts include an estimate of short term incentives (STI) accrued at 30 June 2019 based on all KMP's achieving 85% of their personal objectives. The 2019 STI amounts are yet to be approved by the Remuneration Committee and are subject to each KMP achieving their personal objectives.

27. PARENT ENTITY INFORMATION

	2019 $'000	2018 $'000
Assets		
Cash and cash equivalents	17,140	9,940
Current assets	75,911	75,538
Non-current assets	268,374	207,348
Total assets	361,425	292,826
Liabilities		
Current liabilities	4,452	644
Non-current liabilities - interest-bearing loans and borrowings	55,513	99,576
Total liabilities	59,965	100,220
Net assets	301,460	192,606
Equity		
Issued capital	255,662	141,708
Share based payments	7,820	6,861
Retained earnings	37,978	44,037
Total shareholders equity	301,460	192,606
Profit for the year before income tax	22,980	34,084
Income tax (credit)	670	(787)
Net profit after tax for the period	22,310	34,871
Other comprehensive (expense)/income after income tax for the period	-	-
Total comprehensive income after tax for the period	22,310	34,871
Other information		
Guarantees entered into by the parent entity in relation to the debts of its controlled entities or associates		
AUB Group Limited has guaranteed loan facilities provided to controlled entities and associates in proportion to its shareholding	18,941	18,909
AUB Group Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding	-	27
	18,941	18,936

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. Refer note 22.

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 and 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	
	2019	2018
	$'000	$'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/underwriting agency operations	196,951	148,026
Cash held on trust	149,981	99,969
Amounts payable on broking/underwriting agency operations	(313,298)	(215,768)
Undrawn income	(33,634)	(32,227)
Net receivables included in Insurance Broking Account	-	-

28. FINANCIAL INSTRUMENTS (CONTINUED)

a) Credit Risk (continued)

Financial assets

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 and New Zealand 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 2019, all financial assets were neither past due nor impaired.

	Consolidated	
	2019	2018
Financial assets	$'000	$'000
Cash and cash equivalents	70,016	58,688
Trade and other receivables	37,404	28,212
Amount due from clients in respect of premium funding operations	2,285	350
Related party receivables	6,802	3,142
Loans - related entities	375	80
Other receivables	26	350
	116,908	90,822

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 a syndicated facility comprising ANZ Bank and 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 2019 with comparatives based on conditions existing at 30 June 2018.

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	
	2019	2018
Financial assets	$'000	$'000
Due not later than 6 months	461,025	338,015
6 months to not later than one year	2,289	355
Later than one year and not later than five years	526	447
Later than five years	-	-
	463,840	338,817
Financial liabilities		
Due not later than 12 months	(379,271)	(253,554)
Later than one year and not later than five years	(86,551)	(138,688)
Later than five years	-	-
	(465,822)	(392,242)

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 Company'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.

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

	Carrying value		Fair value	
	2019	2018	2019	2018
Financial assets	$'000	$'000	$'000	$'000
Cash and cash equivalents	219,997	158,657	219,997	158,657
Trade and other receivables	234,355	176,641	234,355	176,641
Amounts due from clients in respect of premium funding operations	2,285	350	2,285	350
Related party receivables	6,802	3,142	6,802	3,142
Loans – related entities	375	80	375	80
Loans – other	8	(71)	8	(71)
Loan with associated entities	18	18	18	18
Total financial assets	463,840	338,817	463,840	338,817
Financial liabilities				
Loans and other borrowings	(104,475)	(121,202)	(104,471)	(121,198)
Trade and other payables and accruals	(361,347)	(271,040)	(361,347)	(271,040)
Total financial liabilities	(465,822)	(392,242)	(465,818)	(392,238)

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/contingent consideration payments outstanding at 30 June 2019 was $6.523 million (2018: $2.981 million).

Of the $6.523 million, a total of $5.258 million relates to deferred or contingent consideration payments of which $4.386 million is expected to be settled within 12 months and the balance of $872,000 settled after 30 June 2020. The remaining balance of $1.265 million relates to contingent consideration payments which is in respect of one acquisition and this amount is expected to be settled within 12 months based on actual results for those businesses as at 30 June 2019 (see note 17 for movements in deferred settlements and 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 2020 operating profit declines by 10% compared to the current forecast, a reduction of $NIL (2018: $NIL) in the deferred consideration would result.
- If the full year 2020 operating profit increases by 10% compared to the current forecast, an increase of $NIL (2018: $NIL) 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 and 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 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of unquoted instruments, loans from banks and other financial liabilities (including put option liability), 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 the 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	
	2019	2018
Financial assets	$’000	$’000
Cash and cash equivalents (including trust account balance)	219,997	158,657
Loans – related entities	375	80
Loans – other	8	(71)
Total financial assets	220,380	158,666
Financial liabilities		
Loans and other borrowings	(104,475)	(121,202)
Net exposure to interest rate movements	115,905	37,464

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

d) Market Risk (continued)

Interest rate 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. In 2019 there are no fixed interest components in the current and non-current interest bearing loans and borrowings totalling $103.6 million (2018: $119.9 million). In 2018, $183,000 had been fixed at 6.5%. 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)	
	2019	2018	2019	2018
Judgements of reasonably possible movements.	$'000	$'000	$'000	$'000
Consolidated				
+0.5% (50 basis points) (2018 +0.50% (50 basis points))	578	187	-	-
-0.5% (50 basis points) (2018 -0.50% (50 basis points))	(578)	(187)	-	-

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 2019, impairment charges totalling $18,961,000 (2018: $2,519,000) 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 $44,000 (2018: $287,000) that was in excess of the expected settlement amounts and were credited to the Consolidated Statement of Profit or Loss.

