# 2020 ANNUAL REPORT



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### CHAIR'S MESSAGE

Dear Shareholders,

I am pleased to share AUB Group's performance for Financial Year 2020 as we deliver above guidance with our strongest annual growth in profit since 2013. The Group delivered an Underlying Net Profit After Tax (UNPAT) of \$53.4m, an increase of 15.2% from FY19, executed a major acquisition, made strong progress on our Strategic Priorities, while maintaining a strong balance sheet and capital position.

As a result, the Directors have declared a final fully franked dividend of 35.5 cents per share, payable on 6 October 2020. This, together with the interim dividend of 14.5 cents, results in a full year dividend of 50.0 cents, an 8.7% increase on FY19 and a a net underlying earnings payout ratio of 69.1%. Strong business results as well as disciplined M&A growth led to an improvement in Earnings per Share, despite the full year dilutionary impact of our share issue in FY19. Divisionally, our Australian Broking and NZ business delivered double-digit growth and whilst the majority of Agencies also performed strongly, their results were offset by the impact of COVID-19 on SURA Hospitality and ongoing weakness in the strata book. The Health and Rehabilitation portfolio delivered robust growth as a result of transformation efforts to improve efficiency and utilisation, and the Group executed an exit from our investment in Allied Health on 1 April 2020.

Despite a challenging and uncertain macroeconomic environment, our balance sheet remains strong, and the Corporate entity was strongly cash generative with \$50.6m in operating cashflow and has access to \$94.0m in cash and debt funding, with a leverage ratio of 2.47:1 and a gearing ratio of 34.2% at 30 June 2020.

The Group made successful progress on its strategic priorities with key highlights that include an acquisition of BizCover, launch of our high-volume broking platform ExpressCover, restructuring the Corporate Office to deliver \$2.8m (after tax) in full year savings, and optimised our portfolio through multiple business mergers and portfolio realignments. We sold our investment in Allied Health and delivered on 8 new and/or enhanced refreshed insurer agreements.

Notably, in February 2020 the Group undertook a major acquisition of a 40% stake in BizCover, Australia's leading online commercial broking platform. The investment provides the Group a share in a high-growth, scalable business model which complements our core, expands our market share, provides immediate and scalable access to the lucrative micro-SME segment, whilst also securing the technology that under-pins ExpressCover.

Financial Year 2020 has been a year of uncertainty for our clients, brokers and underwriting partners which included a catastrophic bushfire season, the ongoing drought and more recently the impacts of the unprecedented COVID-19 pandemic.

As a result, the Group has been pro-active in its response, including prudent capital management, a deferral of our interim dividend payment, a priority focus on debtors and dividend receipts across the network, ongoing stress-testing and portfolio reviews, as well as engaging with our underwriting partners to provide broker and client hardship assistance programs. The Group also agreed to mutually discontinue an acquisition of MGA to preserve liquidity and funding in an uncertain economic environment.

Financial Year 2020 was also the first full year of AUB Group under the leadership of Mike Emmett as CEO and MD. The pleasing financial results, progress on key strategic priorities and a highly engaged network have been notable successes in the period. The Board looks forward to continually challenging and supporting Mike and the Executive team as they focus on delivering on our shareholders' growth ambitions.

The Group acknowledges our responsibility to actively lead and support Environmental, Social, and Governance (ESG) initiatives, and to have clearly articulated governance principles. In FY20, the Group has increased its focus on our ESG reporting, as reported on page 25 of this report. The report shares our key ESG objectives, our plan to deliver and an overview of current progress. This includes key metrics on our emissions and our efforts to promote diversity in the workforce. The Group and our partners continue to seek ways in which we can contribute to the communities in which we operate, minimise the environmental impact of our business activities and ensure the fair treatment of our customers, employees and suppliers. Delivering on our objectives is integral to safeguarding a stronger future for our clients, partners, employees, and shareholders. Additionally, the Board has also increased expectations for transparency on risk management activities and continues to pursue a strengthening of risk processes across the network (see page 9 for an overview).

Looking ahead, the Group's strategic focus in FY21 will be an evolution of the FY20 initiatives to create improved commercial and operational outcomes. Our result in 2020 sets a new benchmark for the future of AUB Group, and our focused effort to enhance our growth drivers will be key to delivering on our growth ambitions.

I would like to conclude by thanking all our employees and partners for their contributions during the year. Our pleasing results in FY20 are a reflection of their effort and commitment to the Groups' success and demonstrate a business that is built on strong foundations by a focused and committed team.

On Tuesday 10 November 2020, 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 FY20 performance, strategy, and outlook.

Olufe

David Clarke

### CEO'S MESSAGE

Dear Shareholders,

FY20 was an important year for AUB Group and I am proud to share our strong full-year result for a period where we performed above guidance, despite a challenging external economic environment. The Group delivered on its FY19 commitment to materially improve our short-term financial performance while concurrently putting in place strategies that enable us to achieve strong growth in Underlying NPAT for the medium and long term.

In FY20, our Underlying NPAT of \$53.42m grew by 15.2% from FY19, our best year-on-year growth since FY13. The Group's Underlying EPS grew by 8.7% in comparison to FY19, partially diluted by the full-year impact of equity issued in FY19. The Board has proposed an increased final dividend of 35.5 cents per share giving a total dividend for FY20 of 50.0 cents per share, an increase of 8.7%.

Australian Broking delivered growth of 14.6% in pre-tax profit, underpinned by an improvement of 130bps in Underlying EBIT Margin. The result was the outcome of an ongoing focus to drive organic growth, increasing business efficiency, the impact of our 40% investment in BizCover as well as an increase in Commercial Lines Insurance premiums. New Zealand performed well, delivering a 31.9% increase in pre-tax profit which was in part due to the fullyear impact of our additional 50% acquisition of BWRS in FY19. The majority of businesses in the Australian Agencies division performed well however this was offset by ongoing weakness in Strata together with the impact of COVID-19 on the Hospitality industry. In response, we have made good progress with a series of initiatives to enhance performance and anticipate seeing benefits flow through in FY21. The attention on Health and Rehabilitation Services in FY20 resulted in a significant uplift in the performance of the division with improvements in revenue and a sharp reduction in expenses. This culminated with an exit from Allied on 1 April 2020. We are pleased with the progress made to transform the performance of Altius. Divisional results were complemented by the benefits of our Head Office profit improvement plan which has so far delivered an annual run-rate benefit of \$2.8m after tax, with further benefits to be delivered in FY21.

The Group's Balance Sheet remains strong as we prudently managed capital in response to an uncertain business environment. The Corporate entity generated a strong operating cashflow of \$50.6m, increased our long-term corporate debt facility to \$250m and has access to \$94.0m of cash and debt, positioning us strongly to fund organic growth initiatives and make disciplined acquisitions in FY21.

Our performance was driven by an ongoing emphasis on delivering our Strategic Priorities, as set out at the start of FY20. I am pleased with the progress as the results have set a foundation upon which AUB Group can continue to deliver sustained growth, aligned to our upgraded growth ambitions. In February, we undertook a 40% investment in BizCover, a leading digital insurance platform. The investment has positioned us for success in the attractive Micro-SME segment whilst also securing the technology that under-pins our ExpressCover platform. The business has performed well since acquisition and we anticipate that it will prove to be strongly accretive in FY21 and future years. Additionally, we continued to execute on several bolt-on acquisitions across the network as well as variations in shareholdings with existing members. Our technology agenda continues to expand with delivery of enhancements to our core broking system together via the launch of ExpressCover, our new high-volume quote platform, and Sentinel, our new agency system, promising significant improvements in process efficiency for the benefit of both customers and AUB teams. Our approach to pairing and merging businesses within the AUB network has led to a number of consolidations and we are seeing improved margins from this strategy. We have worked closely with our Insurance partners to enhance our propositions for clients. In addition to new arrangements for ExpressCover agreed with six insurers, we have announced significant new agreements with two of our major insurance partners to provide substantially improved benefits to clients and brokers.

2020 has been a challenging year, particularly managing the ongoing impacts of the COVID-19 pandemic. The diversity of our portfolio and a relatively defensive business model combined with our financial strength has underpinned the resilience of AUB Group. Despite the uncertainty, our clients again placed their trust in us, leading to a historically high premium retention rate of 92%. However, we are not taking the economic challenges lightly nor are we complacent about the difficulties the economy will likely encounter in the coming period. The Group's strong financial position and insight across our portfolio allows us to adequately anticipate and prepare for potential risks. Additionally, we've proactively engaged with our underwriting partners to offer client and broker hardship assistance programs. I am pleased at the efficient way in which our teams and systems seamlessly transitioned to a work-from-home model and for many, we anticipate this will become their new default. Our teams and our clients are important to us. We have kept our teams working and have provided them not only with job security but also support during these uncertain times. As a result, the business has invested in a range of technologies and dynamic staff engagement tools together with policies that enable teams to receive financial incentives which allow people them to work productively whilst sharing in savings the company may achieve. Our aim is to use the experience of COVID-19 to fundamentally change how we engage with our staff and our clients by using technology more creatively than ever before.

In FY21, we will continue to build on the momentum we have created across our Strategic Priorities to deliver further benefits and improve the Group's profitability. As such, the Group will actively pursue strategically aligned M&A opportunities, execute on margin improvement opportunities, increase the take-up of our new technology platforms, pursue opportunities to simplify and optimise the portfolio and look to further enhance insurer agreements for the benefit of our clients and brokers.

The AUB of 2020 has more to offer current and prospective members of our network. We are a fitter and more complete organisation than ever before and are confident that the Group is well placed for continued out-performance in future years. I look forward to updating you on our progress.

While Ennet Michael Emmett

Chief Executive Officer and Managing Director

# DIRECTORS' REPORT

### DIRECTORS

Your Directors submit their report for the year ended 30 June 2020. 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 BT Financial Group. David has 40 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, Fisher Funds Management Limited and Resolution Life Australia Ltd. 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)* In addition to his role as Group CEO, Mike serves on a number of boards for companies in Austbrokers, AUB New Zealand, SURA and AUB Health and Rehabilitation. 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 was previously QBE Group Executive, Operations and EY Managing Partner of Financial Services Advisory. Before moving to Australia, Mike held senior roles in Finance and Consulting in the UK and South Africa. Mike is also a Non-Executive Director of 1<sup>st</sup> Group Limited (ASX1051) and the Cold Coast Sume AEL Club

(ASX:1ST) and the Gold Coast Suns AFL Club.



#### R. J. Low B Com, FCA, GAICD

Robin Low was a partner at PricewaterhouseCoopers and has over 30 years' experience in financial services, particularly insurance, and specialises in assurance and risk management. Robin was appointed to the Board on 3 February 2014. She chairs the Audit & Risk Management and is a member of the Nomination and Remuneration & People Committees. Ms. Low is also a Director of ASX listed companies: Appen Limited, IPH Limited and Marley Spoon AG. Until February 2020, she was on the board of ASX listed CSG Limited. She also serves on the boards of Australian Reinsurance Pool Corporation, Gordian Runoff Limited, and not-for-profit organisations: Public Education Foundation, Primary Ethics and Guide Dogs NSW/ACT. Ms Low is also on the audit committee of the University of New South Wales, and a past Deputy Chair of the Auditing and Assurance Standards Board.



### 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.

### **DIRECTORS (CONTINUED)**



P. A. Lahiff BSc Agr, GAICD

Paul joined the Board on 1 October 2015. Paul was previously Managing Director of Mortgage Choice Limited (2003 - 2009) and prior to that was CEO and an Executive Director of Heritage Bank and Permanent Trustee and held senior roles in Westpac in Sydney and London. Paul sits on the boards of NESS Super, Sezzle Ltd and 86 400 Holdings Pty Ltd. He is also the Chair of the Steering Committee for ISO 20022 Migration for the Australian Payments System.

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.

#### 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 29 April 2020, having previously acted in this role between 20 December 2018 and 4 November 2019. 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.



C. L. Rogers CFA, B Com, MBA, GAICD 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.

#### 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 20 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.

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

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.

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

		Number of
		Options over
	Number of	Ordinary
	Ordinary Shares	Shares
M. P. C. Emmett	-	276,029
R. J. Carless	25,395	-
D. C. Clarke	19,446	-
R. J. Low	19,685	-
C. L. Rogers	6,000	-
P. A. Lahiff	10,334	-

### **PRINCIPAL ACTIVITIES**

AUB Group Limited (AUB Group or Group) is Australia and New Zealand's largest equity-based insurance broker network driving approximately A\$3.4billion GWP across its network of 94 businesses, servicing ~700,000 clients, over one million policies across more than 450 locations.

In Australia, the Group has around 20 percent of the commercial SME insurance broking market share with investment in 64 broking businesses, complemented by established capabilities in life insurance broking, premium funding, claims management and legal services.

In New Zealand, AUB Group holds equity stakes in 7 major insurance broker partners, an agency, as well as ownership of NZbrokers (the largest broking management group in New Zealand) with presence in 151 locations.

The Group's Agencies business has a portfolio of 18 specialist agencies with access to delegated global underwriting capacity for specialist insurance products.

The Group's Risk Services division was discontinued during the year. The Procare Group, which mainly provides services in loss adjustment, investigations, claims management and claims legal support, was moved to Australian Broking. Allied Health Australia was sold and Altius Group is in a new division named Health and Rehabilitation. The Health and Rehabilitation division along with corporate head office are included within the Support Services segment as neither are individually reportable segments.

The Group owns 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 with less risk, manage their businesses more profitably and ultimately achieve better client outcomes. These services include technology support, a centralised data centre capability, common broking and back office platforms, human resources, risk, compliance and other operational support services.

AUB Group primarily operates through four key business segments. The Group's core revenue is largely derived from arranging insurance policies, and for other related products and services. The amount of revenue earned is determined by the size 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 from insurance premium funding, fees for services to insurers and revenue derived from insurers reflecting the quality of the business placed. The segments used for financial reporting purposes are:

- 1. Australian Broking: broking networks operating in Australia which provide risk, insurance broking and advisory services primarily to SME clients;
- 2. Australian Agencies: agencies which distribute and manage specialist insurance products on behalf of licensed insurance companies. These services are available via risk advisers, in and outside the Group's broking networks;
- **3. New Zealand:** broking networks operating in New Zealand plus one agency, which provide risk and insurance broking and advisory services primarily to SME clients; and
- 4. **Support Services:** provides services complementary to our insurance brokers and insurance agency companies. Support Service entities earn fees for services such as occupational health and safety consulting, injured worker rehabilitation

services, corporate health and wellness initiatives, training and risk advice to clients. Fees are negotiated with State/Territory-based scheme agents, as well as insurers and clients.

### **OPERATING AND FINANCIAL REVIEW**

#### Operating results for the year

In the year ended 30 June 2020 (FY20) net profit after tax (Reported NPAT) attributable to equity holders of AUB Group was \$47.3 million (FY19: \$48.4 million), a 2.3% decrease over the prior year.

The decrease, despite an increase in underlying performance, was due to non-cash accounting adjustments and acquisition costs (described in detail in Note 3 to the Financial Report).

If these items, together with the amortisation of intangibles are excluded (as shown in the table below), the net profit after tax (Underlying NPAT) was \$53.4m in FY20 up 15.21% on prior year (FY19: \$46.4 million).

Underlying 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 (40% of Bizcover, 50% of WRI Insurance Brokers and 10% of InterRisk) and New Zealand broking business (50% of McDonald Everest) and other portfolio acquisitions.

On a Reported NPAT basis, earnings per share reduced from 69.49 cents in prior year, to 64.10 cents for the current year. The reduction is due mainly to the increase in the weighted average number of shares on issue. Earnings per share based on Underlying NPAT increased by 8.7% to 72.45 cents.

#### Results by operating division

Australian Broking – pre-tax profit for the year increased by 14.6% to \$62.1 million. Organic growth was assisted by an increase in Commercial Lines insurance premiums averaging 6.3% over the period. The current period included redundancy costs amounting to \$1.4 million, an increased lapse provision of \$1.3 million, as well as the combined impact of reduced interest rates and lease accounting changes of \$2.2 million.

New Zealand – pre-tax profit for the year increased by 31.9% to \$12.1million, primarily due to the acquisition of an additional 50% of BWRS effective 1 January 2019. Investment in NZ group management and infrastructure (including technology) was made in order to support an expanded business. NZbrokers continues to perform well with growth in members and an improved membership proposition including enhanced technology.

Australian Agencies – pre-tax profit for the year decreased by 12.2% to \$13.6 million. This was partially due to the impact of COVID-19 on our clients in the hospitality industry as well as ongoing process and pricing challenges in strata. The latter is being remediated by the implementation of a new IT system, cost reductions, and amended contracts with insurers.

Health & Rehab – pre-tax profit increased by 330.3% (\$3.2 million) to \$4.2 million for the year, primarily due to improved utilisation, reduced costs and a more diverse set of services. On 1 April 2020, AUB Group sold its entire ownership interest in the Allied Health business.

### **OPERATING AND FINANCIAL REVIEW** (CONTINUED)

#### Results by operating division (Continued)

#### Overall:

A strong performance in Australian Broking, acquisition related growth in New Zealand and an improvement in Health and Rehabilitation, offset slightly by a reduction in profit in Australian Agencies. A reconciliation of the operating results to the Annual Report operating segments is set out below.

#### Shareholder returns

On an Underlying NPAT basis, earnings per share increased by 8.7% over the prior year.

Average annual growth rate in earnings per share from FY10 to FY20 on an underlying basis was 12.2%. Dividend per share declared for FY20 totaled 50.0 cents, an increase of 8.7% on prior year.

Reported EPS reduced from 69.49 cents in prior year, to 64.10 cents for the current year. The reduction is due mainly to the increase in the weighted average number of shares on issue.

Dividends	Cents	\$'000
Final dividend recommended:		
<ul> <li>on ordinary shares</li> </ul>	35.5	26,206
Interim dividend declared		
<ul> <li>on ordinary shares – interim<sup>1</sup></li> </ul>	14.5	10,701
Dividends paid in the year:		
• on ordinary shares - final	32.5	23,888
		34,589

<sup>1</sup>FY20 Interim dividend deferred from April 2020 and will be paid in September 2020.

### **FINANCIAL CONDITION**

Shareholders' equity increased to \$491.9 million from \$483.4 million at 30 June 2019, mainly due to current year financial performance.

The Group generated positive cash flow from operating activities before customer trust account movements of \$74.3m (2019: \$54.2m). Cash flows used in investing activities increased in FY20 due mainly to the 40% investment in Bizcover. Cash flows from financing activities increased over the previous year due to the financing of the Bizcover transaction partially offset by a partial repayment of Group borrowings. Cash held at the end of the period totaled \$243.2m (\$84.4m, excluding \$158.8m of monies held in trust).

Interest-bearing loans and borrowings increased by \$127.3m to \$231.8m as a result of financing the Bizcover transaction, resulting in an increase in the debt to debt plus equity ratio to 34.2% in the year (FY19 21.7%) on a look through basis including share of associates debt. Borrowings by associates of \$20.1m (FY19 \$23.0m)<sup>2</sup> are not included in the Group balance sheet as these entities are not consolidated.

<sup>2</sup> Total debt of associates, after considering AUB Group's percentage shareholding.

The borrowings by associates relate largely to funding of acquisitions, premium funding and other financing activities.

### **BUSINESS STRATEGY**

The Group's strategic plan involves ongoing business improvement at partner-level through delivery of enabling technologies, consolidation for scale and improved sector specialisation, together with an ongoing disciplined approach to mergers and acquisitions (M&A). Our partners will be supported by a market leading broker value proposition continually improving our partners' ability to win in the market. FY21 Strategic Priorities:

- redesign, consolidate and restructure portfolio businesses to drive increased scale and create sector specialisations to expand market leadership;
- increase focus on business improvement initiatives at partner-level to deliver operational efficiency (margins) and above-market income growth;
- continue to drive improvements in our partners' client value proposition;
- expand on our technology focus to drive commercial and operational value:
- execute on strategically aligned acquisitions that drive enhanced growth; and
- deliver on our upgraded financial growth ambitions.

### PROSPECTS FOR FUTURE FINANCIAL YEARS

AUB Group has benefited from investment in our core capabilities, cost management and pricing tailwinds. We expect pricing tailwinds to continue albeit at a slower rate. The Group continues to hold 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 ongoing losses in key global underwriting markets.

During FY21 the Group anticipates strong growth from Insurance Broking in Australia and New Zealand as well the Agencies. This could be reduced by several factors:

- planned shareholding sell-downs to support succession planning in broker partners; and
- unforeseen impacts of COVID-19.

### RISK MANAGEMENT

The Group recognises that appropriate risk management is required to enable delivery of its strategic objectives. The Board, supported by the Board Audit & Risk Committee, has responsibility for the effective oversight of material risks to the business, setting the Group's risk appetite and tolerance, and 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 business strategy, which encompasses the Group's vision, purpose and strategy statements designed to meet stakeholders' needs;
- implementation of Board approved operating plans and budgets, as well as monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators of both a financial and non-financial nature:

### **RISK MANAGEMENT (CONTINUED)**

- approval of the Risk Management Framework, the associated Risk Appetite Statement, and consideration of the adequacy of risk treatments to remain within the Board's approved risk appetite and tolerances; and
- oversight of policies, procedures and activities to support the effective management of risk across the Group.

### **KEY BUSINESS RISKS**

The Group is exposed to various risks in the course of its operations and achievement of its strategic objectives. Broad risk categories, which may impact the Group's business strategy and prospects for the future financial year include:

- Strategic Risks: Adverse strategic decisions, improper implementation of strategic decisions – including but not limited to Merger & Acquisitions - a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that negatively affect AUB Group's market position, brand or reputation.
- Financial Risks: Unfavourable outcomes from inappropriate management of customer advice, product pricing, interest rate, foreign exchange, counterparty credit, liquidity, and self-insurance risks as well as adverse effects from capital structure and funding.
- Compliance & Legal Risks: Risk of AUB Group, including its partner businesses, breaching its compliance and legal obligations (including license conditions), leading to reputational damage, fines, or breach of contract.
- Operational Risks: Losses arising from fraud, inadequate or failed internal processes, systems or people or from external events impacting operational capabilities.
- Partnering & Outsourcing Risks: The risk that services performed by external service providers, including related and third parties, are not managed in line with the servicing contracts or standards required by the Board, resulting in negative impacts to shareholders, partners and/or customers.
- People Risks: Exposure to changes in personnel and an inability to attract and retain quality and appropriate staff to maintain overall business capability, including inadequate succession planning.

# SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

With the exception of changes brought about by COVID-19, 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.

COVID-19 saw many offices and teams working from home for the last 3 months of the financial year. The Group's technology offering allowed our businesses to continue with their staff operating remotely as required.

# SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 25 August 2020, the Directors of AUB Group Limited declared a final fully franked dividend on ordinary shares of 35.5 cents per share in respect of the 2020 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is estimated to be \$26.21m.

Effective 1 August 2020, the Group acquired 73.15% of the voting shares of Experien Insurance Services Pty Limited (Experien). On this date Experien became a controlled entity of the Group. The acquisition price includes issuance of \$5.60m in AUB Group shares based on a 14 day volume weighted average price to 21 August 2020.

# ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors are satisfied that adequate systems are in place for management of the Company's environmental responsibility and compliance with various requirements and regulations. The Directors are not aware of any material breaches to these requirements, and to the best of their knowledge, all activities have been undertaken in compliance with environmental requirements. Refer to the Environmental, Social and Governance Report on page 24 for more details.

# INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

### INDEMNIFICATION OF AUDITORS

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

### **REMUNERATION REPORT**

#### Dear Shareholders

AUB Group is pleased to present its Remuneration Report for the year ended 30 June 2020. 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. Progress in FY20 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 2020 have included the following:

#### **Review of STI and LTI Programs**

A review of the Short-Term and Long-Term Incentive Programs for staff was undertaken during FY20 to ensure incentives supported the remuneration philosophy. The Remuneration & People Committee has endorsed the introduction of an STI deferral program for certain senior managers replacing their participation in the Long-Term Incentive Program. The Senior Executive Team will continue to participate in the company Long-Term Incentive Program.

#### 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. Over the course of FY20 a key set of organisational culture metrics has been agreed and is regularly reported on.

#### **Diversity and Inclusion**

The Remuneration & People Committee has untaken a review of key people related policies including the Group Diversity and Inclusion Policy. The review included updates to recruitment, selection and succession processes and the agreement to introduce annual measurable objectives for achieving gender diversity.

#### AUB Group Academy

AUB Group is committed to developing and investing in its people. To ensure the Group continues to offer market leading programs, a newly created Education Committee has been formed with key representatives across the Network. The Education Committee will focus on training and education, industry advocacy, research and reporting including the review of current offerings, key partnerships and memberships.

#### **Non-Executive Director Development**

This year, the Remuneration & People Committee introduced a Non-Executive Director training and development register to support the continued development of the Group's Non-Executive Directors.

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 2020 (FY20). 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 the Chief Financial Officer for FY20 and other senior Executives for FY19.

#### **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 that can materially affect the performance of the Group during the financial year.

The table below outlines the KMP of the Company in FY20.

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			
Senior Executive				
Mark Shanahan	Chief Financial Officer			

During the current year, changes were made to a number of senior roles that were previously included for KMP reporting purposes. These roles focus primarily on specific business units and will no longer be included for KMP reporting purposes.

For KMP disclosures, from 1 July 2019, the only persons that have overall responsibility for planning, directing and controlling the activities of AUB are the Non-executive Directors plus the Chief Executive Officer and Chief Financial Officer.

#### Governance

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

The 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.

Remuneration paid to Non-Executive Directors is normally reviewed by the Committee and determined by the Board every second year. This last review was carried out in FY18 by Guerdon & Associates.

A review was not conducted in the current year. In light of circumstances brought on by COVID-19, it was decided that there would be no change to Non-Executive Director remuneration for FY21. A market comparison will be undertaken in April/May 2021 and this will be used to review remuneration for the FY22 year.

The total amount paid to Non-Executive Directors for FY20 was \$681,000 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 Committee and the Remuneration & People Committee receive an additional fee to recognise the additional workload that these positions entail. If a Non-Executive Director serves on a subsidiary board a further fee is payable. 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)**

#### Non-Executive Director Remuneration (continued)

From 1 July 2019 to 30 June 2020 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	\$0	\$10,000

The remuneration of Non-Executive Directors for the year ended 30 June 2020 is detailed in Tables 3 and 4 on pages 20 & 21 of this report.

#### **CEO** and Group 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 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:

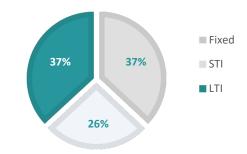
- fixed remuneration;
- variable remuneration short term incentive (STI); and
- variable remuneration long-term incentive (LTI).

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

The Group Executive includes the CEO, CFO and heads of key divisions:

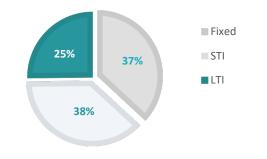
- Australian Broking;
- Australian Agencies; and
- New Zealand.

#### **CEO Target Remuneration Mix**



The above table excludes the impact of 200,000 sign-on options.

#### Group Executive (ex-CEO) Target Remuneration Mix



The Group Executive (ex-CEO) Target Remuneration Mix table above excludes the Chief Broking Officer as that position was filled in July 2020.

#### **Fixed** remuneration

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

#### 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

Group 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 KMP of the Group is detailed in Tables 3 and 4 on pages 20 & 21 of this report.

### **REMUNERATION REPORT (CONTINUED)**

#### Variable remuneration - short term incentive

#### Objective

The objective of the short-term incentive (STI) program is to link the achievement of the Group's operational targets with the remuneration received by the employees charged with meeting those targets.

The total potential STI is available at a set level so as to provide sufficient incentive to employees to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

#### Structure

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

A behavioural gateway is incorporated into the performance review process and operates to reduce an incentive payment should there be conduct that is inconsistent with the Company's values, irrespective of performance.

On an annual basis, a rating is determined for each employee based on an evaluation of their performance against predetermined objectives. This rating is then applied to an allocated STI opportunity. This amount is then scaled up or down to reflect performance against the agreed objectives. The objectives 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 employee, thereby ensuring it is aligned with shareholders' interests. The aggregate of annual STI payments available for employees 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.

As a retention strategy, some senior managers who report to Group Executives are subject to a deferred STI payment where a portion of the relevant year's STI will be paid out two years after the end of the performance period, subject to continued employment with the AUB Group.

#### **CEO Variable Remuneration - STI**

The CEO has a base short-term incentive (STI) of 70% of fixed remuneration up to a maximum of 105%. In practice for a given financial year the CEO may earn between 0% and 105% of fixed remuneration.

The table below provides a summary of key balanced scorecard objectives and outcomes for the CEO for FY20.

Measure	Objective	Base Allocation	Achieved FY20 % \$
Financial	Deliver Group Underlying NPAT above set year on year growth rates.	50% \$300,000	150% \$450,000
Risk Processes	Mature risk and compliance people and frameworks.	8.33% \$50,000	100% \$50,000
IT Systems	Implement identified systems that enable broker efficiency.	16.66% \$100,000	150% \$150,000
Australian Broking	Progress key business specialisations and consolidations.	8.33% \$50,000	150% \$75,000
Health & Rehab	Remediate profitability of division.	8.33% \$50,000	150% \$75,000
Network	Network partner satisfaction with Group CEO.	8.33% \$50,000	150% \$75,000

#### Variable remuneration – long term incentive

#### Objective

The objective of the long-term incentive plan (LTIP) is to reward Group Executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. 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 relevant long-term performance hurdles.

#### Structure

LTI grants to Executives are delivered in the form of performance options.

The following were selected as the measures for the LTIP in FY17 to FY19:

- 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 Underlying Earnings Per Share for the measurement period calculated based on the Underlying NPAT divided by weighted average number of ordinary shares in the Company on issue during the relevant financial year.

### REMUNERATION REPORT (CONTINUED)

### Variable remuneration – long term incentive (Continued)

For FY20 the following were selected as measures for the LTIP as approved at the 2019 AGM:

- a) Total Shareholder Return including share price appreciation and the amount of any dividends or capital returns (TSR) measured against the constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID) (Comparator Group) as at 1 July each year, determined by the relevant VWAP in the 60 day period leading up to the relevant date in respect of the testing period.
- b) Average Annual Growth Rate (AAGR) of the Underlying Earnings Per Share for the measurement period calculated based on the underlying 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 AAGR provide improved alignment between comparative shareholder return and reward for executives.

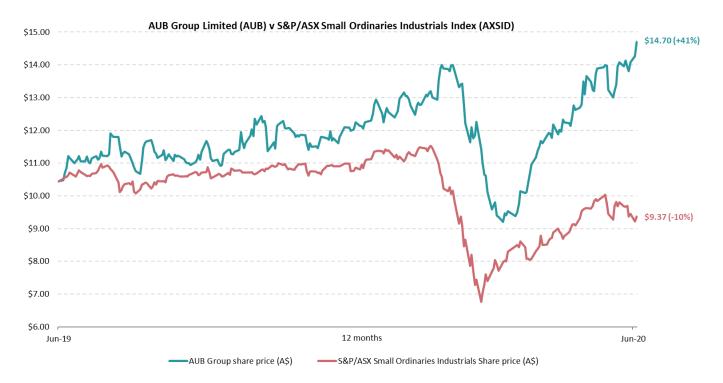
The S&P/ASX Small Ordinaries Industrials Index (AXSID) is the most relevant benchmark as it comprises a sub-set of ASX listed companies of relatively similar market capitalisation and excludes resources focused companies. The 12 month comparison against the benchmark outlined below.

#### **Option exercise conditions**

All options issued before 1 July 2016 have now lapsed. For vesting conditions on those options refer to the FY19 Annual Report.

Exercise conditions for options granted in FY17 to FY19 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 Report 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 Report 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, and the performance hurdles as follows:
  - i. if all of the options do not become exercisable on the First Test Date and the performance outcomes 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;
  - any options which have not become exercisable by the Second Test Date lapse and are of no further force or effect; and
  - 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.



### **REMUNERATION REPORT (CONTINUED)**

#### **Option exercise conditions (Continued)**

Exercise conditions for options granted in FY17 to FY19:

#### 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	100%

For FY20, exercise conditions for options granted 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 Report for the third financial year ending after the grants are lodged with the Australian Securities Exchange;
- b) Options comprise 60% EPS options and 40% TSR options and will vest and may be exercised, 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);
- c) For options issued from 1 July 2019 onwards, there is no further retest if options do not vest at the end of the performance period nor do they have any further restrictions on their disposal or the disposal of any shares acquired on their exercise;
- In addition to 3 year options, the CEO was granted d) 200,000 sign-on options that vest over 5 years. One third of the sign-on options will be tested over a 3 year performance period (three year test date). To the extent that any sign-on options satisfy the performance hurdles at this point, they will remain on foot and will vest and become exercisable following the end of the 5 year performance period, subject to the CEO's continued employment with the Company (subject to the cessation of employment provisions included in his contract); and the remaining two thirds of the Performance Options, and any Performance Options that did not satisfy the performance hurdles at the three year test date, will be tested over the full 5 year performance period.

Any Performance Options that do not vest at the end of the 5 year performance period, will lapse. The performance hurdles for the 5 year options are the same as the 3 year options; and

- e) Where in the opinion of the Board:
  - 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;
  - the participant has been involved in a material misstatement, error or omission in the Financial Report 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:

- iv. that any options (whether or not capable of exercise) held by the participant will lapse;
- any shares held by the participant as a result of exercise of the options will be deemed to be forfeited; or
- vi. 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.

Exercise conditions for options granted in FY20 onwards:

#### The EPS Options

AAGR over period	Percentage Vesting
Less than 5%	0%
Equal to 5%	50%
Between 5% and 7%	Straight line vesting between 50% and 100%
Equal to or greater than 7%	100%

#### The TSR Options

Total Shareholder Return	Percentage Vesting
Less than 50th percentile of	0%
the target group	
Equal to 50th percentile of	50%
the target group	
Between 50th percentile and	Pro rata straight line vesting
75% percentile of the target	between 50% and 100%
group	
Greater than or equal to the	100%
75th percentile of the target	
group	

See Note 16 of the Financial Report for further details of performance options.

### **REMUNERATION REPORT (CONTINUED)**

#### Company performance and the link to remuneration

Short-term incentives are based on Underlying NPAT growth and balanced scorecard outcomes.

Long-term incentives are based on Underlying EPS Growth and Total Shareholder Returns (TSR).

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

	2020	2019	2018	2017	2016
Underlying NPAT (\$m) <sup>1</sup>	53.4	46.4	44.6	40.4	37.6
TSR (%) <sup>2</sup>	5.2	-10.5	14.9	39.3	8.7
Share price (\$)	14.70	10.44	13.58	12.99	10.10
Underlying EPS (cents)	72.5	66.6	68.8	62.3	58.8
Change in share price (\$)	4.26	-3.14	0.59	2.89	1.10
Dividends paid (cents) <sup>3</sup>	50.0	46.0	45.5	42.0	40.0

<sup>1</sup> The financial information in this table has been derived from the audited Financial Report. The Underlying NPAT and Underlying EPS are non-IFRS financial information and as such have not been audited in accordance with Australian Accounting Standards.

 $^{\rm 2}$  TSR for the 12 months to 30 June.

<sup>3</sup> 2020 Dividends paid (cents) of 50c per share includes the April 2020 dividend that was deferred until 3 September 2020.

#### STI Outcomes

For FY19, an STI cash bonus of \$0.882m was provided in the FY19 Financial Report based on estimates at that time. Of this, \$0.698m was paid in FY20 based outcomes of performance objectives after finalisation of the FY19 annual STI process.

The Committee considered STI for FY20 and has provided for a pool in the sum of \$3.567m for employees, senior managers and Group Executives.

(\$m)	2020	2019	2018	2017	2016
Cash bonuses	3.567	0.882	2.176	2.861	1.417

### DIRECTORS' REPORT YEAR ENDED 30 JUNE 2020 REMUNERATION REPORT (CONTINUED)

#### LTI Outcomes

The LTI outcomes for FY20 are tested at the date that the Company lodges its audited Financial Report with the Australian Securities Exchange. Once lodged, it is possible for the Company's Underlying EPS and TSR for the relevant measurement period comprising FY17 to FY20 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 FY21 will also be determined at this meeting.

The LTI grants for FY20 and movements in all unvested options previously granted to Senior Employees and the former CEO are summarised in the LTIP tables below:

### Options

GROUP EXECUTIVES (including	KMP's)						
LTIP Financial Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date
2016 (11th)	28,645	-	28,645	-	-	-	-
2017 (12th)	85,405	-	37,438	21,886	26,081	24-Jan-20	24-Jan-24
2018 (13th)	73,941	-	31,614	-	42,327	23-Nov-20	23-Nov-24
2019 (14th)	63,417	-	30,503	-	32,914	31-Oct-21	31-Oct-25
2020 (15th - 5 year options)	-	200,000	-	-	200,000	31-Aug-24	31-Aug-28
2020 (15th - 3 year options)	-	101,219	-	-	101,219	31-Aug-22	31-Aug-26
Total	251,408	301,219	128,200	21,886	402,541		
Former CEO							
LTID Financial Vacr (trancha)						Earliest	
LTIP Financial Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	vesting date	Lapse date
2016 (2nd)	99,920	-	99,920	-	-	-	-
Total	99,920	-	99,920	-	-		

#### Shares issued as a result of the exercise of options

During FY20, 21,886 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 402,541 unissued ordinary shares under options as part of the LTIP that have not vested. Refer to Note 16 of the Financial Report 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 Contract**

The current CEO, Mr Michael 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.

### **CEO** Remuneration

From 1 July 2019, Mr Emmett received a fixed remuneration of \$852,000.

Mr Emmett has a base short-term incentive (STI) of \$600,000 up to a maximum of \$900,000. The STI is subject to personal and Group performance hurdles.

On 19 December 2019, Mr Emmett was granted 200,000 performance options over ordinary shares (sign-on grant) and a further 76,029 performance options (annual grant), under the LTIP. The LTI grant is subject to achievement of earnings per share target growth criteria and relative total shareholder returns criteria.

#### **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.

# DIRECTORS' REPORT

### YEAR ENDED 30 JUNE 2020

### REMUNERATION REPORT (CONTINUED)

### Table 1: Shares held in AUB Group Limited at 30 June 2020

			Shares	
	Balance at	Shares acquired	disposed	Balance at
Shares held in AUB Group Limited at 30 June 2020	30-Jun-19	during year	during year	30-Jun-20
Directors				
R. J. Carless	22,932	2,463	-	25,395
D. C. Clarke	11,646	7,800	-	19,446
R. J. Low	12,917	6,768	-	19,685
P. A. Lahiff	10,334	-	-	10,334
C. L. Rogers	-	6,000	-	6,000
M. P. C. Emmett	-	-	-	-
Executives				
M. Shanahan	2,227	1,341	-	3,568
K. McIvor <sup>1</sup>	1,950	-	1,950	-
N. Thomas <sup>1</sup>	10,383	-	10,383	-
Total	72,389	24,372	12,333	84,428

<sup>1</sup>K. McIvor and N. Thomas 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

					-	Total optic	ons at year end
	Balance at			Options	Balance at		
Options held at 30 June	beginning of	Granted as	Options	lapsed/	end of period	Vested/	Not vested/not
2020	period 01-Jul-19	remuneration	exercised	forfeited	30-Jun-20	exercisable	exercisable
Director							
M. P. C. Emmett	-	276,029	-	-	276,029	-	276,029
Executives							
M. Shanahan	12,011	13,882	-	-	25,893	-	25,893
Total	12,011	289,911	-	-	301,922	-	301,922

The outstanding options have an exercise price of \$NIL.

During the current year a total of 301,219 zero priced options were issued (289,911 to KMP).

There are no loans outstanding owing by Key Management Personnel at 30 June 2020.

### **DIRECTORS' REPORT**

### YEAR ENDED 30 JUNE 2020

### **REMUNERATION REPORT (CONTINUED)**

### Compensation of Directors and other Key Management Personnel

#### Table 3: Statutory Reporting Basis – period ending 30 June 2020

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 Report for the particular year.

					Post	Share- based		
		:	Short-term		employment	payment		
			Cash short	Non				Total per-
		Salary &		monetary	Super-	Equity	Total	formance
	Year	fees	incentive <sup>1</sup>	benefits	annuation		Remuneration	related
30 June 2020		\$	\$	\$	\$	\$	\$	%
Non Executive Directors	0000	404 704			40.040		040.000	
D. C. Clarke	2020 2019	191,781 191,781	-	-	18,219 18,219	-	210,000 210,000	-
R. J. Carless			-	-		-		-
R. J. Calless	2020 2019	90,004 90,001	-	-	24,996 24,999	-	115,000 115,000	-
			-	-	,	-		-
P. A. Lahiff	2020	105,023	-	-	9,977	-	115,000	-
	2019	105,023	-	-	9,977	-	115,000	-
R. J. Low	2020	127,151	-	-	8,849	-	136,000	-
	2019	124,201	-	-	11,799	-	136,000	-
C. L. Rogers	2020	95,890	-	-	9,110	-	105,000	-
	2019	105,023	-	-	9,977	-	115,000	-
Executive Director								
M. P. C. Emmett	2020	809,864	875,000	17,696	25,000	559,115	2,286,675	62.72%
	2019	238,719	82,911	5,361	7,212	-	334,202	24.81%
M. P. L. Searles	2020	-	-	-	-	-	-	-
During Employment	2019	472,718	175,028	33,437	17,500	144,918	843,601	30.10%
Post Employment	2019	211,837	-	-	7,500		219,337	0.00%
Executives								
M. Shanahan	2020	415,773	452,669	2,659	25,000	73,124	969,225	54.25%
	2019	409,401	74,623	3,487	25,000	26,610	539,121	18.78%
E. Henderson	2020	-	-	-	-	-	-	-
During Employment	2019	256,372	67,470	1,404	25,000	-	350,246	12.00%
Post Employment	2019	212,098	-	-		-	212,098	0.00%
F. Pasquini	2020	-	-	-	-	-	-	-
	2019	149,522	31,076	22,376	12,746	31,045	246,765	25.17%
K. McIvor <sup>3</sup>	2020	-	-	-	-	-	-	-
	2019	651,037	-	-	-	-	651,037	0.00%
S. Vohra	2020	-	-	-	-	-	-	-
During Employment	2019	265,106	62,203	-	19,231	-	346,540	14.75%
Post Employment	2019	69,238	-	306	5,769	-	75,314	0.00%
N. Thomas	2020	-						
N. 1101103			-	-	-	-	-	-
	2019	352,059	73,271	2,560	25,000	53,250	506,140	25.00%
A. Zissis	2020	-	-	-	-	-	-	-
	2019	332,451	126,021	1,902	24,999	49,075	534,448	32.76%
Total Remuneration Total Remuneration	2020 2019	1,835,486 4,236,587	1,327,669 692,603	20,355 70,834	121,151 244,928	632,239 304,899	3,936,900 5,549,851	

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.

<sup>1</sup> 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. The 2020 amounts have been approved by the Remuneration Committee.

<sup>2</sup> Share based payments are calculated on the accrued cost to the Company recognising that options issued to KMP will vest over 3 years (5 years for CEO sign on options) after taking into account a 60 -100% probability that the Group will achieve the performance hurdles required for those options to vest.

<sup>3</sup> 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 2020

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.

	-		0		Post	Share- based	•	-
		5	Short-term		employment	payment		
			Cash short	Non	employment	payment		Total per-
		Salary &		monetary	Super-	Equity	Total	formance
	Year	fees	incentive <sup>1</sup>	benefits	annuation		Remuneration	related
30-Jun-20		\$	\$	\$	\$	\$	\$	%
Non Executive Directors								
D. C. Clarke	2020	191,781	-	-	18,219	-	210,000	-
	2019	191,781	-	-	18,219	-	210,000	-
R. J. Carless	2020	90,004	-	-	24,996	-	115,000	-
	2019	90,001	-	-	24,999	-	115,000	-
P. A. Lahiff	2020	105,023	-	_	9,977	_	115,000	_
	2019	105,023	-	-	9,977	-	115,000	-
5.1.1								
R. J. Low	2020	127,151	-	-	8,849	-	136,000	-
	2019	124,201	-	-	11,799	-	136,000	-
C. L. Rogers	2020	95,890	-	-	9,110	-	105,000	-
	2019	105,023	-	-	9,977	-	115,000	-
Executive Director								
M. P. C. Emmett	2020	809,864	182,466	17,696	25,000	-	1,035,026	17.63%
	2019	238,719	-	5,361	7,212	-	251,291	-
M. P. L. Searles	2020	-	-	-	-	-	-	-
During Employment	2019	472,718	450,784	33,437	17,500	1,943,536	2,917,975	0.00%
Post Employment	2019	211,837	-	-	7,500	-	219,337	0.00%
Executives								
M. Shanahan	2020	415,773	150,000	2,659	25,000	-	593,432	25.28%
	2019	409,401	40,000	3,487	25,000	-	477,888	18.78%
E. Henderson	2020	-	-	-	-	-	-	-
During Employment	2019	256,372	77,470	1,404	25,000	-	360,246	19.26%
Post Employment	2019	212,098	-	-		-	212,098	0.00%
			_	_				
F. Pasquini	2020	-	-	-	-	-	-	-
	2019	149,522	173,816	22,376	12,746	115,323	473,783	25.17%
K. McIvor <sup>3</sup>	2020	-	-	-	-	-	-	-
	2019	651,037	47,929	-	-	-	698,966	0.00%
S. Vohra	2020	-	-	-	-	-	-	-
During Employment	2019	265,106	167,485	_	19,231	115,394	567,216	17.95%
Post Employment	2019	69,238	-	306	5,769	-	75,314	0.00%
				-				
N. Thomas	2020	-	-		-	-	-	-
	2019	352,059	161,110	2,560	25,000	111,670	652,400	25.00%
A. Zissis	2020	-	-	-	-	-	-	-
	2019	332,451	150,000	1,902	24,999	-	509,352	32.76%
Total Remuneration	2020	1,835,486	332,466	20,355	121,151	-	2,309,458	
Total Remuneration	2019	4,236,587	1,268,594	70,834	244,928	2,285,923	8,106,866	
	2010	1,200,001	1,200,004	10,004	214,020	2,200,020	0,100,000	

<sup>1</sup> STI amounts paid during each financial year for performance during the prior financial year based on agreed KPIs.

