

2021  
ANNUAL  
REPORT





# CHAIR'S MESSAGE

David Clarke  
Chair



Dear Shareholders,

On behalf of the Board of Directors, it is my great pleasure to present AUB Group's 2021 Financial Year performance and Annual Report.

## FINANCIAL PERFORMANCE AND CAPITAL STRENGTH

While FY21 has presented a challenging and difficult economic environment for our clients, partners and communities, our business continues to deliver resilient financial performance driven by strong organic growth. In FY21, AUB Group delivered above our original guidance with another strong result where Underlying Net Profit After Tax (UNPAT) increased by 22.9% compared to FY20, to \$65.3m (after accounting for Software as a Service (SaaS) accounting policy change) as a result of ongoing progress against our Strategic Priorities.

Divisionally, our Australian Broking business pre-tax profit grew 21.8% because of increasing commercial premiums, improved commercial terms from our renegotiated insurer agreements as well as the ongoing cost reductions.

New Zealand pre-tax profit decreased 13.2%, primarily due to the impact of the SaaS accounting policy change, while the premium rates remained flat.

Our increased focus on Agencies and the restructure of the division post the acquisition of 360 Underwriting delivered a 13.9% increase in pre-tax profit and improved the underlying margin by 100bps.

BizCover continues to deliver accelerated growth and scale. I'm highly encouraged by the progress the Group has made despite the risks posed by the global pandemic, which speaks to underlying strong fundamentals and our competitive positioning in the industry.

Despite a challenging and uncertain macroeconomic environment, our balance sheet remains strong, the Group is strongly cash generative and has \$89.5m in available funding, and a gearing ratio of 28.5% at 30 June 2021.

## PROGRESS ON STRATEGIC AGENDA

The Group made successful progress on its strategic priorities with key highlights including the acquisition of 360 Underwriting which became the cornerstone of our restructured Underwriting Agencies division.

Acquisitions of Experien, QRM and YDR continue to validate the success of our M&A agenda. The Group successfully exited the Altius Group following its exit from Allied Health in FY20 and this completed our strategic closure of the Health and Rehabilitation division. Our focus on partner entity consolidation continued with the Group making several portfolio changes to create scale, realign expertise and simplify operations.

Our technology focus saw ongoing momentum in the roll-out of ExpressCover and Sentinel and we have an initiative underway in New Zealand. The Group's focus on enhancing the AMS partner value proposition led to the launch of Austplacements, designed to support partners in complex placement both locally and internationally.

The Group's recent investment in enhancing our partner value proposition has led to significant external interest in our services. As a result, we have launched The Insurance Alliance, a non-equity member offering to brokers, with strong initial interest.

Looking ahead, the Group's FY22 strategic focus will primarily be a continuation of FY21 objectives, however the ongoing economic uncertainty makes future assumptions difficult.

## DIVIDENDS

The Directors have determined a final fully franked final dividend of 39.0 cents per share, payable on 11 October 2021. This, together with the interim dividend of 16.0 cents, results in a full year dividend of 55.0 cents, a 10.0% increase on FY20. The strong business results led to an improvement in Underlying Earnings per Share by 22.0%.

# CHAIR'S MESSAGE (CONTINUED)

## BOARD CHANGES

In July 2021, we welcomed Peter Harmer to the Board as a Non-Executive Director. Peter is a respected senior executive from the Insurance industry and brings considerable industry and executive expertise and experience to the Board. Peter previously served as the Managing Director and CEO of IAG Limited, CEO of Aon Limited UK, Australia, New Zealand, and Pacific operations and is currently serving as a Non-Executive Director of Commonwealth Bank of Australia and nib Holdings. Shareholders will be asked to formally elect Peter at the 2021 Annual General Meeting. The appointment follows the planned retirement of Ray Carless from the AUB Group Board on 31 August 2021. Ray has been an outstanding contributor to AUB during his time as Director and I want to thank Ray sincerely for his service and wish him well for the future. Our Board is the custodian for AUB shareholders, and its effectiveness is reliant upon a diversity of experience, expertise and perspectives and I am confident the changes will ensure we continue to serve this responsibility with the utmost care and diligence.

## ENVIRONMENT, SOCIAL AND GOVERNANCE

Robust environmental, social and governance (ESG) practices remain an area of focus for the Board and Management, while our clients, colleagues and shareholders are becoming increasingly interested in how we manage sustainability within our business. In FY21, we are pleased by the material progress made towards establishing an integrated approach to ESG resulting in increased transparency, accountability, and reporting against our objectives, as reported on page 45 of this report.

The Board is committed to ensuring the business acts responsibly in how we engage with our partners and clients, how we support our colleagues, how we manage our impact on the environment and how we contribute to the communities in which we operate.

As a result, we have implemented policies, training, recruitment, and recognition practices that deliver a diverse and inclusive workplace, and pro-actively manage our impact on the environment. The business is proactively meeting the challenges of a pandemic and resultant local public health orders to innovatively redesign our business and operating model. As a result, AUB Group has undertaken a variety of market-leading initiatives designed to materially uplift employee welfare including remote working, home-office allowances, mandatory ergonomic checks, access to health and wellbeing programs as well as vaccine incentivisation to support Health authorities deliver an accelerated path out of the pandemic. The initiatives require significant investment, financial and non-financial, but are deemed essential for the long-term welfare of our employees and the business.

## CONCLUSION

On behalf of the Board, I'd like to commend and express my gratitude to AUB Group partners and employees for their continued resilience and focus during a challenging year, while also acknowledging the ongoing support from our clients and shareholders. Although the uncertainty from the pandemic continues to loom over us, I'm hopeful that we will see a return to a more normal business life in the near future.



**David Clarke**  
Chair



# CEO'S MESSAGE

**Michael Emmett**  
Chief Executive Officer  
and Managing Director



Dear Shareholders,

FY21 was another successful year for AUB Group. Our strategic transformation continued at pace and we delivered a strong full-year result, above original expectation, against a backdrop of ongoing uncertainty in the external environment.

## FINANCIAL PERFORMANCE

FY21 produced immense challenges for our clients and our partner businesses. Against that challenging backdrop, our client value proposition and strong business fundamentals enabled us to deliver record financial performance. For FY21, Underlying Revenue grew by 11.6% on prior year to \$651.8m, while progress on key strategic initiatives helped strengthen our EBIT margin by 360bps to 31.9%, delivering an Underlying NPAT growth of 25.7% to \$67.1m (before the impact of the SaaS accounting policy adjustment).

Excellent organic profit growth of 16.3% was supplemented by profits from acquisitions of 10.9% (particularly from BizCover and Experien), driving increased revenue and supported by disciplined cost management across the network.

Configuration costs for IT projects utilising Software as a Service are now required to be fully expensed rather than capitalised and amortised over five years, as was previously our practice. This change has reduced FY21 Underlying Net Profit after Tax to \$65.3m and year-on-year profit growth to 22.9%. There is an expected similar impact in FY22.

During FY21 the Group placed ~\$4.0bn in premium on behalf of our clients, a significant increase on prior years, bolstered in part by premium rate rises of 6.2% for the full year, as well as an improvement in our premium retention to an all-time high of 93%.

As a result of our strong performance, the Board has determined a final dividend of 39cps resulting in FY21 total dividends of 55cps, an increase of 10.0% on FY20. Notably, underlying earnings per share grew 22.0% from the prior year to 87.93cps.

## DIVISIONAL UPDATE

Australian Broking grew revenue partially by leveraging data and technology to better segment and target clients and portfolios and by managing expenses resulting in increased operating leverage expanding the margin by 400bps since FY19.

Our strategic investment in BizCover has been very positive with growth in their revenue of 35% and profit before tax growth of 66% on a proforma basis. The business has implemented multiple initiatives including fully re-platforming the BizCover technology, a new referral portal targeting the clients of professional advisory firms and a focus on growth and expansion of the New Zealand business.

A new operating structure, the acquisition of 360 Underwriting in December, and the roll out of the new Sentinel Agency system are all contributing to the reinvigoration of Agencies with FY21 profit before tax growing by 15% and margin expanding by 100bps. The business expects further growth and benefits as these build momentum into FY22.

Our New Zealand operations are still in the early stages of changes implemented in FY21 and anticipated to run until FY23. We have made significant changes to broking leadership, have a major technology investment underway and plan for acquisitions to grow scale and enhance broking product and geographic capability in the region.

Our strategic exit from Health and Rehabilitation Services is now complete.

# CEO'S MESSAGE (CONTINUED)

## PROGRESS ON STRATEGIC AGENDA

I'm very pleased with progress the Group has made on our Strategic priorities. The benefits from key projects have assisted the acceleration of underlying revenue, margin, and profit growth over the past two years.

Network optimisation has been identified as a key priority for the Group and we initiated a number of business mergers, realigned client portfolios, made strategic disposals, and rationalised entities, all to create scale, market-leadership and to simplify the business. Over the past two years we have reduced the number of operating businesses from 105 to 75 and improved the performance of low-profit and, in some cases, loss-making portfolios, created specialised businesses that are winning new clients in the market, and leveraged the scale and margin benefits of larger Austbrokers members, creating fewer, bigger, better run and more profitable operations in the AUB portfolio.

Our focus on strategically aligned and disciplined acquisition has continued with investments in Experien, QRM, 360 Underwriting, YDR and TLC Underwriting in FY21.

The Group's technology landscape has rapidly transformed, delivering cost-effective solutions for clients and network partners. ExpressCover and Sentinel adoption is building and we commenced Project Lola in New Zealand, a new broking and quote-to-bind solution, for roll out later in FY22.

Enhancements to our partner proposition continued with the introduction of a Group Analytics capability, the renegotiation of multiple insurer agreements and the launch of our non-equity broking member network in Australia - The Insurance Alliance.

## FY22 PRIORITIES AND OUTLOOK

Our FY22 focus will be an evolution of our FY21 priorities. We plan to enhance benefits from reinvigorating our Agencies division, further optimise our network of businesses, execute on additional, strategically aligned acquisitions, deliver market-leading technology capabilities, and further enhance our partner proposition.

In considering the progress we've made with our strategic priorities and the resulting positive trajectory we anticipate an Underlying Net Profit after Tax in FY22 of between \$70m and \$73m representing growth on continuing operations of 15.7% to 20.7%, translating to an underlying earnings per share outlook of 94.3cps to 98.3cps.

## SUPPORTING OUR TEAM

The pandemic has been an unexpected and challenging experience for our teams. We've introduced changes to support teams through these challenging times including, for many, implementing a 4/1 work policy where teams now work, on a permanent basis, not as a pandemic response, a rostered day per week in the office, working the remaining 4 days per week remotely. We provide team members with a generous home office set-up allowance and fortnightly stipend. We're undertaking a major redesign of our work environment to increase employee engagement, have implemented a generous approach to leave including bonus days for employees on nil balances and leave incentives for getting vaccinated against COVID-19, as well as multiple programs to encourage a physically and mentally active and healthy lifestyle. I am very proud of the way in which the AUB family have dealt with these significant personal and commercial stresses, and we're continually looking for ways to improve the experience for our teams.

## CONCLUSION

FY21 was a year of extraordinary ups and downs, and our business continues to demonstrate a remarkable resilience. I'm thankful for our clients who trust us with their business-critical risks; grateful to our teams who go above and beyond to deliver for our clients; and I'm so proud of how we as an organisation have operated in the face of such adversity.

I look forward to updating you on our progress.



**Michael Emmett**  
Chief Executive Officer  
and Managing Director

# DIRECTORS' REPORT

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## DIRECTORS

Your Directors submit their report for the year ended 30 June 2021. 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.



**D.C. Clarke LB MAICD**  
(Independent Non-Executive Chair)

**Appointed:**

3 February 2014 (Chair: 26 November 2015)

**Background and experience:**

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 35 years' experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited.



**M.P.C. Emmett B Com, H.Dip. Acc CA (SA)**  
(CEO and Managing Director)

**Appointed:**

11 March 2019

**Background and experience:**

In addition to his role as Group CEO, Mike serves on a number of boards for companies in Austbrokers, AUB New Zealand and Austagencies. 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. Before this, Mike was QBE Group Executive of Operations and EY Managing Partner for Financial Services Advisory. Prior to 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 the Gold Coast Suns AFL Club and until May 2021, was on the board of ASX listed 1ST Group Limited.



**C. L. Rogers CFA, B Com, MBA, GAICD**  
(Independent Non-Executive Director)

**Appointed:**

3 May 2018

**Background and experience:**

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 venture owned by EFTPOS, 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, Nomination and Remuneration & People Committees.



**P. A. Lahiff BSc Agr, GAICD**  
(Independent Non-Executive Director)

**Appointed:**

1 October 2015

**Background and experience:**

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 Inc, 86 400 Holdings Ltd and Harmony Corp Limited. 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 Graduate of the Australian Institute of Company Directors.

He chairs the Remuneration & People Committee and is a member of the Audit & Risk, and Nomination Committees.



# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## DIRECTORS (CONTINUED)



### **P. G. Harmer**

**(Independent Non-Executive Director)**

**Appointed:**

22 July 2021

**Background and experience:**

Peter Harmer was previously Managing Director and Chief Executive Officer of Insurance Australia Group (IAG) Limited and is currently a Non-Executive Director of Commonwealth Bank of Australia and nib holdings limited. Prior to IAG he was Chief Executive Officer of Aon Limited UK and a member of Aon's Global Executive Board, and spent seven years as Chief Executive Officer of Aon's Australian, New Zealand and Pacific operation.



### **R. J. Carless B Ec**

**(Independent Non-Executive Director)**

**Appointed:**

1 October 2010

**Background and experience:**

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. Ray is a member of the Audit & Risk, Nomination and Remuneration & People Committees.



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

**(Independent Non-Executive Director)**

**Appointed:**

3 February 2014

**Background and experience:**

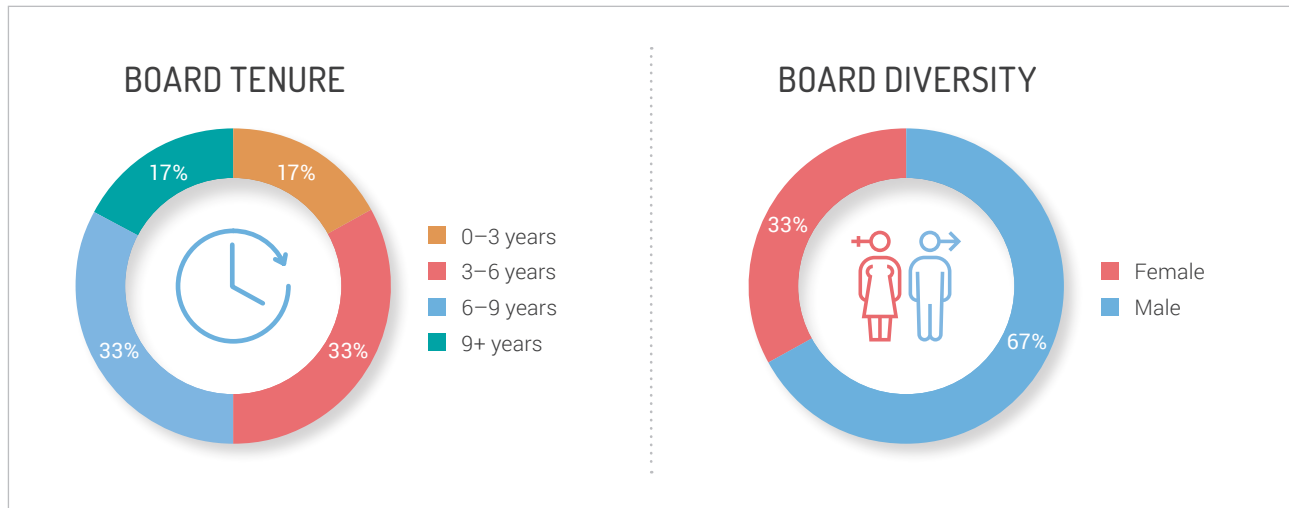
Robin Low was a partner at PricewaterhouseCoopers. She has over 30 years' experience in financial services, particularly insurance, and specialises in assurance and risk management. Robin was appointed to the Board on 3 February 2014. She chairs the Audit & Risk Committee and is a member of the Nomination 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 CSG Limited. She also serves on the boards of Australian Reinsurance Pool Corporation, Gordian Runoff Limited, and not-for-profit organisations: Primary Ethics and Guide Dogs NSW/ACT. Robin serves on the audit committee of the University of New South Wales, and is a past Deputy Chair of the Auditing and Assurance Standards Board.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## BOARD SKILLS AND EXPERIENCE

The average tenure at 30 June 2021 of the board is 6 years. The AUB Group Board included 6 members for the entire year of which 2 were female (minimum target 30%). The Board comprises directors with a diverse range of skills, experience and backgrounds to support the effective governance and robust decision-making of the Group, with a particular focus on the key desired areas listed below. An assessment of the optimum mix of Board skills and experience takes place regularly.



The Board seeks to have an appropriate mix of skills, experience, expertise and diversity (including gender and skills diversity) to effectively discharge its responsibilities, appropriately monitor risk management and add value to the Group.

The Board has identified the following strategic priorities for the Group to drive long-term sustained shareholder growth and value:

- Deliver market leading technology capabilities;
- Continue to optimise our network to drive market leadership;
- Reinvigorate insurance agencies to drive growth, scale and margin improvement;
- Enhance partner proposition (product, capacity, services); and
- Execute on strategically aligned acquisitions.

Having regard to these execution priorities, the following table sets out the mix of skills and experience the Board considers necessary or desirable and the extent to which they are represented on the Board as at 30 June 2021:

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

SKILL / EXPERIENCE	SUMMARY	DIRECTORS' AVERAGE SKILL RATING	
Strategy	Expertise and experience defining strategic objectives, assessing business plans and driving execution in large, complex, and decentralised organisations.		
Corporate Governance, Legal, Regulatory & Public Policy	High standards of corporate governance, compliance and monitoring legal, regulatory and public policy frameworks and trends.		
Industry Knowledge and Expertise	Experience and expertise in customer centric financial services, including the insurance industry.		
Remuneration, People & Culture	Board committee membership or management experience in monitoring company culture, people management, succession planning and remuneration frameworks and policy.		
Financial Reporting and Management	Senior experience with financial management, reporting and audit.		
Corporate Transactions	Knowledge and experience in assessing and completing complex corporate transactions, including mergers, acquisitions, divestments, major projects and business integrations.		
Risk Management	Experience in financial and non-financial risk management in large, complex, and decentralised organisations.		
Technology	Knowledge and experience in digital transformation, data-analytics, automation, data security, and business continuity.		
Social Responsibility	Experience and a commitment to social responsibility, environmental stewardship, workplace safety, workplace diversity, and community support.		

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## COMPANY SECRETARIES

### R. H. Bell, LLB, B.Comm (Law)

Richard joined AUB Group Ltd on 15 June 2021 and was appointed Group General Counsel & Company Secretary on 29 June 2021. Before joining AUB Group, he was General Counsel (Corporate) & Group Company Secretary at Aristocrat Leisure Limited and previously in private practice specialising in Mergers & Acquisitions at Allens Linklaters.

### D. J Franks, BEc, CA, F Fin, FGIA, JP (Joint Company Secretary)

David was Joint Company Secretary of AUB Group Ltd from 20 December 2018 to 4 November 2019 and from 29 April 2020 to 29 June 2021. David is a Director and Principal of the Automic Group, and has been CFO, Company Secretary and/or Director for numerous ASX listed companies.

### 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 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.

## INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

Non-executive Directors are 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 Ordinary Shares	Number of Options over Ordinary Shares
D. C. Clarke (Chair)	23,087	–
M. P. C. Emmett (CEO)	–	354,824
C. L. Rogers	6,000	–
P. A. Lahiff	10,334	–
P. G. Harmer	–	–
R. J. Carless	25,395	–
R. J. Low	20,536	–

## 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. Board members acting on the committees of the Board during the year were:

	MEMBER OF:		
	Audit & Risk	Remuneration & People	Nomination
D. C. Clarke	●	●	●
C. L. Rogers	●	●	●
P. A. Lahiff	●	●	●
R. J. Carless	●	●	●
R. J. Low	●	●	●

- Committee chair
- Committee member

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## DIRECTORS' MEETINGS

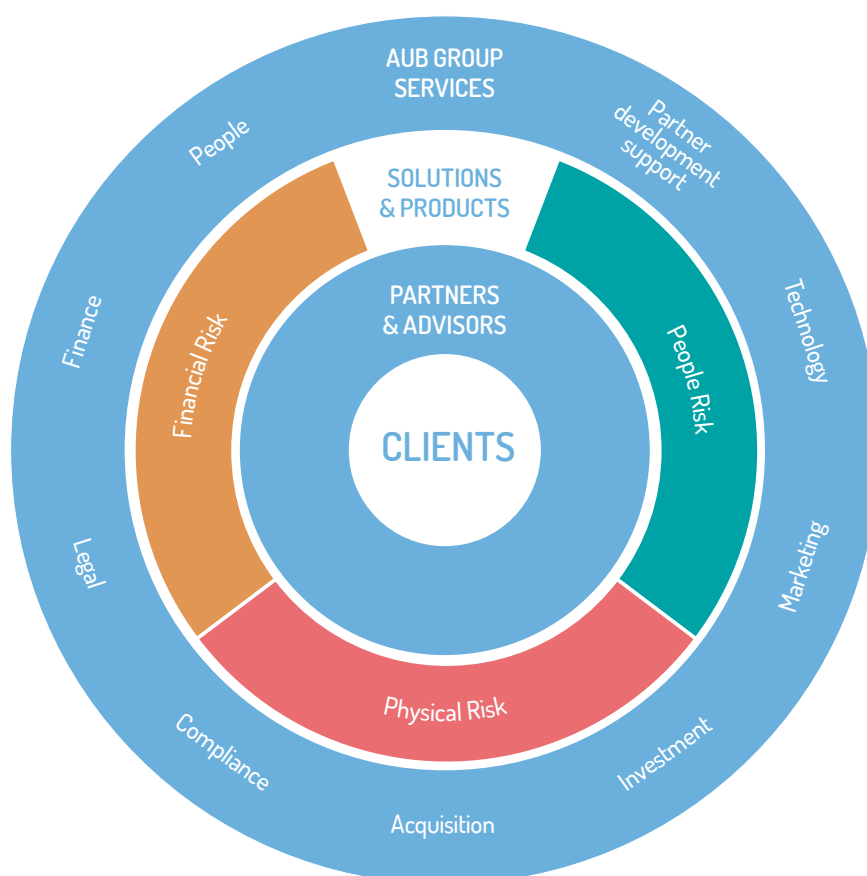
The number of Directors' meetings (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Meetings of Committees			
	Directors' Meetings	Audit & Risk	Remuneration & People	Nomination
<b>No. of meetings held</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>3</b>
<b>No of meetings attended:</b>				
D. C. Clarke (Chair)	10	6	6	3
M. P. C. Emmett*	10	6	6	3
C. L. Rogers	10	6	6	3
P. A. Lahiff	10	6	6	3
R. J. Carless	10	6	6	3
R. J. Low	10	6	6	3

\* 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.

## OUR PURPOSE AND VALUES

We place clients at the heart of everything we do – providing products, services and solutions that help protect them from harm, damage and financial burden. Our partners and advisers provide trusted support and guidance to clients on the optimal combination of physical, people and financial risk solutions. Our approach is backed by the same commitment to high-quality service that we've had from the start. Our services are designed to help our partners to operate safely, manage the business more profitably and achieve better outcomes for clients. Together we're providing a safer and stronger future for all.



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.

For further information on our stakeholders and measurements of success please refer to our ESG Report on page 45.



# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## PRINCIPAL ACTIVITIES

AUB Group Limited (AUB Group or Group) is an ASX200 listed group comprising 75 insurance broking and underwriting agency businesses operating in ~500 locations across Australia and New Zealand. We work with 850,000 clients to place more than \$4.0b in insurance premiums with local and foreign insurers.

AUB Group operates through four key business segments. The Group's core revenue is derived from arranging insurance policies and from related products and services. The amount of revenue earned is determined by premiums placed, sums insured and the general level of economic activity.

**Australian Broking** businesses provide insurance broking and advisory services primarily to SME clients. The division encompasses 50 broking businesses, complimented by established capabilities in member services, life insurance broking, premium funding, and claims management.

In **New Zealand**, our broking and agency businesses provide insurance broking and advisory services primarily to SME clients. AUB Group holds equity stakes in 5 major insurance broker partners, two agencies and 1 platform as well as ownership of NZbrokers which is the largest broking management group in New Zealand.

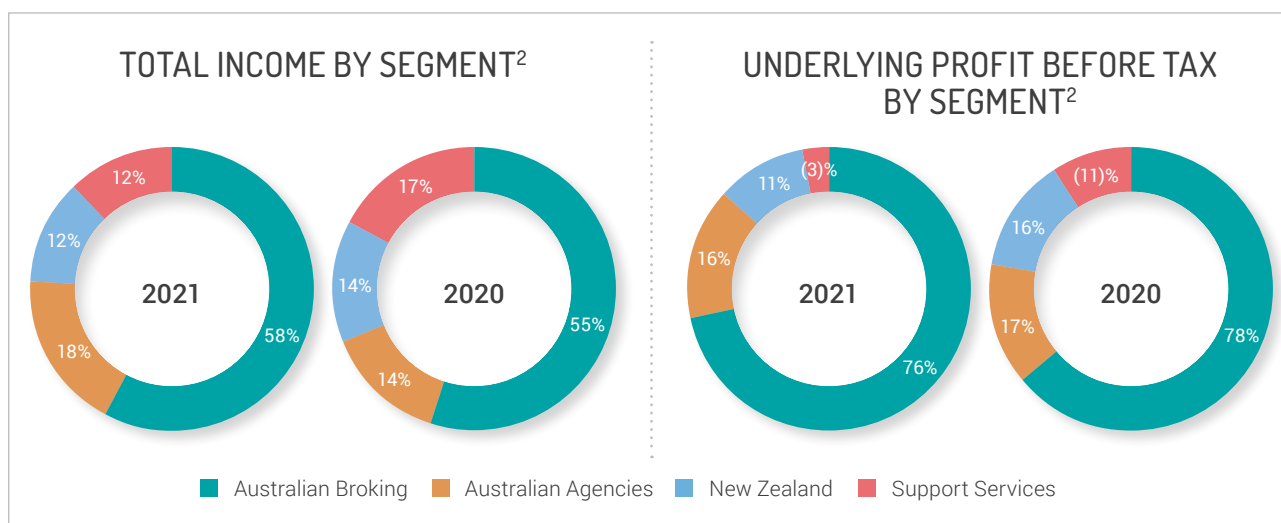
**Australian Agencies** distribute and manage insurance products on behalf of licensed insurance companies through General Commercial, Strata and Specialty sub-divisions with a total of 27 agencies with access to delegated global underwriting capacity. These services are available to customers of insurance brokers, in and outside the Group's broking networks.

**Support service** businesses provide a diverse range of services to support the Broking, Agency, and New Zealand segments, and external clients. Support services include:

1. BizCover<sup>1</sup>: automated quoting, white-labelling, and technological support.
2. Corporate: AUB Group Head office.

The Health and Rehab division ceased during the year on disposal of Altius Group Holdings Pty Ltd on 31 March 2021.

These sub segments are not individually reportable.



The Group owns equity stakes in its partner businesses which provide trusted support and guidance to clients relating to physical, people and financial risks. This is backed by services the Group provides that help our partners operate with less risk, manage their businesses more profitably and ultimately achieve better client outcomes. These services include broker member services, claims and loss adjusting businesses, technology support, a centralised data-center and related infrastructure support, common broking and back-office platforms, finance, tax, M&A, human resources, risk, compliance and other operational support services.

1 BizCover was previously a part of Australian Broking. Comparative periods have been restated.

2 Total Income is presented on a statutory basis whilst Underlying Net Profit Before Tax is a non IFRS measure. Refer to Note 3 within the Financial Report for further information.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## OPERATING AND FINANCIAL REVIEW

### Reconciliation of Reported Net Profit After Tax to Underlying Net Profit After Tax

The following reconciliation from Reported NPAT to UNPAT is presented on the basis attributable to equity holders of the parent:

	2021 \$'000	2020 \$'000
<b>Net Profit after tax attributable to equity holders of the parent</b>	<b>70,621</b>	<b>46,984</b>
Add back/(less) net impact (after tax and non-controlling interests), of the following items:		
- Share of Amortisation of broking registers	10,948	7,114
- Adjustments to value of entities (to fair value) on the day they became controlled entities	(3,851)	(2,862)
- Remeasurement of put option liability (net of Interest unwind)	5,587	(3,861)
- Share of impairment charge	2,679	3,578
- Share of movements in contingent consideration, net of impairment charge	(372)	(476)
- (Profit)/Loss on deconsolidation of controlled entity	(18,138)	2,899
- Capital losses not previously recognised	(1,791)	(2,250)
- Share of Profit from sale or dilution of interests in associates, controlled entities and broking portfolio	(2,050)	(961)
- Share of Impairment of the Right of Use Asset and Onerous Lease Expense	611	1,785
- Share of Legal, due diligence and debt costs	1,057	1,202
<b>Underlying Net Profit After Tax</b>	<b>65,301</b>	<b>53,152</b>

### Operating results for the year

In the year ended 30 June 2021 (FY21) Reported Net Profit After Tax attributable to equity holders of the parent (Reported NPAT) was \$70.62m (FY20\*: \$46.98m), a 50.32% increase from the prior year. This increase was driven by a mixture of strong underlying organic and acquisition growth primarily in the Australian Broking division and a profit on sale of the Altius Group.

On a Reported NPAT basis, earnings per share was 95.09 cents for the full year, 49.20% above the prior comparable period.

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

Underlying NPAT increased 22.86% to \$65.30m in FY21 (FY20: \$53.15m) due mainly to the mixture of strong underlying organic and acquisition driven growth primarily in the Australian Broking division.

### Impact of adjustment to accounting for Software as a Service (SaaS)

In April 2021 the IFRS Interpretations Committee (IFRIC) issued an interpretation of existing accounting standards requiring SaaS configuration costs to be expensed as incurred. Previously such costs were capitalised and amortised. This reduced AUB's FY21 UNPAT by \$1.82m (FY20: by \$0.26m).

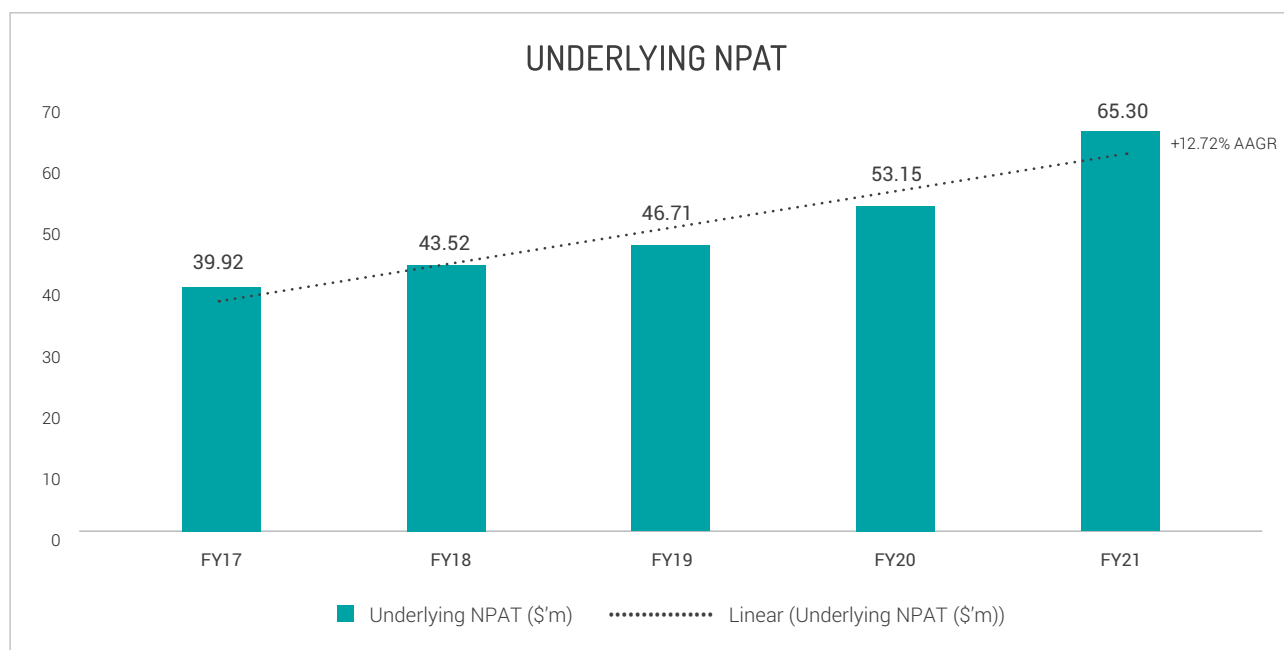
Excluding the impacts of SaaS, the Underlying NPAT would have grown 25.69% to \$67.12 in FY21 (FY20: \$53.41m).