Included in the impairment charge of $18,961,000 shown above was an amount of $15,049,000 ($8,713,000 net of non-controlling interests) relating to two Risk Services controlled entities which are subject to put options. A net adjustment to the fair value of the put options totalling $6,483,000 was credited to the Consolidated Statement of Profit or Loss during the year.

In 2018, the impairment charge of $2,519,000 included an amount of $2,300,000 (1,725,000 net of non-controlling interests) relating to goodwill in a controlled entity. A financial services entity has been subject to legislative changes including changes to the trail commissions which has resulted in a loss of revenue in the last 3 years which is also expected to continue for at least the next 2 years.

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 (NZ) 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 and equity would have been affected as follows:

	Post tax profits Higher/(lower)		Impacts directly to equity Higher/(lower)	
	2019	2018	2019	2018
Judgements of reasonably possible movements.	$'000	$'000	$'000	$'000
Consolidated (AUB direct investment in New Zealand)				
-NZ $0.10 (ten cents) (2018 -NZ $0.10 (ten cents)	-	-	4,986	1,671
+NZ $0.10 (ten cents) (2018 +NZ $0.10 (ten cents)	-	-	(4,986)	(1,671)

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 2019, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2018.

	Consolidated	
	2019	2018
The gearing ratios at 30 June were as follows;	$'000	$'000
Debt to equity ratio		
Interest-bearing loans and borrowings (see note 19)	104,475	121,202
Total equity	483,398	357,230
Total equity and borrowings	587,873	478,432
Debt/(Debt plus Equity) Ratio	17.8%	25.3%

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. Refer note 22.

Other than shown on note 17, at balance date no liability has arisen in relation to these arrangements.

DIRECTORS' DECLARATION
YEAR ENDED 30 JUNE 2019

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 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; and

(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 (Cth) for the financial year ended 30 June 2019.

On behalf of the Board

D.C. Clarke
Chair
Sydney, 20 August 2019

M. P. C. Emmett
Chief Executive Officer and Managing Director
Sydney, 20 August 2019

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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 2019, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) 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 2, 11, 14, and 15

Why significant

Goodwill, other intangible assets and investment in associates total $565 million and represent 55% of total assets. This was a key matter as the determination of whether or not 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.

The key inputs and judgments involved in the impairment assessment include:

- Determination of Cash Generating Units (CGUs)
- Applicable Revenue and Earnings Before Interest and Tax (EBIT) multiples
- Forecast cash flows including assumptions on revenue and expense growth, discount rates, and terminal growth rates within Discounted Cashflow (DCF) models

Economic and entity specific factors are incorporated into the EBIT multiples or DCFs used in the impairment assessment. The Group's CGUs operate within a number of industries within the insurance intermediary and ancillary services sector, and geographical regions across Australia and New Zealand.

The Group has more than 50 individual Cash Generating Units (CGUs) which can be impacted positively or adversely by state based changes in the macro-environment, 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.

The models used for impairment testing are utilised to value the Put Option liabilities, with an allowance for the different time horizons of cash flows. The same key inputs and judgements apply to the Put Options as the impairment testing.

How our audit addressed the key audit matter

We assessed the Group's determination of CGUs based on management internal reporting of results. Our audit procedures to assess management's impairment analysis for each CGU using either an EBIT multiple or DCF model included the following:

- We evaluated the competence, capabilities and objectivity of management's external expert who produces a report of the current market EBIT multiples applicable to the Group's operating segments, geographical regions, and CGU size.
- 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 EBIT multiples and discount rates based on comparable companies within the industry and publicly available information.
- We tested the mathematical accuracy of the impairment model and agreed relevant data back to the latest Board approved budgets, and actual results.
- 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 also conducted a retrospective analysis of management's prior projections to actual results to assess the reliability of management's budgets.
- We independently developed expectations regarding the impairment testing results based on our understanding of the business, external industry trends and experience of the Group's historic business activity. We evaluated the Group's impairment testing results against those expectations.
- We evaluated the estimated useful life attributed to identifiable insurance broking register intangible assets based on historic lapse rates.
- 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.
- We determined the reasonableness, with the support of our valuation specialists, of the model used by the Group to value the recognised Put Options.