<sup>2</sup> 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.

<sup>3</sup> 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

Total	289,911						
M. Shanahan (3 year options)	13,882	19-Dec-19	9.37	0.00	31-Aug-26	31-Aug-22	31-Aug-26
Executives							
M. P. C Emmett (5 year options)	200,000	19-Dec-19	8.91	0.00	31-Aug-28	31-Aug-24	31-Aug-28
<b>Directors</b> M. P. C Emmett (3 year options)	76,029	19-Dec-19	9.37	0.00	31-Aug-26	31-Aug-22	31-Aug-26
Year ended 30 June 2020 (Grant year FY20)	Granted no.	Grant date	(see note 16)	(see note 16)	Expiry date	First exercise date	Last exercise date
			Fair value per option at grant date (\$)	Exercise price per option (\$)			

The fair value above is the weighted average price of the EPS options and the TSR options at the date the options were granted. All options were issued with an exercise price of \$NIL and the expiry date of the options is four years after the vesting date.

## Table 6: Value of options granted as part of remuneration to KMP (Consolidated)(Includes options vested or lapsed during the year)

				Shares issued opti			
			Percentage of	001			
		Value of	remuneration		Paid per share	Number of	Number of
		options	consisting of value	Number of	on shares	Options	Options
	Value of	exercised	share based	shares issued	issued on	vested	lapsed
	options granted	during the	payments incurred	on exercise of	exercise of	during the	during the
	during the year	year <sup>2</sup>	during the year <sup>3</sup>	options	options	year	year
30 June 2020	\$	\$	%	No.	\$	No.	No.
Directors							
M. P. C Emmett							
- Sign-on grant <sup>4</sup>	2,080,000	-	14.70	-	-	-	-
- Annual grant <sup>1</sup>	850,000	-	9.80	-	-	-	-
Executives							
M. Shanahan <sup>1</sup>	155,201	-	7.54	-	-	-	-
Total	3,085,201	-		-		-	-

<sup>1</sup> 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. <sup>2</sup> 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.

<sup>3</sup> 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 60 - 100% probability that the Group will achieve the performance hurdles required for those options to vest.

<sup>4</sup> Total gross value of options granted during the year includes 200,000 sign on options that will vest over five years if all performance hurdles required for options to vest are met.

### 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							
	Directors' Meetings	Audit & Risk Management	Nomination	Remuneration & People					
No. of meetings held:	18	6	2	6					
No. of meetings attended:									
R. J. Carless	17	6	2	6					
D. C. Clarke	18	6	2	6					
M. P. C. Emmett	18	6	2	6					
P. A. Lahiff	16	6	2	6					
R. J. Low	18	6	2	6					
C. L. Rogers	17	6	2	6					

<sup>1</sup> Mr. Emmett was not a member of any committee but attended all possible committee meetings as an invitee. All other Directors were eligible to attend all meetings held.

#### Committee membership

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

Audit & Risk Management	Remuneration & People	Nomination
R. J. Low (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 32 of the Annual Report.

Non-audit services provided to the AUB Group by the entity's auditor, Ernst & Young, in the financial year ended 30 June 2020 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 23 of the Financial Report.

Signed in accordance with a resolution of the Directors.

D.C. Clarke Chair Sydney, 25 August 2020

M. P. C. Emmett Chief Executive Officer and Managing Director Sydney, 25 August 2020

ENVIRONMENTAL SOCIAL, AND GOVERNANCE REPORT

### STATEMENT OF VALUES

At AUB Group we are guided by a universal set of values that describe the focus of our efforts. Our goal is for all of our decisions and actions to reflect these core values. We believe that putting our values into practice creates the greatest benefits for our shareholders, partners, employees, suppliers and communities in which we serve.

### **ASPIRATIONAL**

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

- We aren't afraid to fail, we learn from our mistakes and look for opportunities to improve and grow.
- We take ownership, break outside our bubble and challenge the status quo.
- We expect, encourage and value different opinions to get the best outcome.
- We seek opportunities to develop and have a good understanding of our competitors, the industry and economy.

### PARTNERSHIP AND RELATIONSHIP DRIVEN

### We are respectful, collaborative and seek to amplify potential

- We take time to understand each other's objectives and drivers before making a decision.
- We confront difficult situations head on, if we see or hear something that is unacceptable we act.
- We value and are respectful of each other's time and contribution, we actively listen to and acknowledge each other.
- We find synergies with partners, following through on commitments, communicate early and seek to understand individual circumstances.

### GENUINE

### We are easy to deal with, honest and fair

- We listen to requests, if we have to say no, we say no respectfully and provide an explanation as to why.
- When we say we will do something, we will do it. We are careful not to over promise.
- We willingly step into conversations that might be uncomfortable having prepared ourselves by setting clear intentions and being prepared to listen with compassion.
- We are in ongoing conversations with each other to create clarity and transparency.

### RESOURCEFUL

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

- We take the initiative to be self-motivated, we apply a growth mindset and support people and processes to change and grow.
- We know our strengths, we collaborate and network to share knowledge.
- We know when not to over complicate things, we are respectful of each other's time.
- We are forward thinking and provide opportunities to test ideas, we change to improve.

### ENVIRONMENT, SOCIAL AND GOVERNANCE

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

We are a services based organisation operating in local communities with a limited environmental footprint and limited exposure to supply chain risks such as modern slavery.

AUB Group considers ESG from the perspectives of the environment, fair treatment of customers, employees and suppliers, ethical decision making and contribution to the community.

### OUR ENVIRONMENTAL COMMITMENT

Environmental sustainability is integral to helping our clients realise a stronger, more protected future.

We are committed to monitoring our own environmental footprint, even though we have limited exposure. AUB Group has a corporate social responsibility policy that reflects the Group's ESG stance. The policy is provided to our partner firms for them to adopt. The policy requires a robust environmental management approach. Future iterations of the policy will explore more ways in which our businesses can assess climate risks and promote sustainability.

	OUR OBJECTIVES	HOW WE ARE ACHIEVING OUR OBJECTIVES
$\wedge$	Monitor and reduce	$\checkmark$ Reducing and consolidating office space.
$\bigcirc$	water and energy consumption	$\checkmark$ Reducing water and energy consumption.
		Measuring Scope 1 & 2 emissions across the AUB Group (see Emissions section) for further consideration.
		✓ Piloting a "1 in 5" program for Sydney based Agency and Head Office staff, where staff work from home 4 days a week.
		✓ Promoting the use of green buildings, including AUB Group's new head office in North Sydney, which features:
		– 5.5 Star NABERS Energy rating and a 4.0 Star NABERS Water rating
		Some state of the second secon
		✓ 7 buildings in the target emissions group have an Energy Rating (Average 4.6), 5 have a Water Rating (Average 4.0) and 2 have a Waste Rating (Average 2.8).
	Minimise waste, and encourage the reuse and recycling of waste items	Active encouragement of recycling with paper, glass and aluminum and printer toner cartridge recycling stations encouraged in each office.
	Promote sustainable transport to employees, clients	Where possible, offices are in central locations near public transport hubs. Most employees travel to and from work via public transport (train, bus, ferry) or active transport (walking and cycling).
	and suppliers	Video and audio communication is encouraged in order to reduce air and road travel.
- ^	Support sustainable	✓ Procurement of environmentally-friendly office supplies is encouraged.
$\langle \! \langle \! \rangle \!$	procurement and other sustainable	Hard copy corporate brochures and business cards have moved to online versions. Annual report printing has been reduced by half.
	work practices	♂ Printers are set to print double-sided output.

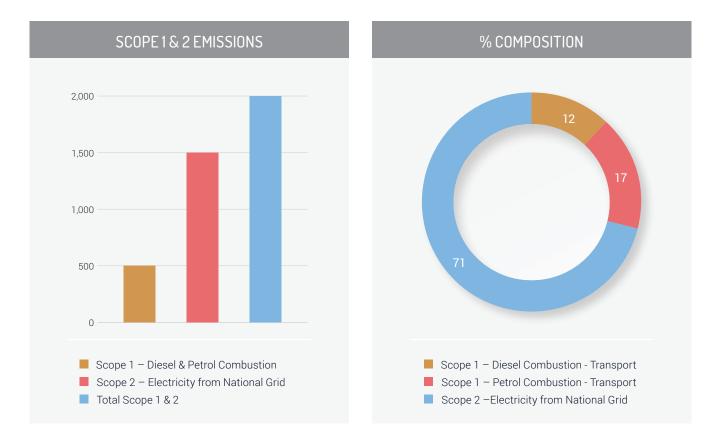
### EMISSIONS<sup>1</sup>

AUB Group is committed to being a responsible and sustainable organisation. For the first time we are reporting our Scope 1 and 2 emissions, which will form the benchmark for future emissions reporting.

### **FY20 Emissions Performance**

AUB Group's emissions reporting covers the Group's head office and the Group's partners' tenanted offices and car fleets (where relevant). Our primary measure of these activities are scope 1 and 2 emissions<sup>1</sup>:

- Scope 1 emissions are direct emissions relating to our business operations. In AUB Group's case this covers emissions
  from car fleets, and
- Scope 2 emissions are indirect emissions relate to our business operations, such as the emissions generated by power we purchase from the electricity grid.



Scope 1 and 2 emissions are prepared according to the National Greenhouse and Energy Reporting Act 2007 ('NGER Act'). Following the NGER Act's guidelines, we report on emissions where the AUB Group has operational control over the facility, thus excludes Scope 3 emissions. Emissions reported includes both Australia and New Zealand.

### Emission factors AUB Group have monitored in FY20:

Scope 2 Emissions tCO <sub>2</sub> -e/sqm	0.06
Scope 1 & 2 Emissions $tCO_2$ -e/employee	1.22

#### Our commitment

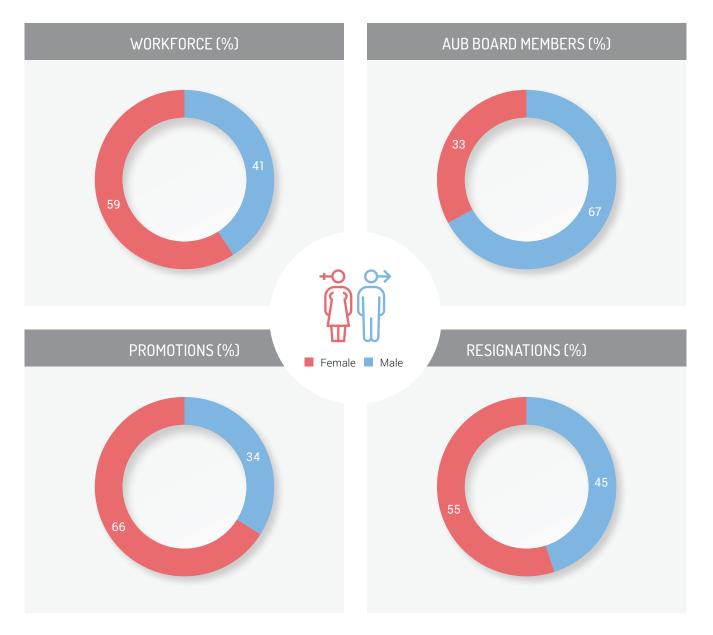
We will continue to monitor our emissions across the AUB Group and explore initiatives to reduce them where sensible.

### We actively support workplace diversity and inclusion and are committed to developing and caring for our people.

### Workplace diversity and inclusion

AUB Group strives to create an inclusive workplace where individuals can reach their full potential and its strategy supports the recruitment, retention and development of the most diverse talent.

A review of the AUB Group's Diversity and Inclusion Policy was undertaken during the performance year with updates to our recruitment, selection and succession processes. Further aspects of diversity including in respect of women in leadership, age diversity and cultural diversity will be considered by the Remuneration and People committee to be included in the AUB Group's Diversity and Inclusion Policy.



### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### YEAR ENDED 30 JUNE 2020

### 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. A review of the AUB Group's WHS policies has been completed over the performance year to ensure the physical and psychological safety of our people. Incident and grievance reporting form part of the regular metrics reporting to AUB Group's Remuneration and People Committee and Audit and Risk Committee.

AUB Group and some partner businesses are piloting moving our workforce from a high density office based model to a more flexible and agile way of working, resulting in a significant decrease in commuting time, environmental impact and economic cost and better work life balance.

#### **AUB Group Academy**

AUB Group is committed to investing in the development of its people. The AUB Group continues to offer market leading programs and a new Education Committee has been formed with key representatives from our network. The Committee will focus on training and education, industry advocacy, research and reporting including the review of current offerings, key partnerships and memberships.

AUB Group also offers support for learning and development programs and assistance with further study through financial assistance programs.

#### **Employee Engagement**

Our people's perspective and input is important to us and we are committed to continuing to provide a platform to gain regular feedback and insight. As we move to a more flexible and agile workforce with our people working remotely, AUB Group has undertaken a review of the employee engagement platform and will be moving to an online diagnostic tool that provides more regular surveys, insights and reports to management teams.

#### **Preparing for the Future**

A number of structural changes have been made over the performance year to prepare our workforce for the future. As we bring our Partners closer to AUB Group and continue to review individual performance on a regular basis, it provides the opportunity to identity key talent and ensure we have the right skills, capability and experience to deliver current initiatives and build our succession pipeline for the future.

#### Human Rights and Modern Slavery

AUB Group has no tolerance for modern slavery breaches and is committed to achieving best practice and continual improvement in combating all forms of modern slavery such as forced labour, human trafficking and debt bondage. AUB Group understands it must comply with all modern slavery legal obligations as an ASX listed company and is in the process of identifying and managing risks within its business and supply chain. Through its supply chain, AUB Group understands it has the potential to cause, contribute or be directly linked to modern slavery. AUB Group expects the business and supply chain to implement controls and to perform monitoring to avoid causing, contributing to or being complicit with modern slavery. By continually reviewing, investigating, screening, reporting, training and implementing contractual obligations, AUB Group seeks to ensure it is doing all it can to eradicate modern slavery practices such as forced labour, debt bondage, deceptive recruiting, human trafficking and child labour.

AUB Group encourages all employees and business partners to verbalise their concerns if they feel that modern slavery is occurring within its business practices or supply chain, either by reporting internally or through AUB Group's anonymous reporting service.

AUB Group's ESG strategy promotes ethical and sustainable practices, in particular respecting human rights through developing high quality and ethical partnerships with suppliers and service providers. AUB Group strictly complies with relevant laws and expects the same from all stakeholders. AUB Group supports mutual respect between employees and management and is an equal opportunity employer.

### **CORPORATE GOVERNANCE**

The AUB Group 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:



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2020

### CORPORATE GOVERNANCE (CONTINUED)

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.

In FY20, AUB Group implemented, revised and updated a number of policies (effective 1 July 2020). For copies of policies and charters noted in this section, please visit the AUB Group website and navigate to Who we are > Corporate governance.

### **Privacy and security**

AUB Group's Cyber Security Policy provides guidance to member firms on reducing the probability of cyber-attacks, as well as on managing and mitigating any attacks that may eventuate. Further, the Cyber Security Policy, together with cyber audits performed on a regular basis, ensures that AUB Group is adhering to all regulatory obligations and maintaining appropriate risk management standards in this continually evolving risk category.

Regular vulnerability scans and penetration tests are performed on AUB Group's infrastructure and externally facing systems to minimise the risk of successful cyberattacks on AUB Group's systems and platforms.

All data obtained is backed up on a daily basis on all managed systems and minimum IT security standards are maintained.

AUB Group is committed to protecting the privacy of all sensitive information collected as part of its business operations. The AUB Group Privacy Policy sets out the principles that AUB Group follows in collecting, using, holding, disclosing and otherwise managing personal information.

All reasonable steps are taken to ensure that personal information held is protected from misuse, interference, loss from unauthorised access, modification and unwarranted disclosure.

## PARTNERING AND CONNECTING WITH OUR COMMUNITY

AUB Group and our network partners 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, AUB Group adopts an approach of decentralised community support. Individual partners determine the best approach to engage with and support their local communities.

Over a million dollars in donations and sponsorships were made and hundreds of hours were given to volunteering and charity event participation in FY20. Being part of the community in this way enables our Partners to deliver social value to their community.

### FUTURE COMMITMENT

AUB Group and its Partners will continue to seek ways in which we can contribute to the communities that support us, minimise the environmental impact of our business activities and ensure the fair treatment of our customers, employees and suppliers.

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

# FINANCIAL REPORT

### AUDITOR'S INDEPENDENCE DECLARATION YEAR ENDED 30 JUNE 2020



Ernst & Young 200 George Street Sydney NSW 2000 Australia GPO Box 2646 Sydney NSW 2001 Tel: +61 2 9248 5555 Fax: +61 2 9248 5959 ey.com/au

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

As lead auditor for the audit of the financial report of AUB Group Limited for the year ended 30 June 2020, 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

Michael Wright Partner 25 August 2020

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS YEAR ENDED 30 JUNE 2020

		Co	onsolidated
		2020	2019
	Notes	\$'000	\$'000
Revenue from contract with customers	4 (i)	303,456	276,396
Other Income	4 (ii)	2,328	3,415
Share of profit of associates	4 (iii)	29,571	27,367
Cost to provide services and administrative expenses	4 (iv)	(258,478)	(245,031)
Finance costs	4 (v)	(8,529)	(6,596)
		68,348	55,551
Adjustments to carrying value of associates, goodwill, contingent consideration			
payments and put option liability	4(vi)	1,790	5,424
Profit / (loss) from sale or dilution of interests in associates, controlled entities and	l		
broking / agency portfolios	4(vii)	(2,739)	1,155
Profit before income tax		67,399	62,130
Income tax expense	5	(11,299)	(12,958)
Net Profit After Tax		56,100	49,172
Net Profit after tax for the period attributable to:			
Equity holders of the parent		47,254	48,361
Non-controlling interests		8,846	811
		56,100	49,172
Basic earnings per share (cents per share)	6	64.10	69.49
Diluted earnings per share (cents per share)	6	63.95	69.41

The above Consolidated Statement of Profit or Loss (SOPL) should be read in conjunction with the notes to the Financial Report.

### CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME YEAR ENDED 30 JUNE 2020

	Consolidated		
	2020	2019	
	\$'000	\$'000	
Net Profit after tax for the period	56,100	49,172	
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement in foreign currency translation reserve	(2,141)	972	
Income tax benefit relating to currency translation	-	-	
Other comprehensive income after income tax for the period	(2,141)	972	
Total comprehensive income after tax for the period	53,959	50,144	
Total comprehensive income after tax for the period attributable to:			
Equity holders of the parent	45,440	49,192	
Non-controlling interests	8,519	952	
	53,959	50,144	

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

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION YEAR ENDED 30 JUNE 2020

		Consolidated				
	Notes	2020 \$'000	2019 \$'000			
ASSETS		<b>\$ 500</b>	φυυί			
Current Assets						
Cash and cash equivalents	10	84,374	70,016			
Cash and cash equivalents - Trust	10	158,777	149,981			
Trade and other receivables*	11	68,539	79,592			
Lease Net Investment	14	529				
Other financial assets		348	8			
Total Current Assets		312,567	299,597			
Non-current Assets						
Trade and other receivables		111	133			
Other financial assets		40	393			
Investment in associates	8	271,041	127,453			
Property, plant and equipment		11,676	14,559			
Intangible assets and goodwill	12	385,497	401,146			
Right of Use asset**	14	23,546				
Lease Net Investment	14	2,776				
Deferred Tax Asset Total Non-current Assets	5	14,538 709,225	12,645 556,329			
Total Assets		1,021,792	855,926			
Current Liabilities	15	045 400	040 500			
Trade and other payables* Deferred revenue from contracts with customers	15	215,186	216,528			
	-	6,243	5,590			
ncome tax payable	5	9,366	6,533			
Provision for employee entitlements _ease Liabilities**	4.4	17,494	15,432			
	14 17	8,224 11,104	10 0/6			
Interest-bearing loans and borrowings Total Current Liabilities	17	267,617	18,945 263,028			
Non-current Liabilities						
Trade and other payables	15	547	1,021			
Provisions	15	3,664	3,362			
Deferred tax liabilities	5	15,999	19,587			
_ease liabilities**	14	21,443	10,001			
Interest bearing loans and borrowings	17	220,666	85,530			
Total Non-current Liabilities		262,319	109,500			
Total Liabilities		529,936	372,528			
Net Assets		491,856	483,398			
EQUITY						
ssued capital	18	258,947	255,662			
Retained earnings		179,005	171,168			
Foreign currency translation reserve		(1,442)	372			
Put Option Reserve	15	(14,778)	(19,919			
Share based payments reserve	16	8,469	7,820			
Equity attributable to equity holders of the parent		430,201	415,103			
		61,655	68,295			
Non-controlling interests		01,000	00,200			

\*30 June 2019 balances have been restated to ensure comparability between periods, see Note 2.2.

\*\*On 1 July 2019, the Group adopted AASB 16: Leases on a modified retrospective basis, and as permitted by the accounting standard, financial statements for the prior reporting period has not been restated, see Note 2.2.

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

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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2020

							Non- controlling	Total
	Attributable to equity holders of the parent interest						equity	
	Issued		Foreign currency translation	Put option	payment	Total		
Consolidated	capital \$'000	earnings \$'000	reserve \$'000	reserve \$'000	reserve		\$'000	\$'000
At 1 July 2019			· · · ·	,	\$'000	\$'000 <b>415,103</b>		,
Impact due to change in accounting standard*	255,662	<b>171,168</b> 279	- 372	(19,919)	7,820	<b>415,103</b> 279	<b>68,295</b> 7	<b>483,398</b> 286
Restated balance at 1 July 2019	255,662	171,447	372	(19,919)	7,820	415,382	68,302	483,684
Net Profit After tax for the year Other comprehensive income	-	47,254	- (1,814)	-	-	47,254 (1,814)	8,846 (327)	56,100 (2,141)
Total comprehensive income for the year	-	47,254	(1,814)	-	-	45,440	8,519	53,959
Transactions with owners in th capacity as owners:	neir							
Adjustment relating to (decrease) in interest resulting in losing control (see Note 7) Adjustment relating to increase/(decrease) in interest resulting in no change in control (see Note 9)	-	- (1,246)	-	-	-	(1,246)	(5,355) (1,439)	(5,355)
Transfer to put option reserve & impact of put option release**	-	(3,861)	-	5,141	-	1,280	-	1,280
Cost of share-based payment	-	-	-	-	455	455	-	455
Tax benefit related to employee share trust transactions	-	-	-	-	194	194	-	194
Capital issued under DRP	3,285	-	-	-	-	3,285	-	3,285
Equity dividends	-	(34,589)	-	-	-	(34,589)	(8,372)	(42,961)
At 30 June 2020	258,947	179,005	(1,442)	(14,778)	8,469	430,201	61,655	491,856

\*The Group adopted AASB 16: Leases on a modified retrospective basis, which resulted in an adjustment to retained earnings of \$279,000 on 1 July 2019, being the cumulative effect upon initial application of the standard. As permitted by the accounting standard, financial statement for the prior reporting period has not been restated. See Note 2.2 for further details.