\* The comparative period has been restated as result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# DIRECTORS' REPORT

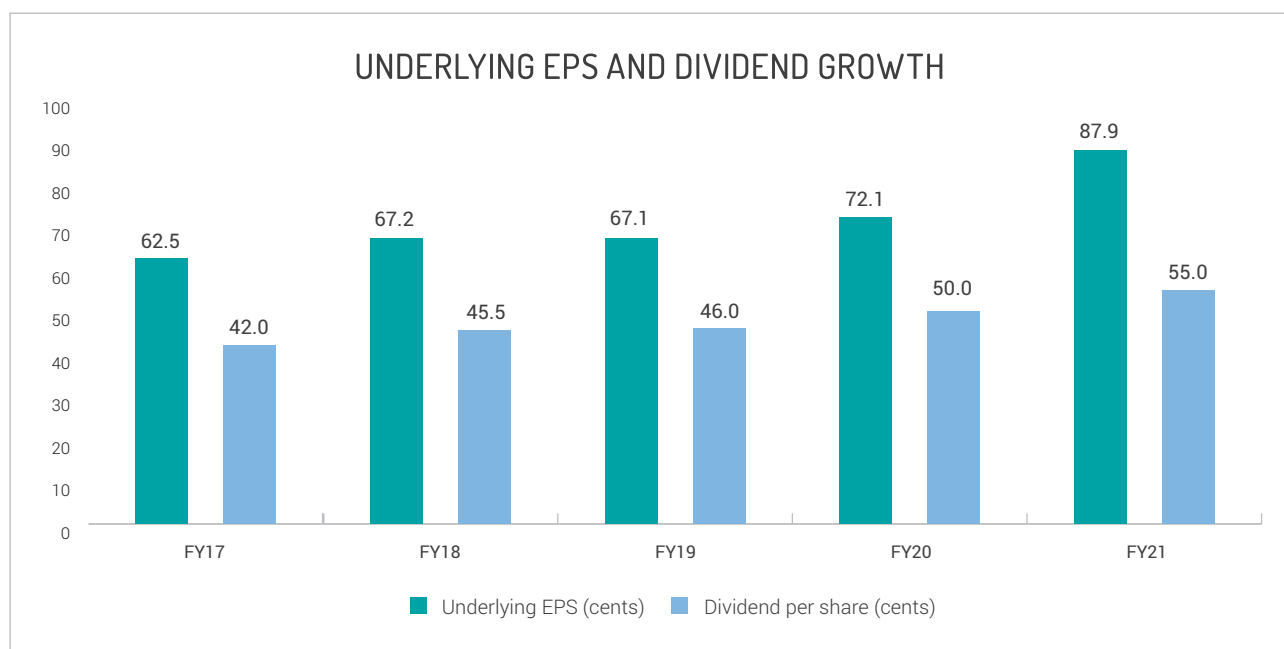
YEAR ENDED 30 JUNE 2021

## OPERATING AND FINANCIAL REVIEW (CONTINUED)



Underlying NPAT has increased by 22.86% over the prior year, and by 12.72% on average per year, over the past 5 years. Underlying earnings per share (EPS) increased by 21.96% over the prior year.

Dividend per share for FY21 of 55.0 cents increased 10.00% on prior year.



# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

**Australian Broking\*** – underlying pre-tax profit for the year increased by 21.79% to \$71.97m. This increase was predominantly driven by:

- Increased Commercial Lines insurance premiums of 6.21% over the period;
- Renegotiated major insurer agreements improving insurance commercials; and
- Ongoing cost reductions due to network rationalisation.

Acquisition related profit growth included a strong contribution from the investment in Experien Insurance Services (1 August 2020).

**New Zealand** – underlying pre-tax profit for the year decreased by 13.25% to \$10.57m. Continued flat premium rates were observed and additional SaaS costs of \$1.9m were expensed. NZbrokers continues to perform well with growth in members and a continually enhanced membership proposition including in the technology space.

**Australian Agencies** – underlying pre-tax profit for the year increased by 13.92% to \$14.84m. COVID-19 impacted clients in the Hospitality, Bus and Coach and Film industries during a transitional year. Additional SaaS costs of \$0.8m were expensed during the year. The restructuring of the division commenced complemented by the investment in 360 Underwriting Solutions on 1 December 2020, accelerating AUB Group's scale in Agencies.

**BizCover<sup>1</sup>** – underlying pre-tax profit for the year increased by 190.02% to \$8.87m. FY20 included 5 months of BizCover (investment 1 February 2020). Organic profit growth was assisted by operating leverage, scalability of the platform and strong revenue growth.

**Health & Rehab** - pre-tax profits increased by 2.53% to \$4.26m for the year. This was despite the sale of Allied Health effective 1 April 2020 and the sale of Altius Group effective 1 April 2021 and the resulting closure of the division.

## FINANCIAL CONDITION

The equity attributable to shareholders of AUB Group Limited has increased to \$478.75m from \$429.28m at 30 June 2020, mainly due to the impact of the current year financial performance and an increase in share capital due to acquisition.

The Group generated positive cash flow from operating activities of \$83.84m (2020: \$78.00m) excluding customer trust account movements. Cash inflow of \$23.23m from investing activities in FY21 was due mainly to the disposal of Altius Group offset by acquisitions of 360 Underwriting Solutions, Experien Insurance Services increased investments in associates. Cash flows used in financing activities of \$96.99m were due to dividends paid to shareholders including non-controlling interests (including FY20 AUB Group interim dividend deferred to FY21), payments to increase our shareholding in controlled entities and the repayment of debt (from proceeds received from the aforementioned Altius sale). Cash held at the end of the period totaled \$281.82m of which \$205.23m were customer monies held in trust).

Interest-bearing loans and borrowings decreased by \$19.49m to \$212.28m. Debt covenant outcomes are as follows:

	2021	2020*
Gearing (Debt/Debt plus equity)	28.50%	34.23%
Leverage (Debt/EBITDA)	1.99:1	2.47:1

Note: Debt and EBITDA include look through shares of associates debt and EBITDA for covenant purposes.

Whilst included in covenant calculations, the look through share of borrowings by associates of \$17.54m (2020: \$20.06m)<sup>2</sup> are not included in the Group balance sheet as these entities are not consolidated.

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

1 BizCover division was previously a part of Australian Broking. Comparative periods have been restated.

2 Total debt of associates, after considering AUB Group's percentage shareholding.

\* The comparative period has been restated as result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## BUSINESS STRATEGY

AUB Group's strategy remains consistent – exploit the latent potential in our existing businesses supplemented with strategically aligned acquisitions:

- Deliver a market leading proposition for our brokers, and in-turn our clients, by investing in processes, technologies and insurer offerings and arrangements that drive commercially efficient and effective outcomes;
- Continued focus on growing our size and market-share by optimising our network of portfolio businesses via consolidation, specialisations and realignments, as well as targeted engagement to improve underlying business performance; and
- Manage our active pipeline of external M&A opportunities through a disciplined and strategic approach to investment.

In FY22, the business will continue to evolve its focus from FY21 priorities with specific accountability for the following:

- **Deliver market-leading technology capabilities:** drive adoption of ExpressCover and Sentinel in Australia and commence implementation of a technology solution for NZbrokers members;
- **Continue to optimise our network to drive market leadership:** execute on consolidation, portfolio realignment and specialisation plans underway and influence underlying businesses to drive outperformance;
- **Reinvigorate Insurance Agencies:** capitalise on the recent major acquisition and restructure to build our agency scale and capabilities to deliver improved growth and profitability via enhanced binder capacity and offering proposition, increased penetration into the Austbrokers network and leveraging synergies;
- **Enhance Partner Proposition:** leverage the Group's scale and expertise to source market-leading offerings for our clients to manage their risk and allow our partners to 'win' in market; and
- **Execute on strategically aligned acquisitions:** increased investments in current network businesses, new complementary bolt-ons as well as potential material external strategic investments.

## PROSPECTS FOR FUTURE FINANCIAL YEARS

AUB Group has benefited from investment in our core capabilities, cost management and pricing tailwinds. 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 which may extend longer than originally expected.



# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## GOVERNANCE

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 Group and the regulatory environment. 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 FY21, AUB Group implemented, revised and updated a number of policies.

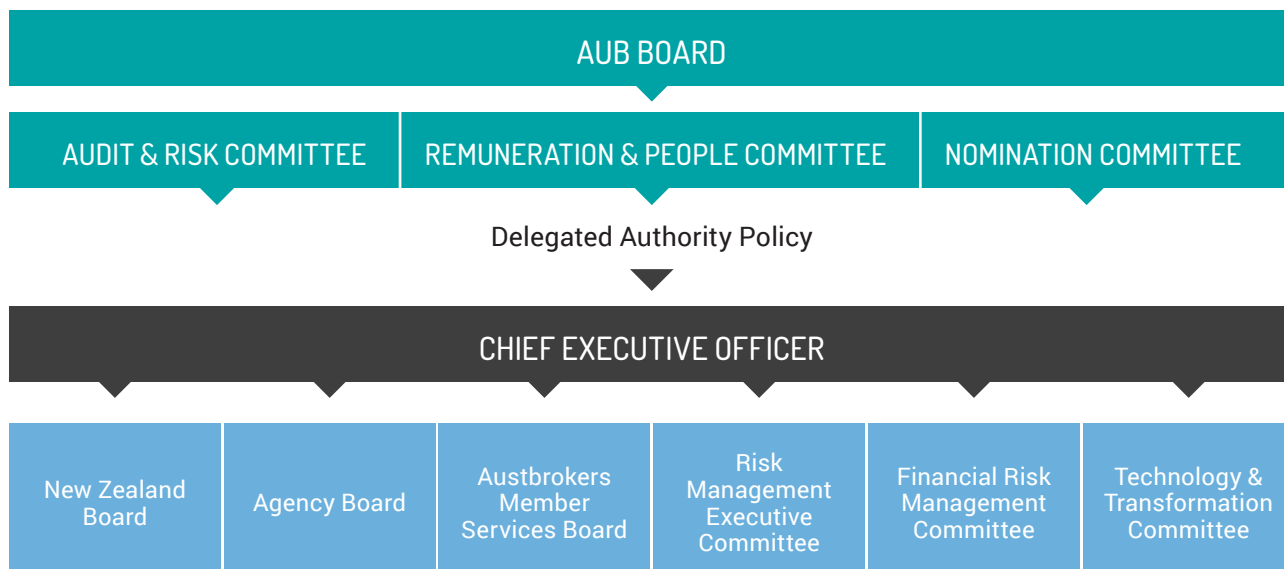
## RISK MANAGEMENT

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;
- 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.

The AUB Group Board of Directors is responsible for monitoring 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:



# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## 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:

RISK	DESCRIPTION	MANAGING THE RISK
<b>Strategic</b>	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.	Ongoing communication and engagement of partner network. Alignment of reporting lines and short and long term objectives of key personnel to the Group's strategic objectives. Board monitoring of management's progress against strategic objectives. Employment and retention of competent and experienced staff, supplemented by qualified external advisors (including due diligence). Review of major acquisitions or disposals by the Board.
<b>Financial</b>	Unfavourable outcomes from inappropriate management interest rate, foreign exchange, counterparty credit, liquidity, and self-insurance risks as well as adverse effects from capital structure and funding.	Group oversight and monitoring of key risk indicators including regular forecasting, sensitivity analysis, and scenario testing. Internal policies on tolerance thresholds including board notification limits. Focus on strong balance sheet and liquidity positions.
<b>Compliance &amp; Legal</b>	Risk of AUB Group, including its partner businesses, providing inappropriate advice, or breaching its compliance and legal obligations (including license conditions), leading to reputational damage, fines, or breach of contract.	A uniform governance and reporting framework across all divisions with delegated decision-making thresholds to Board level. Group oversight and monitoring of key financial and non-financial risk indicators. Regular training and monitoring of changes in legislation, regulation, public policy, and best practice (including corporate social responsibility).
<b>Operational</b>	Losses arising from fraud, inadequate or failed internal processes, systems or people or from external events impacting operational capabilities.	Maintaining strong risk culture, breach reporting, and whistle-blowing mechanisms and protections. Employment and retention of competent and experienced staff, supplemented by qualified external advisors are required.
<b>Partnering &amp; Outsourcing</b>	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.	Implementation of strong governance framework and delegated decision making to ensure best practices implemented in partnering and selection of service providers. Ongoing review of key suppliers against contract terms and agreed service levels. Monitoring of over reliance of suppliers and concentration risk.  Ongoing business continuity and disaster recovery planning.
<b>People</b>	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.	Regular monitoring of staff hours, succession planning and skill gaps to identify recruitment needs.  Use of career development plans, and training to keep talent engaged. Use of employee engagement surveys and anonymous feedback to be pro-active in employee satisfaction, work-life balance, and mental health.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## KEY BUSINESS RISKS (CONTINUED)

RISK	DESCRIPTION	MANAGING THE RISK
<b>Environmental Social Responsibility</b>	Climate change is a material risk to the global economy including the insurance sector. As a result of an increased frequency and severity of climate related events the availability and cost of insurance coverage for some of our customers may be materially impacted.	<p>Our decentralised operating approach and diversified investment strategy helps manage concentration risk to locations, industries, and products. As a result we are not materially exposed to industries expected to be significantly impacted by climate change.</p> <p>We monitor our exposure to industries expected to be adversely impacted by climate change as well as exposure to those industries negatively impacting climate change as part of our Environmental, Social, Governance (ESG) initiatives. Refer to the ESG Report for further information.</p> <p>We monitor policy and product issues within the Austbrokers Member Services Board which contains representatives from across the Austbrokers network.</p> <p>We actively engage with insurers to extend our product range for new and emerging markets, as well as increase our capacity to service industries expected to face difficulties in obtaining insurance.</p> <p>We have established specialty brokers and agencies to enhance our ability to service 'hard to place' risks.</p>

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26 August 2021, the Directors of AUB Group Limited determined a final fully franked dividend on ordinary shares of 39.0 cents per share in respect of the 2021 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is estimated to be \$29.02m.

## 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 their best knowledge, all activities have been undertaken in compliance with environmental requirements. Refer to the Environmental, Social and Governance Report 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.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## REMUNERATION & PEOPLE COMMITTEE CHAIR'S LETTER

Dear Shareholders

On behalf of the AUB Group Board, I am pleased to present our Remuneration Report for the financial year ended 30 June 2021.

The purpose of this report is to outline AUB Group's remuneration strategy and framework for its Key Management Personnel (KMP) and, in particular, the links between AUB Group's remuneration framework and business strategy, performance and reward.

### Key highlights for FY21

Key FY21 financial highlights, based on underlying operational performance, include the following:

- Underlying revenue of \$651.81m\*, representing growth of 11.63% from FY20,
- Underlying NPAT of \$65.30m, representing growth of 22.86% from FY20,
- Underlying earnings per share of 87.93 cents, an uplift of 21.96% in comparison to FY20.

Key governance and people & culture highlights include the following:

- From FY22, introducing a deferral component into the STI program for Group Executives, under which part of the STI outcome is delivered in cash and the remainder is deferred for up to 24 months. Deferred STI supports retention and more closely aligns the interests of executives and shareholders.
- Shifting to a policy where there is no retest of LTI performance options, meaning that they lapse if vesting conditions are not met at the end of the performance period.
- Adopting enhanced disclosure practices in connection with a number of remuneration related matters. These include, in addition to required statutory disclosures, introducing retrospective disclosure in this Remuneration Report of the actual quantitative LTI and STI targets set by the Board, together with disclosure of actual performance against these targets.

The Board believes that these changes further enhance AUB Group's remuneration framework and people strategy, and the additional disclosure practices mean that AUB Group continues to provide clear and transparent disclosure.

### Alignment between performance and remuneration outcomes

AUB Group's remuneration strategy and framework is based on a 'pay for performance' philosophy which supports sustainable value for our shareholders.

Group Executives received on average 147% of their STI target award, compared to the maximum target STI opportunity of 150%. Executive KPI's included an Underlying NPAT growth target. Underlying NPAT used to measure this growth includes the extra cost related to the change in accounting policy related to Software as a Service but was adjusted to exclude JobKeeper receipts. Adjusting for these items, the company achieved UNPAT growth of 22.3% on prior year.

This Remuneration Report discloses the outcomes of both the FY18 LTI grant (performance period ending 30 June 2020, with a 4th year retesting in August 2021) as well as the FY19 LTI grant (performance period ending 30 June 2021). Based on sustained long-term performance over these relevant performance periods, 85.45% (in total) of LTI options across these two grants vested following testing against the TSR and EPS performance measures. This was driven by strong EPS growth, combined with high relative TSR performance resulting in AUB Group significantly outperforming its Peer Comparator Group.

### Looking ahead – FY22 and beyond

The Board continues to monitor AUB Group's incentive schemes to ensure they are competitive and effective in driving business strategy and financial performance in the interests of shareholders.

Consistent with this objective, the Board intends to apply an Outperformance (OP) Plan in FY22 for certain Group Executives. The OP plan will complement the annual executive remuneration framework by providing a potential reward for longer term outperformance. Vesting will require stretch performance well exceeding regular LTI plan expectations, needing successful execution of growth initiatives in a highly competitive landscape. Awards proposed to be made to the CEO & Managing Director under the Plan will be voted on by shareholders at the AGM later this year, with details of the Plan included in the Notice of Annual General Meeting and Explanatory Statement.

Any changes will continue to reflect AUB Group's 'pay for performance' philosophy and drive sustainable shareholder value.

We invite you to read the Remuneration Report and welcome your feedback.



**Paul Lahiff**  
Chair of Remuneration & People Committee

\* Total revenue in the Group, including associates (100% view) before considering ownership. This is a non IFRS measure.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## REMUNERATION REPORT OVERVIEW

This Remuneration Report for the financial year ended 30 June 2021 has been prepared in accordance with section 300A of the Corporations Act and has been audited as required by section 308(3C) of the *Corporations Act*.

Terms used in this Remuneration Report are defined in the Glossary on page 43.

List of KMPs – Reporting Period

**Table 1 below outlines the KMP during the Reporting Period.**

Name	Position	Term as KMP
<b>Non-Executive Directors</b>		
David Clarke	Chair; Non-Executive Director	Full financial year
Ray Carless	Non-Executive Director	Full financial year
Paul Lahiff	Non-Executive Director	Full financial year
Robin Low	Non-Executive Director	Full financial year
Cath Rogers	Non-Executive Director	Full financial year
<b>Executive KMP</b>		
Michael Emmett	Chief Executive Officer and Managing Director	Full financial year
Mark Shanahan	Chief Financial Officer	Full financial year

### Non-Executive Director appointment after Reporting Period but before date of Remuneration Report

The appointment of Peter Harmer as a Non-Executive Director was confirmed by the Board on 22 July 2021, after the Reporting Period, subject to shareholder approval at the Annual General Meeting in November 2021.

#### Contents

This Remuneration Report is set out in the following sections:

Section 1 – Group Executive Remuneration Framework

Section 2 – How Variable Remuneration is Structured

Section 3 – Remuneration Outcomes and Alignment to Performance

Section 4 – Remuneration Governance

Section 5 – Non-Executive Director Remuneration

Section 6 – Statutory Remuneration Tables and Data

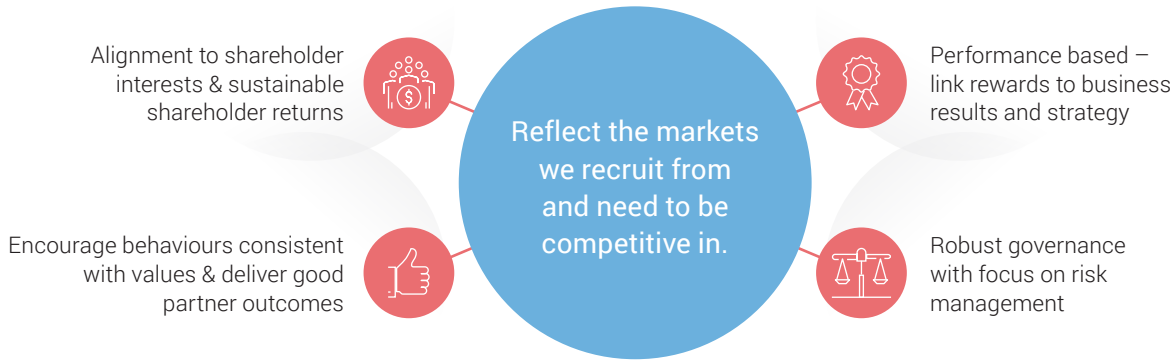
Section 7 – Glossary of terms commonly used in this Remuneration Report



## SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK

### OUR REMUNERATION PRINCIPLES

The following principles guide AUB Group's remuneration strategy and 'pay for performance' philosophy, which are designed to attract, retain and motivate highly skilled individuals.



### GROUP EXECUTIVE REMUNERATION STRUCTURE

<p><b>FIXED</b></p> <p><b>FIXED REMUNERATION</b></p> <p>Base salary, superannuation &amp; other benefits</p>	<p><b>STI</b></p> <p><b>SHORT-TERM INCENTIVE (STI)</b></p> <p>Reward for strong individual and group performance during the performance period</p>	<p><b>LTI</b></p> <p><b>LONG-TERM INCENTIVE (LTI)</b></p> <p>Reward for sustainable longer-term AUB Group performance</p>
<p><b>VALUE DETERMINED BY</b></p>		
<ul style="list-style-type: none"> <li>– Experience, position and responsibilities</li> <li>– Competitive fixed remuneration in the market</li> </ul>	<p>Achievement of annual financial and non-financial performance hurdles at a:</p> <ul style="list-style-type: none"> <li>– Group level</li> <li>– Business unit level</li> <li>– Individual level</li> </ul>	<ul style="list-style-type: none"> <li>– TSR – 40% weighting</li> <li>– EPS – 60% weighting</li> </ul>
<p><b>HOW DOES IT LINK WITH STRATEGY &amp; PERFORMANCE</b></p>		
<ul style="list-style-type: none"> <li>– Provides competitive ongoing remuneration in recognition of day-to-day responsibilities and accountabilities</li> </ul>	<ul style="list-style-type: none"> <li>– Supports annual delivery of key strategic and operational targets and to recognise and reward individual performance</li> <li>– Deferred STI supports retention and more closely aligns the interest of executives and shareholders</li> </ul>	<ul style="list-style-type: none"> <li>– Focuses on multi-year metrics that support sustained shareholder value creation</li> <li>– Delivered in equity to align the interests of executives and shareholders</li> <li>– Supports retention</li> </ul>

AT RISK

## SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK (CONTINUED)

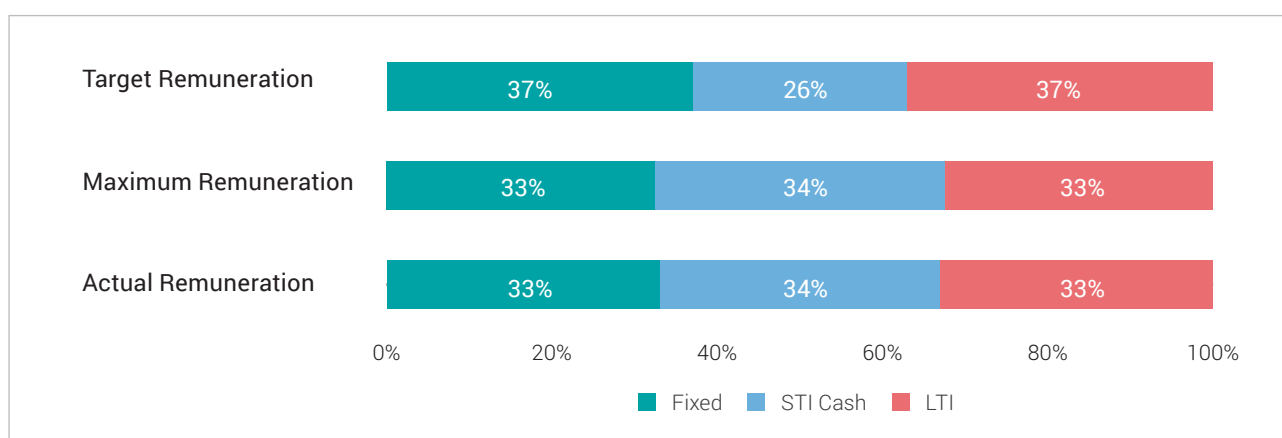
### Group Executive Remuneration Mix

Total remuneration includes both a fixed component and an at-risk or performance-related component, comprising both short-term and long-term incentives. The Board views the at-risk component as an essential driver of a high-performance culture and one that contributes to achievement of sustainable shareholder returns.

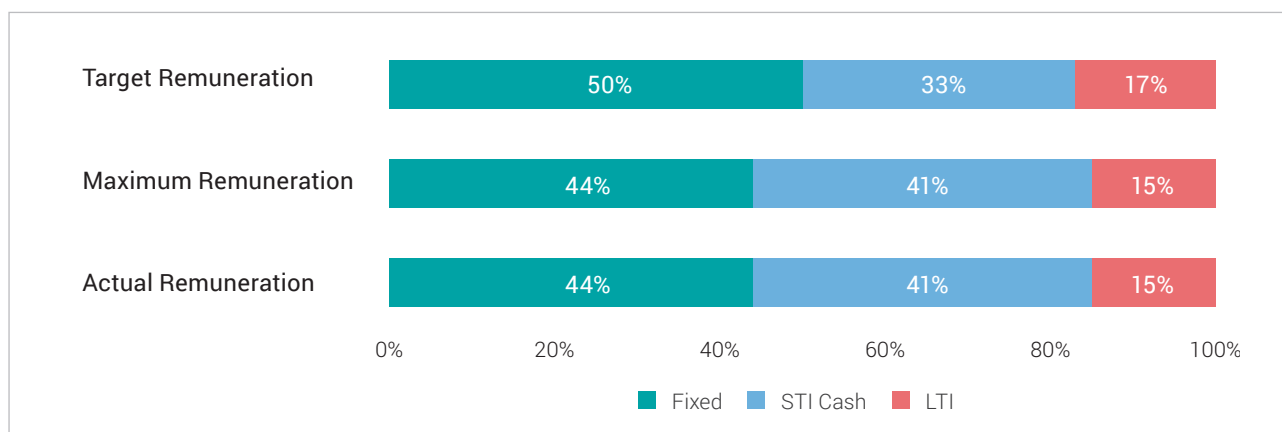
The following illustration shows the remuneration mix for the Group Executives in FY21. It has been modelled on the average of the Group Executive's target opportunity (but excluding any contractual severance entitlements).

The Board aims to achieve a balance between fixed and performance-related components of remuneration. The actual remuneration mix for the Group Executives will vary depending on the level of performance achieved by the AUB Group.

### CEO Target Remuneration Mix



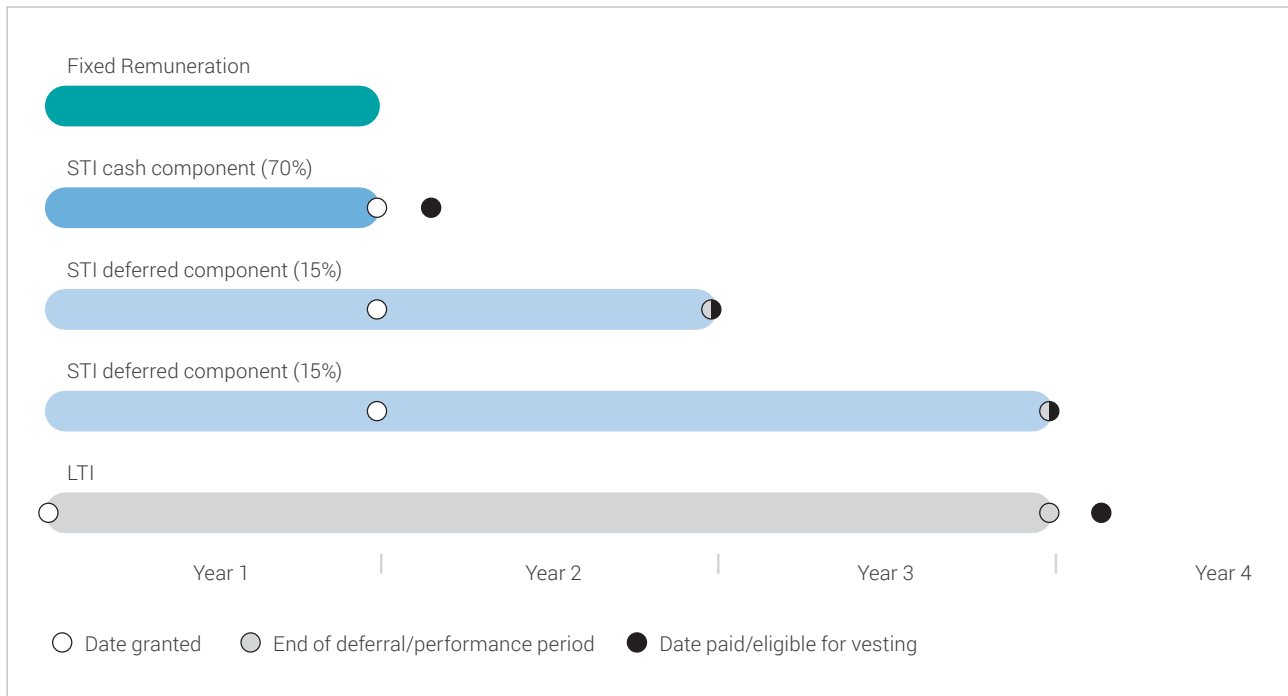
### Group Executive (ex-CEO) Target Remuneration Mix



## SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK (CONTINUED)

### Group Executive remuneration time horizon

The following diagram provides an illustrative indication of how remuneration will be delivered to Group Executives from FY22 onwards.



### Adjustments to CEO remuneration

Following a remuneration review during the Reporting Period that considered company and individual performance, market relativities and competitive external market trends, the CEO & Managing Director's total fixed remuneration increased by \$147,440 to \$1,000,000 resulting in his total target remuneration increasing to \$2,750,000.

These adjustments took effect from 1 July 2021.

A summary of the adjustments to CEO & Managing Director remuneration arrangements are as follows:

- Fixed Remuneration: \$1,000,000
- STI (at target): \$750,000\*
- LTI opportunity: \$1,000,000\*\*

\* Maximum Short-Term Incentive opportunity for FY22 is capped at 150% of target STI award.

\*\* FY22 LTI opportunity is subject to being approved by shareholders at the Annual General Meeting in November 2021.

## SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED

### SHORT TERM INCENTIVE (STI) – HOW DOES IT WORK?

<b>Description</b>	<p>Group Executives have the opportunity to earn an annual incentive award which is delivered in cash. The STI Plan recognises and rewards short-term performance.</p> <p>The STI Plan is considered to be at-risk remuneration and is not a guaranteed part of Group Executive remuneration.</p>
<b>STI opportunity</b>	<p>A target opportunity is set for each Group Executive, which is earned if individual performance is on target and the participant performs against a balanced scorecard set of KPIs, which includes both financial and non-financial measures that have weighted allocations and are aligned to AUB Group's strategic priorities (the Balanced Scorecard). The Board determines the total STI pool to be distributed.</p> <p>Group Executives (including the CEO) have a target STI of between 40% and 70% of fixed remuneration. The maximum STI payout is capped at a maximum of 150% of a participant's target STI opportunity.</p>
<b>Performance conditions</b>	<p>Group Executive performance is assessed against a Balanced Scorecard (for further details of the CEO's Balanced Scorecard, refer to Table 4).</p> <p>Individual targets as set out in the Balanced Scorecard include consideration as to role-related accountabilities and responsibilities in the context of business strategy and objectives.</p> <p>A behavioral gateway is incorporated into the performance review process and operates to reduce an incentive payment should there be conduct that is inconsistent with AUB Group's values, irrespective of performance. The Group CEO's behaviour is assessed by the Board. Group Executives' behaviors are assessed by the CEO, who recommends eligibility to the Board.</p> <p>Underlying NPAT is the key financial performance measure in the Balanced Scorecard, is used by management and the Board to assess operational performance and is a strong indication of the underlying health of the business.</p>
<b>Why were these performance conditions chosen?</b>	<p>The Board considers that a Balanced Scorecard which contains weighted allocations to both financial and non-financial performance conditions is appropriate as they are aligned with AUB Group's objectives of delivering sustainable growth and returns to shareholders.</p> <p>Group Executives have a clear line of sight to KPIs and are able to directly affect outcomes through their own actions. Group Executives are also assessed on behaviour metrics (the 'how') which contribute to that individual's overall performance rating. This operates to reduce an incentive payment should there be conduct that is inconsistent with AUB Group's values, irrespective of performance.</p> <p>For all individuals, the Board may apply discretion in determining the STI outcomes to ensure they appropriately reflect performance.</p>
<b>How STI outcome is then determined</b>	<p>On an annual basis, a rating is determined for each Group Executive based on an evaluation of their performance against the balanced scorecard. This individual performance rating metric is then applied to the individual's STI target award.</p> <p style="text-align: center;"><i>Individual STI Payment = STI Target Incentive Award x Scorecard Performance Rating</i></p> <p>STI outcomes are therefore scaled up or down to reflect performance against the agreed KPIs in their Balanced Scorecard. The minimum Scorecard Performance Rating in order to qualify for an STI payment is 25%.</p> <p>The KPIs are set and reviewed annually. The level of incentive outcome reflects the performance of AUB Group and the individual, thereby ensuring it is aligned with shareholders' interests.</p>

## SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

### SHORT TERM INCENTIVE (STI) – HOW DOES IT WORK?

<b>Deferral terms</b>	<p>The following STI deferral arrangements will be introduced for Group Executives from FY22 onwards: 70% of STI outcome will be paid in cash and the remaining 30% is deferred as follows:</p> <ul style="list-style-type: none"> <li>– half of the deferred component (15% of the STI outcome) is paid after 12 months; and</li> <li>– half of the deferred component (15% of the STI outcome) is paid after 24 months.</li> </ul> <p>No additional performance conditions apply to receipt of deferred STI, with the exception of the continued employment by the relevant Group Executive as described below.</p>
<b>Clawback</b>	<p>The Board has the ability to claw back STI awards (including deferred STI components) in a number of circumstances, including in the event of a financial misstatement circumstance, breach of company policy, fraud, dishonesty or other breach of duties or obligations owed to the company.</p> <p>The Board considers that the clawback provisions enhance AUB Group's remuneration governance framework by providing an additional control to ensure reward is aligned to performance and shareholder interests.</p>
<b>Who assesses performance?</b>	<p>The Board assesses performance of the CEO and Managing Director against the Balanced Scorecard (as described in Table 4) with the benefit of recommendations from the Remuneration and People Committee.</p> <p>The CEO and Managing Director assesses the other Group Executives' performance based on the Group Balanced Scorecard outcomes and achievement against individual goals. The CEO and Managing Director then recommends an STI award for consideration by the Remuneration and People Committee, which then recommends an STI award for approval by the Board.</p> <p>The Board believes the abovementioned methods in assessing performance are an appropriate way to assess the performance of AUB Group and the Group Executives' individual contribution, and to determine their remuneration outcomes.</p> <p>In addition, the aggregate of annual STI payments available for all employees is subject to review by the Remuneration and People Committee and approval of the Board, and takes into account the financial stability of the business.</p>
<b>Cessation of employment</b>	<p>A Group Executive will only remain eligible to receive an STI outcome if that person ceases employment prior to the STI entitlement date and is a 'good leaver' (e.g. ceases employment by reason of retirement or bona fide redundancy), unless the Board determines otherwise.</p> <p>If a Group Executive has ceased employment and is a 'good leaver', then that executive remains entitled to receipt of his/her deferred STI components, unless the Board determines otherwise.</p> <p>If a Group Executive has ceased employment and is not a 'good leaver', then all entitlement to receipt of his/her deferred STI components will automatically lapse on or around the date of cessation of employment, unless the Board determines otherwise.</p>

## SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

### FY21 LONG TERM INCENTIVE – HOW DOES IT WORK?

<b>Description</b>	<p>Under the FY21 LTI Plan, annual grants of performance options are made to eligible participants to align remuneration outcomes with the creation of sustainable shareholder value over the long term.</p> <p>Group Executives are eligible to participate, as these employees on an individual basis have the ability to impact AUB Group's longer term financial performance. Non-Executive Directors are not eligible to participate in the LTI Plan.</p>										
<b>LTI opportunity</b>	<p>The number of performance options granted to a Group Executive is calculated by dividing the dollar value of the Group Executive's LTI Opportunity by the VWAP over the 60 trading days prior to the start of the relevant performance period, rounding to the nearest whole figure.</p> <p>In determining the 'LTI Opportunity', the Board will take into account the nature of the position, the context of the current market, the function and purpose of the long-term component and other relevant information.</p> <p>Subject to vesting, each performance option is a right to receive one fully-paid ordinary share in the AUB Group (or at the Board's discretion, an equivalent cash payment).</p>										
<b>Vesting conditions</b>	<p>Performance option will only vest to the extent that the vesting conditions and ongoing employment conditions (set out below in this table) are satisfied over the relevant three year performance period.</p> <p>Performance options (issued in FY21) are tested against two vesting conditions over a three year performance period:</p> <ul style="list-style-type: none"> <li>– 60% of performance options are tested against an EPS hurdle; and</li> <li>– 40% of performance options are tested against a Relative TSR hurdle</li> </ul> <p>Vesting conditions for FY18 to FY20 performance options are detailed on Note 19 of the Financial Report.</p>										
<b>EPS – 60% weighting</b>	<p>The EPS vesting condition is measured by comparing the AAGR of the Underlying EPS from the financial year immediately preceding the start of the performance period to the Underlying EPS for the final year of the performance period. AAGR is therefore measured using the most recent financial year-end prior to the grant as the base year, and the final financial year in the three-year performance period as the end year (except for the sign on options outlined above).</p> <p>The percentage of performance options that may vest is determined based on the following vesting schedule:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">AAGR of Underlying EPS</th> <th style="text-align: left; border-bottom: 1px solid black;">Performance options subject to EPS vesting condition that vests (%)</th> </tr> </thead> <tbody> <tr> <td>Less than 5%</td> <td>0%</td> </tr> <tr> <td>5%</td> <td>50%</td> </tr> <tr> <td>Greater than 5% to less than 10%</td> <td>Straight line vesting between 50% and 100%</td> </tr> <tr> <td>10% or more</td> <td>100%</td> </tr> </tbody> </table>	AAGR of Underlying EPS	Performance options subject to EPS vesting condition that vests (%)	Less than 5%	0%	5%	50%	Greater than 5% to less than 10%	Straight line vesting between 50% and 100%	10% or more	100%
AAGR of Underlying EPS	Performance options subject to EPS vesting condition that vests (%)										
Less than 5%	0%										
5%	50%										
Greater than 5% to less than 10%	Straight line vesting between 50% and 100%										
10% or more	100%										

## SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

### FY21 LONG TERM INCENTIVE – HOW DOES IT WORK?

#### Relative TSR – 40% weighting

The Board approves a Peer Comparator Group and has the discretion to periodically review and adjust the composition of the Peer Comparator Group, including to take into account acquisitions, mergers, or other relevant corporate actions.

For purposes of calculating the growth in AUB Group's share price over the performance period, the following opening and closing share prices will be used:

- for the opening share price, the VWAP during the 60 trading days ending on the first day of the performance period, and
- for the closing share price, the VWAP during the 60 trading days ending on the last day of the performance period.

Relative TSR performance is assessed over a three-year period which commences at the start of the financial year during which the performance options are granted.

For any performance options to vest pursuant to the Relative TSR vesting condition, AUB Group's compound TSR must be equal to or greater than the median ranking of constituents of the Peer Comparator Group.

The percentage of performance options that may vest is determined based on the following vesting schedule:

AUB Group's TSR ranking relative to Peer Comparator Group	Performance options subject to Relative TSR vesting condition that vests (%)
Below the 50th percentile	0%
50th percentile	50%
Between the 50th and 75th percentile	Straight line vesting between 50% and 100%
At or above the 75th percentile	100%

#### Why were these performance conditions chosen?

The Board is confident that it has the right arrangements in place to drive performance and retention in line with shareholders' interests.

##### **EPS**

- Is a relevant indicator of increases in shareholder value
- Is a target that provides a suitable line of sight to encourage executive performance

##### **Relative TSR**

- Ensures alignment between comparative shareholder return and reward for the executive
- Provides a relative test that reflects AUB Group's performance against the market and an objective test reflective of management's performance in growing earnings per share
- Is widely understood and accepted by key stakeholders



## SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

### FY21 LONG TERM INCENTIVE – HOW DOES IT WORK?

**Who assesses performance?**

Relative TSR and EPS results are calculated by AUB Group and an external remuneration advisor tests the TSR results as soon as practicable after the end of the relevant three year performance period. The calculations are considered by the Board to determine vesting outcomes.

The vesting conditions are therefore tested at the end of the performance period and the Board determines the relevant number (if any) of performance options that will vest.

Calculation of the vesting conditions and achievement against the vesting conditions is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).

From FY20, the Board shifted to a policy where there is no re-testing for performance options that do not vest following testing against the vesting conditions at the end of the three year performance period. Any performance options that do not vest following testing lapse. A fourth year retest applied to performance options granted prior to FY20.

As previously disclosed to the market and approved by shareholders at the 2019 Annual General Meeting, a sign on bonus of 200,000 performance options was granted to the CEO and Managing Director that vest over five years. One third of the performance options will be tested over a three 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 five year performance period, subject to the CEO's continued employment (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 vesting conditions at the three year test date, will be tested over the full five year performance period. Any performance options that do not vest at the end of the five year performance period, will lapse.

**Vesting and exercise**

Performance options vest following testing by the Board at the end of the relevant three year performance period.

Once performance options vest, the Group Executive is able to exercise them up until the 'expiry date'. The 'expiry date' is the 4th anniversary of the date upon which the performance options become exercisable, unless the Board determines a different date.

There is no exercise price payable for the exercise of vested performance options.

Participants receive one share for each performance option that vests and is exercised or, if the Board determines, an equivalent cash payment. Any vested performance options that are not exercised by the expiry date will lapse.

Shares allocated on the vesting and exercise of the performance options are subject to the terms of AUB Group's Share Trading Policy and carry full dividend and voting rights upon allocation.

**Are performance options eligible for dividends?**

Holders of performance options are not entitled to dividends or voting rights until the performance options have vested, are exercised and shares allocated.

**Cessation of employment – CEO and Managing Director**

If the CEO and Managing Director ceases employment before his performance options vest, then the following treatment applies:

- if employment is terminated in accordance with Mr Emmett's employment agreement, without notice, for serious misconduct or by reason of illness, injury or incapacity of Mr Emmett, all unvested performance options will automatically lapse; and
- if employment is terminated with notice given by the Company or Mr Emmett, all unvested performance options remain on foot and will be tested in the ordinary course.

## SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

### FY21 LONG TERM INCENTIVE – HOW DOES IT WORK?

<p><b>Cessation of employment – Group Executives other than the CEO</b></p>	<p>If a participant ceases employment before his/her performance options vest, then the following treatment applies, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>– if employment is terminated for cause, as a result of the participant being unable to perform duties due to ill health, injury or incapacity or if the participant resigns, then all unvested performance options automatically lapse;</li> <li>– if employment ceases in any other circumstances, then a pro rata portion of the participant's performance options (based on the portion of the performance period that has elapsed up to the date of cessation) remain on foot and are tested in the ordinary course in accordance with the vesting conditions.</li> </ul> <p>If a participant ceases employment and holds vested performance options which have not been exercised, then the following treatment applies, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>– if employment is terminated for cause, then all vested performance options automatically lapse; or</li> <li>– if employment ceases in any other circumstances, then all vested performance options must be exercised within three months of cessation of employment. After this time, all vested performance options are automatically exercised at a time determined by the Board.</li> </ul>
<p><b>Forfeiture and clawback</b></p>	<p>The Board has broad 'clawback' powers to lapse performance options in a number of circumstances, including in the event of fraud, dishonesty, gross misconduct, breach of duties or obligations, a material misstatement, error or omission in the financial report, or to prevent a participant being entitled to an inappropriate benefit.</p> <p>The clawback policy that applies to performance options permits clawback of any shares allocated on exercise, as well as cash payments received on vesting and exercise of performance options.</p>
<p><b>What happens in the event of a change of control?</b></p>	<p>There is no automatic vesting of performance options on a change of control. The Board will (in its discretion) determine the appropriate treatment regarding performance options in the event of a change of control.</p> <p>Where the Board does not exercise this discretion, there will be a pro-rata vesting of performance options based on the proportion of the performance period that has passed at the time of the change of control event.</p>
<p><b>Restrictions on dealing or hedging</b></p>	<p>Performance options granted under the LTI Plan are not transferable and participants are prohibited from entering into hedging arrangements in respect of performance options.</p>

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE

### Alignment between remuneration and group performance

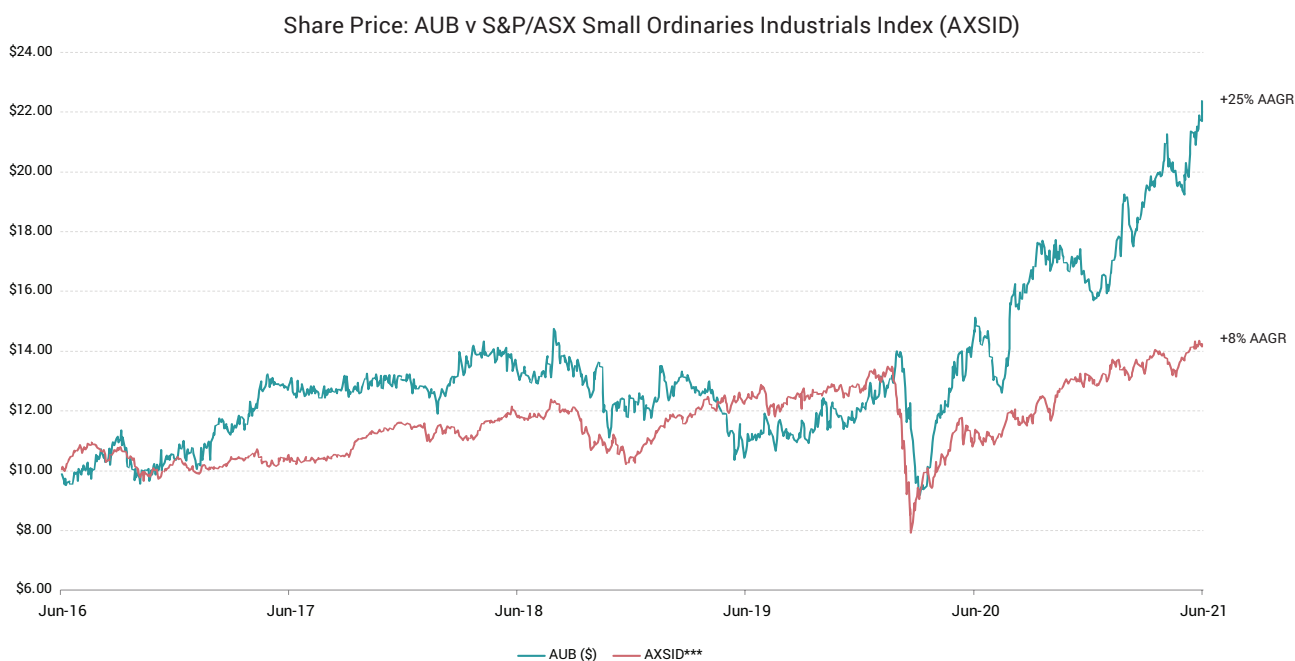
Numerous elements of AUB Group's remuneration strategy and framework are directly linked to group performance.

The table below sets out information about movements in shareholder wealth for the financial years ended 30 June 2017 to 30 June 2021 highlighting alignment between AUB Group's remuneration strategy and framework and group performance over the past 5 years.

Further details about AUB Group's performance over this period can be found in the Operating and Financial Review section contained in this Directors' Report.

**Table 2: Summary of movement in shareholder wealth**

	2021	2020	2019	2018	2017
Underlying NPAT (\$m)*	65.30	53.15	46.71	43.52	39.91
Underlying EPS (cents)*	87.93	72.10	67.12	67.20	62.52
TSR (%)**	60.99	5.20	(10.50)	14.90	39.30
Share price (\$)	22.39	14.70	10.44	13.58	12.99
Change in share price (\$)	7.69	4.26	(3.14)	0.59	2.89
Dividends paid (cents)**	55.0	50.0	46.0	45.5	42.0



\* As a result of a change in accounting policy in relation to Software-as-a-Service, the comparative periods have been restated. Refer to Note 2.1 within the Financial Report for further information. For LTI purposes, prior periods have not been restated as a result of an accounting policy change, refer to Note 2 within the Financial Statements for further details.

\*\* Dividends paid during the year, excludes proposed dividends.

\*\*\* The AXSID share price has been proportionately adjusted for presentation purposes. The base data point at 30 June 2016 was set to the AUB share price on that date. Movements thereafter represent the percentage movement of the AXSID against the base data point.

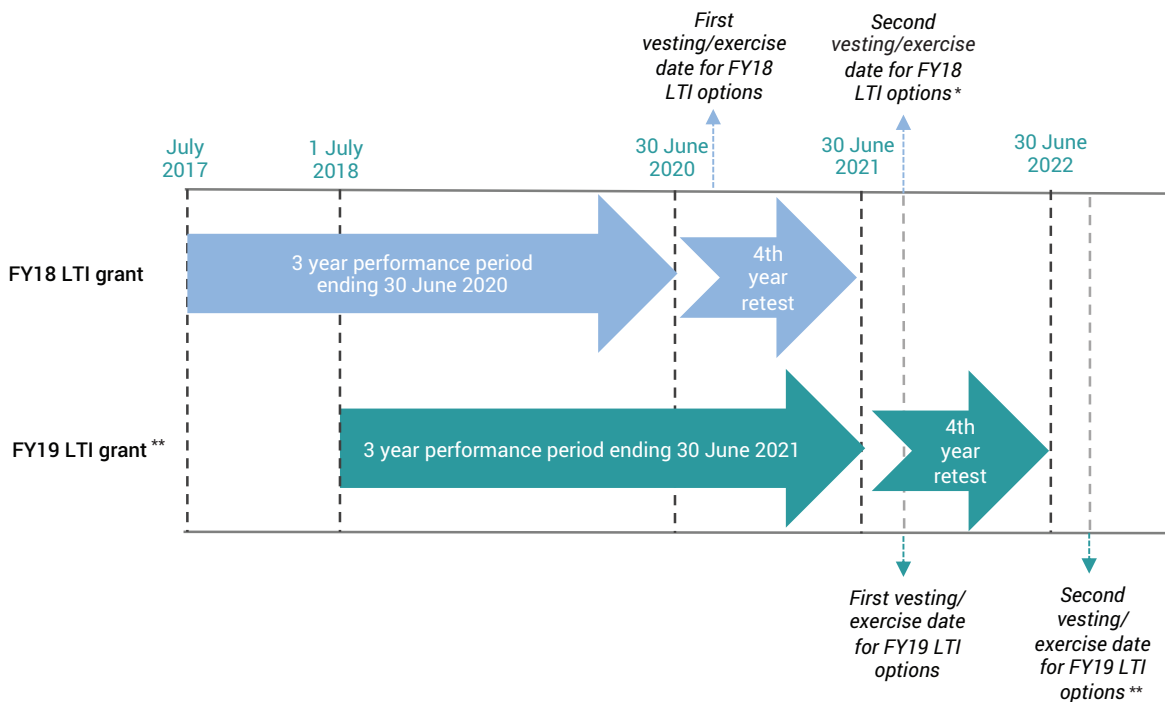
## SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

### Remuneration outcomes

The remainder of this section of the Remuneration Report discloses the outcome of awards made under:

- the FY21 STI award (performance period 1 July 2020 – 30 June 2021)
- the FY18 LTI grant (performance period 1 July 2017 – 30 June 2020) - with a 4th year retest in 2021
- the FY19 LTI grant (performance period 1 July 2018 – 30 June 2021) - with a 4th year retest in 2022

The diagram below sets out timings in respect of the FY18 and FY19 LTI Grants.



### FY21 STI Outcomes

FY21 continued a run of strong performance for the Group. As a reflection, the Committee considered STI for FY21 and has provided for a pool in the sum of \$4.01m for all STI participants (including deferred components of STI granted in prior periods).

**Table 3: Group STI pool outcome**

(\$'m)	2021	2020	2019	2018	2017
Cash bonuses	4.01	3.57	0.88	2.18	2.86

\* FY18 LTI grant retest performance period (1 July 2017 to 30 June 2021)

\*\* FY19 LTI grant retest performance period (1 July 2018 to 30 June 2022).

From FY20, the Board shifted to a policy where there is no re-testing for performance options that do not vest following testing against the vesting conditions at the end of the three-year performance period

## SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

Table 4 below discloses key balanced scorecard objectives and outcomes for the CEO for FY21.

FY21 Balanced Scorecard			
FY21 performance measure/KPI	Parameter	Weighting (%)	Outcome achieved
<b>Group profitability</b>	Achieve Underlying NPAT of at least \$59.4m (including SaaS additional cost but excluding impact of JobKeeper receipts), being YoY growth of 14.5%.	50%	●
<b>Scaling of IT platforms</b>	Adoption and scaling of IT platforms and systems	12.5%	●
<b>Network growth</b>	Drive growth from M&A opportunities and successful execution on portfolio optimisation opportunities	12.5%	●
<b>Reinvigorate Agencies</b>	Achieve profit before tax growth of 15% or higher for agencies business	8.3%	●
<b>Risk management</b>	Continue to enhance and embed maturity of effective risk management processes and reporting	8.3%	●
<b>Partner Satisfaction</b>	Strong network partner satisfaction	8.3%	●
<b>STI Scorecard Outcome</b>		100%	147%

● Targets achieved or exceeded

### LTI Outcomes

#### 2018 LTI grant retest outcomes

85.64% of the total 2018 LTI grant vested in 2020 (following testing) and 2021 (following the 4th year retest):

- 89.86% of the Relative TSR component vested as AUB Group's TSR exceeded its Peer Comparator Group returns by more than 52.25% over the performance period.
- 82.83% of the EPS component vested given that AUB Group's actual EPS Compound Annual Growth Rate (CAGR) across the performance and retest period was 8.97%.
- 27,509 performance options will vest and 6,077 performance options will lapse.

Table 5 below discloses the 2018 LTI grant EPS performance hurdle and outcomes.

EPS (60%)					
1 July 2017 to 30 June 2021	Minimum entry target for vesting	Straight line for vesting*	Maximum threshold target for vesting	Actual 4-year CAGR achieved (%)	Actual vesting outcome (aggregate)
	4% CAGR	4%-10% CAGR	10% CAGR	8.97%	N/A
<b>EPS vesting percentage (of the 60%)</b>	<b>25%</b>	<b>25%-100%</b>	<b>100%</b>	N/A	<b>82.83%</b>
<b>Total percentage of vesting under the 2018 LTI Plan</b>					<b>85.64%</b>

\* 4% to 7% CAGR vesting increases straightline between 25% to 50%, and 7% to 10% CAGR, vesting increases straightline between 50% and 100%.

## SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

### 2019 LTI grant outcome

85.19% of the total 2019 LTI grant vested in August 2021:

- 100% of the Relative TSR component vested as AUB Group's TSR exceeded its Peer Comparator Group returns by more than 125.98% over the performance period.
- 75.33% of the EPS component vested given that AUB Group's actual EPS Compound Annual Growth Rate (CAGR) across the performance period was 8.52%.
- 28,041 performance options will vest and the 4,873 remaining unvested performance options will be subject to retesting on the completion of FY22.

Table 6 below discloses the 2019 LTI grant EPS performance hurdle and outcome.

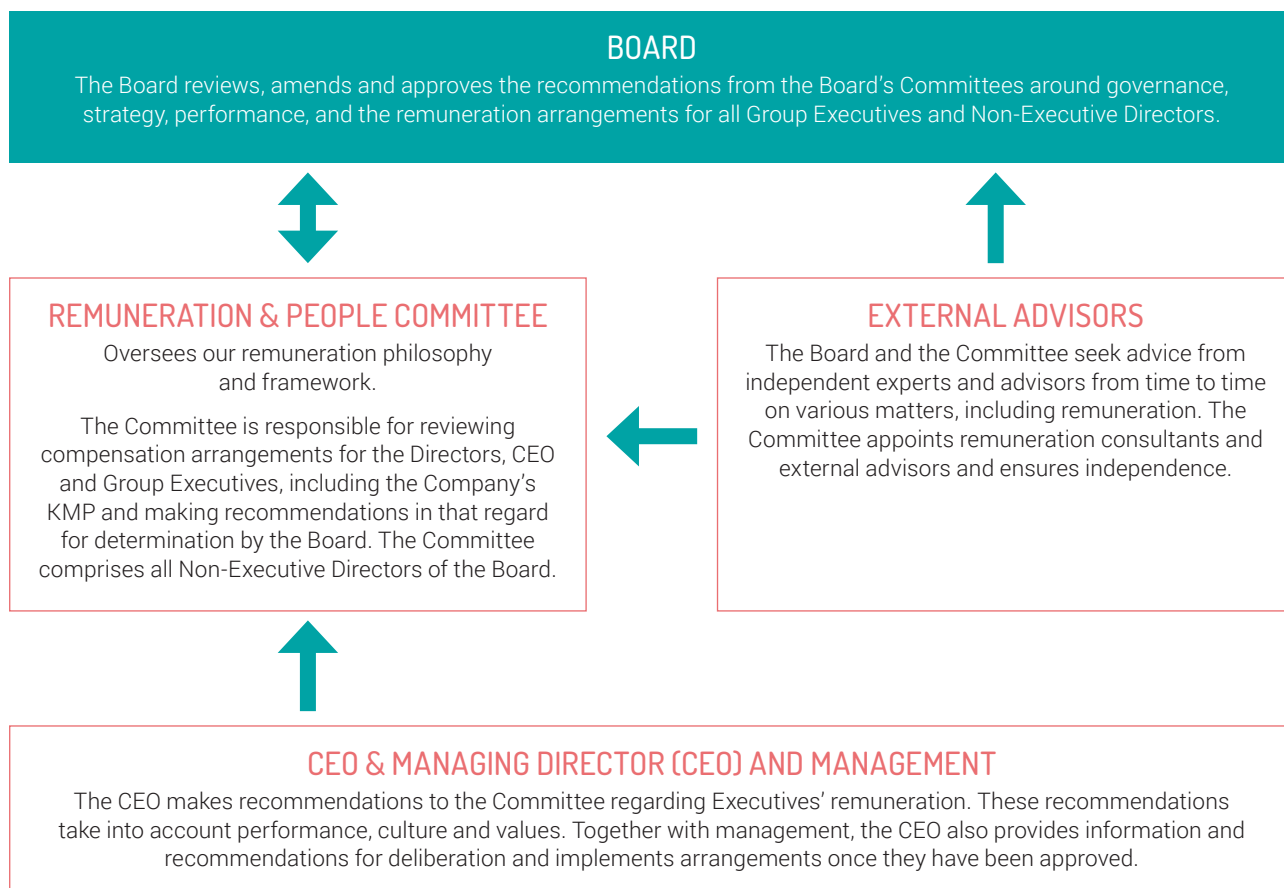
1 July 2018 to 30 June 2021	EPS (60%)				Actual 3-year CAGR achieved (%)	Actual vesting outcome
	Minimum entry target for vesting	Straight line for vesting*	Maximum threshold target for vesting			
	4% CAGR	4%-10% CAGR	10% CAGR		8.52%	N/A
<b>EPS vesting percentage (of the 60%)</b>	<b>25%</b>	<b>25%-100%</b>	<b>100%</b>		N/A	<b>75.33%</b>
<b>Total percentage of vesting under the 2019 LTI Plan</b>						<b>85.19%</b>

\* 4% to 7% CAGR vesting increases straightline between 25% to 50%, and 7% to 10% CAGR, vesting increases straightline between 50% and 100%.

## SECTION 4 REMUNERATION GOVERNANCE

### Overview

The following diagram illustrates the Company's remuneration governance framework.



### Use of remuneration advisors

In making recommendations to the Board, the Remuneration & People Committee seeks advice from external advisors from time to time to assist in its deliberations.

Remuneration advisors are engaged by the Chair of the Remuneration & People Committee with an agreed set of protocols that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there can be no undue influence by Executive KMP to whom any recommendations may relate.

No remuneration recommendations, as defined by the *Corporations Act*, were made by the remuneration advisors during the Reporting Period.



# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 4 REMUNERATION GOVERNANCE (CONTINUED)

### Executive Service Agreements

The remuneration and other terms of employment for the Executive KMP are formalised in employment agreements, which have no specified term. Each of these agreements provide for performance-related bonuses under the STI Plan, and participation, where eligible, in the LTI Plan. Other major provisions of the service agreements of the Executive KMP are as follows:

**Table 7: Executive Service Agreement terms.**

Name	Notice to be given by executive	Notice to be given by AUB Group*	Termination payment	Post-employment restraint
<b>CEO and Managing Director</b>				
Michael Emmett	12 months	12 months	12 months fixed remuneration	12 months
<b>Other Executive KMP</b>				
Mark Shanahan	6 months	6 months	6 months fixed remuneration	12 months

\* Payments may be made in lieu of notice period.

### Disclosures under Listing Rule 4.10.22

No shares were acquired on-market during the Reporting Period to satisfy AUB Group's obligations under various equity and related plans.

### Share Trading Policy

AUB Group's share trading policy prohibits Group Executives from entering into margin lending or similar arrangements in relation to AUB Group's securities, including transferring securities into an existing margin loan account and/or selling securities to satisfy a call pursuant to a margin loan.

Breaches of AUB Group's share trading policy are regarded very seriously and may lead to disciplinary action being taken (including termination of employment).

Details of the Non-Executive Directors of AUB Group during the Reporting Period are provided in the Directors' Report.

## SECTION 5 NON-EXECUTIVE DIRECTOR REMUNERATION

### Components and details of Non-Executive Director remuneration

Non-Executive Directors receive a fixed fee (inclusive of superannuation) for services to the Board and each Board Committee on which the Director serves.

There was no increase to Non-Executive Director remuneration during the reporting period.

The Board has a disciplined approach to reviewing Non-Executive Director remuneration. The last increase to Non-Executive Director remuneration was in 2018.

Non-Executive Director remuneration is reviewed from time to time by the Committee to ensure that fee levels:

- reflect workloads, expectations and responsibility in connection with the regulated landscape in which AUB Group operates; and
- are competitive, providing the Board with the ability to attract and retain high calibre directors, which is important in the context of the Board's ongoing orderly renewal and succession planning process.

A further fee is payable if a Non-Executive Director serves on a subsidiary board.

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.

AUB Group does not make sign-on payments to new Non-Executive Directors and does not provide for retirement allowances for Non-Executive Directors.

### Aggregate fee pool approved by shareholders

Non-Executive Directors' fees are set by the Board within the maximum aggregate amount of \$850,000 per annum approved by shareholders at the Annual General Meeting in November 2018.

A proposal to increase this maximum amount by \$250,000 to \$1,100,000 to, among other things, support Board succession, will be presented for shareholder approval at the upcoming Annual General Meeting in November 2021.

**Table 8: Non-Executive Director fees payable during the Reporting Period**

**1 July 2020 to 30 June 2021**

Board fees per annum	\$ Amount (incl of statutory superannuation)
Chair	210,000
Non-Executive Director	105,000
Committee Chair (Audit & Risk)	Additional 21,000
Committee Chair (Remuneration & People)	Additional 10,000
Subsidiary Boards	Additional 10,000
Committee member	N/A

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 6 STATUTORY REMUNERATION TABLES AND DATA

**Table 9: LTI Outcomes**

The LTI grants for FY21 and movements in all unvested options previously granted to Senior Employees are summarised in the LTIP tables below:

GROUP EXECUTIVES (including KMPs)									
LTIP Financial Year (tranche)	Opening	Issued	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date	Fair value per option at grant date (\$)	Fair value to be expensed in the future (\$)
2017 (12th)	26,081	–	(17,473)	(8,608)	–	24-Jan-20	24-Jan-24	8.99	0.00
2018 (13th)	42,327	–	–	(8,741)	33,586	23-Nov-20	23-Nov-24	11.83	0.00
2019 (14th)	32,914	–	–	–	32,914	31-Oct-21	31-Oct-25	10.72	0.00
2020 (15th - 5 year options)	200,000	–	–	–	200,000	31-Aug-24	31-Aug-28	8.91	1,005,312
2020 (15th - 3 year options)	101,219	–	–	–	101,219	31-Aug-22	31-Aug-26	9.37	298,230
2021 (16th)	–	125,688	–	–	125,688	31-Aug-23	31-Aug-27	11.27	844,119
<b>Total</b>	<b>402,541</b>	<b>125,688</b>	<b>(17,473)</b>	<b>(17,349)</b>	<b>493,407</b>				<b>2,147,661</b>

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

During FY21, 17,349 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 493,407 unissued ordinary shares under options as part of the LTIP that have not vested. Refer to Note 19 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.