Decentralised operations

Financial report reference: Notes 2.2, 11 and 12

Why significant	How our audit addressed the key audit matter
The Group comprises more than 80 subsidiaries and associates ('components') that are part of two reportable segments, with operations in Australia and New Zealand. The scoping of the Group audit due to the decentralised operations was a key audit matter as the individual components are wide ranging in size, the customers and products of each business operation. 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 other auditors was considered significant to the audit.	Our audit procedures included the following: ▶ The components selected as in scope locations were based on size and risk. The selected components in aggregate represented more than 95% by Revenue and Total Assets of the Group. ▶ For these locations we instructed component auditors to perform an audit at local entity materiality in accordance with the relevant auditing standard (ISA or ASA 320) to express an audit opinion on the financial reporting package for Group reporting. ▶ We met the component audit teams of the significant entities to evaluate, through review of underlying audit work, their scoping of key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and audit findings. ▶ For other locations we compared the financial information to prior year results and expectations regarding the results based on our understanding of the business and external industry trends. We held discussions with the Group about the component's financial performance and obtained support for unexpected variations.

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 2019 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, with the exception of the Remuneration Report and our related assurance opinion.

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.

INDEPENDENT AUDITOR'S 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 Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 25 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the AUB Group Limited for the year ended 30 June 2019, 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

David Jewell
Partner
Sydney
20 August 2019

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 13 August 2019.

(a) Distribution of equity securities

Ordinary share capital

- 73,502,778 fully paid ordinary shares are held by 1,477 individual shareholders. All issued shares carry one vote per share and carry the rights to dividends.

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

Options

- 351,328 options are held by 13 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	592	-
1,001 – 5,000	579	-
5,001 – 10,000	162	1
10,001 – 100,000	116	12
100,001 and over	28	-
	1,477	13
Holding less than a marketable parcel	114	

ASX ADDITIONAL INFORMATION
YEAR ENDED 30 JUNE 2019

(b) Substantial shareholders

Ordinary shareholders	Date of Notice	Number	Fully paid Percentage
Challenger Limited	05-July-2019	7,957,010	10.83%
Perpetual Limited	22-May-2019	5,458,778	7.43%
Greencape Capital Pty Ltd	05-July-2019	6,332,085	8.61%
Pendall Group Limited	26-October-2018	5,154,373	8.07%
Regal Funds Management	25-June-2019	4,156,481	5.65%
Carol Australia Holdings Pty Limited	05-August-2019	3,951,264	5.38%
Mitsubishi UFJ Financial Group Inc	08-August-2019	4,201,940	5.72%

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Number	Fully paid Percentage
HSBC Custody Nominees (Australia) Limited	22,617,481	30.77%
J P Morgan Nominees Australia Pty Limited	15,829,056	21.54%
Citicorp Nominees Pty Limited	7,746,008	10.54%
National Nominees Limited	5,255,511	7.15%
Australian Foundation Investment Company Limited	2,165,837	2.95%
BNP Paribas Noms Pty Ltd	2,071,316	2.82%
UBS Nominees Pty Ltd	2,069,303	2.82%
Brispot Nominees Pty Ltd	1,547,487	2.11%
Milton Corporation Limited	1,292,991	1.76%
BNP Paribas Nominees Pty Ltd	976,432	1.33%
Mirrabooka Investments Limited	800,000	1.09%
Buttonwood Nominees Pty Ltd	777,000	1.06%
Djerriwarrh Investments Limited	637,012	0.87%
Warbont Nominees Pty Ltd	538,071	0.73%
Masfen Securities Limited	447,096	0.61%
CS Third Nominees Pty Limited	426,076	0.58%
HSBC Custody Nominees (Australia) Limited	389,015	0.53%
Netwealth Investments Limited	286,557	0.39%
Mrs Gaeleen Enid Rouvray	236,723	0.32%
AMCIL Limited	225,000	0.31%

DIVIDEND DETAILS

Dividend Details

Dividend	Amount	Franking	Ex Date	Record Date	Payment Date
Interim	13.5c	Fully Franked	6/03/2019	7/03/2019	5/04/2019
Final*	32.5c	Fully Franked	4/09/2019	5/09/2019	8/10/2019

* The Dividend Reinvestment Plan (DRP) arrangements will be activated.

CORPORATE INFORMATION
60 000 000 715

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 5-25.

Directors

D. C. Clarke (Chair)

M. P. C Emmett (Chief Executive Officer and Managing Director)

R. J. Carless

R. J. Low

P.A. Lahiff

C. L. Rogers

Company Secretaries

D. J. Franks

A. K. T. Luu

Annual General Meeting

The Annual General Meeting of AUB Group Limited will be held at the Auditorium, Level 15, 1 Farrer Place, Sydney NSW 2000 on Tuesday 12th of November 2019 at 10.00am.

Registered Office and Principal Place of Business

AUB Group Limited
Level 10, 88 Phillip Street
Sydney NSW 2000

P: + 61 2 9935 2222

W: www.aubgroup.com.au

ACN: 000 000 715

Share Register

Link Market Services Limited
Level 12, 680 George Street
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