\*\*On 1 April 2020 the Group disposed of all its shares in Allied Health Australia Pty Ltd extinguishing the related put option liability. On that date the put option liability of \$1.28m was derecognised directly against the put option reserve. There was no impact to the profit and loss.

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30 JUNE 2020

		Attributable	e to equity h	olders of th	e parent		Non- controlling interest	Total equity
-			Foreign		Share based			
	Issued	Retained	translation	option	payment			
	capital	earnings	reserve	reserve	reserve	Total		
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018	141,708	164,839	(459)	(26,403)	6,861	286,546	65,870	352,416
Net Profit After Tax 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 the capacity as owners:	ieir							
Adjustment relating to increases/(decrease) in interests in controlled entities (see Note 9)	-	(5,194)	-	-	-	(5,194)	(3,080)	(8,274)
Non-controlling interests relating to new acquisitions (see Note 7)	-	-	-	-	-	-	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

### CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 30 JUNE 2020

Consolidated 2020 2019 Notes \$'000 \$'000 CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers 330.204 284.228 Dividends received from others 36 Dividends/trust distributions received from associates 24,400 26,371 Interest received 2,328 3,379 Management fees received from associates / related entities 11,417 13,736 Payments to suppliers and employees (265, 514)(255, 555)Income tax paid (15, 101)(12,038)Interest paid (7,074)(5,886)Interest paid - lease liabilities\* 4 (v) (1,470)Net cash from operating activities before customer trust account movements 54,271 79,190 Net increase /(decrease) in cash held in customer trust accounts 12,114 15.257 NET CASH FLOWS FROM OPERATING ACTIVITIES 10 91,304 69,528 CASH FLOWS FROM INVESTING ACTIVITIES Payments for acquisition of consolidated entities, net of cash acquired 7 (a) (4,316)(13,748)Cash Inflow (outflow) from sale/deconsolidation of controlled entities 7 (b) 1,184 (4, 135)Payment for new associates and increases in holdings in associates 8 (141, 230)(1,938)Proceeds from reduction in interests in associates 8 4,491 Advance settlement for sale of associates 8 \_ 3,400 Proceeds from reduction in interests in controlled entities 9 1.250 3,262 Payment for increase in interests in controlled entities 9 (12,308)(3,692)Payment for contingent consideration on prior year acquisitions 15 (5,398)(3, 934)Payment for new broking portfolios purchased (2,733)(5,028)Proceeds from sale of broking portfolios 738 327 Proceeds from sale of other financial assets 1 5 770 Proceeds from sale of plant and equipment 165 Payment for plant and equipment and capitalised projects (1,873)(7, 171)Advances to related entities (1,336)(1,666)Repayment/(advances) of loans to associates / related entities 573 28 NET CASH FLOWS (USED IN) INVESTING ACTIVITIES (36,817) (157, 495)CASH FLOWS FROM FINANCING ACTIVITIES Dividends paid to shareholders\*\* (20,603)(30, 354)Dividends paid to shareholders of non-controlling interests (8,372)(9,969)Net proceeds from issue of share capital 113,197 Increase in borrowings 10 142,451 4,216 Repayment of borrowings 10 (14,510)(48.808)Payments of principal for lease liabilities\* 10 (9, 168)NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES 89,798 28,282 23,607 60,993 NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS Cash and cash equivalents at beginning of the period 219,997 158,657 Impact as a result of foreign exchange (454)347 Cash and cash equivalents at the end of the period 10 243.151 219.997

\*On 1 July 2019, the Group adopted AASB 16: Leases on a modified retrospective basis, and as permitted by the accounting standard, financial information for the prior reporting period has not been restated. For the period ended 30 June 2020, the total cash outflow for leases recognised under AASB 16 was \$11.94m. \*\*Excludes DRP which is a non-cash item, refer to Note 18 for further details.

### 1. CORPORATE INFORMATION

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

The financial report of AUB Group Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 25 August 2020.

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

The principal activities during the year of entities within the consolidated Group were the provision of services across Australia and New Zealand for insurance broking, agency, and distribution of ancillary products within the support services businesses.

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

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation of the financial report

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared under the historical cost convention, as modified by applying fair value accounting to certain financial assets and financial liabilities (including derivative instruments) measured at Fair Value through Profit or Loss (FVTPL) or in other comprehensive income (OCI).

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

The Company is an entity to which this legislative instrument applies.

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

### b) Statement of compliance

The financial statement 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 ('IASB') and IFRS Interpretations Committee ('IFRIC').

### c) Basis of consolidation

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 ensure conformity with the Group's accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in the consolidated accounts.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries which are not 100% owned by the 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.

# 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

# d) Significant accounting judgements, estimates and assumptions

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

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

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

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

# Impairment of goodwill / intangibles and investments in associates

The Group determines whether goodwill is impaired at least on an annual basis and for any identifiable intangibles and investments in associates that have an indicator of impairment. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. COVID-19 was considered in our assessment of (1) EBIT market multiples, (2) required return on equity in relation to Discounted Cash Flow (DCF) models and (3) future cash flow projections in DCF models. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 13.

### Measurement of contingent considerations

Contingent considerations terms vary between transactions but generally involve using the weighted average expected future profits of the company being acquired to compute the current liability. See Note 7(a) for further details.

### 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 reestimates 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. See Note 15 for further details.

### Expected Credit Loss - COVID-19

Whilst the subsidiaries and associates of the Group are diversified across industry sectors and customer segments, there may be some limited cases of customers experiencing short to medium term liquidity issues which may increase the risk of non-collectability in particular in relation to polices where customers are not required to maintain insurance under a legislative instrument. See Note 11 for further details.

### 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. See Note 16 for further details.

### Deferred Tax Assets

Deferred tax assets (DTA) 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. Judgement is required in relation to DTAs recognised in relation to carry forward losses. The future profitability of each entity or tax consolidation group (if a part of a tax consolidation group) needs to be assessed including where a capital loss is made, the probability of a future capital gain to offset the carrying forward capital loss. See Note 5 for further details.

# 2.2 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 restatement of comparative balances, and new and amended accounting standards which came into effect on 1 July 2019, both of which are detailed below.

The 30 June 2020 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 the notes below have also been updated to reflect the new and amended accounting standards in effect during the year.

The 30 June 2019 comparatives have been prepared in accordance with the previous accounting standards applicable for that period, except for the restatement of comparative balance for Trade Receivables and Trade Payables (detailed below), and Segment Reporting (see Note 3). The relevant accounting policies for 30 June 2019 can be found in the Group's 2019 Annual Report.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

- AASB 16 Leases;
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation;
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle; and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group also elected to adopt the following amendments early:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material.

The Group had to change its accounting policies as a result of adopting AASB 16. Refer to details below and in Note 14.

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

#### AASB 16: Leases

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

The Group has lease contracts for various items of property, plant and equipment, which are recognised on the balance sheet at commencement of the lease, with the exception of short-term leases not exceeding 12 months and leases of low-value assets.

The Group applied practical expedients and the exemptions to short-term leases and low-value underlying assets available in the accounting standard.

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

#### Impact of adoption of AASB 16

The Group adopted AASB 16 on a modified retrospective basis, and as permitted by the standard, the comparatives have not been restated. Upon adoption on 1 July 2019, the Group recognised a right-of-use asset of \$37.18m and a lease liability of \$37.19m, which was not materially different to the assessment at 30 June 2019. The impact of AASB 16 on retained earnings was \$0.28m.

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

The implementation of AASB 16 resulted in an increase to the Group's leasing expense of \$1.37m and hence a reduction of the Group's profit before tax of \$1.37m (net of non-controlling interest \$1.18m). Additionally AUB's post tax share of associate profits reduction was \$0.31m.

#### Transitional disclosure

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### AASB 16: Leases (continued)

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

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

#### Restatement of comparative balances:

As a result of further domestic and international discussion on the impacts of adoption of AASB 9 and AASB 15, the Group has reassessed its policy in relation to recognition of amounts due from customers for premiums and amounts payable to insurers on broking/agency operations (collectively referred to as fiduciary balances). As the Group is not liable for the underlying insurance premium, the Group acts as an agent in the collection of these balances from policy holders and as such these balances do not meet the definition of a financial liability or financial asset respectively. The Group recognises amounts due from customers in relation to uncollected fees and commissions due to the Group for services rendered, adjusted for expected credit loss. The Group recognises amounts due to insurers for premiums collected but yet to be transferred to the insurer. The 30 June 2019 balances have been restated to ensure comparability between reporting periods.

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

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

	30 June 2019					
Financial Statement Balance	Previously Reported	Note	Change	Restated		
	\$'000		\$'000	\$'000		
Amount due from customers on broking / agency operations	196,951	11	(163,717)	33,234		
Trade and other receivables (current)	243,309		(163,717)	79,592		
Amount payable on broking / agency operations	313,298	15	(163,717)	149,581		
Trade and other payables (current)	385,835		(163,717)	222,118		
NET ASSETS	483,398		-	483,398		

### 3. 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 is organised into four business units which have been identified as separate reportable segments as follows:

- 1. Australian Broking: assess the insurable risks and risk appetite of customers and sources relevant insurance products from insurers and underwriters which meets the needs of the customer. Post policy binding services primarily include claims handling services on behalf of the customer (claims preparation). Customers are generally comprised of Small and Medium Enterprise (SME) businesses, however services are also provided to large institutions and individuals.
- 2. Australian Agencies: assess risk profile and pricing of policies requested by brokers on behalf of the insurer. Post policy binding services primarily include claims handling services on behalf of the insurer (claims processing). Customers are generally comprised of brokers operating within the SME insurance industry sector.
- 3. New Zealand: provides broking and agency services within the New Zealand market. Operations are centrally monitored and managed by AUB Group NZ head office. As a distinct overseas operation and investment, performance of the segment is separately monitored.
- 4. **Support Services:** provides a diversified range of services to support the Broking, Agency, and New Zealand segments, and external clients. Services includes post claim rehabilitation, investigation, loss adjusting, legal, and AUB Group head office support. These sub segments are not individually reportable.

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.

As a result of organic growth and acquisitions, the Australian Agencies segment and the New Zealand segment have become separately reportable. Australian Broking, Australian Agencies, and New Zealand was previously reported in a single operating segment known as Insurance Intermediaries.

Due to the continued decline of the Risk Services entities as a proportion of the Group, the segment is no longer individually reportable and has been aggregated within the Support Service segment.

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

### Underlying Net Profit Before Tax

Performance of segments are reviewed by CODM on an Underlying Net Profit Before Tax (UNPBT) basis. UNPBT excludes the effects of non-recurring events or other items not representative of the underlying operationsitems of income and expenditure which do not represent the underlying performance of the Group and segments of the Group, such as restructuring costs, acquisition costs, fair value gain/losses, profits on sale, amortisation of broking registers and impairments. Such items are considered to be a result of non-recurring events or non-representative of the underlying operations of the Group and segments of the Group. UNPBT also excludes non-controlling interest to reflect the performance attributable to the shareholders of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

### 3. **OPERATING SEGMENTS** (continued)

UNPBT reconciles to the Statutory Profit before income tax within the Statement of Profit or Loss (SOPL) as follows:

		Co	nsolidated
	Note	2020 \$'000	2019 \$'000
Profit before income tax	SOPL	67,399	62,130
Add back / (less):			
- Share of associates' tax	8(e)	9,926	8,562
- Amortisation of broking registers	4(iii),4(iv)	11,132	8,937
- Interest Unwind on put option liability	4(v)	353	696
<ul> <li>Adjustments to carrying value of associates, goodwill, estimates for contingent consideration and movements in put option liability</li> </ul>	4(vi)	(1,790)	(5,424)
<ul> <li>Profit / (loss) from sale / dilution of interests in controlled entities, associates and insurance portfolios</li> </ul>	4(vii)	2,739	(1,155)
<ul> <li>Impairment of the Right of Use Asset and Onerous Lease Expense</li> </ul>	4 (iv)	2,550	-
<ul> <li>Group share of associate profit on sale/dilution of interests in their controlled entities, associates and insurance portfolios</li> </ul>		(1,228)	
- Legal, due diligence and debt costs		1,709	
- Austbrokers Canberra remediation		-	3,189
- Non-Controlling Interests		(16,176)	(10,099)
Underlying Net Profit Before Tax		76,614	66,836
- tax effects of the above items		(23,199)	(20,457)
Underlying Net Profit After Tax		53,415	46,379

		30 June 2020				
	Australian	Australian		Support		
	Broking	Agencies	New Zealand	Services	Total	
Segment Financial Performance	\$'000	\$'000	\$'000	\$'000	\$'000	
Inter-segment revenue*	2,160	-	-	6,969	9,129	
Revenue from external customers	160,599	46,960	46,623	51,602	305,784	
Total revenue and other income	162,759	46,960	46,623	58,571	314,913	

Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	35,976	2,223	1,442	-	39,641
Total income	198,735	49,183	48,065	58,571	354,554
Less: Expenses	-	-	-	-	-
Total underlying cost to provide services and administrative expenses**	(118,130)	(32,729)	(32,025)	(63,045)	(245,929)
Inter-segment expenses*	(4,630)	(2,352)	(2,147)	-	(9,129)
Interest paid and other borrowing costs	(1,372)	-	(750)	(4,584)	(6,706)
Non-controlling interest	(12,456)	(472)	(1,058)	(2,190)	(16,176)
Underlying Profit Before Tax	62,147	13,630	12,085	(11,248)	76,614

### 3. **OPERATING SEGMENTS (continued)**

	30 June 2019					
	Australian	Australian		Support		
	Broking***	Agencies	New Zealand	Services	Total	
Segment Financial Performance	\$'000	\$'000	\$'000	\$'000	\$'000	
Inter-segment revenue*	1,691	-	-	7,464	9,155	
Revenue from external customers	147,470	48,761	30,947	52,633	279,811	
Total revenue and other income	149,161	48,761	30,947	60,097	288,966	
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense <b>Total income</b>	31,782 <b>180,943</b>	2,054 <b>50,815</b>	2,374 <b>33,321</b>	- 60,097	36,210 <b>325,176</b>	
Less: Expenses						
Total underlying cost to provide services and administrative expenses**	(113,934)	(32,875)	(18,851)	(67,526)	(233,186)	
Inter-segment expenses*	(4,211)	(2,327)	(2,617)	-	(9,155)	
Interest paid and other borrowing costs	(1,485)	(74)	(516)	(3,825)	(5,900)	
Non-controlling interest	(7,095)	(21)	(2,178)	(805)	(10,099)	
Underlying Profit Before Tax	54,218	15,518	9,159	(12,059)	66,836	

\*Management fees and interest on loans are recognised as revenue within the Support Services segment, and as an expense within other segments. \*\*Excludes non-operation expenses, refer to preceding table for reconciliation between statutory profit and underlying profit before tax.

\*\*\* Procare was previously within the Support Services segment. From 1 July 2020 the entity's results have been included in the Australian Broking segment and the 2019 comparative restated for comparability.

### Segment Non-Current Assets

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



■ Australian Broking ■ Australian Agencies ■ New Zealand ■ Support Services

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

Disaggregated information by segment of the carrying value of associates are disclosed in Note 8.

The Group adopted AASB 16 on 1 July 2019 under a modified retrospective approach and has not restated its prior year comparative balance, refer to Note 2.2 for further details. The current year non-current asset balances includes a right of use asset balance.

### 4. REVENUE AND EXPENSES

### **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 significant reversal, when the performance obligation has been satisfied.

# Australian Broking, Australian Agencies, and New Zealand segments

#### Commission, brokerage and fees

In most instances the Group receives short-term advances from its customers, being the receipt of the premium and fees on bound policies prior to due date to the insurer. Using the practical expedient in AASB 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 service to the customer and when the customer pays for that service will be one year or less.

### Non Variable component

#### Policy Issuance

Commission, brokerage and fee income is generated by brokers primarily through assessment of insurable risks and risk appetite of customers and sourcing relevant insurance products from insurers and underwriters which meets the needs of the customer. For agencies services are provided to brokers (the customer), through assessment of risk profile and pricing of policies requested by brokers.

The Group recognised commissions, brokerage and fee revenue at invoice date on the basis 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 an 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 of revenue.

#### Claims handling

Claims handling for agencies refers to claims processing on behalf of insurers. In certain arrangements (separate contract or distinct clause within binding agreements with insurers) the cost per claim processed is separately identifiable. For such claims the revenue is recognised over time based on the number of claims processed and the percentage of completion of claims assessment in progress at the balance sheet date.

#### Variable components

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.

#### Claims handling and premium settlement activities

In most arrangements for agencies claims handling services forms part of the binding arrangement with insurers. Claims handling for brokers refers to claims preparation services on behalf of the insured. Premium settlement refers to post policy issuance activities such as payment processing and bordereaux/settlement reporting.

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.

#### Premium Funding Commissions

Premium funding companies provide services to a similar customer base as the brokers within the Group. The services provided by these companies involve short term lending of the upfront Gross Written Premium ('GWP') in return for the principal loan repaid over the term of the insurance cover plus interest and fees.

The Group receives commission from Premium Funding companies on successful referral of customers contingent on the customer's ongoing repayments. Additionally the Group receives commissions payments on volume based incentives provided typically as a percentage of GWP based on hurdle targets, with a minimum floor to generate the volume based incentive payments. Such arrangements exist at both the Group and individual broker level, subsequently the outcome of broker/agencies may be contingent on both future sale volume and performance of related entities contributing to the scheme.

The Premium Funding Commission is recognised monthly by the Group on receipt of cash or notification by the Premium Funding Company on the commission due to the Group. No component of the commission is deferred as no ongoing obligation exists for the Group.

#### Profit Commissions

Profit Commissions refer to the share of profits provided to the broker or agencies by the insurer in relation to the book of policies (the 'book') bound by the broker or agency in any given underwriting year. Insurers calculate the profit based on the GWP less any cost incurred to maintain the book, and satisfy its obligations under the policies within the book such as claim acquisition, and maintenance costs. The variable consideration is contingent on the performance of the book and in particular the quantum of claims.

The Group recognises profit commission at the earlier of:

- receipt of payment;
- receipt of the insurers' advice of the amount earned; or
- where the recipient is an agency who administers the related claims handling services, the point at which the profit commission no longer contains a highly probable risk of significant reversal of revenue.

Future years profit commissions could be impacted if the policy lapse rates increase compared to prior years due to COVID-19. There have been no known impacts to profit commissions in the current financial year.

### 4. REVENUE AND EXPENSES (continued)

#### Support Services segment

#### Fees

Fee revenue earned is recognised upon issue of an invoice for services rendered, 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. No ongoing performance obligation exists after the issuance of the invoice.

#### **Other Revenue**

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

#### Management fees from related entities

Management fees and other revenue are recognised over time as the performance obligation is satisfied.

#### Interest income

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

#### Dividends and Distributions from trusts

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

#### Share of profits of associates

The Group recognises its share of profits of associates using the equity accounted method, being the recognition of a post-tax share of profits at the Group's economic interest of each associate. The share of profits excludes any fair value changes or impairments incurred within the associate as a result of a downstream transaction such as bolt on acquisitions or changes in control. Additionally differences between the Group and entity accounting policies are adjusted at the Group level, primarily in relation to intangibles recognised by the acquirer (i.e. the Group) which were not recognised at the associate level. The amortisation of such intangibles over its useful life (generally 10 years) is separately disclosed.

#### COVID-19 Impact

Some controlled entities and associates of the Group have experienced declines in revenue in certain industry sectors and customer segments as a result of COVID-19, for example in the hospitality and entertainment sectors. The impact of lost sales or decreases in coverage cannot be quantified accurately due to the number of non COVID-19 related variables which may impact on the decision making of customers. The Group has increased Expected Credit Loss (ECL) provisions where required. The adjustment attributable to COVID-19 was \$1.37m (\$1.28m net of NCI), refer to Note 11 for further details.

	Coi	nsolidated
	2020	2019
	\$'000	\$'000
Revenue from contracts with customers		
Commission, brokerage and fee Income	287,559	257,319
Management fees from related entities	11,417	13,736
Other revenue	4,480	5,341
Total revenue from contracts with customers	303,456	276,396
Recognised at a point in time	215,534	198,193
Recognised over time	87,922	78,203
Other income		
Dividends from other persons / corporations	-	36
Interest from related persons / corporations	762	65
Interest from other persons / corporations	1,566	3,314
Total other income	2,328	3,415

Dividends are recognised at a point in time, whilst interest is recognised over time.

#### iii) Share of profit of associates

Share of Net Profits of Associates accounted for using the equity method before amortisation (net of income		29,929
tax expense)	33,437	29,929
Amortisation of intangibles - Associates	(3,866)	(2,562)
Total share of profit of associates	29,571	27,367

Share of profit of associates are recognised using the equity accounted method.

### 4. REVENUE AND EXPENSES (continued)

#### Expenses

Expenses including salaries and wages, business technology and software costs, insurance, advertising and marketing, and interest are recognised as incurred or as services are provided to the Group.

Salary related statutory obligations such as long service leave is accrued on a probability weighted basis to the vesting date. Assumptions are applied in relation to annual and long service leave with respect to expected wage growths and risk free discount rates over the next 10 years.

Amortisation of broker registers are conducted on a straight line basis over the useful life of the asset, generally 10 years.

Amortisation of Right of Use Asset is made on a straight line basis over the shorter of the lease term and the estimated useful life of the underlying asset. The Right of Use Asset incorporates fixed rental increases, with changes based on indexes and rental market reviews incorporated when such changes are known. The Group applies practical expedients in relation to short term (less than 12 months) and low value (less than \$7,000 AUD) leases. Such leases are recognised on a straight line basis of the expected gross expense over the term of the lease.

Depreciation / Amortisation of all other assets are recognised on a straight line basis over the useful life of the asset, refer to Note 25 for more details.

Commission expenses are sub agent and referral fees paid to another party in return for introductory services on insurances brokered by the Group. The expense is recognised in full when the related insurance policy is invoiced.

Legal fees / acquisition costs are recognised as they are incurred except in relation to acquisition of a non-financial asset, borrowing facility, or associates. The costs that are directly attributable to

bringing the asset to its intended use are capitalised and depreciated over the useful life of the asset. The costs directly attributable to obtaining funding are capitalised and amortised over the term of the facility to a maximum of 5 years. The cost directly attributable to acquisition of an associate is capitalised as part of the carrying value of the associate.

Further disclosures in relation in relation to non-operating gains and losses such as fair value adjustments to carrying value or gains / losses from sale are made in the indicated Notes 7-9.

### COVID-19 Impact

The Group entered into a sub-lease agreement with an external party in relation to its previous head office lease. The agreement executed on 25 May 2020 resulted in an impairment of the Right of Use Asset, leasehold improvements and make good asset totalling \$1.23m. Of the impairment loss recognised, \$0.46m is attributable to COVID-19 where negotiated terms of a sub-lease substantially changed to the final executed agreement. In relation to the retained space, a \$0.31m loss was recognised as a result of the decline in square meter rental rates. As the retained space (29%) remains unoccupied, an impairment of the right of use asset was recognised resulting in a loss of \$0.45m, which is not attributable to COVID-19.

The Group is undergoing an exercise to consolidate it's leases which during the year resulted in the premises of a controlled entity being vacated and readily available for sub lease. As the rental space remains unoccupied, an impairment of the right of use asset was recognised resulting in a loss of \$1.32m, which is not attributable to COVID-19.