**Table 10: Shares held in AUB Group Limited at 30 June 2021**

	Balance at 30-Jun-20	Shares acquired during the year	Shares disposed during the year	Balance at 30-Jun-21
<b>Directors</b>				
D. C. Clarke (Chair)	19,446	3,641	–	23,087
M. P. C. Emmett (CEO)	–	–	–	–
C. L. Rogers	6,000	–	–	6,000
P. A. Lahiff	10,334	–	–	10,334
R. J. Carless	25,395	–	–	25,395
R. J. Low	19,685	851	–	20,536
<b>Executives</b>				
M. J. Shanahan	3,568	500	–	4,068
<b>Total</b>	<b>84,428</b>	<b>4,992</b>	<b>–</b>	<b>89,420</b>

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 11: Option holdings of KMP at 30 June 2021

	Balance at 30-Jun-20	Granted as remuneration	Options exercised	Options lapsed/ forfeited	Balance at 30-Jun-21	Total options at year end	
						Vested/ exercised	Not vested/ not exercisable
<b>Directors</b>							
M. P. C. Emmett (CEO)	276,029	78,795	–	–	354,824	–	354,824
<b>Executives</b>							
M. J. Shanahan	25,893	14,344	–	–	40,237	–	40,237
Total	301,922	93,139	–	–	395,061	–	395,061

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

During the current year a total of 125,688 zero priced options were issued (93,139 to KMP).

### Loans or other transactions with KMP

No KMP or their related parties held any loans from the AUB Group during or at the end of the year ended 30 June 2021 or prior year. Apart from the details disclosed in this Report, there were no transactions between KMP (or their related parties) and AUB Group or any of its subsidiaries during the Reporting Period.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

### Compensation of Directors and other Key Management Personnel

**Table 12: Statutory Reporting Basis – period ending 30 June 2021**

The table below outlines senior management team remuneration as calculated in accordance with accounting standards and the *Corporations Act* requirements. The amounts shown are equal to the amount expended in the Company's Financial Report for the particular year.

	Year	Salary & fees	Cash short term incentive*	Non monetary benefits	Post employment Superannuation	Share-based payment Equity options**	Total remuneration	Total performance related
30 June 2021		\$	\$	\$	\$	\$	\$	%
<b>Non Executive Directors</b>								
D. C. Clarke (Chair)	2021	191,781	–	–	18,219	–	210,000	0%
	2020	191,781	–	–	18,219	–	210,000	0%
C. L. Rogers	2021	95,890	–	–	9,110	–	105,000	0%
	2020	95,890	–	–	9,110	–	105,000	0%
P. A. Lahiff	2021	105,023	–	–	9,977	–	115,000	0%
	2020	105,023	–	–	9,977	–	115,000	0%
R. J. Carless	2021	90,001	–	–	24,999	–	115,000	0%
	2020	90,004	–	–	24,996	–	115,000	0%
R. J. Low	2021	126,000	–	–	–	–	126,000	0%
	2020	127,151	–	–	8,849	–	136,000	0%
<b>Executive Directors</b>								
M. P. C. Emmett (CEO)	2021	828,392	884,375	2,644	25,000	823,709	2,564,120	66.61%
	2020	809,864	875,000	17,696	25,000	559,115	2,286,675	62.72%
<b>Executives</b>								
M. J. Shanahan	2021	395,740	457,517	26,168	25,000	124,854	1,029,279	56.58%
	2020	415,773	452,669	2,659	25,000	73,124	969,225	52.25%
<b>Total Remuneration</b>	<b>2021</b>	<b>1,832,827</b>	<b>1,341,892</b>	<b>28,812</b>	<b>112,305</b>	<b>948,563</b>	<b>4,264,399</b>	
<b>Total Remuneration</b>	<b>2020</b>	<b>1,835,486</b>	<b>1,327,669</b>	<b>20,355</b>	<b>121,151</b>	<b>632,239</b>	<b>3,936,900</b>	

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

\* STI amounts included above relate to the accrued provision in respect of the current year's performance that will be paid during the following financial year. The 2021 STI amounts have been approved by the Board.

\*\* 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.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

**Table 13: Cash and vesting basis - period ending 30 June 2021**

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.

					Post employment	Share- based payment		
	Year	Salary & fees	Cash short term incentive*	Non monetary benefits	Superannuation	Equity options**	Total remuneration	Total performance related
30 June 2021		\$	\$	\$	\$	\$	\$	%
<b>Non Executive Directors</b>								
D. C. Clarke	2021	191,781	–	–	18,219	–	210,000	0%
	2020	191,781	–	–	18,219	–	210,000	0%
C. L. Rogers	2021	95,890	–	–	9,110	–	105,000	0%
	2020	95,890	–	–	9,110	–	105,000	0%
P. A. Lahiff	2021	105,023	–	–	9,977	–	115,000	0%
	2020	105,023	–	–	9,977	–	115,000	0%
R. J. Carless	2021	90,001	–	–	24,999	–	115,000	0%
	2020	90,004	–	–	24,996	–	115,000	0%
R. J. Low	2021	126,000	–	–	–	–	126,000	0%
	2020	127,151	–	–	8,849	–	136,000	0%
<b>Executive Directors</b>								
M. P. C. Emmett	2021	828,392	875,000	2,644	25,000	–	1,731,036	50.55%
	2020	809,864	182,466	17,696	25,000	–	1,035,026	17.63%
<b>Executives</b>								
M. J. Shanahan	2021	395,740	452,669	26,168	25,000	–	899,577	50.32%
	2020	415,773	150,000	2,659	25,000	–	593,432	25.28%
<b>Total Remuneration</b>	2021	1,832,827	1,327,669	28,812	112,305	–	3,301,613	
<b>Total Remuneration</b>	2020	1,835,486	332,466	20,355	121,151	–	2,309,458	

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

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

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

**Table 14: Number of options granted as part of remuneration**

30 June 2021 (Grant year FY21)	Granted no.	Grant date	Fair value per option at grant date (see Note 19)	Exercise price per option (see Note 19)	Expiry date	First exercise date	Last exercise date
<b>Directors</b>							
M. P. C. Emmett	78,795	18-Dec-20	11.27	0.00	31-Aug-27	31-Aug-23	31-Aug-27
<b>Executives</b>							
M. J. Shanahan	14,344	18-Dec-20	11.27	0.00	31-Aug-27	31-Aug-23	31-Aug-27
Total	93,139						

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 15: Value of options granted as part of remuneration (including options vested or lapsed during the year)**

30 June 2021	Value of options granted during the year \$	Value of options exercised during the year** \$	Percentage of remuneration consisting of value share based payments incurred during the year*** %	Shares issued on exercise of options		Number of Options vested during the year No.	Number of Options lapsed during the year No.
				Number of shares issued on exercise of options No.	Paid per share on shares issued on exercise of options \$		
<b>Directors</b>							
M. P. C. Emmett*	852,260	0.00	33%	–	–	–	–
<b>Executives</b>							
M.J. Shanahan*	155,201	0.00	15%	–	–	–	–
Total	1,007,461	0.00	28%	–	–	–	–

\* Total gross value of options granted during the year which will vest over three years if all performance hurdles required for options to vest, are met.

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

\*\*\* Share based payments as a percentage of remuneration is calculated on the accrued cost to the Company recognising that options issued to KMP will vest over 3 years after taking into account a 60 - 100% probability that the Group will achieve the performance hurdles required for those options to vest.



## SECTION 7 GLOSSARY

<b>AAGR</b>	Average annual growth rate (expressed as a %).
<b>Balanced Scorecard</b>	a balanced scorecard set of KPIs, which includes both financial and non-financial measures that have weighted allocations and are aligned to AUB Group's strategic priorities.
<b>CAGR</b>	Compound annual growth rate (expressed as a %).
<b>Corporations Act</b>	<i>Corporations Act 2001 (Cth)</i> .
<b>EPS</b>	Underlying earnings per share.
<b>Executive KMP</b>	M Emmett (CEO and Managing Director) and M Shanahan (Chief Financial Officer).
<b>Group Executives</b>	The CEO, CFO and heads of Australian Broking and Australian Agencies.
<b>KMP</b>	Persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of AUB Group during the Reporting Period.
<b>LTI Plan</b>	AUB Group's long-term incentive plan.
<b>Peer Comparator Group</b>	Constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID), defined at the commencement of the performance period.
<b>Relative TSR</b>	AUB Group's compounded TSR measured against the ranking of constituents of the Peer Comparator Group.
<b>Reporting Period</b>	12 months period ended 30 June 2021.
<b>STI Plan</b>	AUB Group's short-term incentive plan.
<b>TSR</b>	Total shareholder return measures the percentage growth in the share price together with the value of dividends paid during the relevant three year performance period, assuming all dividends are reinvested into new securities.
<b>Underlying EPS</b>	Underlying earnings per share, being, in respect of any financial year, the Underlying NPAT divided by the weighted average number of shares on issue during the financial year.
<b>Underlying NPAT</b>	Underlying net profit after tax, being, in respect of any financial year, the consolidated net profit after tax of AUB Group 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. Other adjustments to the Underlying NPAT calculation may be made in limited circumstances where the Board considers it to be appropriate.
<b>VWAP</b>	Volume weighted average price of shares in AUB Group traded on the ASX.

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2021

## 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 62 of the Directors' Report.

Non-audit services provided to the AUB Group by the entity's auditor, Ernst & Young, in the financial year ended 30 June 2021 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 22 of the Financial Report.

Signed in accordance with a resolution of the Directors.



**D.C. Clarke**  
Chair

Sydney, 26 August 2021



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

Sydney, 26 August 2021



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## 1. APPROACH TO ESG

Doing the right thing by our people, our partners, our environment, and the communities in which we operate is part of our ethos. 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.

We are a service-based organisation operating in local communities throughout Australia and New Zealand. We provide insurance solutions to our mainly business customers, who operate small, medium and large businesses, as well as to some individual customers. Given the nature of our services, we do not have a significant environmental footprint and our supply chain risks are minimal.

This report covers AUB Group's ESG management approach and associated activities for the year ended 30 June 2021. Unless otherwise indicated, ESG data is presented for the period from 1 May 2020 to 30 April 2021 (the 'reporting period'). This report includes the activities of our entities and their controlled entities in Australia but excludes Allied Health Group Pty Ltd and Altius Group Holdings Pty Ltd as both entities were disposed of during the reporting period with the closure of the Risk Services Division.

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards 2016. As we continue to develop our insight and activities in ESG, we plan to build on our sustainability reporting in line with the GRI Standards.

## STAKEHOLDERS

We engage with all our stakeholder groups on a regular basis to ensure we are responsive to their needs and concerns. ESG matters are becoming a growing area of concern for many of our stakeholders. Our key stakeholders and methods of engagement are:



### CUSTOMERS

Our partners are in regular direct contact with our customers. We collect and analyse customer feedback from one on one meetings, online surveys, social media and focus groups to ensure we are aware of, and able to respond to, their needs.



### SHAREHOLDERS

We have regular discussions, briefings and meetings with investors, analysts and proxy advisors to keep them informed of our performance and any emerging risks and opportunities.



### EMPLOYEES

Our employees work in teams and receive training and feedback. We conduct employee surveys to understand their level of engagement. Employees are kept up to date on company and industry developments through meetings and town halls.



### GOVERNMENT AND REGULATORS

We participate in industry groups to monitor and engage with current and emerging issues relevant to our business and stakeholders. We place a strong emphasis on regulatory compliance and maintain open and respectful relationships with regulators.



### SUPPLIERS

We engage regularly with our major suppliers which include insurers, IT service providers, property companies, finance providers and professional service providers.



### COMMUNITY

In many cases we are key members of our local communities and contribute to the success of those communities. Across AUB Group there is a strong level of participation in fundraising, volunteering and events.

## MATERIALITY

In the reporting period, we conducted a materiality assessment to develop our fundamental ESG principles and identify our most important focus areas. The materiality assessment involved:

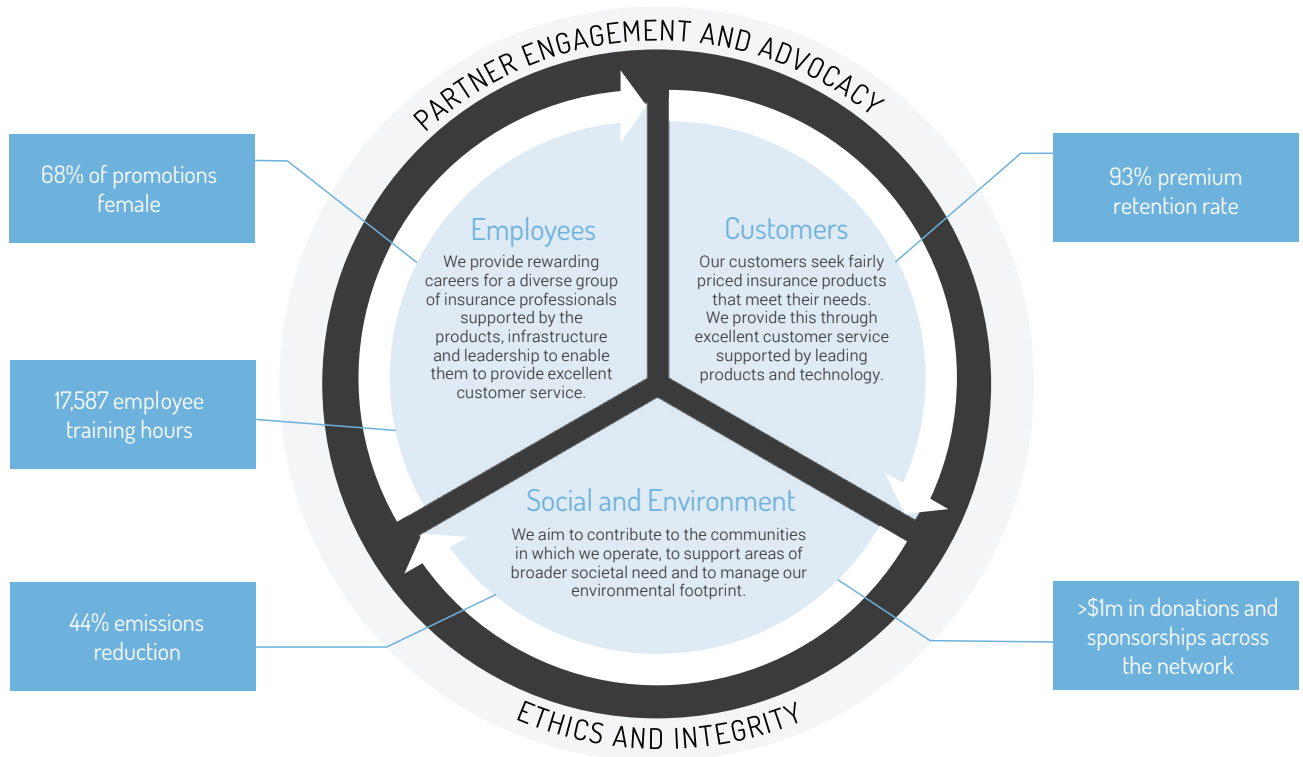
- a desktop review of industry trends and leading practice in ESG
- interviews with internal and external stakeholders to determine material topics and their relative importance
- an assessment of our impact areas against the UN Sustainable Development Goals (SDGs)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## ESG FRAMEWORK

Our ESG framework is organised around our three key areas of stakeholder impact which are employees, customers and social and environment. Our 75 partner businesses are also stakeholders but it is through our engagement and advocacy with them that we create value for all our stakeholders. Underpinning our ESG framework is ethics and integrity which is applied to all aspects of our business.



### EMPLOYEES

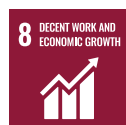
- Employee engagement and development
- Diversity and inclusion
- Workplace health and safety

### CUSTOMERS

- Customer engagement and retention
- Technological transformation
- Product innovation

### SOCIAL AND ENVIRONMENT

- Community investment
- Environmental management
- Responsible supply chain



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## UN SDGs

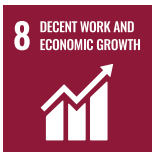
AUB Group identified five priority SDGs where we believe we can have the greatest impact. We have incorporated the goals into our broader ESG framework, but know this alignment is just the beginning. Over the next 12 months, we will identify and implement activities that we can undertake in coordinating with our partner businesses to further our contribution to our priority SDGs.



We ensure our employees have a safe working environment and offer them health and wellbeing programs and initiatives. With greater numbers of employees working remotely due to COVID-19, we are mindful of the need to monitor and address the impact on their mental wellbeing as well as look to broader health and wellbeing challenges in our customers and communities.



We strive for and have exceeded 30% female representation at Board level. As with others in our industry, reaching gender balance throughout AUB Group remains a challenge. We need to assess our recruitment, selection and retention processes to identify how we can improve gender equality.



We provide our employees with the opportunity to develop their careers at AUB Group by being successful at what we do, by investing in training and development and providing leadership. The services we provide assist businesses and individuals to protect their assets, employees and income in a way which is valuable to them but also to the economy. We plan to invest further in learning and development, further broadening our product offering and in monitoring potential modern slavery risks in our supply chain.



We contribute to our communities through volunteering and fundraising. Our decentralised business model means that some of our partner businesses contribute more in these areas than others. We have more work to do to develop partnerships with our community stakeholders and our partner business to address inequalities.



We aim to minimise our environmental footprint. This is an area of particular importance to our employees who are engaged in these efforts. We have taken steps to reduce our environmental impact but have more work to do in actions and measurement to achieve, and prove that we have achieved, our longer term goals.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## 2. ETHICS AND INTEGRITY

### OUR CORE VALUES

Our ESG framework is underpinned by Ethics and Integrity. This has been brought to life through our core values which have been developed by our people through workshops which have sought to identify what this really means for AUB Group in practice.

#### 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 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.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## OUR APPROACH TO GOVERNANCE

AUB Group is committed to high standards of corporate governance. We believe that strong corporate governance is the foundation of our success and business growth, and is critical for us to deliver value to our shareholders.

### Board structure and responsibilities



The AUB Group Board is responsible for corporate governance which includes setting the tone for the organisation as well as strategy and policies. The board acts in the best interests of the company, which includes having regard to all stakeholders.

The role and responsibilities of the board, including the Chief Executive Officer (CEO), are formalised in various documents including the Constitution, Board and Committee Charters and Delegations. There are a broader group of policies and the code of conduct which apply to everyone in the AUB Group.

The board has an oversight role, with day-to-day operations led by the CEO and senior management. The board and management meet regularly to enable a proper examination of the business including progress against objectives, business performance, business issues and consideration of stakeholder matters.

Our Corporate Governance Statement is founded on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). We review and revise our Corporate Governance Statement to reflect the changing standards and expectations of our industry annually. It is available on our [website](#).\*

### Board independence and composition

With the exception of AUB Group's Chief Executive Officer and Managing Director, the Board comprises Independent Non-executive Directors. These directors provide objective oversight that helps us deliver value to our stakeholders. The Board annually reviews the independence of each Director and discloses any changes in status to the ASX.

The Board comprises directors with a diverse range of skills, experience and backgrounds. The Board evaluates its performance and composition annually to ensure that Board members have the appropriate mix of expertise to effectively carry out its duties. We engage an external independent consultant every three years to assist with this process.

### ESG governance

The Board, in consultation with the Board Audit and Risk Committee, oversees and approves AUB Group's ESG activities, including our strategy and policies and procedures. The Board delegates responsibility for ESG to management, with our Chief Executive Officer having ultimate responsibility for our ESG activities.

Members of the board were involved in the development of the ESG framework and priority areas and the ESG policy was approved by the board.

Our ESG Policy sets out how we work towards being a socially and environmentally responsible corporate citizen. It outlines policies and procedures we adopt across all our businesses to support socially and commercially ethical practices, reduce our environmental footprint and manage our environmental risks. We have a number of more specific policies that cover other ESG areas, such as diversity and inclusion, workplace health and safety, and modern slavery. We intend to assess our ESG responsibilities and improve clarity on our ESG commitments across the organisation in the coming year.

\* <https://www.aubgroup.com.au/reports-and-statements>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## OUR CODE OF CONDUCT

AUB Group's Code of Conduct (Code) sets out the ethical standards expected of all directors, officers, and employees of AUB Group and its controlled entities. AUB Group encourages any businesses in which AUB Group has a non-controlling interest to adopt the code.

The Code is designed to ensure AUB Group delivers on its commitment to corporate responsibility and sustainable business practice. It establishes a foundation for our business decisions and provides guidelines for ethical behaviour.

The Code requires our people to:

- ✓ act with honesty and integrity in dealing with all stakeholders, including shareholders and the community
- ✓ manage conflicts of interest
- ✓ comply with the law
- ✓ adhere to company policies and procedures
- ✓ respect confidentiality and privacy.

## OUR APPROACH TO INFORMATION SECURITY

### Data privacy

AUB Group is committed to protecting the privacy of sensitive information collected as part of its business operations in line with the Australian Privacy Act (1988). Our Privacy Policy sets out our data privacy principles and provides guidance to member firms on the collecting, using, holding, disclosing, and otherwise managing personal information.

When personal information is collected, AUB Group takes reasonable steps to ensure that the individual is aware of the matters required by the Australian Privacy Principles, including:

- why the personal information is being collected;
- who else the personal information might be given to;
- information about how the individual is able to access and correct the information collected; and
- how to contact AUB Group, including to make a complaint.

### Cyber security

AUB Group takes cyber security seriously. It is an area of focus with the external threats constantly changing. AUB Group has experienced IT professionals managing cyber risk, relevant IT Service Standards and policies and seeks external validation of cyber security management from time to time.

AUB Group provides all employees with cyber risk training and carries out risk assessments, audits, vulnerability scans and penetration tests to minimise the risk of a cyber incident. We also have incident response and business continuity plans should an incident occur.

We have a vulnerability management program in place and conduct audits of our systems. The IT infrastructure service provider is IS27001 certified, and all data is backed up on at least a daily basis.

55% of AUB Group's IT infrastructure is centrally managed. The remaining 45% of AUB Group's businesses have decentralised IT infrastructure. These businesses are subject to AUB's IT Service Standards and are subject to monitoring.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## 3. PARTNER ENGAGEMENT AND ADVOCACY

We have 75 partner businesses across 500 locations in Australia and New Zealand, representing over 850,000 clients. Our partners are at the core of our business model. They are key to our business success and an essential part of achieving our ESG objectives. We have an equity-based business model where the partner businesses remain directly responsible for their day-to-day operations while being able to leverage the scale, infrastructure and operational know how of the broader AUB Group.

### INSURANCE BROKERS

AUB Group established Austbrokers Member Services (AMS) in Australia and NZbrokers in New Zealand to deliver market-leading products, services and business support to AUB Group's partner brokers. AMS and NZbrokers represent all their partner brokers across their respective countries. Each partner leverages the strength and capability of these national groups, while retaining their successful formula of local knowledge and long-standing relationships.

We provide a range of services and assistance to our partner brokers. We leverage our market position to design, source and negotiate market leading products including industry leading common policy wordings for our partners' clients. This extends to the negotiation of insurance capacity and commercial terms as well as assistance with placement of hard to place risks into alternative markets. We also leverage our buying power to secure competitive insurances for our partners helping them safeguard a stronger future for their own businesses and people. Our strong relationships with premium funders enable our partners to offer premium funding services to their customers at competitive rates, assisting their customers with their cash flow management.

### ADVOCACY

With our partners we are engaged in monitoring emerging trends in the insurance industry and in evaluating the impact of industry practice and regulation on our business and our stakeholders. We are active participants in industry associations where we seek the best outcomes for our stakeholders and also to support the standing of the insurance and insurance broking industry in the community.

## 4. EMPLOYEES

Our employees are our most important asset and a key pillar of our ESG framework. We aim to equip our employees with the skills they need to deliver for our customers and to provide them with opportunities so that they can reach their full potential. We know that a diverse and inclusive workforce is the foundation for innovative thinking and new ideas. We look to recruit talent from diverse backgrounds and encourage employees to contribute their unique ideas, capabilities, experiences, and characteristics to their work.

### EMPLOYEE ENGAGEMENT AND DEVELOPMENT

#### Development

We are committed to ensuring that our employees get a sense of fulfilment from their work. We do this by providing a strong team-based environment in which employees learn how to best serve their customers. This is further supported by development opportunities through AUB Group learning and development programs as well as further study assistance.

Our Broking Division has an Education Committee comprising senior broking management from across the country. The Committee oversees an employee program of relevant training and education through the National Insurance Brokers Association, Australia (NIBA), the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), LMI College and other specialist providers.

Our Agency Division employees complete their ongoing training requirements online through the LITMOS learning management system. Litmos is a cloud e-learning and learning management system used for employee training. Our agencies' training managers are responsible for running LITMOS, ensuring that the available learning material meets the relevant training requirements and ensures that agency staff complete their training in a timely manner.

We are planning to extend LITMOS to the broader AUB Group partner network to support our partner employees' training needs and to foster a culture of risk awareness.

In the reporting period, employees undertook an average of 17.8 hours of training each, including our broker and agency employees.

	2021 Hours	2020 Hours	Movement %
Employee training hours (includes compliance related)	17,587	20,027	(12%)

2021 training hours were negatively impacted by COVID with face-to-face learning not possible. In addition, there was a particularly high need to support customers navigate the financial and risk issues associated with COVID.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## Engagement

We value our employees' views and we ensure that they have a range of opportunities to share their perspectives with us. This is more important than ever, with many of our people working remotely 4 out of 5 days per week ('4/1 work from home'). As part of our 4/1 work from home initiative, we gave each staff member a \$1,500 allowance to set up their home workspaces and offered a free home workplace ergonomic assessment. We also provided these staff members \$160 per month to cover additional day-to-day costs of working from home.

In FY21, we introduced Officevibe a dynamic online employee engagement platform. The platform asks employees to fill out fortnightly surveys anonymously and provides resulting insights to management. The tool enables us to collect continuous feedback on employee sentiment and dive deeper into emerging trends and developments amongst our workforce.

Officevibe is the platform we use to engage with our employees. We have rolled it out to our head office teams as well as to all Sydney, Melbourne and Brisbane teams in our agencies, Austbrokers Corporate, AUB Hospitality, MGIB in Western Australia and Austbrokers Countrywide in Victoria. The platform will be rolled out to three additional partner firms per month in 2022.

We use our Employee Net Promoter Score (eNPS) to assess employee engagement and their willingness to recommend the organisation to others. Since launching the platform in August 2020, our eNPS has increased from 5 to 17 at the end of June 2021.

AUB Group's head office employee satisfaction across each metric for the period from implementation in August 2020 to the end of June 2021 is shown below. It reflects a strong level of overall satisfaction, especially with respect to how our employees feel about their relationships with peers and their managers. We have found that there are areas where we can improve to better support our employees' wellbeing, especially given the impact of COVID on our employees' working lives. We are committed to continue finding ways to support our people in the transition to our 4/1 work from home model.



**8.0** 0.5pt  
Relationship with manager



**7.8** 0.2pt  
Relationship with peers



**7.6** 0.1pt  
Ambassadorship



**7.4** 0.1pt  
Personal growth



**7.3** 0.1pt  
Happiness



**7.2** 0.6pt  
Feedback



**7.2** 0.4pt  
Alignment



**7.2** 0.3pt  
Satisfaction



**7.1**  
Recognition



**7.1** 1.0pt  
Wellness

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

Other initiatives we have introduced to improve employee engagement include:

- A wellness initiative – providing free healthy snacks to staff in North Sydney office (our largest) and piloting HeadsUp, a tool that promotes better mental health in the workplace and runs team-based challenges. We have introduced the app in North Sydney and plan to roll it out more widely following the pilot.
- Women in Insurance – a new cadetship program in partnership with two major insurers to encourage female law graduates to join the sector. The program's first candidates will start their cadetships in the second half of the 2021 calendar year.
- 'Do Good, Be Better' initiative – gives staff volunteer days, salary sacrificeable charity donations and matched giving. Employees in our head office teams and all Sydney, Melbourne and Brisbane teams in our Agencies, Austbrokers Corporate and AUB Hospitality are included in this initiative. We plan to roll this initiative out more widely over the next year.
- COVID-19 vaccine leave – we are giving staff members two days of extra leave to allow them to get their COVID-19 vaccinations.

## Turnover

We see increasing demand for talent across a number of skill sets.

We monitor employee turnover to understand trends in demand for skills and to assist us adjusting our retention strategies to ensure our high performers are fulfilled and challenged in their roles. We conduct exit interviews to help management ensure that organisational issues are identified and dealt with.

Employee turnover across the Group was 10% in 2021 compared to 12% in 2020.

## DIVERSITY AND INCLUSION

### Gender equality

We are working to improve gender balance across the AUB Group. In FY21, we conducted a review of our Diversity and Inclusion Policy. From this review, we made a number of improvements to our recruitment, selection and succession processes, incorporating psychometric testing as part of the recruitment process and ensuring succession planning is evaluated on an ongoing basis and continuously updated and monitored.

AUB Group is committed to the development, promotion and retention of women in leadership. Some of these initiatives include:

- ✓ gender diversity in the composition of our board and with a target of 30% female directors (achieved)
- ✓ mentoring and career resiliency programs that are focused on giving female staff equal opportunity to rise to senior positions
- ✓ programs focused on attracting women to the insurance industry and development plans for key talent
- ✓ regular remuneration reviews to ensure remuneration is relevant to the market and commensurate to the role regardless of gender.

We report annually to the Workplace Gender Equality Agency, in line with the Workplace Gender Equality Act. These reports provide valuable insights into our workforce composition and flag areas where we can improve our employee value proposition and retention and recruitment practices. The latest filing is available on our website.

Throughout the year we monitor performance for gender balance across the following broad position categories:

- **Executive:** C-Suite (CEO, CFO, CIO, CRO) or equivalent.
- **Non-Executive Management:** An employee who has strategic control and direction over a substantial part of the business, but whose responsibilities do not extend across an entire corporate group, such as the head of a brand within a group.
- **Professionals:** Qualified, or partially qualified staff such as brokers, underwriters, claims handlers, non-book-keeping finance staff etc.
- **All other employees:** These are typically support staff such as executive assistants, bookkeepers, and other administrative staff within the organisation.

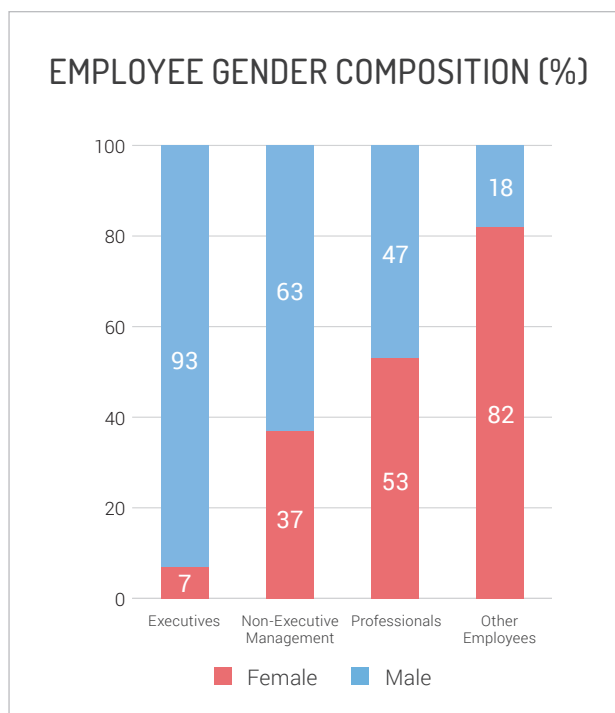
These reporting categories align with our WGEA reporting to and ensure comparability with the market and our peers.

At the end of the reporting period AUB Group and its controlled entities had a total of 988 employees with women representing 58% across the Group. However, we know we have more work to do to achieve greater levels of female representation in the Executive and Non-Executive Management groups in particular.

We're pleased to report that throughout the year approximately 68% of our internal promotions were female, up from 66% in the prior year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

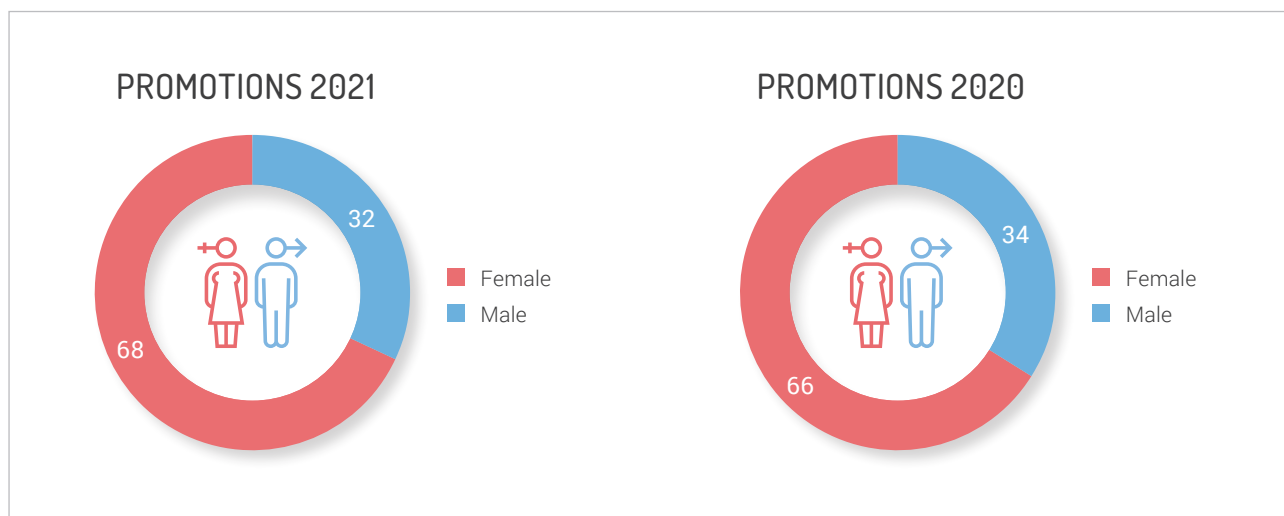
YEAR ENDED 30 JUNE 2021



Gender equality is only one dimension of diversity and inclusion. As part of our [Diversity and Inclusion Policy\\*](#), we have introduced the following:

- promote a culture that embraces diversity when recruiting employees, senior management and the board
- ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered, and addressing any conscious or unconscious biases that might discriminate against certain candidates
- value diversity of perspective – leveraging the diverse thinking, skills, experience and working styles of our employees and other stakeholders
- flexible work practices and provide opportunities for work arrangements that accommodate the diverse needs of individuals at different career and life stages.

We plan to build processes in the next period to assess and report on cultural diversity within our workforce. We also plan to focus on broader diversity in the future to improve representation across other groups, including the indigenous and LGBTQIA+ communities, as well as people living with a disability and people of different ages, to align our workforce makeup with the communities that we serve.



## WORKPLACE HEALTH AND SAFETY

We aim to provide a physically and psychologically safe workplace for our people. All health and safety incidents are reported to AUB Group Board’s Remuneration and People Committee and Audit and Risk Committee. There was one workplace safety incident relating to bullying and harassment reported during FY21 (FY20: nil).

In FY21, we completed a review of AUB Group’s Health and Safety Policy, which found that the policy reflected current law and best practice. We intend to conduct another review in late 2021.

With the disruption caused by COVID-19, mental health is an area of growing visibility. We have a dedicated free and confidential Employment Assistance Program (EAP) to support our employees and their families 24/7. Since the start of COVID-19, we have not witnessed any increase in reported incidents related to mental health, however, we acknowledge that with most of our workforce carrying out desk work remotely, workplace health and safety incidents may not be visible to us. We encourage our employees to provide feedback to us about their physical and psychological health through our regular online employee surveys, their direct managers and HR.

\* <https://www.aubgroup.com.au/wp-content/uploads/2021/04/4DiversityandInclusionPolicy.pdf>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## 5. CUSTOMERS

Our customers seek fairly priced insurance products that meet their needs. We provide this through excellent customer service supported by leading products and technology.

### CUSTOMER ENGAGEMENT AND RETENTION

Customer engagement is central to our business with partners and their employees expected to provide relevant, fairly priced insurance solutions supported by excellent customer service. In the reporting period, we achieved an overall premium retention rate of 93%.

We strive to provide all our customers with products that are appropriate to their financial objectives and circumstances.

We do this as part of our customer service standards and to ensure we are compliant with the relevant financial services laws.

The government has extended unfair contract terms legislation to cover insurance contracts, effective 5 April 2021. This legislation provides better protection to consumers and small businesses by requiring insurance contracts to be clearly worded. In response to this legislation, AUB Group assessed and amended its own policy wordings and worked with its insurance partners to amend distributed policy wordings to meet these new requirements.

As part of our commitment to high quality customer service, our partner businesses must also ensure robust dispute resolution processes are in place to handle complaints in a timely and fair manner. AUB Group provides all partner firms with access to up-to-date manuals on these requirements and provides support, as and when required, to meet regulatory notification and ongoing reporting obligations.

Customer complaints are reported centrally so that responses can be monitored and any trends analysed. The Board Audit and Risk Committee oversees this process.

### TECHNOLOGICAL TRANSFORMATION

To deliver the best service to our customers, we provide our partners with centrally managed technology services infrastructure that support them in delivering high quality services and products to their clients. We have invested in leading technology through BizCover and we are further developing our technology in Austagencies and New Zealand with the aim of providing a customer friendly, efficient and effective technology underpinning to our services.

### PRODUCT INNOVATION

We provide our partners with access to insurance services that enhance their ability to support their customers including claims services, specialist estimating, forensic and investigation support. Further to enable our partners to concentrate more on their customers we provide a range of opt-in administrative support services in accounting, payroll, tax and analytics.

We also help our partners to optimise their businesses by providing them with financial advice, legal advice, management support, succession advice and support, funding, mergers and acquisitions support, and strategy formulation and execution.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

## 6. SOCIAL AND ENVIRONMENT

AUB Group is committed to supporting the communities in which it operates, and to managing our wider social impacts. We recognise the importance of focusing on economic and social wellbeing, today and into the future, by supporting our local communities and by operating as a responsible corporate citizen. We also know the importance of managing our environmental impacts, and continue to adopt better ways of working in order to reduce our footprint.

### COMMUNITY INVESTMENT

AUB Group and all of its related entities in Australia and New Zealand have over 3,000 team members in 500 locations, serving over 850,000 clients. At our core, we are a people business: providing a community service and helping our customers manage their risks.



AUB Group and our partners support community organisations, such as charities and sporting clubs, through fundraising, sponsorship, and volunteering. Because our partners are located all throughout Australia and New Zealand, we adopt a decentralised approach to community support, allowing our partners to determine how they can have the greatest impact in their local communities.

During the reporting period, AUB Group as whole donated and sponsored in excess of \$1m to community initiatives. Our employees also volunteered their time, contributing hundreds of hours to charity events.

### Community initiatives

Our agency and Austbrokers divisions contributed monetary donations to, and participated in, a range of fundraising and community initiatives during the year, including as:

- Sponsor of the annual Insurances Ashes, which is a cricket event run by the Primary Club of Australia (PCA) to raise funds to support people with disabilities.
- Sponsor of Insurance Rocks, a battle of the bands event, raising funds for Australia Cancer Research Foundation.
- Major sponsor of the Lloyd's Australia Golf Day. In 2021, the event supported SpinalCure Australia in their work to find a cure for spinal cord injury.
- Charity partner with AllKids, which is a not-for-profit organisation providing education to disadvantaged children in the coastal commune of Ream in Sihanouk Province, Cambodia.
- Sponsor of the Outback Car Trek, which donates the funds it raised each year to the Royal Flying Doctor Service of Australia.

We also provided donations to, and sponsorship of, community and sporting clubs around Australia, including the St George Australia Football Club, Noarlunga Soccer Club and Drummoyne Water Polo Club.

In July 2021, NZbrokers recently established the NZbrokers Foundation, which will provide four senior leader scholarships along with a number of broker scholarships to build financial services skills within the community.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

Our partners determine the best approach to engage with and support their local communities, some examples include:



The Insurance Advisernet Foundation supports local Australian and New Zealand organisations that work to help change the lives of individuals, families and communities for the better. Over the past 10 years, the Insurance Advisernet Foundation has contributed over \$2.5m to more than 50 different charities. During FY21, over \$400k was donated to a variety of community fundraising initiatives, including initiatives arising from the Southern NSW bushfires and local charities including Men's Shed Association, Junior Diabetes Research Fund, Act for Kids, South Australian Health and Medical Research Institute, Starlight Foundation and Beyond Blue.



Adroit Insurance and Risk based in regional Victoria holds strong community values at the heart of their organisation. The team has raised over \$2m for local community organisations and foundations since it was established in 1978. In the reporting period, Adroit made donations to a range of local community foundations, organised and hosted various events, and volunteered over 200 hours of staff time. Adroit is also a proud supporter of local emergency appeals created in response to COVID-19, including the Give Geelong Appeal, which raised much needed funds for local food banks struggling to cope with increased demand.

## ENVIRONMENTAL MANAGEMENT

AUB Group is committed to being a responsible and sustainable organisation.

Climate change presents a number of risks and opportunities for all sectors, including the insurance industry. These include direct damage to assets or property, pricing and demand changes from the transition to a low-carbon economy, and business disruption from a changing regulatory environment. Increasing frequency and severity of climate-related events pose increased risks to some customers and as these events become more regular, the cost of insurance may become prohibitive and certain risks may become uninsurable.

AUB Group believes that we must address climate risks seriously to ensure the viability of our business as well as to identify opportunities to change and grow.

We acknowledge the science, and are supportive of global efforts to decarbonize the economy. We intend to align our business practices with the goals set in the Paris Agreement, including to limit global warming to well below 1.5 degrees. We are also committed to further developing our climate risk reporting, with a view to aligning our reporting practices to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Whilst we are new to TCFD, climate risk is certainly not new to the insurance industry. We have been factoring in climate-related risks into our client risk assessments for years, and continue to ensure we understand how to advise clients on these risks and the impact on their insurance options and cover.

With increasing community and stakeholder concern about the consequences of climate change and impacts businesses have on the surrounding environment, it is important to improve how we measure and report on our climate change impacts and our long-term approach to mitigate them.

AUB Group's Environmental and Social Governance Policy details how we seek to be a responsible and sustainable business, and outlines our requirements for a robust management approach. We expect our partner firms to adopt our policy in their businesses.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021

AUB Group's environmental objectives and how we are achieving them are summarised below.

OUR OBJECTIVES	HOW WE ARE ACHIEVING OUR OBJECTIVES
 <p><b>Reduce water and energy consumption</b></p>	<ul style="list-style-type: none"> <li>✓ Reducing and consolidating office space.</li> <li>✓ 4/1 work from home program for Sydney-based agency and head office staff, where employees work from home 4 days a week.</li> <li>✓ Measuring Scope 1 and 2 emissions across the AUB Group.</li> <li>✓ Monitoring and reducing water consumption year-on-year.</li> <li>✓ Monitoring and encouraging carbon offsets purchase and renewable energy consumption.</li> <li>✓ Choosing green buildings for our office, including our North Sydney head office, which boasts a 5.5 Star NABERS energy rating and a 4.0 Star NABERS water rating.</li> <li>✓ Use of energy efficient lighting in our office buildings.                             <ul style="list-style-type: none"> <li>– 7 buildings in the target emissions group have an average energy rating of 4.6.</li> <li>– 5 buildings in the target emissions group have an average water rating of 4.1.</li> </ul> </li> </ul>
 <p><b>Minimise waste, and encourage the reuse and recycling of waste items</b></p>	<ul style="list-style-type: none"> <li>✓ Actively encouraging recycling of paper, glass and aluminium. We also provide printer toner cartridge recycling stations in each office.</li> <li>✓ Encouraging our employees to use reusable water bottles, cups, and mugs while in the office to reduce waste.</li> <li>✓ 2 buildings in the target emissions group have an average waste rating of 2.8.</li> </ul>
 <p><b>Promote sustainable transport to employees, clients and suppliers</b></p>	<ul style="list-style-type: none"> <li>✓ Providing office space 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).</li> <li>✓ Encouraging video and audio communication to reduce air and road travel.</li> </ul>
 <p><b>Support sustainable procurement and other sustainable work practices</b></p>	<ul style="list-style-type: none"> <li>✓ Procuring environmentally friendly office supplies.</li> <li>✓ Adopting digital solutions to reduce our use of paper and our need for business travel.</li> <li>✓ Reducing our paper usage by setting printers to print double-sided output.</li> <li>✓ Equipping our employees with knowledge and training to minimise their own environmental footprint.</li> <li>✓ Actively engaging with our partners on good ESG practices.</li> </ul>

## Carbon emissions reduction

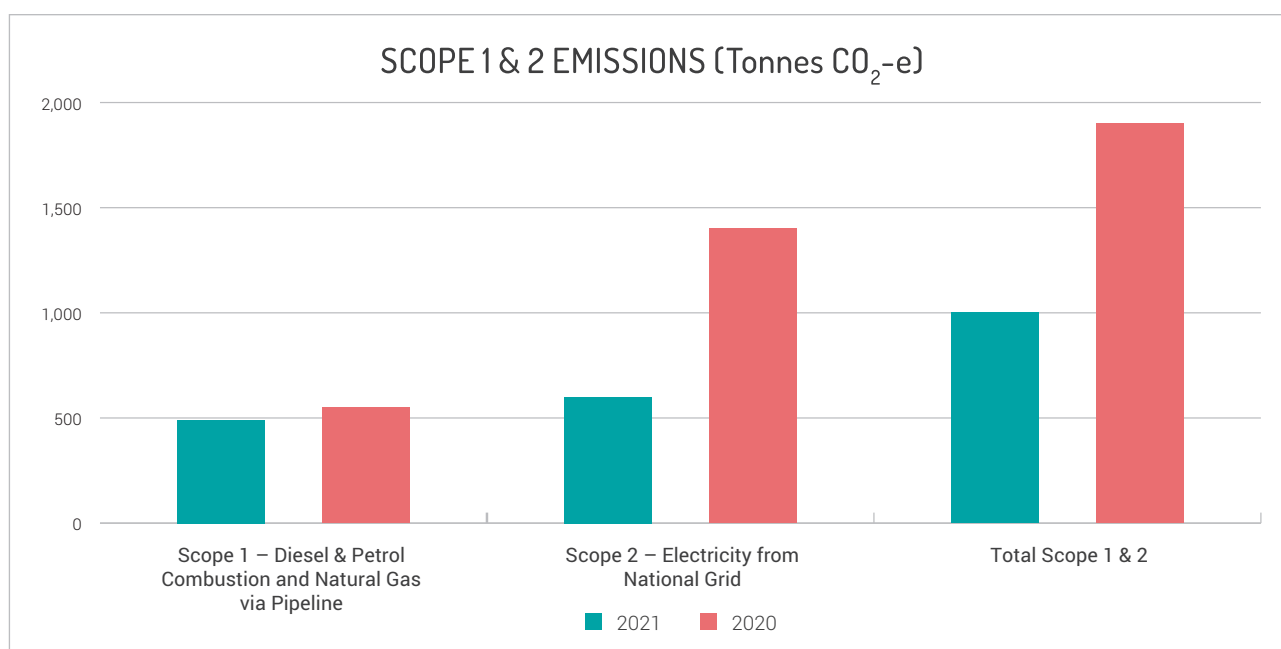
AUB Group's emissions reporting covers ours and our partners' tenanted offices and car fleets. Our primary measures of these activities are scope 1 and 2 emissions.<sup>1</sup>

- Scope 1 emissions relate to emissions from our car fleets.
- Scope 2 emissions relate to energy we purchase from the electricity grid.

<sup>1</sup> Scope 1 and 2 emissions are prepared according to 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2021



CO<sub>2</sub>-e emissions per employee, with the annual results outlined below:

	2021	2020	Movement %
Scope 1 & 2 Emissions, tCO <sub>2</sub> -e/employee	1.13	1.22	(7.1%)

Our Scope 2 emissions reduced by 800 tonnes of CO<sub>2</sub>-e year on year. We sold the Altius Group in March 2021 and its emissions are excluded from the 2021 measurement period. Altius had 39 offices and the 2020 measurement period included 400 tonnes of CO<sub>2</sub>-e for Altius. For our remaining businesses, during the reporting period, our emissions reduced due to COVID-19 lockdowns and due to initiatives we have taken at our North Sydney head office:

- With respect to COVID-19, a number of our partners' offices were impacted by extended lockdowns, for example two large partner businesses in Victoria contributed a reduction of 233 tonnes of CO<sub>2</sub>-e.
- At corporate level we saw a reduction of 111 tonnes of CO<sub>2</sub>-e as a result of (1) the sub lease of two offices and concentrating our staff into our North Sydney head office and (2) the introduction of a 4/1 work from home program where employees of AUB Group, our agencies and two brokerages are in the office 1 day per week when possible.

## Water consumption

We strive to monitor and reduce our water consumption across our businesses. Consolidating our office space, as well as promoting flexible working arrangements have been the key factors in reduction of water consumption in the reporting period, compared to the prior year.

## RESPONSIBLE SUPPLY CHAIN

AUB Group acknowledges that modern slavery can occur in every industry, sector, and country, including those where we operate. AUB Group has zero tolerance policy for modern slavery in our supply chain and is committed to continual improvement in combating all forms of modern slavery such as forced labour, debt bondage, deceptive recruiting, human trafficking and child labour.

AUB Group's ESG policy promotes ethical and sustainable practices, in particular respecting human rights through developing high quality and ethical partnerships with suppliers and service providers. AUB Group encourages all employees and business partners to escalate any concerns internally or through our anonymous reporting service. We comply with all relevant laws and expect the same from all our stakeholders.

During the reporting period, AUB Group introduced a Modern Slavery Policy to address modern slavery risks within our operations, supply chains and investment activities.

To comply with all modern slavery legal obligations, we are in the process of identifying and managing risks within our business and supply chain. We have conducted a preliminary review of AUB Group and its controlled entities' supply chain partners and assessed it against governmental and international organisations' data and resources. In response, we have initiated a Modern Slavery Compliance Programme to complement our Modern Slavery Policy and the existing Risk Management Framework over the course of the coming reporting period. This programme comprises of enhanced supplier assessments and questionnaires, standardized contractual clauses for use in supplier arrangements across the AUB Group network, specific whistle-blower provisions, and internal awareness and compliance training. Our Modern Slavery Policy and Statement are available on our [website](#).\*

\* <https://www.aubgroup.com.au/reports-and-statements>

# FINANCIAL REPORT

# AUDITORS INDEPENDENCE DECLARATION



Ernst & Young  
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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 2021, 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  
26 August 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	Restated 2020* \$'000
Revenue from contracts with customers	4 (a)	313,338	303,456
Other Income	4 (b)	1,030	2,328
Share of profit of associates	4 (c)	37,328	29,571
Cost to provide services and administrative expenses	4 (d)	(260,651)	(258,857)
Finance costs	4 (e)	(7,618)	(8,529)
		83,427	67,969
Adjustments to carrying value	4 (f)	(4,105)	1,790
Profit from sale or dilution of interests in associates, sale of controlled entities and broking portfolios	4 (g)	22,881	(2,739)
Profit before income tax		102,203	67,020
Income tax expense	5 (a)	(18,477)	(11,175)
<b>Profit for the year</b>		<b>83,726</b>	<b>55,845</b>
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net movement in foreign currency translation and asset revaluation reserves		(132)	(2,135)
Income tax benefit relating to currency translation and asset revaluation movement		(75)	–
Other comprehensive income after income tax for the period		(207)	(2,135)
<b>Total comprehensive income after tax for the period</b>		<b>83,519</b>	<b>53,710</b>
<i>Profit for the year attributable to:</i>			
Equity holders of the parent		70,621	46,984
Non-controlling interests		13,105	8,861
		<b>83,726</b>	<b>55,845</b>
<i>Total comprehensive income after tax for the period attributable to:</i>			
Equity holders of the parent		70,339	45,175
Non-controlling interests		13,180	8,535
		<b>83,519</b>	<b>53,710</b>
Basic earnings per share (cents per share)	6	95.09	63.74
Diluted earnings per share (cents per share)	6	94.81	63.59

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

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	2021 \$'000	Restated 2020* \$'000
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	10	76,588	84,374
Cash and cash equivalents - Trust	10	205,232	158,777
Trade and other receivables	11	64,081	68,677
Lease Net Investment	12	1,045	529
Other financial assets		554	348
<b>Total Current Assets</b>		<b>347,500</b>	<b>312,705</b>
<i>Non-current Assets</i>			
Trade and other receivables	11	3,532	318
Other financial assets		40	40
Investment in associates	8	280,643	271,041
Property, plant and equipment		7,534	11,676
Intangible assets and goodwill	13	469,677	382,996
Right of Use Asset and Lease Net Investment	12	22,618	26,322
Deferred tax assets	5 (b)	14,574	15,256
<b>Total Non-current Assets</b>		<b>798,618</b>	<b>707,649</b>
<b>Total Assets</b>		<b>1,146,118</b>	<b>1,020,354</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Trade and other payables	15	242,904	215,186
Deferred revenue from contracts with customers		7,166	6,243
Income tax payable		9,706	9,366
Provision for employee entitlements		20,680	17,494
Lease liabilities	12	7,786	8,224
Interest-bearing loans and borrowings	16	11,474	11,104
<b>Total Current Liabilities</b>		<b>299,716</b>	<b>267,617</b>
<i>Non-current Liabilities</i>			
Trade and other payables	15	10,530	547
Provisions		3,767	3,664
Deferred tax liabilities	5 (b)	14,929	15,999
Lease liabilities	12	18,080	21,443
Interest bearing loans and borrowings	16	200,809	220,666
<b>Total Non-current Liabilities</b>		<b>248,115</b>	<b>262,319</b>
<b>Total Liabilities</b>		<b>547,831</b>	<b>529,936</b>
<b>Net Assets</b>		<b>598,287</b>	<b>490,418</b>
<b>EQUITY</b>			
Issued capital	18, SOCIE	266,659	258,947
Retained earnings	SOCIE	210,424	177,769
Foreign currency translation reserve	SOCIE	(1,519)	(1,129)
Asset revaluation reserve	SOCIE	108	-
Put option reserve	15, SOCIE	(7,057)	(14,778)
Share based payments reserve	SOCIE	10,139	8,469
<b>Equity attributable to equity holders of the parent</b>		<b>478,754</b>	<b>429,278</b>
Non-controlling interests		119,533	61,140
<b>Total Equity</b>		<b>598,287</b>	<b>490,418</b>

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

\* The comparative year end has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2021

	Attributable to equity holders of the parent						Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Put option reserve \$'000	Asset revaluation reserve \$'000	Share based payment reserve \$'000			
<b>At 1 July 2020</b>	<b>258,947</b>	<b>177,769</b>	<b>(1,129)</b>	<b>(14,778)</b>	<b>–</b>	<b>8,469</b>	<b>429,278</b>	<b>61,140</b>	<b>490,418</b>
Net Profit After Tax for the year	–	70,621	–	–	–	–	70,621	13,105	83,726
Other comprehensive income	–	–	(390)	–	108	–	(282)	75	(207)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>70,621</b>	<b>(390)</b>	<b>–</b>	<b>108</b>	<b>–</b>	<b>70,339</b>	<b>13,180</b>	<b>83,519</b>
<b>Transactions with owners in their capacity as owners:</b>									
Ownership changes without gaining/losing control (see Note 9)	–	(5,434)	–	–	–	–	<b>(5,434)</b>	(13,526)	(18,960)
Non-controlling interests relating to new acquisitions (see Note 7(a))	–	–	–	–	–	–	–	80,045	80,045
Non-controlling interests relating to new disposals (see Note 7(b))	–	–	–	–	–	–	–	(7,660)	(7,660)
Transfer to put option reserve & impact of put option release	–	5,587	–	7,721	–	–	<b>13,308</b>	–	13,308
Net cost of share-based payment	–	–	–	–	–	1,670	<b>1,670</b>	–	1,670
Shares issued under dividend reinvestment plan	2,108	–	–	–	–	–	<b>2,108</b>	–	2,108
Issue of shares	5,604	–	–	–	–	–	<b>5,604</b>	–	5,604
Equity dividends	–	(38,119)	–	–	–	–	<b>(38,119)</b>	(13,646)	(51,765)
<b>At 30 June 2021</b>	<b>266,659</b>	<b>210,424</b>	<b>(1,519)</b>	<b>(7,057)</b>	<b>108</b>	<b>10,139</b>	<b>478,754</b>	<b>119,533</b>	<b>598,287</b>

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 to equity holders of the parent						Total \$'000	Non- controlling interests* \$'000	Total equity* \$'000
	Issued capital \$'000	Retained earnings* \$'000	Foreign currency translation reserve \$'000	Put option reserve* \$'000	Asset revaluation reserve \$'000	Share based payment reserve \$'000			
<b>At 1 July 2019*</b>	<b>255,662</b>	<b>170,481</b>	<b>680</b>	<b>(19,919)</b>	<b>–</b>	<b>7,820</b>	<b>414,724</b>	<b>67,771</b>	<b>482,495</b>
Net Profit After Tax for the year*	–	46,984	–	–	–	–	46,984	8,861	55,845
Other comprehensive income*	–	–	(1,809)	–	–	–	(1,809)	(326)	(2,135)
<b>Total comprehensive income for the year*</b>	<b>–</b>	<b>46,984</b>	<b>(1,809)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>45,175</b>	<b>8,535</b>	<b>53,710</b>
<b>Transactions with owners in their capacity as owners:</b>									
Ownership changes without gaining/losing control (see Note 9)	–	(1,246)	–	–	–	–	(1,246)	(1,439)	(2,685)
Non-controlling interests relating to disposals (see Note 7(b))	–	–	–	–	–	–	–	(5,355)	(5,355)
Transfer to put option reserve & impact of put option release	–	(3,861)	–	5,141	–	–	1,280	–	1,280
Net cost of share-based payment	–	–	–	–	–	649	649	–	649
Shares issued under dividend reinvestment plan	3,285	–	–	–	–	–	3,285	–	3,285
Equity dividends	–	(34,589)	–	–	–	–	(34,589)	(8,372)	(42,961)
<b>At 30 June 2020*</b>	<b>258,947</b>	<b>177,769</b>	<b>(1,129)</b>	<b>(14,778)</b>	<b>–</b>	<b>8,469</b>	<b>429,278</b>	<b>61,140</b>	<b>490,418</b>

\* The comparative year end has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2021

	Notes	2021 \$'000	Restated 2020* \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		316,676	330,204
Dividends/trust distributions received from associates		34,252	24,400
Management fees received from associates/ related entities, and interest received		14,530	13,745
Payments to suppliers and employees		(254,025)	(266,709)
Income tax paid		(20,190)	(15,101)
Interest paid		(6,225)	(7,074)
Interest paid - lease liabilities	4	(1,178)	(1,470)
Net cash from operating activities before customer trust account movements		83,840	77,995
Net increase in cash held in customer trust accounts		28,746	12,114
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>112,586</b>	<b>90,109</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of consolidated entities, net of cash acquired	7 (a)	(13,436)	(4,316)
Cash inflow/(outflow) from sale/deconsolidation of controlled entities	7 (b)	48,824	(4,135)
Disposal costs on sale of controlled entities	7 (b)	(2,232)	-
Payment for new associates and increases in holdings in associates	8	(11,231)	(141,230)
Proceeds from disposal of interests in associates	8	2,106	4,491
Payment for contingent consideration on prior year acquisitions	15	(2,186)	(5,398)
Payment for new broking portfolios purchased		(2,192)	(2,733)
Proceeds from sale of broking portfolios		828	739
Net payments from purchases/sales of plant and equipment, capitalised projects, and other assets		(699)	(512)
Net repayment/(advances) of loans to associates/related entities		3,451	(763)
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>23,233</b>	<b>(153,857)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to shareholders of the Group**		(46,712)	(20,603)
Dividends paid to shareholders of non-controlling interests		(13,646)	(8,372)
Proceeds from borrowings	10 (b)	51,551	142,451
Repayment of borrowings	10 (b)	(61,796)	(14,510)
Payments of principal for lease liabilities	10 (b)	(9,346)	(9,168)
Proceeds from deferred consideration on prior year disposal		1,920	-
Proceeds from partial disposal of interests in controlled entities	9	2,458	1,250
Payment for increase in interests in controlled entities	9	(21,417)	(3,692)
<b>NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(96,988)</b>	<b>87,356</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS		38,831	23,608
Cash and cash equivalents at beginning of the period		243,151	219,997
Impact as a result of foreign exchange		(162)	(454)
<b>Cash and cash equivalents at the end of the period</b>	10	<b>281,820</b>	<b>243,151</b>

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

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

\*\* Excludes Dividend Reinvestment Plan (DRP) which is a non-cash item.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 1 CORPORATE INFORMATION

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

The financial report of AUB Group Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 26 August 2021. The Directors have the power to amend and reissue the financial report.

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 Company is an entity to which this legislative instrument applies.

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 financial statements have been prepared on a going concern basis.

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

#### b. Statement of compliance

The financial statements comply 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').

#### 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, with adjustments 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 comprehensive income and net assets in subsidiaries which are not 100% owned by the Group. These are presented separately in the Consolidated Statement of Comprehensive Income 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 Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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 14.

#### ***Measurement of contingent consideration***

The Group recognises contingent consideration is at fair value through profit or loss. Contingent considerations terms vary between transactions but generally involves either (1) an EBIT or Revenue (fixed) performance hurdle (generally 2-3 years) post the acquisition date (i.e., high water mark) or (2) future dated (generally 2-3 years) EBIT or Revenue times a fixed multiples less historic payments made.

See Note 7(a) and Note 8 for further details on current year transactions and Note 15 for movements in all contingent and deferred considerations.

#### ***Re-estimation of put options financial liability***

A financial liability has been recognised representing an estimate of the value the Group could be required to pay on the future exercise by holders of put options over non-controlling interests. The Group re-estimates the put options financial liability at the reporting date, taking into account the estimated future outcomes for income or profit, on which the purchase price will be determined. Generally, this involves projecting the EBIT of the entity to the first exercise date multiplied by the expected EBIT multiple and projected net debt (based on known information and the company's gearing targets). Historical trends and any relevant external factors are taken into account in determining the likely outcome. 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 due to COVID-19. This may increase the risk of non-collectability in particular in relation to policies where customers are not required to maintain insurance under a legislative instrument or those industry sectors and customers that are significantly impacted by COVID-19. See Note 11 for further details.

#### ***Deferred Tax Assets***

Deferred tax assets (DTA) are recognised for deductible temporary differences when 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 carry forward capital loss. See Note 5 for further details.

#### ***Climate Change***

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

Our decentralised operating approach and diversified investment strategy helps manage concentration risk to locations, industries, and products. As a result, we are not materially exposed to industries expected to be significantly impacted by climate change.

There are opportunities for the Group to facilitate alternative insurance cover for customers impacted by climate change. There are also opportunities for the Group within new and emerging markets such as renewable energy.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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 new and amended accounting standards which came into effect on 1 July 2020, which are detailed below.

The 30 June 2021 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 Group also elected to early adopt the following amendments as at 1 July 2019:

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

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2020:

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- AASB 2017-5 Amendments to Australian Accounting Standards – Amendments to AASB 10 and AASB 128;
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business;
- AASB 2019-1 Amendments to AASs – References to the Conceptual Framework;
- AASB 2019-3 Amendments to AASs – Interest Rate Benchmark Reform [Phase 1];
- AASB 2019-5 Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia;
- AASB 2020-3 Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle); and
- AASB 2020-4 Amendments to AASs – Covid-19-Related Rent Concessions.

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

## Software-as-a-Service (SaaS)

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued the following agenda decision which impacts SaaS arrangements.