The total impairment of the Right of Use Asset was 2.55m, of which 0.77m was attributable to COVID-19. Refer to Note 14 for further details.

### 4. REVENUE AND EXPENSES (continued)

	_	Co	nsolidated
		2020 \$1000	2019
		\$'000	\$'00(
)	Expenses	105 404	104.04
	Salaries and wages	165,431	164,34
	Commission expense	12,040	12,46
	Depreciation	3,377	3,43
	Amortisation of broking registers	7,266	6,37
	Amortisation of capitalised project costs	1,076	1,50
	Amortisation of right of use asset	9,876	
	Impairment of the right of use asset	2,550	
	Rent	3,770	12,94
	Business technology and software costs	10,259	7,61
	Insurance	7,411	6,07
	Travel costs	7,499	7,93
	Legal fees / acquisition costs	2,811	5,02
	Advertising and marketing	2,921	3,07
	Audit fees	1,539	1,74
	Share based payments	455	77
	Other expenses	20,197	11,72
	Total cost to provide services and administrative expenses	258,478	245,03
)	Finance costs Interest paid and other borrowing costs	6,706	5,90
	Interest unwind on lease liability	1,470	5,50
		,	60
	Interest unwind on put option liability	353	69
	Total finance costs	8,529	6,59
i)	Adjustments to carrying value of associates, goodwill, contingent consideration		
	payments and put option liability		
	Adjustments to carrying value of entities (to fair value) on the date they became controlled entities	2,862	17,16
	(see Notes 7(a)) Adjustment to contingent consideration on acquisition of controlled entities, and	541	4
	associates (see Note 13)	041	-
	Remeasurement of put option liability (refer to Note 13)	4,214	7,17
	Impairment charge relating to the carrying value of associates and goodwill (see Notes 8 & 13)	(5,827)	(18,961
	Total adjustments to carrying value of associates, goodwill, contingent consideration payments and		
	put option liability	1,790	5,42
	Profit/(loss) from sale or dilution of interests in controlled entities, associates and insurance portfolios		
ii)	· · · · · · · · · · · · · · · · · · ·	(4,700)	1,19
ii)	(Loss)/Profit from sale of deconsolidation of controlled entities (see Note 7(b))	( .,. 00)	
ii)	(Loss)/Profit from sale of deconsolidation of controlled entities (see Note 7(b)) Profit/(loss) from sale/dilution in interest in associates (see Note 8)	2,975	
i)			(37

### 5. INCOME TAX

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

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

#### 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 controlled entity 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 Group is conscious of its social responsibility to pay corporate taxes. The Group's effective Australian corporate tax rate for 30 June 2020 was 30.51% (2019: 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 the AUB Group that receive the majority of its income through franked dividends.

The AUB 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.

### 5. INCOME TAX (continued)

### Effective Tax Rate (continued)

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 as an offset against AUB's gross tax, thereby reducing the amount disclosed as 'tax payable'. Accordingly, the amount disclosed by the ATO their report is after the franking credits have been taken into account.

	Con	solidated
	2020	2019
	\$'000	\$'000
Major components of income tax expense		
Consolidated Statement of Profit or Loss		
Current income tax		
Current income tax charge	19,261	16,725
Adjustment for prior years	(186)	(8)
Deferred tax credit		
Origination and reversal of temporary differences	(7,776)	(3,759)
Total income tax expense in Consolidated Statement of Profit or Loss	11,299	12,958

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	67,399	62,130
At the company's statutory income tax rate of 30% (2019: 30%)	20,220	18,639
Impact of:		
Rebateable dividends	-	(11)
Equity accounted income from associates	(9,662)	(5,611)
Non-taxable distributions from associates operating as trusts	(218)	(480)
Non-deductible gains/losses on sale	708	96
Tax Losses not recognised	477	1,240
Income taxed at different tax rates on overseas operations	(104)	(183)
Movement in Put options liability	(1,264)	(1,945)
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities or deconsolidated	(859)	(5,149)
Adjustments to contingent consideration on acquisition of controlled entities and associates	(162)	(13)
Impairment charge relating to the carrying value of associates and controlled entities	1,748	5,688
(Over)/ under provision prior year	(186)	(8)
Non-deductible expenses/other	601	695
Income tax expense reported in the Consolidated Statement of Profit or Loss	11,299	12,958

Income tax payable 9,366 6,53	Income tax payable	9,366	
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### 5. INCOME TAX (continued)

	Consolida	ited	Consolid	ated
	Statement of F	Statement of Financial Position		Profit or
	Positio			Loss
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Income accrued not yet assessable and other	2,150	2,930	(780)	646
Unamortised value of broking registers	15,230	6,643		
Deferred tax relating to broking registers acquired	708	11,930		
Acquisition of controlled entities	17			
Tax credit on insurance broking registers amortisation expense	(2,106)	(1,916)	(2,106)	(1,916)
Deferred income tax liabilities	15,999	19,587		
Deferred tax asset				
Provisions and accruals not yet claimed for tax purposes and other	11,005	8,189	(2,816)	(4,132)
Carry forward capital losses	2,250	-	(2,250)	-
Carry forward operating losses	1,467	1,643	176	1,643
(Disposal)/Acquisition of controlled entities	(184)	2,813		
Deferred income tax assets	14,538	12,645		
Deferred tax credits			(7,776)	(3,759)

Deferred tax assets for tax losses incurred are recognised to the extent that the Group expects the carry forward losses to be utilised in the future. Unused tax losses not recognised as deferred tax assets at 30 June 2020 was \$1.24m (2019: \$1.24m). Unused capital losses not recognised as deferred tax assets at 30 June 2020 was \$0.48m (2019: \$nil).

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

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:

- 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.

### a) Earnings Per Share (EPS)

	C	onsolidated
	2020	2019
	\$'000	\$'000
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Net profit attributable to ordinary equity holders of the parent	47,254	48,361
	2020	2019
	Thousands	Thousands
	Shares	Shares
Weighted average number of ordinary shares for basic earnings per share	73,724	69,593
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued		
at average market price	172	81
Weighted average number of ordinary shares adjusted for the effect of dilution	73,896	69,674
Basic earnings per share (cents per share)	64.10	69.49
Diluted earnings per share (cents per share)	63.95	69.41

#### 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.

### 6. EARNINGS PER SHARE (EPS) / DIVIDENDS PAID AND PROPOSED (continued)

	Co	nsolidate
-	2020	20
_	\$'000	\$'00
Equity dividends on ordinary shares:		
Dividends paid or recognised as a liability during the year		
Final franked dividend for financial year ended 30 June 2018: 32.0 cents	-	20,43
Interim franked dividend for financial year ended 30 June 2019: 13.5 cents	-	9,92
Final franked dividend for financial year ended 30 June 2019: 32.5 cents	23,888	
Interim franked dividend for financial year ended 30 June 2020 14.5 cents		
(payment deferred to 3 September 2020)	10,701	
Total dividends paid/provided in current year	34,589	30,3
In addition to the above, dividends paid to non-controlling interests totalled \$8.37m (2019: \$9.97m).		
Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2019: 32.5 cents	-	23,88
Final franked dividend for financial year ended 30 June 2020: 35.5 cents	26,206	
	26,206	23,88
Dividends paid and accrued per share (cents per share)	50.00	46.0
Dividends proposed per share (cents per share) not recognised at balance date	35.50	32.
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% (2019: 30%)	38,630	36,42
- franking credits that will arise from the payment of income tax payable as at the end of		
the financial year	2,966	53
The amount of franking credits available for future reporting periods	41,596	36,9
- 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	(15,817)	(10,23

The tax rate at which paid dividends have been franked is 30% (2019: 30%). Dividends proposed and accrued will be franked at the rate of 30% (2019: 30%).

### 7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL

### a) Business combinations

A major strategy of the Group is to acquire part ownership in insurance broking, agency and other insurance intermediary services businesses or portfolios. The terms of these acquisitions vary in line with negotiations with individual vendors but are structured to achieve the Group's benchmarks for return on investment.

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

The acquisition method of accounting is used to account for all business combinations. Consideration transferred is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange. All acquisition costs including legal fees are charged against profits to acquisition and legal fees (see Note 4(iv)) as incurred except stamp duty which is recognised in income tax expense (see Note 5) 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. Refer to Note 9 for all transactions between owners.

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 recognised in the Consolidated Statement of Financial Position at fair value.

When a business combination occurs, the acquiree's identifiable assets and liabilities are measured at their fair value at the date of the exchange transaction to determine the amount of any goodwill associated with the transaction. Any previously held interests of the acquiree is remeasured to fair value, with the movement reflected in the Consolidated Statement of Profit or Loss as either a profit or loss. 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.

When the Group increases their interest in a company leading to the Group obtaining control in the company the Group derecognises the investment in associate and recognises the acquiree's identifiable assets and liabilities measured at their fair value in line with other business combinations. The shares held immediately preceding the Group obtaining control is remeasured based on the implicit value of the shares acquired, resulting in a fair value gain or loss. The cumulative amount recognised through Other Comprehensive Income is reclassified to profit or loss when the control assumption changes.

Non-Controlling Interest is initially measured at fair value.

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

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

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

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

- A&I Member Services Pty Ltd was renamed Austbrokers Member Services (AMS) on 3 December 2019. During the current year, the Group acquired an additional 50% of AMS for \$1 and effective 1 October 2019, it became a controlled entity.

Business Acquired	Transaction date(s)	2020	2019
		% / \$ '000	%
A&I Member Services Pty Ltd	01-Oct-19	100.00	50.00
WRI Brokers Pty Ltd	01-Apr-20	100.00	49.90
Total consideration paid for all additional inte	rest acquired	5,000	
Less cash acquired		684	
Net Cash paid		4,316	

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

### a) i) During the current period, the following transactions occurred (continued):

 Effective 1 April 2020, AUB Group Limited acquired a further 50% of voting shares in WRI Insurance Brokers Pty Ltd (WRI) for \$5.00m increasing its shareholding to 100%. On this date WRI and its controlled entities became controlled entities of the Group. A fair value gain of \$0.85m was recognised in relation to the original 50% of shares.

	Fair value of
	assets and
	\$'000
ASSETS	
Cash	684
Receivables	2,690
Property plant and equipment	364
Intangibles	169
Total Assets	3,907
LIABILITIES	
Payables and provisions	2,503
Borrowings	1,061
Deferred Tax Liabilities	208
Total Liabilities	3,772
Net Assets	135
Less Non-controlling interest	-
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	135
Carrying value of investment in associate	2.146
Acquisition price of controlled entity	5,000
Adjustment to carrying value of associate (to fair value) on the date	
WRI became a controlled entity	854
Total purchase price / fair value of acquisition	8,000
Goodwill & broking register arising on acquisition relating to the Group*	8,578
Goodwill & broking register arising on acquisition relating to non controlling interests	-

\* A deferred tax liability was recognised in relation to the broking register of \$0.71m which is not included in the numbers presented above.

The total Revenue and Net Profit recognised during the financial year ended 30 June 2020 was \$2.41m and \$0.88m respectively. Had the entities been acquired at the beginning of the financial year ended 30 June 2020, the Revenue and Net Profits would have been \$5.61m and \$1.21m respectively.

### 7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL

### (continued)

a) ii) During the previous period, the following transactions occurred:

	Transaction	2040	0040
Entity	date(s)	2019	2018
Increase in voting shares of controlled entitie	es	% / \$ '000	%
Adroit Holdings Pty Limited *	01-Jul-18	94	50
Adroit Equity Investments Pty Limited **	01-Jul-18	40	
Northlake Holdings Pty Ltd	01-Oct-18	63	50
Cinesura Entertainment Pty Ltd	01-Jan-19	100	50
Brokerweb Risk Services Ltd	01-Jan-19	100	50
Primesure Insurance Brokers Ltd	01-Mar-19	90	-
MIG Fire and General Ltd	01-Apr-19	100	
Total consideration paid for all addition	onal interest acquired	120,017	
Less deferred consideration payable		4,296	
Less cash acquired on consolidation (includ	ing cash available in insurance broking	50,763	
accounts)			
Less carrying value of associates immediate	ly prior to becoming a controlled entity	51,210	
Net Cash Paid		13,748	
Goodwill arising on acquisition related to the	Group	99,263	
Goodwill arising on acquisition relating to nor	n-controlling interests	4,849	
Net increase/(decrease) in non-controlling ir	iterest	14,320	

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

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

The total Revenue and Net Profit recognised during the financial year ended 30 June 2019 in relation to the previous year acquisitions were \$49.56m, and \$7.55m respectively. Had the entities been acquired at the beginning of the financial year ended 30 June 2019, the Revenue and Net Profits would have been \$59.25m and \$11.33m respectively.

- 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 \$21.70m.
- 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 \$1.49m.
- 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 \$2.18m including a deferred payment of \$0.56m.
- On 1 January 2019, a controlled entity acquired a further 50% of the voting shares of 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 \$37.87m.
- On 1 March 2019, a controlled entity acquired a further 90% of the voting shares of Primesure Insurance Brokers Ltd (Primesure) for \$2.60m. 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 \$2.68m including a deferred payment of \$0.85m.

### 7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL

### (continued)

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

Fair values of the assets and liabilities of acquired entities.

	Fair value of assets and liabilities of BWRS	Fair value of assets and liabilities of Northlake, MIG, Adroit and Cinesura Primesure
	\$'000	\$'000
ASSETS		
Cash	21,009	29,754
Receivables	18,019	27,091
Investment in associates	7,552	-
Property plant and equipment	390	2,453
Intangibles	21,829	23,691
Total Assets	68,799	82,989
LIABILITIES		
Payables and provisions	34,874	49,954
Borrowings	18,743	7,262
Deferred Tax Liabilities	6,112	5,367
Total Liabilities	59,729	62,583
Net Assets	9,070	20,406
Less Non controlling interest	(1,239)	(8,232)
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	7,831	12,174
Carrying value of investment in associate / controlled entity	16,491	17,556
Acquisition price of controlled entity	37,867	26,644
Deferred consideration on acquisition of controlled entity	-	4,296
Fair value adjustment on the date the Associate became a controlled entity $\label{eq:Fair}$	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	-	-
Cash outflow on acquisition is as follows:		
Net cash acquired on consolidation or reduction on deconsolidation of controlled entities	21,009	29,754
Cash (paid) on acquisition / cash received on disposal	(37,867)	(26,644)
Net cash inflow/(outflow) on acquisition or deconsolidation of controlled entities (including cash available in insurance broking trust accounts)	(16,858)	3,110

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

### b) Loss of Control

When a 100% disposal occurs the Group derecognises all assets and liabilities previously recognised in relation to the disposed entity including associated goodwill. A gain or loss is recognised in relation to the disposal based on the difference between the carrying value of net assets (including goodwill) associated with the entity and the sale price.

When a partial disposal occurs leading to the Group losing control of the entity, the Group derecognises all assets and liabilities previously recognised in relation to the disposed entity including associated goodwill with an investment in associate recognised in relation to the remaining interest continued to be held by the Group. A gain or loss is recognised in relation to the disposal based on the difference between the share (portion of interest being disposed) of net assets (including goodwill) associated with the entity and the sale price.

### b) *i)* During the current period, the following transactions occurred:

- Effective 1 February 2020, AUB Group disposed its shares in Austbrokers Central Coast Pty Ltd (ABCC) for 470,348 newly issued shares in Markey Group Pty Ltd increasing the Group's shareholding by 16.00%. Immediately the Group disposed of 235,174 of its shares (16.00%) in Markey Group Pty Ltd to the other shareholders for \$2.19m such that AUB equity interest retained at 50%. On this date Austbrokers Central Coast Pty Ltd and its controlled entities ceased to be controlled entities of the Group and become controlled entities of Markey Group Pty Ltd.
- On 1 April 2020, the Group disposed all of its voting shares in Allied Health Pty Ltd (Allied) for \$2.25m (Net present value \$2.07m), including a post disposal dividend of \$0.15m. Sale proceeds other than \$0.15m will be received over a 5 year period. On 1 April 2020 Allied ceased to be a controlled entity. An after tax loss on sale of \$0.65m was recognised.

Entity	Transaction date	2020	2019
Decrease in voting shares of controlled entity - current year		% / \$ '000	%
Austbrokers Central Coast Pty Ltd	01-Feb-20	0.0	80.0
Allied Health Australia Pty Ltd	01-Apr-20	0.0	60.0
Decrease in voting shares of controlled entity - previous year		2019	2018
Austbrokers C E MacDonald Pty Ltd	01-Nov-18	0.0	100.0

### b) *ii)* During the previous period, the following transactions occurred:

- On 1 November 2018, the Group disposed 100% of the voting shares in Austbrokers C E MacDonald Pty Ltd (CEM) to an associate for \$2.69m. On this date it ceased to be a controlled entity.

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

	2020	2020	2019
Carrying value of assets and liabilities on the date of deconsolidation of	ABCC	Allied	CEM
ABCC, Allied and CEM	\$'000	\$'000	\$'000
ASSETS			
Cash	2,001	2,284	1,501
Receivables	2,596	900	1,573
Property plant and equipment	51	396	166
Right of use asset	115	279	-
Intangibles	2,371	9,125	1,404
Deferred tax asset	11	184	-
Total Assets	7,145	13,168	4,644
LIABILITIES			
Payables and provisions	3,796	1,366	3,057
Lease liability	117	286	-
Borrowings	14	14	93
Income tax provision	12	218	-
Total Liabilities	3,939	1,884	3,150
Net Assets	3,206	11,284	1,494
Less Non controlling interest on date of deconsolidation	(841)	(4,514)	-
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	2,365	6,770	1,494
Original cost base of deconsolidated entity	1,543	-	-
AUB Group carrying value adjustments to date of deconsolidation	822	-	-
Fair value adjustment on date the entity became an associate	2,008	-	-
Total cost transferred to carrying value of associate on deconsolidation	4,373	-	-
Sale proceeds - received	-	150	2,686
Sale proceeds - deferred settlement	-	1,920	-
Sale proceeds - scrip for scrip share swap	4,373	-	-
Less : carrying value of voting shares sold	4,373	6,770	1,494
(Profit) / Loss on deconsolidation of controlled entities before tax	-	4,700	(1,192)
Tax (credit) / expense - on to sale of voting shares*	-	(4,052)	404
Loss / (Profit) after tax on deconsolidation of controlled entity	-	648	(788)
Cash outflow on acquisition / disposal is as follows:			
Net cash reduction on deconsolidation of controlled entities	(2,001)	(2,284)	(1,501)
Cash received on disposal	(2,001)	(2,204)	2,686
Net cash (outflow) on deconsolidation of controlled entities		100	2,000
(including cash available in insurance broking trust accounts)	(2,001)	(2,134)	1,185
Goodwill reduction on deconsolidation of controlled entity	2,371	9,125	1,746
Net decrease in non controlling interest on deconsolidation	841	4,514	-

\*Of the \$4.1m tax credit recognised \$1.80m has been offset against current year capital gains, with the remaining \$2.25m carried forward to be utilised against future capital gains.

### 8. INVESTMENT IN ASSOCIATES

The Group's investments in its associates are accounted for under the equity method of accounting in the Consolidated Financial Statements. 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.

Refer to Note 13 Impairment Testing of Identifiable Intangible Assets and Goodwill.

When the Group partially disposes its interest in an associate but continues to maintain significant influence, the carrying value of the investment in associate is reduced by the proportion of interest disposed compared to the total interest held by the Group immediate proceeding the partial disposal. A gain or loss is recognised as the difference between the sale proceeds and the carrying value of the portion of interest being disposed.

When the Group sells or contributes to an associate an interest in a subsidiary that constitutes a business as defined in AASB 3, the gain or loss resulting from the sale or contribution is recognised in full.

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

Entity		2020	2019
Increase in investment in Associates	Transaction date(s)	% / \$ '000	%
Rosser Underwriting Limited	01-Jul-19	35.7	22.3
Dawson Insurance Brokers (Rotorua) Ltd	01-Jul-19	50.0	50.0
Austbrokers Member Services Pty Ltd	01-Oct-19	100.0	50.0
McDonald Everest Insurance Brokers Limited	01-Dec-19	44.7	-
BizCover Pty Limited	01-Feb-20	40.0	-
Countrywide Insurance Holdings Pty Limited	01-Apr-20	49.9	49.9
Total consideration paid for all additional interest acquired		142,027	
Less contingent consideration payable		797	
Total cash consideration paid for all additional interest acquired		141,230	
Decrease in investment in Associates			
Austbrokers AEI Transport Pty Ltd	01-Jul-19	40.0	50.0
R.G Financial Services Pty Ltd	01-Jul-19	-	50.0
Insurance Advisernet Australia Pty Limited	01-Sep-19	47.5	49.9
Insurance Advisernet Holdings Pty Limited	01-Sep-19	47.5	49.9
Workers Compensation and Risk Specialists Pty Ltd	01-Jan-20	-	40.0
Austbrokers Affinity Pty Ltd	31-Jan-20	-	40.0
Markey Group Pty Ltd	01-Feb-20	49.9	49.9
Gard Insurance Solutions Pty Itd	01-Sep-19	-	25.0
Total consideration received for all interest disposed		7,891	
Less carrying value of shares being sold		4,916	
Net gain/(loss) on disposal of interest - see Note 4 (vii)		2,975	

### 8. INVESTMENT IN ASSOCIATES (continued)

- On 1 July 2019 AUB Group NZ Limited, a controlled entity of the Group paid NZ\$0.91m for new shares issued by Dawson Insurance Brokers (Rotorua) Ltd to maintain its shareholding in the associate at 50%. The Group's effective ownership is 44.7%.
- On 1 July 2019, the Group disposed of 10% of Austbrokers AEI Transport Pty Ltd for \$3.40m reducing its voting shares from 50% to 40%. The cash consideration was receipted on 28 June 2019.
- On 1 September 2019, the Group disposed of 2.4% of Insurance Advisernet Australia Pty Limited and Insurance Advisernet Holdings Pty Ltd for \$1.68m.
- On 1 December 2019, AUB Group NZ Limited, a controlled entity, acquired 50% of the voting rights within McDonald Everest Insurance Brokers Limited for an initial upfront payment of NZ\$1.38m with an expected contingent consideration payable within 2 years of NZ\$1.12m. The Group's effective ownership is 44.7%.
- Assessment of the contingent consideration is a significant judgement. The contingent considerations are based on fixed multiples of the Earnings Before Interest, Tax, and Amortisation (EBITA) of the entity for the 12 months ended 30 June 2020 and 30 June 2021 less previous consideration paid. The minimum and maximum contingent consideration payable is clawback of the initial upfront payment, and unlimited respectively. The expected contingent consideration has been computed using the weighted average expected EBITA for the 12 months ended 30 June 2020 and 30 June 2021.
- Effective 1 February 2020, AUB Group Limited acquired 40% of the voting shares of BizCover Pty Limited (BizCover) for \$133.99m. On this date BizCover became an associate of the Group. BizCover is a scalable and high growth commercial insurance platform that allows SME clients to purchase a variety of insurance products.
- Effective 1 February 2020, AUB Group swapped 80% of its shares in Austbrokers Central Coast Pty Ltd for newly issued shares in Markey Group Pty Ltd increasing the Group's shareholding by 16.66%. Immediately the Group disposed 16.66% of its shares in Markey Group Pty Ltd to the minority shareholders for \$2.19m. On this date Austbrokers Central Coast Pty Ltd and its controlled entities ceased to become a controlled entities of the Group and become controlled entities of Markey Group Pty Ltd.
- On 1 April 2020, the Group paid \$2.14m for new shares issued by Countrywide Insurance Holding Pty Ltd to maintain its shareholding in the associate at 49.9%.
- On 1 April 2020, the Group purchased all remaining shares of WRI Insurance Brokers Pty Limited (WRI) for \$5.00m. On this date WRI became a controlled entity of the Group. Refer to Note 7(a) for further details.

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

		Con	solidated
		2019	2018
Entity	Transaction date(s)	\$'000	\$'000
New associates acquired or additional interest acquired during the period:			
Rosser Underwriting Limited	01-Jul-18	22.3	-
Total consideration paid for all interest acquired		1,292	
Less contingent consideration payable		-	
Total cash consideration paid for all interest acquired		1,292	

During the previous period, further adjustments to contingent considerations relating to prior year acquisitions resulted in a net decrease in estimates previously recognised by the Consolidated Group by \$0.22m.

Entity	Transaction date(s)	<b>2019</b> %	<b>2018</b> %
Associates now controlled (see Note 7)			
Adroit Holdings Pty Limited *	01-Jul-18	94.0	50.0
Northlake Holdings Pty Ltd	01-Oct-18	65.8	50.0
Associates acquired on obtaining control of Adroit Holdings Pty Limited			
NRIG Pty Ltd	01-Jul-18	50.0	-
Claims Pty Ltd	01-Jul-18	50.0	-

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

## 8. INVESTMENT IN ASSOCIATES (continued)

_			-	onsolidated
	2020	2019	2020	201
Investments carrying value:	%	%	\$'000	\$'00
Associated entities - unlisted shares			271,041	127,45
Associated entities (and their controlled entities)			,•	,
Australian Broking				
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	556	39
Austbrokers AEI Transport Pty Ltd	40.0	50.0	7,893	9,72
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,691	2,57
Austbrokers Hiller Marine Pty Ltd	50.0	50.0	2,001	2,07
Austbrokers Member Services Pty Ltd*	100.0	50.0	-	
-	49.9	49.9	- 2,563	2,60
Austbrokers RIS Pty Ltd	49.9 50.0	49.9 50.0		
Austrol Insurance Brokers Bty Ltd			4,573	4,65
Austral Insurance Brokers Pty Ltd	50.0	50.0	1,632	1,49
BizCover Pty Limited	40.0	-	135,983	
Bluestone Insurance Pty Ltd	50.0	50.0	-	1 50
Brett Grant and Associates Pty Ltd	50.0	50.0	1,569	1,59
Broker Claims Pty Ltd	47.5	47.0	-	0.44
Countrywide Insurance Holdings Pty Ltd	49.9	49.9	5,197	2,44
Global Assured Finance Pty Ltd	49.9	49.9	-	
HQ Insurance Pty Ltd	49.7	49.7	4,568	4,60
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust	47.5	49.9	15,962	16,73
Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet Holdings Unit Trust	47.5	49.9	407	61
JMD Ross Insurance Brokers Pty Ltd	50.0	50.0	1,343	1,26
KJ Risk Group Pty Ltd	49.0	49.0	1,647	1,72
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust	50.0	50.0	5,406	5,55
Markey Group Pty Ltd	49.9	49.9	6,616	3,87
MGA Management Services Pty Ltd	49.9	49.9	20,728	18,23
Nexus (Aust) Pty Ltd	50.0	50.0	7,049	7,25
NRIG Pty Ltd	25.0	25.0	78	7
Oxley Insurance Brokers Pty Ltd / Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	170	18
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	-	67
Peter L Brown & Associates Pty Ltd	50.0	50.0	777	70
R.G Financial Services Pty Ltd	-	50.0	-	
Rivers Insurance Brokers Pty Ltd	49.9	49.9	4,819	4,64
SRG Group Pty Ltd	50.0	50.0	2,030	1,85
Supabrook Pty Ltd	49.9	49.9	706	72
The Procare Group Pty Ltd **	50.0	50.0	13,750	12,48
Western United Financial Services Pty Ltd	49.9	49.9	2,085	2,00
WRI Insurance Brokers Pty Ltd*	100.0	50.0	-	2,82
			250,798	111,537

### 8. INVESTMENT IN ASSOCIATES (continued)

		Co		
	2020	2019	2020	2019
	%	%	\$'000	\$'000
Investments at carrying value:				
Australian Agencies				
Fleetsure Pty Ltd	50.0	50.0	3,781	3,805
Longitude Insurance Underwriting Agency Pty Ltd	38.5	38.5	534	734
Millennium Underwriting Agency Pty Ltd	18.4	18.4	477	551
Sura Professional Risks Pty Ltd	50.0	50.0	1,367	1,177
Gard Underwriting Solutions Pty Ltd	-	25.0	-	177
Tasman Underwriting Pty Ltd	50.0	50.0	512	481
			6,671	6,925
New Zealand				
Dawson Insurance Brokers (Rotorua) Ltd	44.7	44.7	5,306	4,576
Commercial and Rural Insurance Limited	44.7	44.7	3,418	3,141
McDonald Everest Insurance Brokers Limited	44.7	-	2,359	-
Rosser Underwriting Limited (agency)	35.7	22.3	2,489	1,274
			13,572	8,991
Support Services			-	
Total carrying value of associates			271,041	127,453

\* As a result of an increase in shareholding during the year, the Group acquired control of the entity. See Note 7 for further details.

\*\* The Procare Group Pty Ltd offers rehabilitation, investigation, and loss adjusting services. Due to the integration of Procare within the Australian Broking arm of the Group they are included within Australian Broking for segment reporting.

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

- a) The principal activity of each associate is insurance broking, except for associates owned by Austagencies Pty Ltd and Rosser Underwriting Limited in New Zealand which are agents for insurance underwriters and The Procare Group Pty Ltd which offers rehabilitation, investigation, and loss adjusting services.
- b) There have been no significant subsequent events affecting the associates' profits for the period.
- c) There have been two impairments relating to the investment in associates during the current year. During the previous year there was one impairment relating to the investment in associates (see Note 4(vi)).
- d) All associates, including unit trusts, were incorporated or established in Australia, except for associates owned by AUB Group NZ Limited which is a controlled entity incorporated in New Zealand.

### 8. INVESTMENT IN ASSOCIATES (continued)

e) The Group's share of associates' revenue and net profits:

	Co	onsolidated
	2020	201
	\$'000	\$'00
Revenue	125,743	113,03
Operating profits before income tax	43,363	38,49
Amortisation of intangibles	(3,866)	(2,562
Net profit before income tax	39,497	35,92
Income tax expense attributable to operating profits	(9,926)	(8,562
Share of associates' net profits	29,571	27,367
Reconciliation of carrying value of associates:		
Balance at the beginning of the period	127,453	155,888
Associate acquired through new controlled entity	-	7,55
Acquisition of associates	142,027	1,93
Disposal or dilution of interest in associates	(7,891)	
Profit on sale of associates	2,975	
Reclassification of investment in associates to controlled entities	(2,146)	(34,193
Reclassification of investment in controlled entities to associates	4,373	
Share of associates' profit after income tax	29,571	27,36
Impairment loss on carrying value of associates	(378)	(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	(24,400)	(26,371
Net foreign exchange and other movements	(543)	828
Balance at the end of the period	271,041	127,453
The entity's share of the assets and liabilities of associates:		
Current assets	221,482	283,00
Non-current assets	71,461	61,82
Current liabilities	(201,286)	(269,321
Non-current liabilities	(20,686)	(12,184
Net assets	70,971	63,328

### 9. SHARES IN CONTROLLED ENTITIES

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

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

Entity	Transaction date(s)	2020	2019
Increase in voting shares		% / \$ '000	%
Altius Group Holdings Pty Ltd and its controlled entities	01-Jul-19	56.9	56.6
Adroit Hume Pty Limited	01-Jul-19	95.0	90.0
InterRISK (Australia) Pty Ltd and its controlled entities	01-Aug-19, 01-Oct-19, 01-Dec-19	100.0	90.5
Adroit MHL Insurance & Risk Pty Limited	01-Oct-19	62.3	57.5
AB Phillips Group Pty Ltd and its controlled entities	09-Oct-19	57.5	56.9
Adroit FS Pty Limited	01-Nov-19	95.0	60.0
ABFS (VIC) Pty Ltd	01-Jan-20	95.0	56.4
ABFS (SA) Pty Ltd	01-Jan-20	74.3	53.7
AUB Group NZ Limited*	01-Jan-20	89.3	89.3
Insurance Investment Solutions Pty Ltd	01-Jan-20	65.0	55.0
Adroit Holdings Pty Ltd	01-Jan-20	95.0	94.0
Austbrokers Canberra Pty Ltd	01-Apr-20	85.0	75.0
Total consideration paid for all interest acquired		3,692	
Less adjustment to non-controlling interest		(1,738)	
Transfer to retained earnings on equity transactions betwee	n owners	(1,954)	
* During the year the Parent acquired a further \$3.85m of share in AUB Group NZ Limited to maintain it's shareholding at 89.3%.			
Decrease in voting shares			
Austbrokers Coast to Coast Pty Ltd and its controlled entity	01-Oct-19	51.0	75.0
Total consideration received for all interest disposed		1,250	
Less adjustment to non-controlling interest		(299)	
Less Capital Gains Tax payable		(243)	
Transfer to retained earnings on equity transactions betwee	n owners	708	

## 9. SHARES IN CONTROLLED ENTITIES (continued)

During the previous period, the following transactions occurred:

Entity	Transaction date(s)	2019	2018
Increase in voting shares		% / \$ '000	%
AB Phillips Group Pty Ltd and its controlled entities	01-Jul-18	56.9	56.6
SURA Hospitality Pty Ltd	01-Jul-18	100.0	85.0
AUB Group NZ Limited and its controlled entities	01-Jul-18	89.3	80.0
Altius Group Holdings Pty Ltd and its controlled entities	01-Dec-18	56.6	55.3
Cinesura Entertainment Pty Ltd	01-Jan-19	100.0	50.0
Film Insurance Underwriting Agencies Pty Ltd	01-Jan-19	100.0	95.0
Insurance Brokers Alliance Ltd	01-Jan-19	89.3	73.7
ABFS (NSW) Pty Ltd	01-Jan-19	95.0	75.0
Adroit MHL Unit Trust	01-Feb-19	95.0	80.4
Citycover Insurance Brokers Pty Ltd	01-Apr-19	95.0	75.0
Adroit Sandhurst Pty Ltd	01-Apr-19	100.0	94.1
Total consideration paid for all additional interest acquired		12,308	
Deferred Consideration Payable		741	
Total adjustment to non-controlling interest		(5,767)	
Transfer to retained earnings on equity transactions between owners		(7,282)	
Decrease in voting shares			
Austbrokers City State Pty Ltd and its controlled entities	01-Jul-18	70.0	70.0
Bruce Park Pty Ltd	01-Jul-18	56.9	75.3
SURA Construction Pty Ltd	01-Jul-18	60.0	100.0
SURA Engineering Pty Ltd	01-Jul-18	60.0	100.0
Runacres and Associates Limited and its controlled entities	01-Oct-18	75.1	76.0
ABS Unit Trust Pty Ltd	01-Jan-19	90.0	100.0
Total consideration received for all interest disposed		3,262	
Add Deferred Consideration Receivable		1,513	
Total adjustment to non-controlling interest		(2,687)	
Transfer to retained earnings on equity transactions between owners		2,088	

### 9. SHARES IN CONTROLLED ENTITIES (continued)

	Consolida	
	2020	2019
	%	%
Name and Interests in controlled entities:		
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:		
Australian Broking		
AB Phillips Group Pty Ltd and its controlled entities	57.5	56.9
Adroit Holdings Pty Ltd and its controlled entities	95.0	94.0
ABFS (NSW) Pty Ltd and its controlled entities	95.0	95.0
Austbrokers Canberra Pty Ltd	85.0	75.0
Austbrokers Central Coast Pty Ltd and its controlled entities**	-	80.0
Austbrokers Coast to Coast Pty Ltd and its controlled entity	51.0	75.0
Austbrokers CityState Pty Ltd and its controlled entity	70.0	70.0
Austbrokers Life Pty Ltd	100.0	100.0
Austbrokers Member Services Pty Ltd*	100.0	50.0
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	100.0	100.0
Austbrokers Trade Credit Pty Ltd	75.0	75.0
Citycover (Aust) Pty Ltd	95.0	95.0
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	100.0	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 Insurance Brokers WA)	65.8	65.8
Terrace Insurance Brokers Pty Ltd and controlled entity	53.7	53.7
WRI Insurance Brokers Pty Ltd*	100.0	50.0
Australian Agencies		
Austagencies Pty Ltd and its controlled entities	100.0	100.0
New Zealand		10010
	80.3	00.2
AUB Group NZ Limited and its controlled entities	89.3	89.3
Support Services - Australia		
Allied Health Australia Pty Ltd and its controlled entities**	-	60.0
Altius Group Holdings Pty Ltd and its controlled entities	56.9	56.6
Adept Insurance Brokers Pty Ltd and its controlled entity	100.0	100.0
AEI Holdings Pty Ltd / AEI Insurance (Brokers) Pty Ltd	100.0	100.0
AHL Insurance Brokers (Aust) Pty Ltd	100.0	100.0
AUB Group Business Centre Pty Ltd	100.0	100.0
AUB Group Services Pty Ltd	100.0	100.0
AUB International Pty Ltd	100.0	100.0
Austbrokers Investments Pty Ltd	100.0	100.0
Austbrokers Employee Share Acquisition Schemes Trust	100.0	100.0
Austbrokers Pty Ltd	100.0	100.0
Australian Bus and Coach Underwriting Agency Pty Ltd	100.0	100.0
Kyros Cook & Associates Pty Ltd	100.0	100.0
Shield Underwriting Holdings Pty Ltd	100.0	100.0

 $^{*}$ As a result of an increase in shareholding during the year, the Group acquired control of the entity.

\*\*Due to loss of control or disposal during the year, these entities were deconsolidated see Note 7(b).

### **10. CASH AND CASH EQUILVALENTS**

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.

Although there is a concentration of cash and cash equivalents held with major banks, the lifetime expected credit losses on cash and cash equivalents are insignificant.

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

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.

	Co	onsolidated
	2020	2019
	\$'000	\$'000
CASHFLOW FROM OPERATING ACTIVITIES		
Profit after tax for the period	56,100	49,172
Equity accounted (profits) after income tax	(29,571)	(27,367)
Dividends/trust distributions received from associates	24,400	26,371
Amortisation of intangibles	7,266	6,375
Amortisation of capitalised project costs	1,076	1,503
Amortisation and impairment of Right of Use Asset	12,426	-
Depreciation of fixed assets	3,377	3,432
Share options expensed	455	773
Net movement in put option liability (including interest unwind)	(3,861)	(6,483)
Profit/Loss from sale of insurance portfolios and controlled entities	2,739	(1,155)
Adjustments to carrying value of entities (to fair value) on the date they	(0.000)	(47.400)
became controlled entities or deconsolidated (see notes 7(c),(d))	(2,862)	(17,162)
Impairment charge relating to the carrying value of associates and goodwill	5,827	18,961
Remeasurement of contingent consideration	(541)	(44)
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	8,807	(7,775)
(Increase)/decrease in trade and other payables	8,695	6,300
Increase in deferred revenue from customers	653	776
Increase in trust payables*	8,148	15,824
(Decrease)/increase in provisions	(8,028)	(893)
(Increase) in deferred tax asset	(2,602)	(995)
(Decrease)/increase in deferred tax liability	(3,801)	5,742
(Decrease) in provision for tax	2,601	(3,827)
Net cash flows from operating activities	91,304	69,528

#### Summary of cash and cash equivalents:

Cash and cash equivalents	84,374	70,016
Cash and cash equivalents - Trust	158,777	149,981
Total cash and cash equivalents	243,151	219,997

\*30 June 2019 balances have been restated to ensure comparability between periods, see Note 2.2.

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.

### 10. CASH AND CASH EQUILVALENTS (continued)

### Changes in Liabilities arising from Financing Activities

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).

						C	onsolidated
						New	
			Foreign			consolidated	
			exchange	New		entity/	
	1 July 2019	Cash flows	movement	Acquisitions	Other	deconsolidation	30 June 2020
Year ended 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current interest bearing loans and borrowings (excluding items listed below)	18,470	(8,466)	-	-	-	91	10,095
Current lease liability*	10,467	(3,891)	-	1,648	-	-	8,224
Current hire purchase contracts	373	434	-	-	-	-	807
Non current interest bearing loans and borrowings (excluding items listed below)	85,115	135,689	(737)	-	-	-	220,067
Unsecured Loan Other	102	100	-	-	-	-	202
Non current lease liability*	26,720	(5,277)	-	-	-	-	21,443
Non current hire purchase contracts	415	184	-	-	-	-	599
Total liabilities from financing activites	141,662	118,773	(737)	1,648	-	91	261,437

Total liabilities from financing activities	121,202	(44,592)	1,798	-	-	26,067	104,475
Non current hire purchase contracts	664	(847)	-	-	-	598	415
Unsecured Loan Other	147	(45)	-	-	-	-	102
Non current interest bearing loans and borrowings (excluding items listed below)	111,621	(46,010)	1,798	-	-	17,706	85,115
Current hire purchase contracts	468	(95)	-	-	-	-	373
Current interest bearing loans and borrowings (excluding items listed below)	8,302	2,405	-	-	-	7,763	18,470
Year ended 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	1 July 2018	Cash flows	movement	Acquisitions	Other	entity	30 June 2019
			exchange	New		consolidated	
			Foreign			New	

\*On 1 July 2019, the Group adopted AASB 16 Leases on a modified retrospective basis. As permitted under the standard the comparative period was not restated.

### **11. 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.

The Group recognises amounts due from customers in relation to uncollected fees and commissions due to the Group for services rendered, adjusted for the expected credit loss.

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 12 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.

Other receivables - loan receivables and short term intercompany funding to related entities.

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.

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.

For Trade receivables and Other receivables, an allowance is made for anticipated losses based upon historical information, adjusted for forward-looking information, and specific credit information of counterparties where available.

Amounts overdue more than 30 days are assumed to have a significant increase in credit risk. Amounts due from customers on broking/agency operations are generally cancelled after 90 days (60 days overdue, assumed default date) in line with binding agreements.

Based on historical records on other loans and receivables, debts overdue by 90 days have a significant risk of default, as such debts overdue by 90 days are assumed to be in default by the Group, and the net (of ECL) receivable reduced to the expected recoverable amount (taking into consideration any collateral or security associated with the debt) less costs of recoveries.

Lifetime Expected Credit Losses (ECL) are recorded on receivables, including trade and other receivables, interest-bearing loan assets, investments and other financial assets. The Group applies the simplified approach to its trade receivables, and measures the loss allowance at an amount equal to lifetime expected credit losses.

For amounts due from customers of broking/ agency operations and amounts due from clients in respect of premium funding operations, an allowance is made for anticipated lapses and cancellations based upon historical information, adjusted for forward-looking information. The provision for lapses 7.0% (2019: 3.9%) provides an amount for expected cancellations and loss of commissions and fees.

The current year increase is mainly attributable to COVID-19. As described Note 2.1 (d) such factors have heightened the risk of default in certain industry sectors and customer segments.

### 11. TRADE AND OTHER RECEIVABLES (continued)

Commercial loans to controlled entities and associates are secured over the shares of the non AUB Group shareholders of the lendee company. Other related party loans are generally provided for purchase of shares in a controlled entity or associate to a related party, where the shares acquired forms collateral in the loan deed. All other loans and receivables, including intercompany and short term loans to controlled entities and associates are unsecured. The valuation of shares held as security exceed the total loans receivable for the year ended 30 June 2020, and 30 June 2019.

		Consolidated
	2020	2019
Current	\$'000	\$'000
Trade receivables	26,816	37,271
Amount due from customers on broking / agency operations	32,152	33,234
Amounts due from clients in respect of premium funding operations	3,320	2,285
Related party receivables		
Other receivables- related entities	6,251	6,802
Total trade and other receivables (current)	68,539	79,592

The total trade and other receivables (current) includes an ECL adjustment of \$2.84m (2019: \$1.29m).

### 12. INTANGIBLE ASSETS AND GOODWILL

### Capitalised project costs

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- i) it is technically feasible to complete the software so that it will be available for use;
- ii) management intends to complete the software and use or sell it;
- iii) there is an ability to use or sell the software;
- iv) it can be demonstrated how the software will generate probable future economic benefits; and
- v) adequate technical, financial and other resources to complete the development and to use or sell the software are available, and the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Assessments are made on a project by project basis on the expected life of the intangible with a maximum useful life of 5 years adopted by the Group.

#### 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.

## 12. INTANGIBLE ASSETS AND GOODWILL (continued)

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.

#### 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 (2019: 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. 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.

			С	onsolidated
	Capitalised project	Ins	surance broking	
	costs	Goodwill	registers	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2020				
Cost				
Balance at the beginning of the year	3,345	340,910	96,530	440,785
Additional businesses and portfolios acquired	-	2,966	1,032	3,998
Acquisition of controlled entities	-	6,218	2,360	8,578
Deconsolidation of controlled entities	-	(11,496)	(655)	(12,151)
Additional capitalised project acquired	1,472	-	-	1,472
Disposal businesses and portfolios	(139)	(1,643)	-	(1,782)
Impairment charge	-	(5,449)	-	(5,449)
Translation of foreign exchange rate movements	(14)	(2,085)	(812)	(2,911)
Total Intangibles	4,664	329,421	98,455	432,540
Amortisation				
Balance at the beginning of the year	772	-	38,867	39,639
Deconsolidation of controlled entities	-	-	(655)	(655)
Disposal / impairment of capitalised project	(129)	-	-	(129)
Amortisation current year	1,076	-	7,266	8,342
Disposals of broking portfolios	-	-	-	-
Translation of foreign exchange rate movements	(3)	-	(151)	(154)
Accumulated amortisation	1,716	-	45,327	47,043
Summary				
Net carrying amount at beginning of year	2,573	340,910	57,663	401,146
Net carrying amount at end of year	2,948	329,421	53,128	385,497

## 12. INTANGIBLE ASSETS AND GOODWILL (continued)

_			C	onsolidated
	Capitalised project	Insu	urance broking	
	costs	Goodwill	registers	Tota
	\$'000	\$'000	\$'000	\$'00
Year ended 30 June 2019				
Cost				
Balance at the beginning of the year	2,737	242,499	54,956	300,19
Additional businesses and portfolios acquired	-	4,651	1,500	6,15
Acquisition of controlled entities	-	109,703	39,927	149,63
Deconsolidation of controlled entities	-	(1,403)	(343)	(1,746
Additional capitalised project acquired	1,706	-	-	1,70
Disposal businesses and portfolios	-	(631)	-	(631
Disposal / impairment of capitalised project	(1,113)	-	-	(1,113
Impairment charge	-	(15,094)	-	(15,094
Translation of foreign exchange rate movements	15	1,185	490	1,69
Total Intangibles	3,345	340,910	96,530	440,78
Amortisation				
Balance at the beginning of the year	383	-	32,712	33,09
Deconsolidation of controlled entities	-	-	(342)	(342
Disposal / impairment of capitalised project	(1,114)	-	-	(1,114
Amortisation current year	1,503	-	6,375	7,87
Disposals of broking portfolios	-	-	-	
Translation of foreign exchange rate movements	-	-	122	12
Accumulated amortisation	772	-	38,867	39,63
Summary				
Net carrying amount at beginning of year	2,354	242,499	22,244	267,09
Net carrying amount at end of year	2,573	340,910	57,663	401,14
			2020	onsolidate 201
Intangible assets are attributable to the following controlled en	tities		\$'000	\$'00
i) Goodwill	11165.		<b>\$ 500</b>	φ 00
Austagencies Pty Ltd and its controlled entities			50,942	50,81
Adroit Holdings Pty Ltd and its controlled entities			39,806	39,80
AUB Group NZ Limited and its controlled entities			87,038	87,23
Altius Group Pty Ltd and its controlled entities			39,573	50,81
Other controlled entities			112,062	112,23
Total goodwill			329,421	340,91
-	omaining amostic of	ion paried		
ii) Insurance Broking Registers	emaining amortisat	ion period		

in moutance broking Registers	(yea	rs)		
	2020	2019		
Adroit Holdings Pty Ltd and its controlled entities	8.0	9.0	10,187	11,460
AUB Group NZ Limited and its controlled entities	8.5	9.5	27,695	30,987
Other controlled entities			15,246	15,216
Total Insurance Broking Register			53,128	57,663

### **13. IMPAIRMENT**

#### Impairment of non-financial assets other than Intangibles and Goodwill

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.