*Configuration or customisation costs in a cloud computing arrangement (April 2021)* – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The new accounting policy is presented in Note 25 and outlines that the Group must control the underlying intangible asset to meet the Group's new intangible recognition criteria. The adoption of the above agenda decision has resulted in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and prior periods presented.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

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

### Software-as-a-Service (SaaS) (continued)

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements, as follows:

#### Consolidated Statement of Financial Position

Line item	Balance as at 30 June 2020 \$'000		
	Previously reported	Adjustment	Adjusted
Trade and Other Receivables	68,539	138	68,677
<b>Total Current Assets</b>	<b>312,567</b>	<b>138</b>	<b>312,705</b>
Trade and Other Receivables	111	207	318
Intangible assets and goodwill	385,497	(2,501)	382,996
Deferred Tax Asset	14,538	718	15,256
<b>Total Non Current Assets</b>	<b>709,225</b>	<b>(1,576)</b>	<b>707,649</b>
Total Assets	1,021,792	(1,438)	1,020,354
<b>Net Assets</b>	<b>491,856</b>	<b>(1,438)</b>	<b>490,418</b>
Retained earnings	179,005	(1,236)	177,769
Foreign currency translation reserve	(1,442)	313	(1,129)
Non-Controlling Interests	61,655	(515)	61,140
<b>Total Equity</b>	<b>491,856</b>	<b>(1,438)</b>	<b>490,418</b>

#### Consolidated Statement of Financial Position

Line item	Opening Balance as at 1 July 2019 \$'000		
	Previously reported	Adjustment	Adjusted
Trade and Other Receivables	79,592	142	79,734
<b>Total Current Assets</b>	<b>299,597</b>	<b>142</b>	<b>299,739</b>
Trade and Other Receivables	133	175	308
Intangible assets and goodwill	401,146	(2,100)	399,046
Deferred Tax Asset	12,645	594	13,239
<b>Total Non Current Assets</b>	<b>556,329</b>	<b>(1,331)</b>	<b>554,998</b>
Total Assets	855,926	(1,189)	854,737
<b>Net Assets</b>	<b>483,684</b>	<b>(1,189)</b>	<b>482,495</b>
Retained earnings	171,447	(966)	170,481
Foreign currency translation reserve	372	308	680
Non-Controlling Interests	68,302	(531)	67,771
<b>Total Equity</b>	<b>483,684</b>	<b>(1,189)</b>	<b>482,495</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

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

### Software-as-a-Service (SaaS) (continued)

#### Consolidated Statement of Comprehensive Income

Line item	Year ended 30 June 2020		
	Previously reported	\$'000 Adjustment	Adjusted
Amortisation of capitalised project costs	1,076	(816)	260
Business technology and software costs	10,259	1,195	11,454
<b>Profit before income tax</b>	<b>67,399</b>	<b>(379)</b>	<b>67,020</b>
Other comprehensive income	(2,141)	6	(2,135)
Income tax expense	(11,299)	124	(11,175)
<b>Total comprehensive income after tax for the period</b>	<b>53,959</b>	<b>(249)</b>	<b>53,710</b>
<i>Total comprehensive income after tax for the period attributable to:</i>			
Equity holders of the parent	45,440	(265)	45,175
Non-controlling interests	8,519	16	8,535
	<b>53,959</b>	<b>(249)</b>	<b>53,710</b>
<b>Earnings Per Share</b>			
Basic	64.10	(0.36)	63.74
Diluted	63.95	(0.36)	63.59

#### Consolidated statement of Cash Flows

Line item	Year ended 30 June 2020		
	Previously reported	\$'000 Adjustment	Adjusted
Payments to suppliers and employees	(265,514)	(1,195)	(266,709)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>91,304</b>	<b>(1,195)</b>	<b>90,109</b>
Net payments from purchases/sales of plant and equipment, capitalised projects, and other assets	(1,707)	1,195	(512)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>	<b>(155,052)</b>	<b>1,195</b>	<b>(153,857)</b>

## 2.3 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 (noted below), when applied in future periods, are not expected to have a material impact on the financial position of the Group.

- Amendments to AASB 101: Classification of Liabilities as Current or Non-current;
- AASB 2019-3 Amendments to AASs – Interest Rate Benchmark Reform [Phase 2];
- AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework; and
- AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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 Group'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:** on behalf of the insurer, assessment of risk profile and pricing of policies requested by brokers. 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. These entities do not incur or hold policy liabilities.
- 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, white labelling, Group captive insurance and AUB Group head office support. These sub segments are not individually reportable.

The support services segment includes the health & rehab\* and BizCover divisions.

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

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

### Underlying Net Profit Before Tax

Performance of segments are reviewed by Chief Operating Decision Maker ('CODM') on an Underlying Net Profit Before Tax (UNPBT) basis. UNPBT excludes the effects of non-recurring events or other items not representative of the underlying operations items 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 interests to reflect the performance attributable to the shareholders of the Group.

\* Health and Rehab division ceased during the period on disposal of Altius Group Holdings Pty Ltd on 31 March 2021.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 3 OPERATING SEGMENTS (CONTINUED)

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

	Notes	2021 \$'000	2020 \$'000
Net Profit after tax attributable to equity holders of the parent*	SOCI	70,621	46,984
Add back/(less):			
– Share of Amortisation of broking registers		10,948	7,114
– Adjustments to value of entities (to fair value) on the day they became controlled entities		(3,851)	(2,862)
– Remeasurement of put option liability (net of Interest unwind)		5,587	(3,861)
– Share of impairment charge		2,679	3,578
– Share of movements in contingent consideration, net of impairment charge		(372)	(476)
– (Profit)/Loss on deconsolidation of controlled entity		(18,138)	2,899
– Capital losses not previously recognised		(1,791)	(2,250)
– Share of Profit from sale or dilution of interests in associates, controlled entities and broking portfolios		(2,050)	(961)
– Share of Impairment of the Right of Use Asset and Onerous Lease Expense		611	1,785
– Share of Legal, due diligence and debt costs		1,057	1,202
<b>Underlying Net Profit After Tax</b>		<b>65,301</b>	<b>53,152</b>
Represented by:			
Underlying profit pre tax		94,399	76,236
Tax Expense		(29,098)	(23,084)
<b>Underlying Net Profit After Tax</b>		<b>65,301</b>	<b>53,152</b>

Segment Financial Performance	30 June 2021				Total \$'000
	Australian Broking \$'000	Australian Agencies \$'000	New Zealand \$'000	Support Services \$'000	
Inter-segment revenue**	2,301	–	–	3,442	5,743
Revenue from external customers	173,640	64,043	44,812	31,873	314,368
<b>Total revenue and other income</b>	<b>175,941</b>	<b>64,043</b>	<b>44,812</b>	<b>35,315</b>	<b>320,111</b>
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	43,053	2,024	2,158	8,866	56,101
<b>Total income</b>	<b>218,994</b>	<b>66,067</b>	<b>46,970</b>	<b>44,181</b>	<b>376,212</b>
<b>Less: Expenses</b>					
Total underlying cost to provide services and administrative expenses	(130,126)	(46,222)	(32,137)	(40,669)	(249,154)
Inter-segment expenses**	(2,715)	(1,339)	(1,689)	–	(5,743)
Interest paid and other borrowing costs	(810)	–	(491)	(4,924)	(6,225)
Non-controlling interest	(13,377)	(3,667)	(2,082)	(1,565)	(20,691)
<b>Underlying Net Profit Before Tax</b>	<b>71,966</b>	<b>14,839</b>	<b>10,571</b>	<b>(2,977)</b>	<b>94,399</b>

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

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

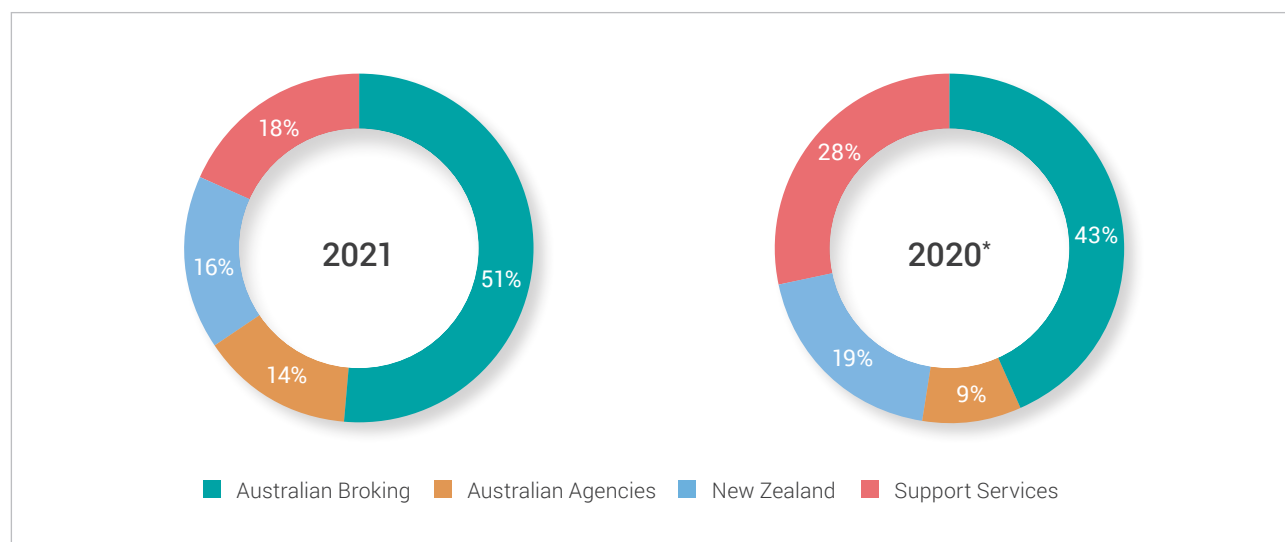
## 3 OPERATING SEGMENTS (CONTINUED)

Segment Financial Performance	30 June 2020				Total \$'000
	Australian Broking*** \$'000	Australian Agencies \$'000	New Zealand \$'000	Support Services*** \$'000	
Inter-segment revenue**	2,160	–	–	6,969	9,129
Revenue from external customers	160,599	46,960	46,623	51,602	305,784
<b>Total revenue and other income</b>	<b>162,759</b>	<b>46,960</b>	<b>46,623</b>	<b>58,571</b>	<b>314,913</b>
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	32,919	2,223	1,442	3,057	39,641
<b>Total income</b>	<b>195,678</b>	<b>49,183</b>	<b>48,065</b>	<b>61,628</b>	<b>354,554</b>
<b>Less: Expenses</b>					
Total underlying cost to provide services and administrative expenses*	(118,130)	(33,333)	(31,945)	(62,920)	(246,328)
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)	(1,037)	(2,190)	(16,155)
<b>Underlying Net Profit Before Tax</b>	<b>59,090</b>	<b>13,026</b>	<b>12,186</b>	<b>(8,066)</b>	<b>76,236</b>

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

### Segment Non-Current Assets

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



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

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

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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 that are 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 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 loss ratio increases compared to prior years due to COVID-19. There has been no material known impacts to profit commissions in the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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.

	2021 \$'000	2020 \$'000
<b>a. Revenue from contracts with customers</b>		
Commission, brokerage and fee Income	296,068	287,559
Management fees from related entities	12,273	11,417
Other revenue	4,997	4,480
<b>Total revenue from contracts with customers</b>	<b>313,338</b>	<b>303,456</b>
Recognised at a point in time	255,821	215,534
Recognised over time	57,517	87,922
<b>b. Other income</b>		
Dividends from other persons/corporations	–	–
Interest income from related parties	203	762
Interest from other persons/corporations	827	1,566
<b>Total other income</b>	<b>1,030</b>	<b>2,328</b>
Dividends are recognised at a point of time, whilst interest is recognised over time in accordance with contractual terms.		
<b>c. Share of Associates' Profit</b>		
Share of Associates Profit After Tax but Before Amortisation	44,219	33,437
Amortisation of intangibles – Associates	(6,891)	(3,866)
<b>Total share of profit of associates</b>	<b>37,328</b>	<b>29,571</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 4 REVENUE AND EXPENSES (CONTINUED)

### Expenses

#### 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. For broking entities typically, they are the principal in the arrangement and as such the commission income and expense are not offset. For agencies and in some arrangements for broking entities the commission is recognised in net as the entity was determined to be an agent in the arrangement.

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 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.

	2021 \$'000	Restated 2020* \$'000
<b>d. Expenses</b>		
Salaries and wages	166,601	165,431
Business technology and software costs*	14,783	11,454
Commission expense	14,151	12,040
Amortisation/impairment of right of use asset and rent expense	12,176	16,196
Amortisation of broking registers	9,530	7,266
Amortisation of capitalised project costs*	281	260
Depreciation	3,142	3,377
Insurance	9,367	7,411
Advertising, marketing and travel costs	7,763	10,420
Consulting, accounting, and audit fees	6,660	5,623
Legal fees/acquisition costs	1,743	2,811
Share based payments	1,126	455
Other expenses	13,328	16,113
Total cost to provide services and administrative expenses	260,651	258,857
<b>e. Finance costs</b>		
Interest paid and other borrowing costs	6,225	6,706
Interest unwind on lease liability	1,178	1,470
Interest unwind on put option liability	215	353
Total finance costs	7,618	8,529

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 4 REVENUE AND EXPENSES (CONTINUED)

	2021 \$'000	2020 \$'000
<b>f. Adjustments to carrying value</b>		
Adjustments to carrying value of entities (to fair value) on the date they became controlled entities (see Note 7 (a))	3,851	2,862
Adjustment to contingent consideration on acquisitions	416	541
Remeasurement of put option liability	(5,372)	4,214
Impairment charge relating to the carrying value of associates and goodwill (see Note 14)	(3,000)	(5,827)
Total adjustments to carrying value	(4,105)	1,790
<b>g. Profit from sale or dilution of interests in associates, sale of controlled entities and broking portfolios</b>		
Profit/(loss) on sale of controlled entities leading to deconsolidation (Note 7(b))	23,620	(4,700)
Disposal costs on sale of controlled entities (see Note 7 (b))	(2,232)	–
Profit/(loss) from sale or dilution of interests in associates, controlled entities and broking portfolios	1,493	1,961
Total profit/(loss) from sale or dilution of interests in associates, controlled entities and broking portfolios	22,881	(2,739)

## 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 comprehensive income; 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 before the date of asset's disposal, when it is considered probable that the temporary difference will reverse in the foreseeable future.

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 comprehensive income; 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 comprehensive income.

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 5 INCOME TAX (CONTINUED)

### 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 taxpayer. 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 2021 was 30.30% (2020: 30.51%). 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, and over 300 entities in which the parent has a direct or indirect economic interest.

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'. The amount disclosed by the ATO in their report is after the franking credits have been taken into account, which does not reflect the tax paid by the Group.

### a. Income tax expense

#### i. Major components of income tax expense are as follows:

	2021 \$'000	2020 \$'000
<i>Current income tax</i>		
Current income tax charge	18,460	19,261
Adjustment for prior years	587	(186)
<i>Deferred tax credit</i>		
Origination and reversal of temporary differences*	(570)	(7,900)
Total income tax expense in Consolidated Statement of Comprehensive Income*	18,477	11,175

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 5 INCOME TAX (CONTINUED)

ii. 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:

	2021 \$'000	Restated 2020* \$'000
Profit before income tax	102,203	67,020
At the company's statutory income tax rate of 30% (2020: 30%)	30,661	20,106
Impact of:		
Equity accounted income/distributions from entities operating as trusts	(9,246)	(9,880)
Gains/losses on sale	(3,360)	708
Adjustments to carrying value (see Note 4(f))	1,232	(537)
Tax losses not recognised	–	477
Benefit of tax losses not previously recognised	(1,791)	–
Income taxed at different tax rates on overseas operations	(95)	(116)
(Over)/under provision prior year	587	(186)
Other non deductible expenses	489	603
Income tax expense reported in the Consolidated Statement of Comprehensive Income	18,477	11,175

### b. Deferred income tax

Deferred Tax Assets and Liabilities are netted where arising within the same tax payer and to the same tax authority and expected to unwind in the same period.

i. Movement in deferred income tax during the year relates to the following:

	Assets		Liabilities	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unamortised broking registers (and other intangibles)	–	–	(15,007)	(15,317)
Non assessable income	–	–	(4,527)	(4,565)
Accrued expenses and provisions	14,857	13,902	–	–
PPE & ROU tax timing differences	2,761	1,664	–	–
Carry forward capital losses	133	2,250	–	–
Carry forward operating losses	1,794	1,549	–	–
Other	105	86	(471)	(312)
Netting of deferred taxes (arising within same tax consolidated group or entity)	(5,076)	(4,195)	5,076	4,195
Deferred tax assets/(liabilities)*	14,574	15,256	(14,929)	(15,999)

ii. Unrecognised deferred tax assets

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. Deferred tax assets arising from unused tax losses not recognised at 30 June 2021 was \$1.24m (2020: \$1.24m). Deferred tax assets arising from unused capital losses not recognised at 30 June 2021 was \$nil (2020: \$1.79m).

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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)

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

	2021 \$'000	2020 \$'000
Net profit attributable to ordinary equity holders of the parent	70,621	46,984
	2021 Thousands Shares	2020 Thousands Shares
Weighted average number of ordinary shares for basic earnings per share	74,266	73,724
Effect of dilution:		
Weighted average number of shares adjusted for shares under option that would have been issued if exercised	222	172
	74,488	73,896
Basic earnings per share (cents per share)*	95.09	63.74
Diluted earnings per share (cents per share)*	94.81	63.59

### 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 19 are considered to be potential ordinary shares and have been included in the determination of the diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of the basic earnings per share. The amount of the dilution of these options is the average market price of ordinary shares during the year minus the exercise price.

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

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

### d. Equity dividends on ordinary shares

	2021 \$'000	2020 \$'000
<i>Dividends paid or recognised as a liability during the year</i>		
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 was deferred to 3 September 2020)	–	10,701
Final franked dividend for financial year ended 30 June 2020: 35.5 cents	26,206	–
Interim franked dividend for financial year ended 30 June 2021 16.0 cents	11,903	–
<b>Total dividends paid/provided in current year</b>	<b>38,109</b>	<b>34,589</b>

In addition to the above, dividends paid to non-controlling interests totalled \$13.65m (FY20:\$8.37m).

### *Dividends proposed and not recognised as a liability*

Final franked dividend for financial year ended 30 June 2020: 35.5 cents	–	26,206
Final franked dividend for financial year ended 30 June 2021: 39.0 cents	29,017	–
	<b>29,017</b>	<b>26,206</b>
Dividends paid and accrued per share (cents per share)	55.00	50.00
Dividends determined per share (cents per share) not recognised at balance date	39.00	35.50

### e. Franking credit balance

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

– franking account balance as at the end of the financial year at 30% (2020: 30%)	47,818	38,630
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	(61)	2,966
<b>The amount of franking credits available for future reporting periods</b>	<b>47,757</b>	<b>41,596</b>
– impact on the franking account of dividends proposed or determined before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(12,436)	(15,817)
<b>The amount of franking credits available for future reporting periods after payment of dividend</b>	<b>35,321</b>	<b>25,779</b>

The tax rate at which paid dividends have been franked is 30% (2020: 30%).

Dividends proposed and accrued will be franked at the rate of 30% (2020: 30%).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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 complementary 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 TLC Limited which operates within and was 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(d)) as incurred except stamp duty which is recognised in income tax expense (see Note 5) as incurred.

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 Comprehensive Income. Over accruals are recognised as income in the year the amount is reversed and any under accruals are charged as an expense against profits. Contingent considerations are recognised in the Consolidated Statement of Financial Position at fair value. Refer to Note 2.1d and Note 15 for further information on measurement and critical assumptions.

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 Comprehensive Income 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.

Non-Controlling Interest is initially measured at fair value.

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.

Where there is a change in ownership and the Group loses control, the gain or loss will be recognised in the Consolidated Statement of Comprehensive Income and the carrying value of non-controlling interests is derecognised.

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 Comprehensive Income.

Refer to Note 9 for all transactions between owners.

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

- Effective 1 August 2020, the Group acquired 73.2% of Experien Insurance Services Pty Limited for \$17.15m (\$12.07m in cash, and \$5.60m in Company shares). The agreement contained put options exercisable after 3 years. A total put option liability of \$6.85m was recognised in relation to both put options covering all non-controlling interests. This was booked directly against the Put Option Reserve and resulted in \$nil impact on the comprehensive income on initial recognition. Refer to Note 15 for further information on Put Options.
- Effective 26 November 2020, a controlled entity of the Group acquired a further 30% of Fleetsure for \$5.50m increasing its shareholding to 80%. A \$3.85m fair value gain on step up was recognised on obtaining control of Fleetsure.
- Effective 1 December 2020, a controlled entity of the Group acquired 100% (AUB's effective interest of 52.3%) of 360 Investments Pty Ltd and its controlled entities and associates (360) through a share swap with 360's vendors and \$19.52m in cash consideration.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

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

Business Acquired	Transaction date(s)	2021 %/\$'000	2020 %
Experien Insurance Services Pty Ltd	01-Aug-20	73.2	–
Bestmark Insurance Brokers Pty Ltd	01-Sep-20	84.9	–
Fleetsure Pty Ltd*	26-Nov-20; 01-Dec-20	41.8	50.0
360 Investments Pty Ltd	01-Dec-20	52.3	–
TLC Insurance Limited	01-Apr-21	67.0	–
All other transactions	Various	Various	Various
<b>Total consideration attributed to all additional interests acquired</b>		<b>114,281</b>	
Less contingent/deferred consideration		(7,072)	
Less shares issues by the Company		(5,604)	
Less shares issued by a subsidiary of the Group		(63,334)	
Less cash acquired		(24,835)	
<b>Payments for acquisition of consolidated entities, net of cash acquired</b>		<b>13,436</b>	
Goodwill and identifiable intangibles arising on acquisition related to the Group		73,773	
Goodwill and identifiable intangibles arising on acquisition relating to non-controlling interests		61,109	
Total Goodwill and identifiable intangibles arising on acquisition		134,882	
Net increase in non-controlling interests		80,045	

\* The Group's effective shareholding in the entity is less than 50%, but the Group assessed it still has control, as a subsidiary of the Group has more than 50% interest and rights in the entity.

The total Revenue and Net Profit After Tax recognised during the financial year ended 30 June 2021 in relation to the current period acquisitions were \$28.50m, and \$5.57m respectively. Had the entities been acquired at the beginning of the financial year ended 30 June 2021, the Revenue and Net Profits would have been \$45.64m and \$6.91m respectively.

A summary of the initial recognition of 360 Investments Pty Ltd and its controlled entities and associates are as follows:

	360 Investments Pty Ltd \$'000
<b>ASSETS</b>	
Cash and cash equivalents	3,886
Cash and cash equivalents - Trust	16,207
Receivables	3,742
Intangibles and other	2,300
Property, plant and equipment	614
Total Assets	26,749
<b>LIABILITIES</b>	
Payables and provisions	21,281
Borrowings	1,003
Deferred tax liabilities	29
Total Liabilities	22,313
Net Assets	4,436
Less Non-controlling interests	3,476
NET ASSETS ATTRIBUTABLE TO PARENT ENTITY	960
Cash paid	19,521
New shares issued by a subsidiary	60,479
Total purchase price	80,000
Goodwill arising on acquisition relating to the Group	37,638
Goodwill arising on acquisition relating to non-controlling interests	41,402
Total Goodwill arising on acquisition	79,040

The investment in 360 comprises businesses within the Australian agencies segment. The acquisition increases the Group's capability and is expected to improve operating efficiencies as a result of the increased economies of scale within the Australian agency group of businesses.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

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

### a. ii. During the previous year, the following transactions occurred:

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.

### 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:

On 31 March 2021, the Group disposed all of its interest in Altius Group Holdings Pty Ltd for \$51.76m for cash, with no deferred or contingent consideration. On that date Altius ceased to be a controlled entity. An after tax profit on sale of \$20.34m was recognised. Costs of disposal attributable to the sale of \$2.23m was recognised in the comprehensive incomes, see Note 4(g). A charge to comprehensive income of \$5.37m was also recognised on re-measurement of the put option liability in relation to the Altius non-controlling interest, refer to Note 15. Furthermore, during the year but prior to the sale the Group increased its shareholding resulting in a cost of \$3.50m recognised directly in retained earnings as a transaction between owners (refer to Note 9). In total the resulting series of transactions will increase equity attributed to the shareholders of the Group by \$9.24m at balance date.

Business Disposed	Transaction date(s)	2021 %/\$'000	2020 %
Altius Group Holdings Pty Ltd	31-Mar-21	0.0	56.9
All other transactions	Various	Various	Various

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

Business Disposed	Transaction date(s)	2020 %/\$'000	2019 %
Austbrokers Central Coast Pty Ltd	01-Feb-20	0.0	80.0
Allied Health Australia Pty Ltd	01-Apr-20	0.0	60.0

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

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

2021  
Altius  
\$'000

Carrying value of assets and liabilities on the date of deconsolidation of Altius:

### ASSETS

Cash	2,225
Receivables	7,946
Property plant and equipment	3,035
Right of use asset	3,250
Intangibles	39,573
Deferred tax asset	650
<b>TOTAL ASSETS</b>	<b>56,679</b>

### LIABILITIES

Payables and provisions	6,394
Lease liability	3,498
Borrowings	10,000
Income tax provision	865
<b>TOTAL LIABILITIES</b>	<b>20,757</b>

**NET ASSETS** 35,922

**Less Non controlling interest on date of deconsolidation** (8,327)

**NET ASSETS ATTRIBUTABLE TO PARENT ENTITY** 27,595

**Total carrying value prior to disposal** 27,595

**Sale proceeds** 51,764

Less: carrying value of voting shares sold (27,595)

Profit/(Loss) on deconsolidation of controlled entities before tax 24,169

Tax credit/(expense) on sale (3,826)

**Profit/(loss) after tax on deconsolidation of controlled entity** 20,343

### Other impacts

Remeasurement of Put option liability (see note 4(f)) (5,372)

Disposal costs on sale of controlled entities (see Note 4(g)) (2,232)

Transaction between owners debited to retained earnings (see note 7(b)) (3,503)

**Net impact to equity attributed to the shareholder of the Group on deconsolidation of controlled entity** 9,236

### Cash outflow on acquisition/disposal is as follows:

Net cash reduction on deconsolidation of controlled entities (2,225)

Cash received on disposal 51,764

**Net cash inflow on deconsolidation of controlled entities** 49,539

Goodwill reduction on deconsolidation of controlled entity 39,573

Net decrease in non controlling interest on deconsolidation 8,327

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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 Comprehensive Income reflects the Group's share of the results of operations of the associates.

Refer to Note 14 Impairment Testing of Identifiable Intangible Assets and Goodwill.

The Group does not remeasure the carrying value of associates on increase/decrease in interest whilst maintaining significant influence. On partial acquisition whilst maintaining significant influence the purchase price is added to the investment in associate carrying value, and on partial disposal whilst maintaining significant influence the portion of interest in the entity being sold is proportionately derecognised from the investment in associate carrying value. As part of impairment testing we consider the recent purchase/disposal prices when determining if there are indicators of impairment.

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

Entity	Transaction date(s)	30 Jun 2021 %/\$'000	30 Jun 2020 %/\$'000
<b>Increase in voting shares</b>			
Rosser Limited	01-Jul-20	44.7	35.7
BWRS (North Shore) Limited	01-Dec-20	44.7	–
Austbrokers Kelly Partners Pty Ltd	01-Dec-20	50.0	–
Longitude Insurance Pty Limited	01-Jan-21	50.0	38.8
LEA Insurance Brokers Pty Ltd*	01-Jan-21	53.4	50.0
YDR Pty Ltd	01-Apr-21	50.0	–
HQ Insurance Pty Ltd*	01-May-21	57.2	49.7
BizCover Pty Limited	01-Jun-21	40.3	40.2
<b>Total cash consideration paid for all interest acquired</b>		<b>11,231</b>	
<b>Decrease in voting shares</b>			
Insurance Advisernet Australia Pty Ltd	01-Jul-20	46.5	47.5
Insurance Advisernet Holdings Pty Ltd	01-Jul-20	46.5	47.5
JMD Ross Insurance Brokers Pty Ltd	01-Jul-20	40.0	50.0
The Procure Group Pty Ltd	01-Jan-21	49.3	50.0
<b>Total consideration received for all interest disposed</b>		<b>2,107</b>	
Less carrying value of shares being sold		(1,303)	
Less Capital Gains Tax on shares being sold		(279)	
<b>Net gain/(loss) on disposal of interest</b>		<b>525</b>	

\* Whilst the Group holds more than 50% interest in the entity, the Group's voting rights are capped at 50%, hence it was determined that the Group maintains significant influence and does not have control of the entity.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 8 INVESTMENT IN ASSOCIATES (CONTINUED)

b. During the previous period, the following transactions occurred:

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

c. The Group's investment in associates ownership and carrying value at balance date is as follows:

	2021 %	2020 %	2021 \$'000	2020 \$'000
<b>Investments carrying value:</b>				
<b>Australian Broking</b>				
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	560	556
Austbrokers AEI Transport Pty Ltd	40.0	40.0	8,672	7,893
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,597	2,691
Austbrokers Hiller Marine Pty Ltd	50.0	50.0	53	–
Austbrokers Kelly Partners Pty Ltd	50.0	–	–	–
Austbrokers RIS Pty Ltd	49.9	49.9	2,541	2,563
Austbrokers SPT Pty Ltd	50.0	50.0	4,537	4,573
Austral Insurance Brokers Pty Ltd	50.0	50.0	1,652	1,632
Bluestone Insurance Pty Ltd	50.0	50.0	–	–
Brett Grant and Associates Pty Ltd	50.0	50.0	1,611	1,569
Broker Claims Pty Ltd	47.5	47.5	–	–
Countrywide Insurance Holdings Pty Ltd	49.9	49.9	5,334	5,197
Cruden & Read Pty Ltd	50.0	50.0	70	–
Global Assured Finance Pty Ltd	49.9	49.9	–	–
HQ Insurance Pty Ltd*	57.2	49.7	6,653	4,568
Insurance Advisernet Australia Pty Ltd	46.5	47.5	15,511	15,962
Insurance Advisernet Holdings Pty Ltd	46.5	47.5	511	407

\* Whilst the Group holds more than 50% interest in the entity, the Group's voting rights are capped at 50%, hence it was determined that the Group maintains significant influence and does not have control of the entity.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 8 INVESTMENT IN ASSOCIATES (CONTINUED)

	2021 %	2020 %	2021 \$'000	2020 \$'000
<b>Investments carrying value (continued):</b>				
<b>Australian Broking (continued)</b>				
JMD Ross Insurance Brokers Pty Ltd	40.0	50.0	1,206	1,343
KJ Risk Group Pty Ltd	49.0	49.0	1,628	1,647
Lea Insurance Broking Pty Ltd/ Lea Insurance Broking Unit Trust	53.4	50.0	5,748	5,406
Markey Group Pty Ltd	49.9	49.9	6,389	6,616
MGA Management Services Pty Ltd	49.9	49.9	23,990	20,728
Nexus (Aust) Pty Ltd	50.0	50.0	6,522	7,049
NRIG Pty Ltd	25.0	25.0	133	78
Oxley Insurance Brokers Pty Ltd/Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	223	170
Oxley Insurance Brokers Pty Ltd/Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	–	–
Peter L Brown & Associates Pty Ltd	50.0	50.0	929	777
Rivers Insurance Brokers Pty Ltd	49.9	49.9	4,853	4,819
SRG Group Pty Ltd	50.0	50.0	1,956	2,030
Supabrook Pty Ltd	49.9	49.9	585	706
The Procure Group Pty Ltd	49.3	50.0	14,334	13,750
Western United Financial Services Pty Ltd	49.9	49.9	2,012	2,085
YDR Pty Ltd	50.0	–	3,992	–
			<b>124,802</b>	<b>114,815</b>
<b>Australian Agencies</b>				
Fleetsure Pty Ltd*	41.8	50.0	–	3,781
Longitude Insurance Underwriting Agency Pty Ltd	50.0	38.5	3,376	534
Millennium Underwriting Agency Pty Ltd	18.4	18.4	625	477
Sura Professional Risks Pty Ltd	50.0	50.0	1,477	1,367
Tasman Underwriting Pty Ltd	50.0	50.0	444	512
			<b>5,922</b>	<b>6,671</b>
<b>New Zealand</b>				
BWRS (North Shore) Limited	44.7	–	579	–
Dawson Insurance Brokers (Rotorua) Ltd	44.7	44.7	5,042	5,306
Commercial and Rural Insurance Limited	44.7	44.7	3,332	3,418
McDonald Everest Insurance Brokers Limited	44.7	44.7	2,463	2,359
Rosser Underwriting Limited (underwriting agent)	44.7	35.7	3,080	2,489
			<b>14,496</b>	<b>13,572</b>
<b>Support Services</b>				
BizCover Pty Limited	40.2	40.0	135,423	135,983
			<b>135,423</b>	<b>135,983</b>
<b>Total carrying value of associates</b>			<b>280,643</b>	<b>271,041</b>

\* Following a series of transactions the Group's interest in Fleetsure Pty Ltd reduced to 41.8% (indirect) however the Group assessed it maintained control as it controlled another entity which in turn had control of Fleetsure (including voting rights of 80%).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 8 INVESTMENT IN ASSOCIATES (CONTINUED)

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

- i. 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 Procure Group Pty Ltd which offers rehabilitation, investigation, and loss adjusting services.
- ii. There have been no significant subsequent events affecting the associates' profits for the period.
- iii. There have been nil impairments relating to the investment in associates during the current year. During the previous year there were two impairments relating to the investment in associates (see Note 4(f)).
- iv. 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.
- v. BizCover Pty Limited is the Group's only material associate. It's registered place of business is Suite 2204, Level 22, 520 Oxford Street, Bondi Junction, NSW 2022. Its principal place of business is Level 2, 338-340 Pitt Street, Sydney, NSW 2000.

### d. The Group's reconciliation of its carrying value in its investment in associates are presented below:

	2021 \$'000	2020 \$'000
<b>Revenue</b>	<b>146,919</b>	<b>125,743</b>
Operating profits before income tax	57,091	43,363
Amortisation of intangibles	(6,891)	(3,866)
Net profit before income tax	50,200	39,497
Income tax expense attributable to operating profits	(12,872)	(9,926)
<b>Share of associates' net profits</b>	<b>37,328</b>	<b>29,571</b>

### e. Reconciliation of carrying value of associates:

Balance at the beginning of the period	271,041	127,453
Acquisition of associates	11,231	142,027
Disposal or dilution of interest in associates	(2,106)	(7,891)
Profit on sale of associates	804	2,975
Reclassification of investment in associates to controlled entities	(3,482)	(2,146)
Reclassification of investment in controlled entities to associates	–	4,373
Share of associates' profit after income tax	37,328	29,571
Impairment loss on carrying value of associates	–	(378)
Dividends/trust distributions received	(34,252)	(24,400)
Net foreign exchange and other movements	79	(543)
<b>Balance at the end of the period</b>	<b>280,643</b>	<b>271,041</b>

### f. The entity's share of the assets and liabilities of associates:

Current assets	234,063	221,482
Non-current assets	74,712	71,461
Current liabilities	(217,099)	(201,286)
Non-current liabilities	(17,931)	(20,686)
<b>Net assets</b>	<b>73,745</b>	<b>70,971</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 9 SHARES IN CONTROLLED ENTITIES

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

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

- Effective 1 August 2020 the Group acquired a further 18.5% of interest in Altius Group Pty Ltd (Altius) for \$9.26m. As a result of the transaction, the Group's put option liability in relation to the parcel of shares was extinguished resulting in a partial derecognition of \$7.43m against the respective put option reserve. There was no comprehensive income impact as a result of the transaction. The remaining interest in Altius was disposed on 31 March 2021, refer to Note 7(b) for further information.

Entity	Transaction date(s)	2021 %	2020 %
<b>Increase in voting shares</b>			
	01-Jul-20/ 01-Oct-20/ 01-Dec-20		
Northlake Holdings Pty Ltd trading as Country Wide Insurance Brokers		90.5	65.8
Altius Group Pty Ltd	01-Aug-20	75.4	56.9
Comsure Insurance Brokers Pty Ltd	01-Sep-20	83.8	80.0
All other transactions	Various	Various	Various
<b>Total consideration paid for all interest acquired</b>		<b>21,417</b>	
Less adjustment to non-controlling interest		(15,013)	
<b>Transfer to retained earnings on equity transactions between owners</b>		<b>(6,405)</b>	
<b>Decrease in voting shares</b>			
	01-Sep-20	83.8	95.0
CityCover (Aust) Pty Ltd			
Austbrokers City State Pty Limited	01-Feb-21	60.0	70.0
All other transactions	Various	Various	Various
<b>Total consideration received for all interest disposed</b>		<b>3,068</b>	
Less adjustment to non-controlling interest		(1,487)	
Less Capital Gains Tax payable		(610)	
<b>Transfer to retained earnings on equity transactions between owners</b>		<b>971</b>	

### Other information

- All controlled entities are incorporated in Australia except for AUB Group NZ Limited (AUBNZ) and its controlled entities which are incorporated in New Zealand and Colonnade Pte Ltd (Colonnade) which is incorporated in Singapore.
- Colonnade is the Group's insurance captive. Given the size and scale of the Group including associates, certain insurable risks are internally manageable.
- The non-controlling interest (NCI) of AUBNZ at balance date is \$11.66m (FY20: \$12.1m), with profit attributed to the minority (MI) of \$0.76m (FY20: \$1.13m). For a break down of comprehensive income of AUBNZ refer to Note 3. The NCI of AUB Three Sixty is \$71.32m (FY20: \$nil), with MI of \$1.96m (FY20: \$nil). No other NCI/MI is material to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 9 SHARES IN CONTROLLED ENTITIES (CONTINUED)

b. The Group's shares in controlled entities ownership at balance date is as follows:

	2021 %	2020 %
<b>Name and Interests in controlled entities:</b>		
<b>Australian Broking</b>		
AB Phillips Group Pty Ltd and its controlled entities	57.5	57.5
Adroit Holdings Pty Ltd and its controlled entities	100.0	95.0
ABFS (NSW) Pty Ltd and its controlled entities	95.1	95.0
Austbrokers Canberra Pty Ltd	85.0	85.0
Austbrokers Coast to Coast Pty Ltd and its controlled entity	51.0	51.0
Austbrokers CityState Pty Ltd and its controlled entity	60.0	70.0
Austbrokers Life Pty Ltd	100.0	100.0
Austbrokers Member Services Pty Ltd	100.0	100.0
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 and its controlled entities (Austbrokers Comsure)	83.8	95.0
Comsure Insurance Brokers Pty Ltd and controlled entities*	83.8	80.0
Experien Insurance Services Pty Ltd	73.2	–
Finsura Holdings Pty Ltd and its controlled entities	70.0	70.0
Austbrokers Corporate Pty Ltd and its controlled entities**	100.0	100.0
McNaughton Gardiner Insurance Brokers Pty Ltd and its controlled entity	70.0	70.0
North Coast Insurance Brokers Pty Ltd and its controlled entity	75.0	70.0
Northlake Holdings Pty Ltd (Country Wide Insurance Brokers WA)	90.5	65.8
Terrace Insurance Brokers Pty Ltd and controlled entity	53.7	53.7
The Insurance Alliance Pty Ltd	100.0	–
WRI Insurance Brokers Pty Ltd	100.0	100.0
<b>Australian Agencies</b>		
Austagencies Pty Ltd and its controlled entities	100.0	100.0
<b>New Zealand</b>		
AUB Group NZ Limited and its controlled entities	89.3	89.3
<b>Support Services – Australia</b>		
Altius Group Holdings Pty Ltd and its controlled entities	–	56.9
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
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
Colonnade Pte Ltd	100.0	–
Kyros Cook & Associates Pty Ltd	100.0	100.0
Shield Underwriting Holdings Pty Ltd	100.0	100.0

\* Now consolidated as part CityCover (Aust) Pty Ltd.

\*\* The entity changed its name during the period, previously InterRISK Australia Pty Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 10 CASH AND CASH EQUIVALENTS

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

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.

	2021 \$'000	2020 \$'000
Cash and cash equivalents	76,588	84,374
Cash and cash equivalents - Trust	205,232	158,777
<b>Total Cash and cash equivalents</b>	<b>281,820</b>	<b>243,151</b>

### a. Cashflow from operating activities

	2021 \$'000	Restated 2020* \$'000
Profit after tax for the period	83,726	55,845
Equity accounted (profits) after income tax	(37,328)	(29,571)
Dividends/trust distributions received from associates	34,252	24,400
Amortisation of intangibles	9,530	7,266
Amortisation of capitalised project costs	281	260
Amortisation and impairment of Right of Use Asset	8,938	12,426
Depreciation of fixed assets	3,141	3,377
Share options expensed	1,126	455
Net movement in put option liability (including interest unwind)	5,587	(3,861)
Profit/Loss from sale of associates, controlled entities and broking portfolios	(22,881)	2,739
Adjustments to carrying value	(3,851)	(2,862)
Impairment charge relating to the carrying value of associates and goodwill	3,000	5,827
Remeasurement of contingent consideration	(416)	(541)
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	(3,116)	8,807
Decrease in trade and other payables	9,505	8,695
Increase in deferred revenue from customers	923	653
Increase in trust payables	18,684	8,148
(Decrease)/increase in provisions	3,198	(8,028)
Decrease/(Increase) in deferred tax asset	1,335	(2,602)
(Decrease) in deferred tax liability	(4,186)	(3,801)
Increase in provision for tax	1,138	2,477
<b>Net cash flows from operating activities</b>	<b>112,586</b>	<b>90,109</b>

Due to current year acquisitions and disposals movements above do not align to the movements in the Statement of Financial Position.

\* The comparative period has been restated as result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 10 CASH AND CASH EQUIVALENTS (CONTINUED)

### b. 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).

Year ended 30 June 2021	1 July 2020 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	New Acquisitions \$'000	Other \$'000	New consolidated entity/ deconsolidation \$'000	30 June 2021 \$'000
Current interest bearing loans and borrowings (excluding items listed below)	10,095	421	(8)	–	–	–	10,508
Current lease liability	8,224	(408)	(5)	872	–	(897)	7,786
Current hire purchase contracts	807	(57)	–	–	–	–	750
Non current interest bearing loans and borrowings (excluding items listed below)	220,067	(10,490)	(235)	–	–	(8,997)	200,345
Unsecured Loan Other	202	15	(1)	–	–	–	216
Non current lease liability	21,443	(8,938)	(8)	6,876	–	(1,293)	18,080
Non current hire purchase contracts	599	(135)	–	–	–	–	464
<b>Total liabilities from financing activities</b>	<b>261,437</b>	<b>(19,591)</b>	<b>(258)</b>	<b>7,748</b>	<b>–</b>	<b>(11,187)</b>	<b>238,149</b>

Year ended 30 June 2020	1 July 2019 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	New Acquisitions \$'000	Other \$'000	New consolidated entity/ deconsolidation \$'000	30 June 2020 \$'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
<b>Total liabilities from financing activities</b>	<b>141,662</b>	<b>118,773</b>	<b>(737)</b>	<b>1,648</b>	<b>–</b>	<b>91</b>	<b>261,437</b>

## 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 has 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 11 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

- a. the rights to receive cash flows from the asset have expired;
- b. 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
- c. 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 expected credit losses) receivable reduced to the expected recoverable amount (taking into consideration any collateral or security associated with the debt) less costs of recoveries.

Expected Credit Losses (ECL) using the lifetime- simplified approach 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 5.0% (2020: 5.0%) provides an amount for expected cancellations and loss of commissions and fees (amounts due from broking/agency operations, debtors) based on Group wide historic data. Australian Agencies provision at 50% for debtors over 90 days, and 100% for debtors over 120 days in line with their binding arrangements to generally cancel policies past due by 90 days. As a result of the current economic conditions and its impact on the industry we have considered forward looking adjustments as follows:

1. **Determine high risk sectors:** A number of sectors were identified including hospitality, retail, construction, landscape, recruitment services, etc.
2. **Determine exposure:** to high risk sectors across the Group.
3. **Critical assumptions:** For those high risk sectors we have increased our ECL rate to 20% based on lead indicators. For all other sectors given broader economic conditions and the flow on impacts an adjustment of 0.5% was made.

The prior year increase in ECL is mainly attributable to COVID-19. There continues to be higher provisioning than would ordinarily exist. Factors described in Note 2.1(d) have heightened the risk of default in certain industry sectors and customer segments.

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 years ended 30 June 2021 and 30 June 2020.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 11 TRADE AND OTHER RECEIVABLES (CONTINUED)

	As at 30 June 2021				Total \$'000
	Due not later than 6 months \$'000	6 months to no later than 1 year \$'000	Later than 1 year and not later than 5 years \$'000	Later than 5 years/ No maturity \$'000	
Trade receivables	22,024	–	–	–	22,024
Amount due from customers on broking/ agency operations	37,582	–	–	–	37,582
Amount due from clients in respect of premium funding	1,342	1,151	–	–	2,493
Related party receivables	1,022	–	3,485	–	4,507
Other receivables	960	–	47	–	1,007
<b>Total trade and other receivables</b>	<b>62,930</b>	<b>1,151</b>	<b>3,532</b>	<b>–</b>	<b>67,613</b>

	As at 30 June 2020				Total \$'000
	Due not later than 6 months \$'000	6 months to no later than 1 year \$'000	Later than 1 year and not later than 5 years \$'000	Later than 5 years/ No maturity \$'000	
Trade receivables	26,583	138	207	–	26,928
Amount due from customers on broking/agency operations	32,151	–	–	–	32,151
Amount due from clients in respect of premium funding	2,099	1,221	–	–	3,320
Related party receivables	3,359	3,126	111	–	6,596
Other receivables	–	–	–	–	–
<b>Total trade and other receivables</b>	<b>64,192</b>	<b>4,485</b>	<b>318</b>	<b>–</b>	<b>68,995</b>

ECL allowance included in trade and other receivables (current) above using the 12 month simplified approach as follows:

	30-Jun-21 \$'000	30-Jun-20 \$'000
Opening balance 1 July	2,840	1,293
ECL from acquisition of a controlled entity	1	154
ECL derecognised on deconsolidation of a controlled entity	(88)	–
Movements during the year	39	1,393
<b>Total Expected Credit Loss</b>	<b>2,792</b>	<b>2,840</b>

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 12 LEASES

The Group has entered into leases for premises, car parking and fixed assets for varying periods of up to seven years. The lease contracts 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 has no restrictions placed upon the lessee by entering into these leases. 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.

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.

The Group continues to assess the mobility of its work force and where practical the Group has consolidated its offices. During the current and previous year, the Group sub leased a premises, derecognising the Right of Use asset and immediately recognising a Lease Net Investment asset representing the net present value of all future net cash flows expected from the sub lease. Any gain or loss was charged against comprehensive income.

	Year ended 30 June 2021			
	Lease Net Investment (LNI) \$'000	Right of Use Asset (ROU) \$'000	Lease Liability \$'000	Net \$'000
Balance at the beginning of the period	3,305	23,546	29,667	(2,816)
Additions during the period	1,299	10,853	10,908	1,244
Impairment of LNI or ROU assets	(156)	(745)	–	(901)
Disposals and transfers during the period	–	(6,122)	(5,350)	(772)
Total right-of-use asset/lease liability	4,448	27,532	35,225	(3,245)
Sub lease proceeds/depreciation/lease principal payments during the period	(279)	(8,038)	(9,359)	1,042
<b>Net carrying value at the end of the period</b>	<b>4,169</b>	<b>19,494</b>	<b>25,866</b>	<b>(2,203)</b>

	Year ended 30 June 2020			
	Lease Net Investment (LNI) \$'000	Right of Use Asset (ROU) \$'000	Lease Liability \$'000	Net \$'000
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 period	–	(9,876)	(10,467)	591
<b>Net carrying value at the end of the period</b>	<b>3,305</b>	<b>23,546</b>	<b>29,667</b>	<b>(2,816)</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 12 LEASES (CONTINUED)

### AASB 16 Lease Liabilities (discounted)

	2021 \$'000	2020 \$'000
Not later than one year	7,786	8,224
Current Lease Liabilities	7,786	8,224
Later than one year and not later than five years	17,774	20,648
Later than five years	306	795
Non Current Lease Liabilities	18,080	21,443
Total Lease Liabilities	25,866	29,667

Set out in the table below are the amounts recognised during the period in Consolidated Statement of Comprehensive Income resulting from the Group's leases:

	2021 \$'000	2020 \$'000
Amortisation expense of right-of-use asset	8,038	9,876
Interest expense on lease liabilities	1,178	1,470
Impairment of the Right of Use Asset and Onerous Lease Expense	901	2,550
Short-term lease expense	1,190	1,842
Low-value lease expense	120	138
Variable lease payments and other lease expenses	1,927	1,790
Total recognised in comprehensive income	13,354	17,666

## 13 INTANGIBLE ASSETS AND GOODWILL

### Capitalised project costs

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:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits; and
- 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 including eligible 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.

Costs associated with maintaining software programs and Software-as-a-Service (SaaS) are recognised as an expense as incurred. For the Group's policy on SaaS arrangements refer to Note 25.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 13 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### Goodwill

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation of that unit is disposed, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Impairment losses recognised for goodwill are not subsequently reversed.

### 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 (2020: 10 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 Comprehensive Income 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 Comprehensive Income when the asset is derecognised.

	Year ended 30 June 2021			
	Capitalised project costs \$'000	Goodwill \$'000	Insurance broking registers \$'000	Total \$'000
<b>Cost</b>				
Balance at the beginning of the year	1,867	329,421	98,455	429,743
Net addition/(disposals) not related to consolidation/ (deconsolidation)	380	–	–	380
Acquisition of controlled entities	–	129,786	9,451	139,237
Deconsolidation of controlled entities	–	(39,573)	–	(39,573)
Translation of foreign exchange rate movements	(7)	(393)	(197)	(597)
<b>Total Intangibles at cost</b>	<b>2,240</b>	<b>419,241</b>	<b>107,709</b>	<b>529,190</b>
<b>Amortisation</b>				
Balance at the beginning of the year	1,420	–	45,327	46,747
(Disposals) not related to deconsolidation	–	–	–	–
Acquisition of controlled entities	–	–	–	–
Deconsolidation of controlled entities	–	–	–	–
Amortisation during the year	281	–	9,530	9,811
Impairments/write-off during the year	–	3,000	–	3,000
Translation of foreign exchange rate movements	(5)	–	(40)	(45)
<b>Total Accumulated amortisation</b>	<b>1,696</b>	<b>3,000</b>	<b>54,817</b>	<b>59,513</b>
<b>Summary</b>				
Net carrying amount at beginning of year	447	329,421	53,128	382,996
<b>Net carrying amount at end of year</b>	<b>544</b>	<b>416,241</b>	<b>52,892</b>	<b>469,677</b>

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 13 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	Year ended 30 June 2020*			Total \$'000
	Capitalised project costs \$'000	Goodwill \$'000	Insurance broking registers \$'000	
<b>Cost</b>				
Balance at the beginning of the year	1,675	340,910	96,530	439,115
Net addition/(disposals) not related to consolidation/ (deconsolidation)	310	1,323	1,032	2,665
Acquisition of controlled entities	–	6,218	2,360	8,578
Deconsolidation of controlled entities	(82)	(11,496)	(655)	(12,233)
Translation of foreign exchange rate movements & Other	(36)	(2,085)	(812)	(2,933)
<b>Total Intangibles at cost</b>	<b>1,867</b>	<b>334,870</b>	<b>98,455</b>	<b>435,192</b>
<b>Amortisation</b>				
Balance at the beginning of the year	1,202	–	38,867	40,069
(Disposals) not related to deconsolidation	(4)	–	–	(4)
Acquisition of controlled entities	(12)	–	–	(12)
Deconsolidation of controlled entities	–	–	(655)	(655)
Amortisation during the year	260	–	7,266	7,526
Impairments/write-off during the year	–	5,449	–	5,449
Translation of foreign exchange rate movements	(26)	–	(151)	(177)
<b>Total Accumulated amortisation</b>	<b>1,420</b>	<b>5,449</b>	<b>45,327</b>	<b>52,196</b>
<b>Summary</b>				
Net carrying amount at beginning of year	473	340,910	57,663	399,046
<b>Net carrying amount at end of year</b>	<b>447</b>	<b>329,421</b>	<b>53,128</b>	<b>382,996</b>

Intangible assets are attributable to the following controlled entities:

	2021 \$'000	2020 \$'000
<b>i) Goodwill</b>		
Austagencies Pty Ltd and its controlled entities	157,308	50,942
Adroit Holdings Pty Ltd and its controlled entities	39,864	39,806
AUB Group NZ Limited and its controlled entities	85,661	87,038
Austbrokers Corporate Pty Ltd and its controlled entities	17,545	17,307
Experien Insurance Brokers Pty Ltd	18,596	–
Altius Group Pty Ltd and its controlled entities	–	39,573
Other controlled entities	97,267	94,755
<b>Total Goodwill</b>	<b>416,241</b>	<b>329,421</b>

ii) Insurance Broking Registers	Remaining amortisation period (years)		2021 \$'000	2020 \$'000
	2021	2020		
	Adroit Holdings Pty Ltd and its controlled entities	7.0	8.0	8,913
AUB Group NZ Limited and its controlled entities	7.5	8.5	26,136	27,695
Experien Insurance Brokers Pty Ltd	9.0	N/A	6,347	–
Other controlled entities			11,496	15,246
<b>Total Insurance Broking Register</b>			<b>52,892</b>	<b>53,128</b>

\* The comparative period has been restated as a result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 14 IMPAIRMENT

### **Impairment of non-financial assets other than Investment in Associates, 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 comprehensive income 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.

### **Investments in Associates, Intangibles and Goodwill**

The Group assesses the impairment of investments in Associates, Intangibles, and Goodwill as a significant judgement and material to the financial statements.

The recoverable amount of the intangible assets and goodwill is determined based on the higher of the estimate of fair value of the cash generating unit (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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 14 IMPAIRMENT (CONTINUED)

The Group conducts testing over multiple phases, throughout the year and with several layers of review:

- 1. Half year impairment review:** Review of all cash generating unit (CGU) at 31 December for indicators of review including qualitative questionnaires to each Group representative which has oversight of the respective CGU.
- 2. Annual Impairment testing:**
  - **Phase I – Targeting:** Fair value measurement of all CGUs and compared to carrying value as at 31 March to determine if any entities show a potential impairment or low headroom. Testing is conducted irrespective of any indicators of impairment (or lack thereof). EBITs are averaged over 3 years to consider the impact of timing differences, however stress testing is conducted using (1) a 5% declined in EBIT, (2) stressed multiples, and (3) a single year EBIT.
  - **Phase II – Screening:** Update of prior year Discounted Cash Flow (DCF) models where an entity continues to rely on a value in use model to support its carrying value and current year results meet or exceed prior year projections.
  - **Phase III – Detailed Review:** Review of entities identified in Phase I and II as having potential impairment issues including creation of new DCFs, supporting normalisations or plans to rectify profitability concerns.
  - **Phase IV – Year End Refresh:** Review of following year budgets, and current year actuals to ensure no significant changes to the reporting date at 30 June compared to the interim testing date 31 March. Low head room entities are revisited to mitigate the risk of an undetected impairments.
- 3. Watchlist Monitoring:** Entities with low headroom are monitored at Board Audit & Risk Committee (BARC) level and specifically considered during half year and year end testing given sensitivity to impairment.
- 4. Governance:** Impairment testing is conducted by the Group financial control team in conjunction with the mergers & acquisitions team and reviewed at 3 levels (1) Head of Finance Operation & Head of Technical Accounting & Tax, (2) Chief Financial Officer, and (3) BARC.

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 extensive impairment testing and monitoring exceeds requirements under accounting standards and reflects the materiality of the balances to the Group and the low risk appetite of management and the BARC.

## Fair Value

Key assumptions for the fair value methodology are as follows:

	2021	2020
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%
Multiples have been determined after factoring in the following assumed sustainable long term profit growth.	up to 2%	up to 2%

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 14 IMPAIRMENT (CONTINUED)

### Value in use

Where the Value In Use methodology produces a higher valuation than Fair Value Less Costs of Disposal (FVLCD), this valuation is used for the Recoverable Amount. This measurement takes into account the expected Discounted Cash Flows (DCF) for the next 5 -15 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.

During the current year, three CGU's (2020: five CGU's) were valued using the value in use methodology. All other CGUs were supportable using the fair value methodology. For two of the CGU it was determined that an EBIT multiple was not appropriate in measuring the recoverable amount for the Group in relation to the entities.

Key assumptions for the value in use methodology are as follows:

	2021	2020
Post tax discount rates (WACC).	6.5%-15.0%	9.4%-11.7%
Short term revenue growth rate – used in discount cash flow assumptions (1-5 years).	2.5%-19.0%	2.5%-5.0%
Long term revenue growth rate.	1.5%-2.0%	1.5%-2.0%

### Low headroom

Entities are considered to have low headroom if headroom is less than \$500k or 5% (whichever is lower) or show impairment using any of the following (1) Stressed multiple (2) 5% reduction in EBIT or (3) single current year profit (to ensure 3 year average does not hide a decline in profitability).

The fair value measurements were categorised as level 3 fair value based on the lack of observable inputs in the valuation technique used (see Note 17).

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.

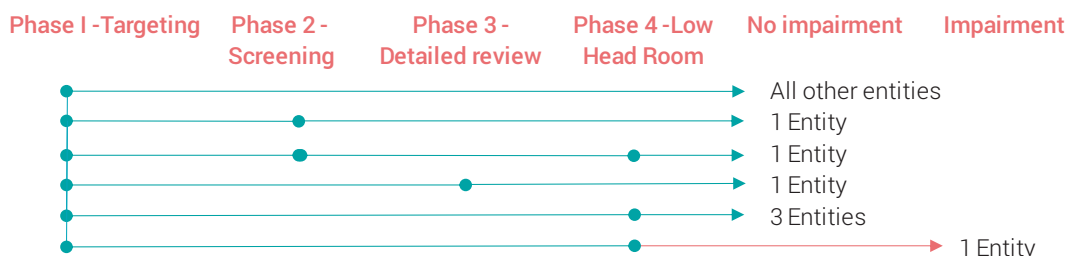
When making an acquisition, the Group may pay an initial consideration and defer a component of the purchase price to be determined based on future financial results. Estimates of the final acquisition cost are made and recognised in the financial statements. An estimate of the contingent consideration 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 14 IMPAIRMENT (CONTINUED)

### Impairment - current year

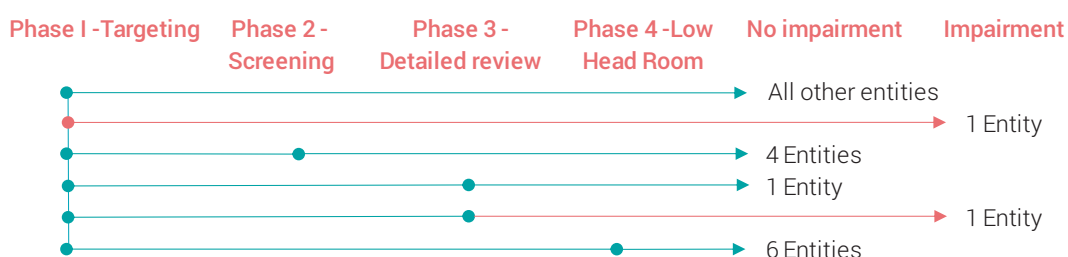


1 entity within the New Zealand segment was assessed to be impaired during the current year by \$3.00m. The primary driver for the impairment was due to loss of a key broker and some clients resulting in lower profitability. Four CGUs remain on the watchlist due to low headroom of which 3 were acquired in the past 3 years (on initial acquisition fair value transactions have nil headroom). No CGUs were added to the watchlist.

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 \$0.42m (2020: \$0.54m). 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 led to an impairment of \$nil (2020: \$nil).

	Contingent consideration adjustments		Impairment charges	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Reductions in contingent consideration and impairment adjustments relating to controlled entities	(416)	(541)	–	–
Impairment adjustments relating to investments in associates	–	–	–	379
Impairment charge relating against Goodwill	–	–	3,000	5,449
<b>Total</b>	<b>(416)</b>	<b>(541)</b>	<b>3,000</b>	<b>5,828</b>
Adjustments attributable to non-controlling interests	44	65	(321)	(2,250)
Net adjustment attributable to equity holders of the parent	(372)	(476)	2,679	3,578

### Impairment - previous year



Based on the continuing market conditions impacting two Support Services CGUs, the carrying values of the intangibles in these entities were impaired by a total of \$5.45m (\$3.20m net of non-controlling interests). The CGU's were subject to put option arrangements 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 Comprehensive Income 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.

Seven CGUs were on the watchlist due to low headroom of which 4 were acquired in the past 3 years (on initial acquisition fair value transactions have nil headroom). Three CGUs were added to the watchlist from the prior year.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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.

### 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.

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. Refer to Note 2.1d for further information on measurement and critical assumptions and for Put Option liability movement during the current period, refer to the SOCIE.

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 using the same model applied during the initial measurement, however the discount rate is not reset as the liability is held at amortised cost. The adjustment is recognised through the Consolidated Statement Comprehensive Income 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 recognised in relation to the put option. The financial liability will be derecognised when the put option expires unexercised or an entity is disposed with the corresponding movement being reflected in the Put Option Reserve. 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.

### During the current period

On 1 August 2020, the Group acquired a further 18.5% of interest in Altius Group Pty Ltd (Altius). As a result of the transaction, the Group's put option liability in relation to the parcel of shares was extinguished resulting in a partial derecognition of \$7.43m against the respective put option reserve. There was no comprehensive income impact as a result of the transaction.

During the period the remaining put option liability in relation to Altius was remeasured, resulting in a charge to the comprehensive income of \$5.37m, increasing the liability and related reserve to \$12.72m.

On 31 March 2021, the Group disposed of all of its shares in Altius Group Pty Ltd, extinguishing the related put option liability. On that date, the remaining put option liability of \$12.72m was derecognized directly against the put option reserve. There was no impact to the comprehensive income.

On 1 August 2020, the Group acquired 73.15% of Experien Insurance Services Pty Ltd, which included issuance of put option rights to the minority shareholder (see Note 7(a) for further details). This resulted in recognition of a \$6.85m put option liability and related reserve on initial acquisition.

Interest unwind of \$0.22m was recognised during the period, resulting in a liability at balance date of \$7.06m.

### During the prior period

On 1 April 2020, the Group disposed of all of 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 derecognized directly against the put option reserve. There was no impact to the comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 15 TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2021 Consolidated					
	Due not later than 6 months \$'000	6 months to no later than 1 year \$'000	Later than 1 year and not later than 5 years \$'000	Later than 5 years/No maturity \$'000	Total \$'000
Trade payables and accruals	28,027	–	–	–	28,027
Amount payable on broking/agency operations	195,774	–	–	–	195,774
Put option liability	–	–	7,057	–	7,057
Dividend payable	–	–	–	–	–
Contingent or deferred consideration payables	3,722	1,435	3,449	–	8,606
Related party payables	1,630	–	24	–	1,654
Other payables	12,316	–	–	–	12,316
<b>Total trade and other payables</b>	<b>241,469</b>	<b>1,435</b>	<b>10,530</b>	<b>–</b>	<b>253,434</b>

As at 30 June 2020					
	Due not later than 6 months \$'000	6 months to no later than 1 year \$'000	Later than 1 year and not later than 5 years \$'000	Later than 5 years/No maturity \$'000	Total \$'000
Trade payables and accruals	24,222	–	–	–	24,222
Amount payable on broking/agency operations	157,729	–	–	–	157,729
Put option liability	–	14,778	–	–	14,778
Dividend payable	10,701	–	–	–	10,701
Contingent or deferred consideration payables	1,012	1,836	547	–	3,395
Related party payables	194	–	–	–	194
Other payables	–	4,714	–	–	4,714
<b>Total trade and other payables</b>	<b>193,858</b>	<b>21,328</b>	<b>547</b>	<b>–</b>	<b>215,733</b>

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

	2021 \$'000	2020 \$'000
Balance at the beginning of the period	3,395	6,523
Contingent consideration on current year acquisitions (at net present value)	11,095	2,447
Payments made in respect of previously recognised contingent consideration	(5,321)	(5,398)
Adjustments to contingent consideration (including foreign currency movements)	(563)	(177)
Balance at the end of the period	8,606	3,395

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 \$0.27m (2020: \$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 \$NIL (2020: \$NIL) in the deferred consideration would result.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 16 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 comprehensive income when the liabilities are derecognised. Borrowing costs are amortised over the term of the loans.

	2021 \$'000	2020 \$'000
<b>Current</b>		
Secured bank loan	10,508	10,095
Other	966	1,009
Total interest bearing loans and borrowings (current)	11,474	11,104
<b>Non-current</b>		
Secured bank loan	200,345	220,067
Other	464	599
Total interest bearing loans and borrowings (non-current)	200,809	220,666
<i>AUB Group Limited syndicated finance facility (see below)</i>	<i>181,880</i>	<i>192,045</i>
<i>Hunter Premium Funding</i>	<i>17,091</i>	<i>17,521</i>
<i>Macquarie Bank</i>	<i>9,252</i>	<i>9,061</i>
<i>Bendigo Bank</i>	<i>-</i>	<i>6,065</i>
<i>St George Bank</i>	<i>1,013</i>	<i>2,530</i>
<i>National Australia Bank</i>	<i>1,406</i>	<i>1,926</i>
<i>Commonwealth Bank</i>	<i>211</i>	<i>1,014</i>
Total secured bank loans	210,853	230,162

### Group Borrowing Facilities as at 30 June 2021

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 2020: \$250m). This facility includes an advance in NZ\$ totaling NZ\$45m (2020: NZ\$45m). The debt facility expires on 6 December 2022 with mechanism for a one year extension on agreement of both parties.