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.

No such indicators were noted in the current or prior year and subsequently no impairments recorded.

#### Intangibles 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 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 Broking entities, New Zealand entities and Support Services entities are viewed as separate CGUs at the entity level for impairment purposes, whilst the Australian 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 Group maintains a policy to seek independent advice on multiples every 3 years from an appropriate valuations firm. The Group sought independent advice in 2019 to determine the appropriate earnings before interest and tax (EBIT) 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.

In relation to COVID-19 impacts on multiples, we have considered the following:

- Any distressed sale may reflect the circumstances specific to an entity and is may not be reflective of market multiples.
- No entities within the Group have liquidity issues requiring their disposal or impacting their ability to operate.
- Our stressed multiple testing simulated the headroom outcomes for each CGU if a deterioration in the multiples occur. Except those CGUs impaired (see below) all other CGUs were supportable under stressed multiple testing.

## 13. IMPAIRMENT (continued)

Fair value (continued)

Key assumptions for the fair value methodology	2020	2019
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 - 9.75 times
The risk free rate (before risk margin).	1%	1.8%
Multiples have been determined after factoring in the following assumed sustainable long term profit growth.	up to 2%	up to 2%

#### 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 (DCF) for the next 5 years based on the forecast profitability. 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.

As a result of the potential impact of COVID-19 a further 0.5% risk premium was added to the equity required rate of return.

During the current year, five CGU's (2019: three CGU's) 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	2020 % 2019 %
Post tax discount rates (WACC).	9.4% - 11.7% 8.9% - 10.8%
Short term revenue growth rate - used in discount cash flow assumptions (1-5 years).	2.5% - 5.0% 2.5% - 4.0%
Long term revenue growth rate.	1.5% -2.0% 1.5% -2.0%

The fair value measurements were categorised as level 3 fair value based on the inputs in the valuation technique used (see Note 22).

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 reasonably 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.

When making an acquisition, the Group may 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 generally 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 \$0.54m (2019: \$0.04m). Where the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge may be recognised. The reduction in contingent consideration lead to an impairment of \$nil (2019: \$0.04m).

## 13. IMPAIRMENT (continued)

#### Impairment - current year

Based on the continuing market condition impacting two Support Services CGUs, the carrying values of the intangibles in these entities was impaired by a total of \$5.45m (\$3.20m net of non-controlling interests). The CGU's were subject to put option arrangements during the year which have been re-estimated during the year. The movement in the fair value of those put options was determined to be a reduction of \$4.21m resulting in a net credit to the Consolidated Statement of Profit or Loss of \$0.97m (net of non-controlling interests). On 1 April 2020 due to the sale of Allied Health Australia Pty Ltd, the related put option liability was derecognised.

#### Impairment - previous year

Two associates in the broking segment were valued during the financial year using the value in use methodology. The valuations used cash flow projections 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 \$3.87m.

This impairment represents 0.7% of the Group's 2019 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 Support Services CGUs, the carrying values of the intangibles in these entities was impaired by a total of \$15.05m (\$8.71m net of non-controlling interests). The CGU's are subject to put option arrangements which have been re-estimated at 30 June 2019. At 30 June 2019, the movement in the fair value of those put options was determined to be a reduction of \$6.48m resulting in a net charge to the Consolidated Statement of Profit or Loss of \$2.23m (net of non-controlling interests).

	Contingent consideration adjustments		Impairment charges	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Reductions in contingent consideration and impairment adjustments relating to controlled entities	(541)	(44)	-	44
Impairment adjustments relating to investments in associates	-	-	379	3,868
Impairment charge relating against Goodwill	-	-	5,449	15,049
Total	(541)	(44)	5,828	18,961
Adjustments attributable to non-controlling interests	65	-	(2,250)	(6,336)
Net adjustment attributable to equity holders of the parent	(476)	(44)	3,578	12,625

## 14. LEASES

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

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

The table below outlines the movement in the Group's Right of use asset and lease liabilities for Property and car parking. The Group had no leases for Plant and Equipment which did not meet the short term or low value exemptions.

During the year the Group sub leased one of its leases, derecognising the Right of Use asset and immediately recognising a Lease Net Investment asset representing the net preset value of all future net cash flows expected from the sub lease.

_			Co	nsolidated
L	ease Net Investment	Right of Use	Lease	
	(LNI)	Asset (ROU)	Liability	Net
	\$'000	\$'000	\$'000	\$'000
30 June 2020				
Balance at the beginning of the period	-	37,187	37,187	-
Additions during the period	3,305	2,302	2,302	3,305
Impairment of LNI or ROU assets	-	(2,550)	-	(2,550)
Disposals and transfers during the period	-	(3,517)	645	(4,162)
Total right-of-use asset/ Lease Liability	3,305	33,422	40,134	(3,407)
Sub lease proceeds/depreciation/lease principal payments during the p	period -	(9,876)	(10,467)	591
Net carrying value at the end of the period	3,305	23,546	29,667	(2,816)

	Co	nsolidated
Commitments - AASB 16 Lease Liabilities (discounted)	2020	2019
	\$'000	\$'000
-Not later than one year	8,224	-
Current Lease Liabilities	8,224	-
-Later than one year and not later than five years	20,648	-
-Later than five years	795	-
Non Current Lease Liabilities	21,443	-
Total Lease Liabilities	29,667	-

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

Total recognised in profit or loss17,666	12,945
Other lease expenses 790	12,945
Low-value lease expense 138	-
Short-term lease expense 2,842	-
Impairment of the Right of Use Asset 2,550	-
Interest expense on lease liabilities 1,470	-
Amortisation expense of right-of-use asset9,876	-

## **15. 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.

The Group recognises amounts due to insurers for premiums collected but yet to be transferred to the insurer.

#### Deferred revenue from contracts with customers

Revenue from broking and agency activities are partially (2.5%, 2019: 2.5%) deferred for premium settlement and claims handling services. The amount of deferral is based on historic data (on time and cost such activities) adjusted for any forward looking anticipated changes, and margin on service of a standalone service (based on available external data). The revenue is recognised over time, generally 90 days for premium settlement, and within 12 months for claims handling.

#### Put option financial liability and reserve

AUB Group Limited entered into agreements with various shareholders of related entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at market values current at the date of exercise of that option. The earliest the put option can be exercised is 5 years from the date of AUB acquiring its initial shareholding in those entities, which falls within the next 3-15 months.

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. Movements in the put option liability are ultimately transferred to the Put Option Reserve.

Whilst this obligation will only be payable in the event that non-controlling shareholders put their remaining shares to the Group, a liability has been recognized in relation to the put option. 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 the Group.

	Coi	nsolidated
	2020	2019
Current	\$'000	\$'000
Trade payables	24,222	30,513
Amount payable on broking / agency operations	157,729	149,581
Put option liability	14,778	19,919
Dividend Payable	10,701	-
Contingent or deferred consideration payables	2,848	5,651
Other payables - related entities	194	1,530
Other payables - other	4,714	9,334
Total trade and other payables (current)	215,186	216,528
Non-current		
Contingent consideration payables	547	872
Put option liability	-	-
Other payables - related entities	-	-
Other payables - other	-	149

Total trade and other payables (non-current)

547

1,021

## 15. TRADE AND OTHER PAYABLES (continued)

	Cor	nsolidated
	2020	2019
	\$'000	\$'000
Included in trade and other payable are the following deferred and contingent consideration payables:		
Balance at the beginning of the year	6,523	2,981
Contingent consideration on current year acquisitions (at net present value)	2,447	5,037
Payments made in respect of previously recognised contingent consideration	(5,398)	(3,934)
Adjustments to contingent consideration payments previously recognised	(541)	(44)
Contingent consideration payments recognised on acquisition of new controlled entities.	-	2,289
Foreign currency translation movements	207	3
Interest recognised in original contingent consideration at net present value	157	191
Balance at the end of the year	3,395	6,523

During the year, an amount of \$3.86m (2019: \$6.48m) has been credited to the Consolidated Statement of Profit or Loss in relation to changes in the fair value of the put option liabilities, recognising that the value of those CGU's have decreased during the period.

During the year, the Group disposed all its shares in Allied Health Australia Pty Ltd (see Note 7(b)), at which point the associated put option held by the minority shareholders was extinguished and related liability derecognised.

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

- If the full year 2021 operating profit declines by 10% compared to the current forecast, a reduction of \$0.38m (2019: \$NIL) in the deferred consideration would result.
- If the full year 2021 operating profit increases by 10% compared to the current forecast, an increase of \$0.38m (2019: \$NIL) in the deferred consideration would result.

## 16. SHARE-BASED PAYMENT PLANS

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 below.

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.

The Share Based Payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

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.

For options issued based on Total Shareholder Return (TSR) 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 6).

#### **Employee Share Option Plan**

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

	As at	As at	As at	As at
Share Options movements (applicable to each relevant financial period):	30 June 20	30 June 19	30 June 20	30 June 19
	No.	No.	WAEP (\$)	WAEP (\$)
Outstanding at the beginning of the period	351,328	526,308	-	-
Granted during the period	301,219	79,364	-	-
Options exercised, lapsed or forfeited during the period relating to options				
previously issued:				
- 2015	-	(27,861)	-	-
- 2016	(128,565)	(199,117)	-	-
- 2017	(59,324)	(8,105)	-	-
- 2018	(31,614)	(3,314)	-	-
- 2019	(30,503)	(15,947)	-	-
Outstanding at the end of the year	402,541	351,328	0.00	0.00

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

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

## 16. SHARE-BASED PAYMENT PLANS (continued)

Financial year options issued	Option grant date	Earliest exercise date	Valuation* \$	As at 30 June 2020	As at 30 June 2019
- 2016	23-Nov-15	23-Nov-18	7.31	-	19,067
- 2016	07-Apr-16	01-Jan-19	7.90	-	99,920
- 2017	08-Dec-16	23-Nov-18	9.36	-	9,578
- 2017	24-Jan-17	24-Jan-20	8.99	26,081	85,405
- 2018	23-Nov-17	23-Nov-20	11.83	42,327	73,941
- 2019	31-Oct-18	31-Oct-21	10.72	32,914	63,417
- 2020	19-Dec-19	31-Aug-22	9.37	101,219	-
- 2020	19-Dec-19	31-Aug-24	8.91	200,000	-
Options outstanding at the e	nd of the year			402,541	351,328

The number of options outstanding is represented by:

\* Valuation is based on the weighted average price of shares on the date the options were issued.

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

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

- 200,000 Performance options were granted to the CEO on 19 December 2019. All performance options were issued at an exercise price of \$NIL and are exercisable after 31 August 2024, if performance hurdles are met. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$11.80. The options were valued using an average price of \$10.40 for EPS options and \$6.68 for TSR options (weighted average price of \$8.91). See below for terms and exercise conditions for options issued during the financial year ended 30 June 2020.
- 101,219 performance options were granted on 19 December 2019, including 76,029 performance options granted to the CEO. All performance options were issued at an exercise price of \$NIL and are exercisable after 31 August 2022, if performance hurdles are met. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$11.80. The options were valued using an average price of \$11.18 for EPS options and \$6.66 for TSR options (weighted average price of \$9.37). See below for terms and exercise conditions for options issued during FY20.
- 21,886 options issued 23 January 2017 vested during the year and were exercised on 16 March 2018. The remaining 26,081 unvested options issued during 2017 will be retested based on the results for the 4 years to 30 June 2020 and if vesting conditions are not met the unvested options will lapse.
- 128,565 share options lapsed due to vesting conditions not being met.
- 191,166 share options issued in 2017, 2018, and 2019 lapsed due to various staff members no longer employed.

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

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

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 2020 is 6.22 years (30 June 2019: 5.67 years).

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## 16. SHARE-BASED PAYMENT PLANS (continued)

Vesting conditions for Performance options

#### The following option exercise conditions apply to all options issued before 1 July 2019;

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%;
  - v. 10% per annum or more, 100% of the Options will become exercisable; or
  - 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.

## 16. SHARE-BASED PAYMENT PLANS (continued)

Vesting conditions for Performance options (continued)

#### The following option exercise conditions apply to all options issued after 1 July 2019;

#### **Performance Options**

- Each Performance Option is a right to receive one fully-paid ordinary share in the Company or at the Board's discretion, an equivalent cash payment;
- The Performance Options will only vest to the extent that the performance hurdles and ongoing employment conditions (set out below) are satisfied over the relevant performance periods;
- Each grant of Performance Options have been divided into two components, which will each be subject to a separate performance hurdle. The Board considers that this structure has the benefit of both a relative test that reflects the Company's performance against the market and an objective test reflective of management's performance in growing earnings per share;
- 60% of the Performance Options will be subject to a hurdle based on the average annual growth rate (AAGR) of the underlying earnings per share (EPS) hurdles (EPS Options); and
- 40% of the Performance Options will be subject to a hurdle based on the relative total shareholder return (TSR) of the Company compared to the TSR of the constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID) (TSR Options).
- Performance Options will only vest if participants remain in ongoing employment over the relevant performance period (subject to the cessation of employment provisions);
- Performance Period for all options issued in FY20 will commence on 1 July 2019;
- Performance Period 200,000 CEO 5 year options;

One third of the Performance Options will be tested over a 3 year performance period (three year test date). To the extent that any performance Options satisfy the performance hurdles at this point, they will remain on foot and will vest and become exercisable following the end of the 5 year performance period, subject to the CEO's continued employment with the Company (subject to the cessation of employment provisions included in his contract); and

The remaining two thirds of the Performance Options, and any Performance Options that did not satisfy the performance hurdles at the three year test date, will be tested over the full 5 year performance period.

Any Performance Options that do not vest at the end of the 5 year performance period, will lapse.

- Performance Period - 3 year options;

The performance hurdles for 101,219 Performance Options (89,911 granted to Key Management Personnel) will be tested over a 3 year performance period; and

Any Performance Options that do not vest at the end of the 3 year performance period, will lapse.

#### **EPS Options**

For the purposes of calculating the AAGR, an underlying form of earnings per share will be utilised (Underlying EPS) being, in respect of any financial year, the consolidated net profit after tax of the Company for that year excluding fair value adjustments to the carrying values of associates, profit on sale of entities and assets or deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortisation of intangibles (Underlying NPAT) divided by the weighted average number of shares on issue during the financial year. Other adjustments to the Underlying NPAT calculation may be made in limited circumstances where the Board considers it to be appropriate;

The percentage of the EPS Options that satisfy the EPS performance hurdle will be determined by reference to the AAGR (expressed as a percentage) of Adjusted EPS from the year ending 30 June 2019 (being, 66.6 cents) to;

- The Underlying EPS for the performance options granted in FY20 will be based on the outcome for the year ending 30 June 2022 (for the 3 year Performance Options and for one third of the 5 year Performance Options); and
- The Underlying EPS for the year ending 30 June 2024 will be used for the remaining two thirds of the 5 year Performance Options which have not been tested, and any 5 year Performance Options which did not satisfy the EPS performance hurdle at the three year test date.

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

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

## 16. SHARE-BASED PAYMENT PLANS (continued)

Vesting conditions for Performance options (continued)

#### **TSR** options

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

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

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

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

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

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

#### Key Terms of Performance options

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

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

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

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

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

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

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

## **17. INTEREST BEARING LOANS AND BORROWINGS**

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 are amortised over the term of the loan.

	Co	nsolidated
	2020	2019
	\$'000	\$'000
Current		
Secured bank loan *	10,095	18,470
Hire purchase contracts	807	373
Unsecured loan - other	202	102
Total interest bearing loans and borrowings (current)	11,104	18,945
Non-current		
Secured bank loan *	220,067	85,115
Hire purchase contracts	599	415
Total interest bearing loans and borrowings (non-current)	220,666	85,530
* Summary of secured bank loans		
AUB Group Limited syndicated finance facility (see below)	192,045	55,513
Hunter Premium Funding	17,521	18,445
Macquarie Bank	9,061	9,358
Bendigo Bank	6,065	6,691
St George Bank	2,530	8,272
National Australia Bank	1,926	2,567
Commonwealth Bank	1,014	2,739
Total secured bank loans	230,162	103,585

#### Group Borrowing facilities as at 30 June 2020

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 Australia and New Zealand Banking Group Limited (ANZ) and Macquarie Bank Limited (Macquarie) for \$250m (30 June 2019: ANZ and St George Bank Limited (STG) for \$150m). This facility includes an advance in NZ\$ totalling NZ\$45m (2019: NZ\$45m). The debt facility expires on 6 December 2022 with mechanism for a one year extension on agreement of both parties.

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

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.

## 17. INTEREST BEARING LOANS AND BORROWINGS (continued)

#### Group Borrowing facilities as at 30 June 2020

Facility provider	Type of	Total	Undrawn		0	Current	Non	Expiry Date	Interest	Variable
	Borrowing	Facility \$'000	Amount \$'000	Utilised \$'000	Amount \$'000	\$'000	Current \$'000		Rate %	/ Fixed (Var/fix)
AUB Group Lim	nited									
Syndicated	Loan Facility	207,955	57,955	150,000	150,000	-	150,000	6/12/2022	1.85	Var
finance facility	Loan facility	42,045		42,045	42,045		42,045	6/12/2022	2.01	Var
Total Syndicated facility		250,000	57,955	192,045	192,045	-	192,045			
	Credit Cards	1,500	1,397	103	-	-	-	6/12/2022	17.45	Var
St George Bank	Bank Guarantees	6,500	3,898	2,602	-	-	-	6/12/2022	1.70	Var
Facilities arranged	d by other cont	rolled entities								
Hunter Premium Funding	Loan facility	18,686	1,165	17,521	17,521	2,006	15,515	Between 01/11/2025 & 16/04/2030	2.46 - 3.63	Var
Macquarie Bank	Loan facility	9,340	279	9,061	9,061	704	8,357	Between 15/06/2022 & 30/06/2033	4.45 - 5.65	Var
St George Bank	Loan facility	4,838	2,308	2,530	2,530	185	2,345	Between 30/06/2022 & 30/06/2024	2.39 - 3.72	Var
Finance facilities with other banks	Loan facility	12,011	3,005	9,005	9,005	7,200	1,805	Between 30/08/2020 & 16/04/30	2.46 - 4.76	Var
Total Borrowing	g Facilities	302,875	70,007	232,867	230,162	10,095	220,067			

## 17. INTEREST BEARING LOANS AND BORROWINGS (continued)

#### Group Borrowing facilities as at 30 June 2019

Name of facility	Type of	Total	Undrawn	Amount	Borrowing	Current	Non		Interest	
provider	Borrowing	Facility	Amount	Utilised	Amount		Current	Expiry Date	Rate	Fixed
	2011011119	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		%	(Var/fix)
AUB Group Limit	ted									
Syndicated finance	Loan Facility	106,987	94,487	12,500	12,500	-	12,500	6/12/2021	3.18	Var
facility	Loan facility NZ\$	43,013	-	43,013	43,013	-	43,013	6/12/2021	3.41	Var
Total Syndicated facility		150,000	94,487	55,513	55,513	-	55,513			
	Credit Cards	1,500	1,050	450	-	-	-	6/12/2021	17.45	Var
St George	Bank Guarantees	6,500	3,758	2,742	-	-		6/12/2021	1.70	Var
Facilities arranged l controlled entities	by other									
Hunter Premium Funding	Loan facility	19,208	763	18,445	18,445	-	18,445	Between 02/11/2025 & 15/03/2029	4.00 - 4.24	Var
St George Bank	Loan facility	11,447	3,175	8,272	8,272	6,802	1,470	Between 3/07/2019 & 16/11/2023	2.76 - 6.20	Var
Macquarie Bank	Loan facility	10,833	1,474	9,359	9,359	550	8,809	15/06/2022	4.90	Var
Finance facilities with other banks	Loan facility	15,111	3,001	12,010	11,996	11,118	878	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			

## **18. ISSUED CAPITAL**

		Consolidated
—	2020	2019
	\$'000	\$'000
Issued Capital opening balance	255,662	141,708
Issued Capital under dividend reinvestment plan	3,285	-
Proceeds from capital raising as a result of the accelerated pro-rata non-renounceable entitlement offer	-	116,353
Share issue expenses (net of tax)	-	(2,399)
Issued Capital	258,947	255,662
	Shares No.	Shares No.
Number of Shares on Issue (ordinary shares fully paid)	73,818,757	73,502,778
Movements in number of shares on issue		
Beginning of the financial year	73,502,778	63,846,476
Number of shares issued during period - dividend reinvestment plan	294,093	-
Number of shares issued during period - options exercised on 16 March 2020	21,886	-
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	73,818,757	73,502,778
Weighted average number of shares on issue at end of period	73,723,720	69,593,019

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

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

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

#### During the period;

- 294,093 new shares were issued on 8 October 2019 as a result of the dividend reinvestment plan. New shares were issued at \$11.1816 based on 5 day VWAP for period 23 September 2019 to 27 September 2019.
- 21,886 shares were issued on 16 March 2020 as a result of options being exercised under the Employee Long Term Incentive plan. New shares were issued at \$12.8442 based on 5 day VWAP period ending 13 March 2020.

#### During the previous period;

AUB Group Limited issued 9,459,588 shares raising \$116,353,032 via a fully underwritten 4 new shares issued for every 27 shares held, accelerated pro-rata non-renounceable entitlement offer at \$12.30 per share.

- 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 was used to provide additional financial flexibility for growth initiatives and to fund the acquisitions. Underwriting and other costs associated with the capital raising have been charged against the capital raised.
- 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.
- 46,634 shares were issued on 23 November 2018 upon exercise of performance option due to vesting conditions being met. New shares were issued at \$11.8996 based on 5 day VWAP for period 18 November 2018 to 23 November 2018.
- 150,080 shares were issued on 28 February 2019 upon exercise of performance option due to vesting conditions being met. New shares were issued at \$12.95 based on 5 day VWAP for period 22 February 2019 to 28 February 2019.

New shares issued as a result of non-renounceable entitlement offer, upon exercise of performance options and as a result of the dividend reinvestment plan ranked equally in all respects with existing shares.

Of the total shares issued up to 30 June 2020, 17,229 have restrictions whereby the shares cannot be sold before 23 November 2020 and a further 19,724 have restrictions whereby the shares cannot be sold before 23 January 2022, unless an employee resigns at which time the restrictions cease.

## **19. PARENT ENTITY INFORMATION**

	2020	2019
	\$'000	\$'000
ASSETS		
Cash and cash equivalents	35,060	17,140
Current Assets	47,286	75,911
Non-current Assets	444,725	268,374
Total Assets	527,071	361,425
LIABILITIES		
Current Liabilities	14,870	4,452
Non-current Liabilities - Interest bearing loans and borrowings	192,044	55,513
Total Liabilities	206,914	59,965
NET ASSETS	320,157	301,460
EQUITY		
Issued capital	258,947	255,662
Share based payments	8,469	7,820
Retained earnings	52,741	37,978
TOTAL SHAREHOLDERS EQUITY	320,157	301,460
Profit for the year before income tax	45,610	22,980
Income tax (credit)	3,742	(670)
Net profit after tax for the period	49,352	22,310
Other comprehensive (expense) / income after income tax for the period	-	-
Total comprehensive income after tax for the period	49,352	22,310
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.	10,561	18,941
AUB Group Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding.	705	-
		18,941

#### **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. We have assessed the impact of COVID-19 on our associates' and controlled entities' liquidity positions and noted no significant deterioration. 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 20.

### 20. COMMITMENTS AND CONTINGENCIES

	Consolida	
	2020	2019
	\$'000	\$'000
Commitments - Group excluding AASB 16 Lease Liabilities		
- Not later than one year	1,979	10,870
- Later than one year and not later than five years	2,799	26,500
- Later than five years	-	3,233
	4,778	40,603
Commitments - Associate excluding AASB 16 Lease Liabilities		
- Not later than one year	485	3,109
- Later than one year and not later than five years	288	6,572
- Later than five years	-	1,018
	773	10,699

On 1 July 2019 the Group adopted AASB 16: Leases on a modified retrospective basis. As permitted by the accounting standard, financial statement for the prior reporting period has not been restated. For AASB 16 lease commitments refer to Note 14.

#### **Contingent liabilities**

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

AUB Group Limited has guaranteed loan facilities provided to associates in proportion to its shareholding.	7,934	9,969
AUB Group Limited has guaranteed lease facilities provided to associates in proportion to its shareholding.	705	-
	8,639	9,969

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. We have assessed the impact of COVID-19 on our associates' liquidity positions and noted no significant deterioration. At balance date no liability has arisen in relation to these indemnities.

Previous year comparatives includes all contingent lease liabilities that were recognised in the current year as Right of use assets under AASB 16 - lease liabilities - see Note 14.

#### 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.

Other than shown on Note 15, at balance date no liability has arisen in relation to these arrangements.

### **21. SUBSEQUENT EVENTS**

On 25 August 2020, the Directors of AUB Group Limited declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is \$26,205,659 which represents a fully franked dividend of 35.5 cents per share. The dividend has not been provided for in the 30 June 2020 financial statements.

Effective 1 August 2020, the Group acquired 73.15% of the voting shares of Experien Insurance Services Pty Limited (Experien). On this date Experien became a controlled entity of the Group. The acquisition price includes issuance of \$5.60m in AUB Group shares based on a 14 day volume weighted average price to 21 August 2020.

### 22. FINANCIAL INSTRUMENTS

#### Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, loans, cash and short-term deposits, payables, lease liabilities, 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

Refer to Note 10 Cash, and Note 11 Trade and Other Receivables.

#### 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 Ltd and Macquarie Bank Limited, although some controlled entities have arranged borrowing facilities with other banks. The terms of these arrangements have been disclosed in Note 17 Interest bearing loans and borrowings.

The Company considers the maturity of its financial assets and projected cash flows 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.

As a result of uncertainty caused by COVID-19, AUB Group maintained a high level of cash (\$84.37m, see Note 10) and undrawn debt (\$71.66m, see Note 17). These balances were not required to be utilised to support the Group but will be maintained for the time that the Group deems prudent as opposed to reducing debt.

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 2020 with comparatives based on conditions existing at 30 June 2019.

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.

## 22. FINANCIAL INSTRUMENTS (continued)

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

	(	Consolidated
	2020	2019
Financial Assets	\$'000	\$'000
Due not later than 6 months	307,343	297,308
6 months to not later than one year	5,224	2,289
Later than one year and not later than five years	151	526
Later than five years	-	-
	312,718	300,123
Financial Liabilities		
Due not later than 12 months	(240,757)	(215,554)
Later than one year and not later than five years	(241,861)	(86,551)
Later than five years	(795)	-
	(483,413)	(302,105)

#### c) Fair Values of recognised assets and liabilities.

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.

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(a).

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

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

Management has assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## 22. FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

- The fair value of loans and notes and other financial assets has been calculated using market interest rate.
- 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. Market values have been used to determine the fair value of securities.
- 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.
- The fair value of unquoted instruments, loans from banks and other financial liabilities (including put option liability), obligations under 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.
- 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. Refer to Note 15 for further information.

There were no material differences between the book value and the fair value of the Group's financial assets and liabilities.

#### 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
	2020	2019
Financial assets	\$'000	\$'000
Cash and cash equivalents (including trust account balance)	243,151	219,997
Loans - related entities	40	393
Loans - other	348	8
Total financial assets	243,539	220,398
Financial liabilities		
Loans and other borrowings	(231,770)	(104,475)
Net exposure to interest rate movements	11,769	115,923

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

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 2020 there are no fixed interest components in the current and non-current interest bearing loans and borrowings totalling \$231.77m (2019: \$104.48m). All borrowings are based on variable interest rates. See Note 17 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.

## 22. FINANCIAL INSTRUMENTS (continued)

#### Market Risk (continued)

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:

		ost tax profits gher/ (lower)		ctly to Equity gher/ (lower)
	2020	2019	2020	2019
Judgements of reasonably possible movements.	\$'000	\$'000	\$'000	\$'000
Consolidated				
+0.50% (50 basis points) (2019 +0.50% (50 basis points))	59	578	-	-
-0.50% (50 basis points) (2019 -0.50% (50 basis points))	(59)	(578)	-	-

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 and results is shown in Note 13.

#### Foreign currency risk

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

The Group does not hedge its exposure in foreign currencies.

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

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

	Pos	t tax profits	Impacts directly to Equity		
	Hig	her/ (lower)	Hig	her/ (lower)	
	2020	2019	2020	2019	
Judgements of reasonably possible movements.	\$'000	\$'000	\$'000	\$'000	
Consolidated (Group direct investment in New Zealand)					
-NZ \$0.10 (ten cents) (2019 -NZ \$0.10 (ten cents)	-	-	12,084	4,986	
+NZ \$0.10 (ten cents) (2019 +NZ \$0.10 (ten cents)	-	-	(12,084)	(4,986)	

### 22. FINANCIAL INSTRUMENTS (continued)

#### 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 using the gearing ratio. The gearing ratio is calculated as contingent considerations payable plus total borrowings of controlled entities and our share of total borrowings of associates divided by total equity, total borrowings of controlled entities and our share of total borrowings of associates and contingent consideration payable.

The 2019 monitoring was based on a different gearing ratio model, which excluded share of associate borrowings.

	Co	Consolidated	
	2020	2019	
The gearing ratios at 30 June were as follows;	\$'000	\$'000	
Debt to equity ratio			
Interest bearing loans and borrowings - controlled entities (see Note 17)	231,770	104,475	
Interest bearing loans, borrowings & contingent consideration payable - associates (AUB Group share)	20,055	23,031	
Contingent consideration payable (see Note 15)	3,395	6,523	
Total equity	491,856	483,398	
Total equity and borrowings	747,076	617,427	
Gearing Ratio - debt/(debt plus equity)	34.2%	21.7%	

#### 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 20.

Other than shown on Note 15, at balance date no liability has arisen in relation to these arrangements.

## 23. AUDITORS' REMUNERATION

	Consolidated	
	2020	2019
	\$	\$
Amounts received or due to Ernst & Young (Australia and NZ) for:		
Audit of the financial statements of the Group	369,698	419,653
Audit of the financial statements of controlled entities	576,030	688,821
Other assurance related services	28,050	103,107
Other - including taxation services	78,033	87,739
Total	1,051,811	1,299,320
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements of controlled entities	317,633	362,759
Other assurance related services	77,346	12,350
Other - taxation services	91,843	75,062
Total	486,822	450,171
Total Auditors' Remuneration	1,538,633	1,749,491

### 24. RELATED PARTY DISCLOSURES

#### a) Details of Key Management Personnel (KMP)

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

Chairman (non-executive)
Director (non-executive)
Director (non-executive)
Director (non-executive)
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
M. Shanahan	Chief Financial Officer

#### b) There are no loans outstanding owing by KMP at 30 June 2020 (2019: NIL)

#### c) Compensation of KMP's by Category

Salary, fees and short term incentives	3,183,510	5,000,024
Post Employment	121,151	244,928
Other Long-Term	-	-
Termination Benefits	-	-
Share-based Payment	632,239	304,899
	3,936,900	5,549,851

d) 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. The 2020 amounts have been approved by the Remuneration Committee.

### 24. RELATED PARTY DISCLOSURES (continued)

#### e) 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 \$11,416,988 (2019: \$13,735,542) 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, excluding small working capital advances, and are repayable on demand. See Note 11 for amounts receivable from related parties \$6,250,898 (2019: \$6,801,827) and Note 15 for payables to related parties \$193,741 (2019: \$1,529,411).

	Consolidated	
	2020	2019
	\$	\$
Entities within the Consolidated Group have advanced funds to other related		
parties.		
Adroit Horizon Pty Ltd	36,564	
Austbrokers Aviation Pty Ltd	9,732	11,136
Austbrokers Hiller Marine Pty Ltd	357,204	321,350
Brian Reedy	348,282	339,278
Barreto Family Trust	4,445	4,438
Blackfish Pty Ltd	21,154	24,079
Blair Arnot	781,449	904,686
Bluestone	48,825	-
Cameron Hollis	18,042	-
Commercial and Rural Insurance Limited	69,000	269,058
Craig Walker	-	45,759
Cruden & Read Pty Ltd	548,071	490,203
Damian Price	55,941	54,072
Dawson Insurance Brokers (Rotorua) Ltd	-	158,961
David Crick	6,745	7,505
Gard Insurance Pty Ltd	-	346,365
Geebeejay Pty Ltd	2,500	5,000
Longitude Insurance Pty Ltd	1,350,582	8,434
Maurice Carmeri	120,150	133,434
McDonald Everest	97,784	-
Medicean Pty Ltd	63,036	-
Michael Holbrook	781,449	904,686
NRIG Pty Ltd	50,000	50,000
Paul Brown	445,512	508,761
Paul Wilkes	48,950	48,950
Rebecca Wilson	-	1,318,909
Rosser Underwriting Ltd	-	94,624
Sally Underwood	599,520	739,422
Sura Professional Risk Pty Ltd	167,901	
Tasman Underwriting Pty Ltd	63,950	8,847
Tim Parry	1,048	
The Guild Group	153,062	
Venrick Pty Ltd	-	3,870
	6,250,898	6,801,827

### 24. RELATED PARTY DISCLOSURES (continued)

	C	onsolidated
	2020	2019
	\$	\$
Other payables - related parties		
Beaubella Investments Pty Ltd	-	96,997
Derick Borean	-	340,618
D Saunders	2,877	-
Gard Insurance Pty Ltd	33,503	-
LaTrobe Insurance Brokers (Vic) Pty Ltd	-	169,744
Paul Dlitvich	-	17,192
Richard Forby	-	340,619
RW Investment Pty Ltd	148,151	-
Samkris Pty Ltd	-	37,310
Stempel Pty Ltd	4,893	-
The Guild Group	4,317	-
Theodorus Sanders	-	2,221
Trickey & Proctor Insurance Agencies Pty Ltd	-	522,365
Tim Parry	-	2,345
	193,741	1,529,411

#### *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 \$17,974 (2019: \$19,477).

The interest charged is on normal commercial terms and conditions.

KJ Risk Group Pty Ltd	344,673	374,641
	344,673	374,641

No further loans have been advanced to members of the economic entity (2019: \$NIL). During the year members of the economic entity have repaid loans issued by AUB Group Services Pty Ltd totalling \$29,968 (2019: \$28,523). The balance outstanding at 30 June 2020 was \$344,673 (2019: \$374,641).

A member of the Group Executive, K. McIvor, has a 10.7% (2019 10.7%) interest in the voting shares of a controlled entity, AUB Group NZ Limited.

#### *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 24(b) and 24(c), there were no other transactions with director or director related entities.

## **25. OTHER POLICIES**

#### Other Policies

For the basis of preparation, significant accounting policies, and changes to accounting refer to Note 2.

For accounting policies on material balances refer to notes above.

#### 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.

An liability is current when:

- it is expected to be settled in the normal operating 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.

#### 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.

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### 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.

## 25. OTHER POLICIES (continued)

#### 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.

#### 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.

#### Make Good Provision

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.

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 future labour costs. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision recognised for each premises 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.

#### 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.

#### Non-controlling Interests

This is measured at their proportionate share of the identifiable net assets and proportion of goodwill.

## 26. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### Accounting Standards issued but not yet effective

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the Group in this Financial Report. The new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position of the Group.

#### AASB 17: Insurance contracts

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

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

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

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

The group does not expect the financial impact of AASB 2018 - 6 to be material as substantially all business combinations entered into by the Group will continue to meet the definition of a business combination once the amendments come into effect.

# DIRECTORS' DECLARATION YEAR ENDED 30 JUNE 2020

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 2020 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 2.1; 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 2020.

On behalf of the Board

D.C. Clarke Chair Sydney, 25 August 2020

M. P. C. Emmett Chief Executive Officer and Managing Director Sydney, 25 August 2020



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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 2020, consolidated statement of profit or loss, consolidated statement of other 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 2020 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* (including Independence Standards) (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.



Carrying value of goodwill, insurance broker register intangible assets and investment in associates, and put option liabilities.

Financial report reference: Notes 2, 7, 8, 12 and 13

Why significant	How our audit addressed the key audit matter
Goodwill, other intangible assets and investment in associates totals \$656 million and represent 64% of total assets. This was a key audit 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 relevant parts of the business. The key inputs and judgments involved in the impairment assessment include:	<ul> <li>Our audit procedures included the following:</li> <li>We assessed the Group's determination of CGUs.</li> <li>We evaluated the Group's process regarding impairment assessments of goodwill, other intangible assets and investment in associates to determine any asset impairments.</li> <li>We evaluated the competence, capabilities and objectivity of management's expert who advised management on EBIT multiples across the Group's operating segments, geographical regions, and CGUs.</li> </ul>
<ul> <li>Determination of Cash Generating Units ('CGUs');</li> <li>Applicable Revenue and Earnings Before Interest and Tax (EBIT) multiples;</li> </ul>	We involved our valuation specialists to assist in assessing the appropriateness of the impairment models including key inputs into the models such as the applicable EBIT multiples and discount rates.
<ul> <li>Forecast cash flows including assumptions on revenue and expense growth;</li> <li>Discount rates, and Terminal growth rates within</li> </ul>	We tested the mathematical accuracy of the impairment models and agreed relevant data back to the latest budgets, actual results and other supporting documentation.
<ul> <li>Discounted Cashflow (DCF) models; and</li> <li>Stress testing of key assumptions.</li> <li>Economic and entity specific factors are incorporated into</li> </ul>	<ul> <li>We assessed the reasonableness of the cash flow forecasts by comparing them to our understanding of the industry's external factors affecting revenue growth.</li> </ul>
the EBIT multiples or DCFs used in the impairment assessments. The Group's CGUs operate in a diversified number of industries within the insurance broking and underwriting sector in Australia and New Zealand as well as the provision of support services.	We independently developed expectations regarding the impairment testing results based on our understanding of the business, external industry trends and experience and the Group's historic business activity. We evaluated the Group's impairment testing results against those expectations.
The Group has more than 50 individual CGUs that can be impacted by changes in the macro-environment as a result of COVID-19 as well as positive or adverse impacts from	<ul> <li>We evaluated the estimated useful life attributed to identifiable insurance broking register intangible assets.</li> <li>We assessed the Group's sensitivity analysis and evaluated</li> </ul>
specific industries or natural events. The future results of insurance brokers and underwriting agencies are exposed to insurance premium rates, volumes and commission rates, and broker fees. Similarly, the	<ul> <li>whether any reasonably foreseeable change in assumptions could lead to an impairment.</li> <li>We assessed the adequacy of the disclosures in note 13 to the</li> </ul>
support services entities are likely to be affected by any changes in state-based workers compensation scheme arrangements. Put Options liabilities contain significant estimates in their	<ul> <li>financial report.</li> <li>We assessed the relationship between the impairment models and the model used by the Group to value the recognised put option. This included consistency, where relevant, of key</li> </ul>
valuation. The key inputs are:	inputs into the models allowing for the different time horizons of cash flows.

- Applicable EBIT multiples; and
- ► Forecast EBIT.



#### **Decentralised operations**

Financial report reference: Notes 2.1, 8 and 9

#### Why significant

The Group comprises more than 80 subsidiaries and associates ('components') with operations in Australia and New Zealand.

This was a key audit matter as the individual components are wide ranging in size with each business operation having different customer profiles and products. The decentralised and varied nature of these operations require significant oversight by the Group to monitor the activities, review component financial reporting and undertake the Group consolidation procedures.

The Group consolidation is a complex exercise in terms of the number of components and consolidation entries/adjustments given the significant acquisitions, disposals and changes in ownership of subsidiaries and associates over the years.

The financial reports of a number of controlled entities and associates are audited by component auditors and therefore the assessment of the adequacy of the procedures of other auditors was considered significant to the audit.

#### How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the effectiveness of relevant controls over the Group's decentralised structure, including centralised monitoring controls at the Group, segment and individual component level, focused on key performance metrics and risk reporting.
- We planned and scoped our audit by size and risk across all components of the Group to determine the extent of audit work to be undertaken at each location. Instructions were sent to all component auditors including specific instructions asking them to consider current period and recurring risks within the Group.
- Components subject to audit in aggregate represented more than 95% by Revenue and Total Assets of the Group. All other Components were subject to a review (which is not an audit).
- We liaised directly with the component audit teams of the significant entities to evaluate the adequacy of the auditor's work, through review of underlying audit work, the scoping of key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and audit findings.
- We assessed the Group consolidation, including the mathematical accuracy of the consolidation, the appropriateness of elimination entries and adjustments and agreed the components' results in the consolidation to the audited clearances from other auditors.
- We analysed the financial information of all components, including those not considered as individually significant. Procedures included discussions with Group management about the components' financial performance, and an assessment as to whether there was any matters arising that required explanation or additional procedures.

#### 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 2020 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.

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, actions taken to eliminate threats or safeguards applied.

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 11 to 22 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of the AUB Group Limited for the year ended 30 June 2020, 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

That

Michael Wright Partner Sydney, 25 August 2020

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## ASX ADDITIONAL INFORMATION YEAR ENDED 30 JUNE 2020

Additional information required by the ASX Limited and not shown elsewhere in this report is as follows. The information is current as at 12 August 2020.

#### a) Distribution of equity securities

#### Ordinary share capital

- 73,818,757 fully paid ordinary shares are held by 1,617 individual shareholders. All issued shares carry one vote per share and carry the rights to dividends.
- 36,953 ordinary shares issued on exercise of options under the Senior Executive Option Plan are held in escrow in accordance with the Plan.

#### Options

- 402,541 options are held by 8 individual option holders.

Options do not carry a right to vote.

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

Range of shareholding	Number of shareholders	Fully paid ordinary shares	Fully paid ordinary shares (%)	Options
100,001 and over	22	68,269,864	93%	1
10,001 - 100,000	110	2,988,754	4%	7
5,001 - 10,000	135	1,027,913	1%	-
1,001 – 5,000	514	1,308,467	2%	-
1 – 1000	644	223,759	0%	-
	1,425	73,818,757	100%	8
Holding less than a marketable parcel	132			

# ASX ADDITIONAL INFORMATION YEAR ENDED 30 JUNE 2020

#### b) Substantial shareholders

	Date of Notice	Number	Fully Paid Percentage
Perpetual Limited	06-August-2020	8,562,349	11.60%
Challenger Limited	27-July-2020	7,234,010	9.80%
Greencape Capital Pty Ltd	31-July-2020	5,604,516	7.59%
Wellington Management Group LLP	18-March-2020	4,899,108	6.64%
Pendall Group Limited	10-August-2020	4,374,916	5.93%

#### c) Twenty largest holders of quoted equity securities

		Fully paid	
Ordinary shareholders	Number	Percentage	
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,045,070	36.64%	
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,869,294	28.27%	
CITICORP NOMINEES PTY LIMITED	6,116,406	8.29%	
BNP PARIBAS NOMINEES PTY LTD	3,146,609	4.26%	
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,525,837	3.42%	
NATIONAL NOMINEES LIMITED	2,269,978	3.08%	
UBS NOMINEES PTY LTD	1,296,633	1.76%	
MILTON CORPORATION LIMITED	1,292,991	1.75%	
MIRRABOOKA INVESTMENTS LIMITED	620,000	0.84%	
BRISPOT NOMINEES PTY LTD	484,175	0.66%	
MASFEN SECURITIES LIMITED	460,091	0.62%	
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	371,098	0.50%	
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	313,610	0.42%	
NETWEALTH INVESTMENTS LIMITED	240,805	0.33%	
MRS GAELEEN ENID ROUVRAY	236,723	0.32%	
INVIA CUSTODIAN PTY LIMITED	195,554	0.26%	
NEWECONOMY COM AU NOMINEES PTY LIMITED	151,974	0.21%	
MARKEY INVESTMENTS PTY LTD	148,709	0.20%	
MR STEPHEN SPENCE ROUVRAY	147,805	0.20%	
BOND STREET CUSTODIANS LIMITED	123,136	0.17%	
	68,056,498	92.20%	

# **DIVIDEND DETAILS**

#### **Dividend Details**

Dividend	Amount	Franking	Ex Date	Record Date	Payment Date
Interim*	14.5c	Fully Franked	5/03/2020	6/03/2020	3/09/2020
Final**	35.5c	Fully Franked	7/09/2020	8/09/2020	8/10/2020

\* The Dividend Reinvestment Plan (DRP) arrangements remains activated.

\*\* The Interim Dividend that was due to be paid in April 2020 was deferred until 3rd September 2020.

# **CORPORATE INFORMATION**

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

A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' report on pages 5-24.

#### 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 on Tuesday  $10^{\rm th}$  of November 2020 at 10.00am.

#### **Registered Office and Principal Place of Business**

AUB Group Limited Level 14, 141 Walker Street North Sydney NSW 2060 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