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 in the accompanying table. 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 periods, there were no defaults or breaches of terms and conditions of any of these facilities.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 16 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### Group Borrowing facilities as at 30 June 2021

Facility provider	Type of Borrowing	Total Facility \$'000	Undrawn Amount \$'000	Amount Utilised \$'000	Borrowing Amount \$'000	Current \$'000	Non Current \$'000	Expiry Date(s)	Interest Rate %	Variable/Fixed (Var/Fix)
<b>AUB Group Limited</b>										
Syndicated finance facility	Loan Facility	208,128	68,120	140,007	140,007	-	<b>140,007</b>	6/12/2022	1.85	Var
	Loan facility	41,873	-	41,873	41,873	-	<b>41,873</b>	6/12/2022	2.01	Var
Total Syndicated facility		250,001	68,120	181,880	181,880	-	<b>181,880</b>			
Australia and New Zealand Banking Group	Credit Cards	450	450	-	-	-	-	6/12/2022	17.45	Var
	Bank Guarantees	4,000	585	3,415	-	-	-	6/12/2022	1.70	Var
<b>Facilities arranged by other controlled entities</b>										
Hunter Premium Funding	Loan Facility	18,692	1,601	17,091	17,091	<b>2,307</b>	<b>14,784</b>	Between 01/11/2025 & 27/01/2035	2.46 -3.63	Var
Macquarie Bank	Loan facility	9,612	360	9,252	9,252	<b>7,485</b>	<b>1,767</b>	On Demand to 30/06/2033	3.80 - 5.65	Var
St George Bank	Loan facility	-	-	-	-	-	-	-	-	-
Finance facilities with other banks	Loan facility	5,579	2,949	2,630	2,630	<b>716</b>	<b>1,914</b>	Between 31/03/2022 & 17/03/2026"	2.32 - 4.44	Var and Fixed
<b>Total Borrowing Facilities</b>		<b>288,334</b>	<b>74,065</b>	<b>214,268</b>	<b>210,853</b>	<b>10,508</b>	<b>200,345</b>			

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 16 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### Group Borrowing facilities as at 30 June 2020

Facility provider	Type of Borrowing	Total Facility \$'000	Undrawn Amount \$'000	Amount Utilised \$'000	Borrowing Amount \$'000	Current \$'000	Non Current \$'000	Expiry Date	Interest Rate %	Variable/ Fixed (Var/Fix)
<i>AUB Group Limited</i>										
Syndicated finance facility	Loan Facility	207,955	57,955	150,000	150,000	-	150,000	6/12/2022	1.85	Var
	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			
St George Bank	Credit Cards	1,500	1,397	103	-	-	-	6/12/2022	17.45	Var
	Bank Guarantees	6,500	3,898	2,602	-	-	-	6/12/2022	1.70	Var
<i>Facilities arranged by other controlled entities</i>										
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
<b>Total Borrowing Facilities</b>		<b>302,875</b>	<b>70,007</b>	<b>232,867</b>	<b>230,162</b>	<b>10,095</b>	<b>220,067</b>			

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 17 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 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 Cash Equivalents 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 16 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.

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 2021 with comparatives based on conditions existing at 30 June 2020.

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

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

	2021 \$'000	2020 \$'000
<b>Financial Assets</b>		
Due not later than 6 months	344,750	307,343
6 months to not later than one year	2,750	5,362
Later than one year and not later than five years	3,572	358
Later than five years	–	–
Total financial assets	351,072	313,063
<b>Financial Liabilities</b>		
Due not later than 6 months	(254,682)	(206,644)
6 months to not later than one year	(14,648)	(34,114)
Later than one year and not later than five years	(222,056)	(241,861)
Later than five years	(7,363)	(795)
Total financial liabilities	(498,749)	(483,413)

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 17 FINANCIAL INSTRUMENTS (CONTINUED)

### 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 place 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 liability 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 put option liabilities and 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 2.1(d), Note 7(a) and Note 15 for measurement techniques & critical assumptions, new transactions, and movements during the year respectively.

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.

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

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

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

- The fair value of loans and other financial assets has been calculated using market interest rates.
- 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 17 FINANCIAL INSTRUMENTS (CONTINUED)

### 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.

	2021 \$'000	2020 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents (including trust account balance)	281,820	243,151
Loans and advances - related entities	4,507	6,596
Other financial assets	51	388
<b>Total financial assets</b>	<b>286,378</b>	<b>250,135</b>
<b>Financial Liabilities</b>		
Loans and other borrowings	(213,937)	(231,964)
<b>Net exposure to interest rate movements</b>	<b>72,441</b>	<b>18,171</b>

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. All borrowings are based on variable interest rates. See Note 16 for full details of terms and conditions.

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

The following sensitivity analysis is based on the interest rate exposures in existence at year end. The sensitivity for the prior year has been prepared on an equivalent basis. At year end, had interest rates moved as illustrated in the table below, with all other variables held constant, post-tax profits and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax profits Higher/ (lower)		Impacts directly to equity Higher/ (lower)	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
+0.50% (50 basis points) (2020 +0.50% (50 basis points))	362	59	362	59
-0.50% (50 basis points) (2020 -0.50% (50 basis points))	783	(59)	783	(59)

The net increase in profits in respect of interest rate rises is due to the interest bearing assets being greater than borrowings. The net increase in profits in respect of interest rate decreases is due to interest bearing assets decreases being capped (cannot go below 0.00% interest rate), whilst interest bearing liabilities decreasing by the full 0.5% (sensitivity interest rate remains above 0.00%) in the analysis.

#### 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 14.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 17 FINANCIAL INSTRUMENTS (CONTINUED)

### d. Market Risk (continued)

#### Foreign currency risk

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

The 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.

The Group does not hedge its exposure in foreign currencies through derivatives however the Group's syndicate facility arrangement includes a component of borrowing in New Zealand Dollars utilised by the Group's New Zealand arm which reduces the net assets the Group exposed to foreign currency.

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

Judgements of reasonably possible movements	Post tax profits Higher/ (lower)		Impacts directly to equity Higher/ (lower)	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
-NZ \$0.10 (ten cents) (2020 -NZ \$0.10 (10 cents))	-	-	(1,933)	12,084
+NZ \$0.10 (ten cents) (2020 -NZ \$0.10 (10 cents))	-	-	1,933	(12,084)

### 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 or in response to changes in economic conditions and the requirements of the financial covenants, 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 gearing ratios at 30 June were as follows:

	2021 \$'000/%	2020* \$'000/%
<b>Debt to equity ratio</b>		
Interest bearing loans and borrowings- controlled entities	212,283	231,770
Interest bearing loans, borrowings & contingent consideration payable - associates (AUB Group share)	17,543	20,055
Contingent consideration payable	8,606	3,395
Total debt	238,432	255,220
Total equity	598,287	490,418
Total equity and debt	836,719	745,638
Gearing Ratio - total debt/(total equity and debt)	28.50%	34.23%

### 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 to Note 21.

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

\* The comparative period has been restated as result of the impact of an accounting policy change, refer to Note 2.2 for more information.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 18 ISSUED CAPITAL

	2021 \$'000	2020 \$'000
Issued Capital opening balance	258,947	255,662
Issued Capital under dividend reinvestment plan	2,108	3,285
Issue of shares*	5,604	–
Issued Capital closing balance	266,659	258,947

	Shares No.	Shares No.
Number of Shares on Issue (ordinary shares fully paid)	74,403,507	73,818,757

### Movements in number of shares on issue

Beginning of the financial year	73,818,757	73,502,778
Number of shares issued during period - dividend reinvestment plan	138,835	294,093
Issue of shares*	428,566	–
Number of shares issued during period - options exercised on 16 March 2020	–	21,886
Number of shares issued during period - options exercised on 1 March 2021	17,349	–
Total Shares on Issue	74,403,507	73,818,757
Weighted average number of shares on issue at end of the year	74,265,626	73,723,720

\* 428,566 shares were allotted at an issue price of \$13.08 on 14 September 2020. Refer to Note 7 (a) for further details. The shares are held in voluntary escrow until 14 September 2021.

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.

## 19 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 Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. It is included in Note 4(d) Expenses.

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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 19 SHARE-BASED PAYMENT PLANS (CONTINUED)

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

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

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

Share Options movements (applicable to each relevant financial period):	2021 No.	2020 No.	2021 WAEP (\$)	2020 WAEP (\$)
Outstanding at the beginning of the period	402,541	351,328	–	–
Granted during the period	125,688	301,219	–	–
Options exercised, lapsed or forfeited during the period relating to options previously issued:				
- 2016	–	(128,565)	–	–
- 2017	(26,081)	(59,324)	–	–
- 2018	(8,741)	(31,614)	–	–
- 2019	–	(30,503)	–	–
- 2020	–	–	–	–
- 2021	–	–	–	–
Outstanding at the end of the year	493,407	402,541	0.00	0.00

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

Financial year options issued	Option grant date	Earliest exercise date	Valuation* \$	2021 No.	2020 No.
- 2017	24-Jan-17	24-Jan-20	8.99	–	26,081
- 2018	23-Nov-17	23-Nov-20	11.83	33,586	42,327
- 2019	31-Oct-18	31-Oct-21	10.72	32,914	32,914
- 2020	19-Dec-19	31-Aug-22	9.37	101,219	101,219
- 2020	19-Dec-19	31-Aug-24	8.91	200,000	200,000
- 2021	18-Dec-20	31-Aug-23	11.27	125,688	–
Options outstanding at the end of the year				493,407	402,541

\* Valuation is based on the weighted average price of shares on the date the options were issued. The risk free rate applied was 0.04% (FY20: 0.95% for 3 year options and 1.12% for 5 year options).

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:

- 78,795 performance options were granted to the CEO on 18 December 2020. All performance options were issued at an exercise price of \$NIL and are exercisable after 31 August 2023, if performance hurdles are met.
- 46,893 performance options were granted to other employees on 18 December 2020. All performance options were issued at an exercise price of \$NIL and are exercisable after 31 August 2023, 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 \$17.09. The options were valued using an average price of \$10.82 for EPS options and \$11.94 for TSR options (weighted average price of \$11.27).
- 8,608 options issued 23 January 2017 vested during the year and were exercised on 1 March 2021 following the 4th year retest based on the results for the 4 years to 30 June 2020.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 19 SHARE-BASED PAYMENT PLANS (CONTINUED)

- 17,473 share options issued in 2017 lapsed due to vesting conditions not being met following the 4th year retest.
- 8,741 options issued 23 November 2017 vested during the year and were exercised on 1 March 2021. The remaining 33,586 unvested options issued during 2018 will be retested based on the results for the 4 years to 30 June 2021 and if vesting conditions are not met the unvested options will lapse.

See below for terms and exercise conditions for options issued during the year ended 30 June 2021.

*During the previous 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.
- 99,555 share options issued in 2017, 2018, and 2019 lapsed due to various staff members no longer employed.

*Vesting conditions for Performance options issued in the current year are as follows:*

### Performance Options

- Each Performance Option is a right to receive one fully-paid ordinary share in the Company or at the Board's discretion, an equivalent cash payment.
- The Performance Options will only vest to the extent that the performance hurdles and ongoing employment conditions (set out below) are satisfied over the relevant performance periods.
- 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 has been divided into two components, which will each be subject to a separate performance hurdle. The Board considers that this structure has the benefit of both a relative test that reflects the Company's performance against the market and an objective test reflective of management's performance in growing earnings per share.
- 60% of the Performance Options will be subject to a hurdle based on the average annual growth rate (AAGR) of the adjusted earnings per share (EPS) hurdles (EPS Options); and
- 40% of the Performance Options will be subject to a hurdle based on the relative total shareholder return (TSR) of the Company compared to the TSR of the constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID) (TSR Options).
- Performance Options will only vest if participants remain in ongoing employment over the relevant performance period (subject to the cessation of employment provisions).
- Performance Period for all options issued in FY21 will commence on 1 July 2020.
- Performance Period - the performance hurdles for 125,688 Performance Options granted will be tested over a 3 year performance period.
- Any Performance Options that do not vest at the end of the 3 year performance period, will lapse.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 19 SHARE-BASED PAYMENT PLANS (CONTINUED)

### *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 Underlying EPS from the year ending 30 June 2020 (being, 72.5 cents) to:
- The Underlying EPS for the performance options granted in FY21 will be based on the outcome for the year ending 30 June 2023. Any unvested options that do not meet performance hurdles at that time will lapse, and are not subject to re-test.
- Subject to satisfaction of the AAGR performance hurdles, the number of EPS Options that will vest 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 10% 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 1.0 percentage point for every 0.1% additional growth over 5%.
  - Equal to or greater than 10% AAGR, 100% of the Performance Options will become exercisable.

### *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 2020.

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 2023.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 19 SHARE-BASED PAYMENT PLANS (CONTINUED)

*Vesting conditions for Performance options issued in the previous year are as follows:*

Performance hurdles for options issued in FY20:

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 Underlying EPS from the year ending 30 June 2020 to:

- The Underlying EPS for the performance options granted in FY20 will be based on the outcome for the year ending 30 June 2022. Any unvested options that do not meet performance hurdles at that time will lapse, and are not subject to re-test.
- Subject to satisfaction of the AAGR performance hurdles, the number of EPS Options that will vest 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% to 100% by 1.0 percentage point for every 0.04% additional growth over 5%.
  - Equal to or greater than 7% AAGR, 100% of the options will become exercisable.

TSR performance hurdles for options issued in FY20:

TSR Options issued in FY20 have the same performance hurdles as TSR options issued in FY21 except outcomes will be measured over the 3 year period 1 July 2019 to 30 June 2022.

In addition to the above, the CEO was granted 200,000 sign on options. The EPS and TSR hurdles are the same as the 3 year options granted in FY20 but cover the 5 year period 1 July 2019 – 30 June 2024.

- One third of the options will be tested over a 3 year performance period (3 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 period subject to the CEO's continued employment with the company, subject to the CEO's cessation of employment conditions included in his contract.
- The remaining two thirds of the performance options, and any performance options that did not satisfy the performance hurdles at the end of the 3 year test date will be tested over the whole 5 year period. (options that do not meet the performance hurdles at the end of the 5 year performance period will lapse).

*Vesting conditions for Performance options issued in the FY18 & FY19 are as follows:*

Performance hurdles for options issued in FY18 & FY19 are as follows;

EPS performance hurdles for options issued in FY18 & FY19:

The percentage of the EPS Options that satisfy the EPS performance hurdle will be determined by reference to the CAGR (compound average growth rate, expressed as a percentage) of Underlying EPS from the year ending 30 June 2017 and 30 June 2018 to:

- The Underlying EPS for the performance options granted in FY18 will be based on the outcome for the year ending 30 June 2021. 4th year retest – options that do not meet the performance hurdles will lapse.
- The Underlying EPS for the performance options granted in FY19 will be based on the outcome for the year ending 30 June 2021. 1st test in the current year with a 4th year retest after 30 June 2022. Options that do not meet the performance hurdles at that time will lapse.
- Subject to satisfaction of the CAGR performance hurdles, the number of EPS Options that will vest after grant date; is as follows:
  - Equal to but not less than 4.0% CAGR, 25% of the Options will become exercisable.
  - Between 4% and 7% CAGR, 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 25% to 50% by 1.0 percentage point for every 0.12% additional growth over 4%.
  - Equal to 7% CAGR, 50% of the options will become exercisable.
  - Between 7% and 10% CAGR, 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% to 100% by 1.0 percentage point for every 0.06% additional growth over 7%.
  - Equal to or greater than 10% CAGR, 100% of the Performance Options will become exercisable.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 19 SHARE-BASED PAYMENT PLANS (CONTINUED)

TSR performance hurdles for options issued in FY18 & FY19:

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 2018 & 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 1x 50th percentile and 1.5x 50th percentile of the comparator Group, straight line satisfaction of the performance hurdle between 50% and 100% of the options will become exercisable;
- 1.5x 50th 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.

### 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 affected, 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 20 PARENT ENTITY INFORMATION

The parent company's summary financials are presented below:

	2021 \$'000	2020 \$'000
<b>ASSETS</b>		
Cash and cash equivalents	20,889	35,060
Current Assets	100,315	47,286
Non-current Assets	444,367	444,725
<b>Total Assets</b>	<b>565,571</b>	<b>527,071</b>
<b>LIABILITIES</b>		
Current Liabilities	15,159	14,870
Non-current Liabilities - Interest bearing loans and borrowings	181,880	192,044
<b>Total Liabilities</b>	<b>197,039</b>	<b>206,914</b>
<b>NET ASSETS</b>	<b>368,532</b>	<b>320,157</b>
<b>EQUITY</b>		
Issued capital	266,659	258,947
Share based payments reserve	10,139	8,469
Retained earnings	91,734	52,741
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>368,532</b>	<b>320,157</b>
Profit for the year before income tax	92,160	45,610
Income tax (expense)/credit	(4,346)	3,742
Net profit after tax for the year	87,814	49,352
Other comprehensive (expense)/income after income tax for the year	–	–
<b>Total comprehensive income after tax for the year</b>	<b>87,814</b>	<b>49,352</b>
<b>Other information</b>		
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	6,445	10,561
AUB Group Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding	3,556	705
<b>Total Guarantees</b>	<b>10,001</b>	<b>11,266</b>

### 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 to Note 21.



# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 21 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are presented below:

	2021 \$'000	2020 \$'000
<b>Commitments - Group excluding AASB 16 Lease Liabilities</b>		
- Not later than one year	1,134	1,979
- Later than one year and not later than five years	222	2,799
- Later than five years	-	-
	1,356	4,778
<b>Commitments - Associate excluding AASB 16 Lease Liabilities</b>		
- Not later than one year	251	485
- Later than one year and not later than five years	138	288
- Later than five years	-	-
	389	773
<b>Contingent liabilities</b>		
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.	5,184	7,934
AUB Group Limited has guaranteed lease facilities provided to associates in proportion to its shareholding.	132	705
	5,316	8,639

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 22 AUDITORS' REMUNERATION

The Group's payments to audit firms are presented below:

	Consolidated	
	2021 \$	2020 \$
<b>Amounts received or due to Ernst &amp; Young (Australia and NZ) for:</b>		
Audit of the financial statements of Group and its Controlled entities	1,118,612	849,967
Other statutory assurance services	145,761	95,761
Other assurance related services	–	28,050
Total audit services	1,264,373	973,778
<i>Non-audit services</i>		
Taxation advice	–	–
Taxation compliance services	184,393	78,033
Consulting services	–	–
Total non-audit services	184,393	78,033
Total services provided by Ernst & Young	1,448,766	1,051,811
<b>Amounts received or due to non Ernst &amp; Young audit firms for:</b>		
Audit and review of financial statements	237,561	245,048
Other statutory assurance services	49,382	50,938
Other assurance related services	–	77,346
Total audit services	286,943	373,332
<i>Non-audit services</i>		
Taxation advice	–	–
Taxation compliance services	20,985	21,646
Due diligence services	–	–
Other consulting services	–	91,843
Total non-audit services	20,985	113,489
Total services provided by other auditors	307,928	486,821
Total Auditors' remuneration	1,756,694	1,538,632

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 23 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:

D. C. Clarke	Chair (non-executive)
C. L. Rogers	Director (non-executive)
P. A. Lahiff	Director (non-executive)
R. J. Carless	Director (non-executive)
R. J. Low	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. J. Shanahan	Chief Financial Officer

### b. There are no loans outstanding owing by KMP at 30 June 2021 (2020: NIL).

### c. Compensation of KMP's by Category:

	2021 \$	2020 \$
Salary, fees and short-term incentives	3,203,531	3,183,510
Post employment benefits	112,305	121,151
Other long-term benefits	–	–
Termination benefits	–	–
Share-based Payments	948,563	632,239
<b>Total</b>	<b>4,264,399</b>	<b>3,936,900</b>

### d. STI amounts included (in Sales, fees and short-term incentives) above relate to the accrued provision in respect of the current year's performance that will be paid during the following financial year. The 2021 STI amounts have been approved by the Board.

### 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 \$12,273,497 (2020: \$11,416,988) 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 \$4,507,117 (2020: \$6,250,898) and Note 15 for payables to related parties \$1,653,726 (2020: \$193,741).

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 23 RELATED PARTY DISCLOSURES (CONTINUED)

	2021 \$	2020 \$
<b>Entities within the Consolidated Group have advanced funds to other related parties</b>		
Austbrokers Hiller Marine Pty Ltd	131,558	357,204
B Arnot	835,193	781,449
B Reedy	320,375	348,282
Benjaydee Pty Ltd	384,253	–
Cruden & Read Pty Ltd	231,962	548,071
KJ Risk Pty Ltd	315,743	344,673
Longitude Insurance Pty Ltd	61,485	1,350,582
M Holbrook	835,193	781,449
S Underwood	432,846	599,520
All other related parties	958,509	1,484,341
<b>Total</b>	<b>4,507,117</b>	<b>6,595,571</b>
<b>Other payables - related parties</b>		
B Arnot	395,741	–
M Holbrook	395,741	–
All other related parties	862,244	193,741
<b>Total</b>	<b>1,653,726</b>	<b>193,741</b>

### 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 \$202,838 (2020: \$762,204). The interest charged are on normal commercial terms and conditions.

On 1 May 2021 \$437,437 was advanced to Benjaydee Pty Ltd secured over its shares in ABFS (NSW) Pty Ltd on commercial terms. During the year Austbrokers SPT Pty Ltd obtained a short term loan which was fully repaid during the period. No further loans have been advanced to members of the economic entity (2020: \$NIL). During the year members of the economic entity have repaid loans issued in previous years by AUB Group Limited totaling \$28,856 (2020: \$29,968). The balance outstanding at 30 June 2021 was \$830,808 (2020: \$344,673).

A member of the Group Executive, K. McIvor, has a 10.7% (2020 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 23(b) and 23(c), there were no other transactions with director or director related entities.

## 24 SUBSEQUENT EVENTS

On 26 August 2021, the Directors of AUB Group Limited determined a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$29.02m which represents a fully franked dividend of 39.0 cents per share. The dividend has not been provided for in the 30 June 2021 financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 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.

### Deferred revenue from contracts with customers

Revenue from broking and agency activities are partially (2.5%, 2020: 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.

### Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

- Recognise as an operating expense over the term of the service contract:
  - Fee for use of application software;
  - Support and maintenance services;
  - Program/Project management;
  - Integration\*; and
  - Customisation costs.
- Recognise as an operating expense as the service is received (as considered distinct services):
  - Configuration costs
  - Data conversion and migration costs\*\*
  - Testing costs; and
  - Training costs.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to Note 13 for an outline of accounting for intangible assets.

### Provisions

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.

### 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.

\* Integrations may be capitalised as part of an existing intangible asset if it meets the Group policy in relation to intangible capitalisation.

\*\* Data conversion and migration costs may be capitalised if control over the underlying software can be established and if it meets all other requirements of the Group policy in relation to intangible capitalisation

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 25 OTHER POLICIES (CONTINUED)

### Current versus non-current classification

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

An asset is current when it is:

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

A liability is current when:

- it is expected to be settled in the normal 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.

### Property, plant and equipment

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

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

Motor vehicles:	5 to 8 years;
Plant and equipment:	5 to 10 years.

### Impairment

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

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

### Derecognition and disposal

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

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

## 25 OTHER POLICIES (CONTINUED)

### 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 fit outs, 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.

### Non-controlling Interests

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

### 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.

### Dividends Received

The Group recognises Dividends received within the Consolidated Statement of Cash Flows as cash from operating activities. The Group's strategy involves investing into other businesses (see Note 7). Cash flows from the Group's investment in associates is derived in the form of dividends received. As the Group intends to hold such businesses for the long term, dividends from associates represents operating cash flows from the Group's equity investments. The parent actively monitors dividend payout ratios compared to net profits generated by each business in which the parent has a direct investment.

# DIRECTORS' DECLARATION

YEAR ENDED 30 JUNE 2021

In accordance with a resolution of the directors of AUB Group Limited, we state that:

In the opinion of the directors:

- a. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date;
  - ii. complying with Australian Accounting Standard (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 30 June 2021.

On behalf of the Board



**D.C. Clarke**  
Chair

Sydney, 26 August 2021



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

Sydney, 26 August 2021



# INDEPENDENT AUDITOR'S REPORT



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200 George Street  
Sydney NSW 2000 Australia  
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## Independent Auditor's Report to the Members of AUB Group Limited

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 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 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.

# INDEPENDENT AUDITOR'S REPORT



## Impairment assessment for goodwill, insurance broking registers and investment in associates Financial report reference: Notes 2, 7, 8, 13 and 14

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2021, the Group's statement of financial position includes goodwill, insurance broking registers and investment in associates totals \$750 million, representing 66% of total assets. The Group recognised additional \$130 million of goodwill and \$9 million of insurance broking registers arising from business acquisitions during the year.</p> <p>This was a key audit matter as the determination of whether or not goodwill, insurance broker registers and investment in associates are impaired, involves complex and significant judgments by the Group about the future results of relevant parts of the business. The Directors and management have assessed goodwill, insurance broking registers and investment in associates for impairment at 30 June 2021. As disclosed within Note 14 to the financial statements, the Group's impairment assessment incorporated significant judgments and estimates. The key inputs and judgments involved in the impairment assessment include:</p> <ul style="list-style-type: none"> <li>▶ Determination of Cash Generating Units ('CGUs')</li> <li>▶ Applicable Revenue and Earnings Before Interest and Tax (EBIT) multiples</li> <li>▶ Discount rates, terminal growth rates as well as revenue and expense assumptions within Discounted Cashflow (DCF) models.</li> <li>▶ Stress testing of key assumptions.</li> </ul> <p>Economic and entity specific factors are incorporated into the EBIT multiples or DCFs used in the impairment assessments.</p> <p>The Group has more than 50 individual CGUs that 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. These CGUs can be impacted by changes in the macro-environment such as the impacts of COVID-19 as well as positive or adverse impacts from specific industries or natural disasters.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ We assessed the Group's determination of CGUs used in the impairment model, based on our understanding of the nature of the Group's business and the economic environment in which it operates.</li> <li>▶ We assessed the determination of the initial recognition of goodwill and intangible assets arising from business combinations during the year.</li> <li>▶ We evaluated the Group's process regarding impairment assessments of goodwill, insurance broking registers and investment in associates and the determination of any asset impairment outcomes.</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> <li>▶ We involved EY 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 used in the current year impairment calculations.</li> <li>▶ We tested the mathematical accuracy of the impairment models and agreed relevant data back to management's forecasts, audited year end results and other supporting documentation.</li> <li>▶ We assessed the reasonableness of the cash flow forecasts by comparing them to our understanding of the external factors affecting revenue growth of the industry and knowledge of the business.</li> <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 whether any reasonably foreseeable change in assumptions could lead to an impairment.</li> <li>▶ We assessed the adequacy of the disclosures in note 14 to the financial report.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT



## Decentralised operations

Financial report reference: Notes 2.1, 8 and 9

Why significant	How our audit addressed the key audit matter
<p>The Group comprises more than 80 subsidiaries and associates ('components') with operations in Australia and New Zealand.</p> <p>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.</p> <p>The financial reports of a large number of controlled entities and associates are audited by component auditors other than EY and therefore the assessment of the adequacy of the procedures of other auditors was significant to the audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>▶ We assessed the effectiveness of relevant controls over the Group's decentralised structure, including monitoring controls at the Group, segment and individual component level which are focused on key performance metrics and risk reporting.</li><li>▶ 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 for each component. Instructions were sent to all component auditors including specific instructions asking them to consider those risks assessed as significant to the Group.</li><li>▶ We received audit clearance and supporting documentation from all EY and Non-EY audited components. Where we identified components as significant entities, we liaised directly with the component audit teams to evaluate the adequacy of the auditor's work, through review of:<ul style="list-style-type: none"><li>▶ underlying audit work;</li><li>▶ the scoping of key audit areas;</li><li>▶ planning and execution of audit procedures, significant areas of estimation and judgment; and</li><li>▶ audit findings.</li></ul></li><li>▶ We analysed the financial information of all components. 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.</li></ul>

## 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 2021 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.

# INDEPENDENT AUDITOR'S REPORT



## 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.

# INDEPENDENT AUDITOR'S REPORT



## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 43 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of the AUB Group Limited for the year ended 30 June 2021, 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



Michael Wright  
Partner  
Sydney  
26 August 2021

# ASX ADDITIONAL INFORMATION

YEAR ENDED 30 JUNE 2021

Additional information required by the ASX Limited and not shown elsewhere in this report is as follows. The information is current as at 30 July 2021.

## A. DISTRIBUTION OF EQUITY SECURITIES

### Ordinary share capital

- 74,403,507 fully paid ordinary shares are held by 2,323 individual shareholders. All issued shares carry one vote per share and carry the rights to dividends.
- 39,235 ordinary shares issued on exercise of options under the Senior Executive Option Plan are held in escrow in accordance with the Plan.

### Options

- 493,407 options are held by 9 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	1316	458,350	93%	1
10,001 – 100,000	698	1,700,757	4%	3
5,001 – 10,000	156	1,164,786	1%	5
1,001 – 5,000	128	3,519,744	2%	–
1 – 1,000	25	67,559,870	0%	–
	2,323	74,403,507	100%	9
Holding less than a marketable parcel	131			

## B. SUBSTANTIAL SHAREHOLDERS

	Date of Notice	Number	Fully Paid Percentage
Perpetual Limited	26-July-2021	6,220,459	8.36%
Challenger Limited	12-October-2020	5,735,447	7.71%
Greencape Capital Pty Limited	08-October-2020	4,781,786	6.44%
Yarra Capital Management Limited	14-April-2021	3,816,299	5.13%

# ASX ADDITIONAL INFORMATION

YEAR ENDED 30 JUNE 2021

## C. TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Ordinary shareholders	Number	Fully paid Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,040,075	32.31%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,698,558	23.79%
CITICORP NOMINEES PTY LIMITED	10,654,360	14.32%
NATIONAL NOMINEES LIMITED	4,229,471	5.68%
BNP PARIBAS NOMINEES PTY LTD	4,085,020	5.49%
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,525,837	3.39%
MILTON CORPORATION LIMITED	1,292,991	1.74%
MIRRABOOKA INVESTMENTS LIMITED	708,500	0.95%
MASFEN SECURITIES LIMITED	475,694	0.64%
DJERRIWARRH INVESTMENTS LIMITED	333,197	0.45%
WOODROSS NOMINEES PTY LTD	293,075	0.39%
MRS GAELEEN ENID ROUVRAY	236,723	0.32%
INVIA CUSTODIAN PTY LIMITED	236,888	0.32%
NETWEALTH INVESTMENTS LIMITED	236,688	0.32%
DCRM PTY LTD	210,669	0.28%
GOTTLIEB PTY LTD	210,669	0.28%
BOND STREET CUSTODIANS LIMITED	181,358	0.24%
NEWECONOMY COM AU NOMINEES PTY LIMITED	180,745	0.24%
MARKEY INVESTMENTS PTY LTD	148,709	0.20%
MR STEPHEN SPENCE ROUVRAY	147,805	0.20%
	68,127,032	91.55%

# DIVIDEND DETAILS

YEAR ENDED 30 JUNE 2021

## DIVIDEND DETAILS

Dividend	Amount	Franking	Ex Date	Record Date	Payment Date
Interim	16.0c	Fully Franked	5/03/2021	4/03/2021	8/04/2021
Final*	39.0c	Fully Franked	8/09/2021	9/09/2021	11/10/2021

\* The Dividend Reinvestment Plan (DRP) has been suspended and will not apply to the final dividend.



# 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 12-15.

## DIRECTORS

D. C. Clarke (Chair)  
M. P. C Emmett (Chief Executive Officer and Managing Director)  
C. L. Rogers  
P. G. Harmer  
P. A. Lahiff  
R. J. Carless  
R. J. Low

## COMPANY SECRETARIES

R.H. Bell  
A. K. T. Luu

## ANNUAL GENERAL MEETING

The Annual General Meeting of AUB Group Limited will be held on Wednesday 10th of November 2021 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](http://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





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