AUB GROUP

22 February 2022

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

FOR RELEASE TO THE MARKET

Appendix 4D and Half Year Financial Report

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

- Appendix 4D – Half-Year Report for the period ended 31 December 2021; and
- Financial Report for the half year ended 31 December 2021.

ENDS

This release has been authorised by the AUB Board.

For further information, contact Richard Bell, Group General Counsel and Company Secretary, on +61 2 9935 2222 or richardb@aubgroup.com.au.

About AUB Group
AUB Group Limited is an ASX200 listed group comprising insurance brokers and underwriting agencies operating in ~500 locations across Australia and New Zealand. Over 3,000 team members work with our 850,000 clients to place more than $4.0bn in insurance premiums with local and foreign insurers.

AUB Group Limited
ABN 60 000 000 715
ASX Disclosure – Appendix 4D

ASX DISCLOSURE – APPENDIX 4D
Half-Year Report – 31 December 2021

Under Listing Rule 4.2.A.3 of the Australian Stock Exchange Limited (the "ASX"), the following information must be given to the ASX. The information should be read in conjunction with the financial report for the year ending 31 December 2021.

1. Reporting Period

Current reporting period – six months ended 31 December 2021

Previous corresponding period – six months ended 31 December 2020

2. Results for Announcement to the Market

						$'000
2.1	Revenue from ordinary activities[1]		up	4.1%	to	174,921
2.2	a)	Profit (loss) from ordinary activities after tax attributable to members	up	27.7%	to	29,684
	b)	Total comprehensive income after tax attributable to members	up	29.5%	to	30,433
2.3	Net profit (loss) attributable to members		up	27.7%	to	29,684
2.4	Underlying NPAT[2]		up	2.0%	to	30,621

2.5 Dividends

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

2.6 Record date for determining entitlement to the interim dividend Wednesday 2nd March 2022.

[1] Revenue from ordinary activities includes: Revenue, Other income, and Profits from Associates.
[2] Underlying NPAT is the measure used by management and the Board to assess underlying business performance. Underlying NPAT excludes adjustments to carrying values of associates, profit on sale and deconsolidation of controlled entities, contingent consideration adjustments, impairment charges and amortization of intangibles. Underlying NPAT is non-IFRS financial information and as such has not been audited.

2.7 A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood is contained in the Directors' Report section of the Half-Year Report – 31 December 2021 attached as Attachment A.

3. Statement of Comprehensive Income

The Statement of Comprehensive Income is contained in Attachment A – Financial Statements.

4. Statement of Financial Position

The Statement of Financial Position is contained in Attachment A – Financial Statements.

5. Statement of Cash Flows

The Statement of Cash Flows is contained in Attachment A – Financial Statements.

6. Dividends

On 22 February 2022, the Directors determined a fully franked interim dividend of 17.0 cents per share. This dividend is payable on Monday 4th April 2022. Based on issued shares of 74,459,057 shares, this dividend will total $12,658,040.

7. Dividend Reinvestment Plan

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

8. Movements in Retained Earnings

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

9. Net Tangible Assets Per Security

31 December 2021	$1.07
31 December 2020	$1.42

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

Details of entities over which control has been gained during the period:

Acquisitions	Date
HQ Insurance Brokers Pty Ltd	01/07/21
iaAnyware Unit Trust	01/10/21
Rosser Underwriting Limited	01/10/21
R.J. Vaughan & Monaghan Pty Ltd	01/11/21

Details of entities over which control has been lost during the period:

Disposals	Date
Tealrose Pty Ltd	01/07/21
Financial Affairs Pty Limited	01/07/21

11. Associates and Joint Venture Entities

Acquisitions	Date	Ownership Dec 21	Ownership Jun 21
Countrywide Insurance Holdings Pty Ltd	01/07/21	52.5%	49.9%
Austbrokers AEI Transport Pty Ltd	01/07/21	40.0%	38.5%
Anchorage Marine Underwriting Agency Pty Ltd	01/10/21	50.0%	0.0%
Rosser Underwriting Limited	01/10/21	47.0%	44.7%
BizCover Pty Ltd	30/11/21	40.6%	40.3%

Disposals	Date	Ownership Dec 21	Ownership Jun 21
Port Macquarie Insurance Brokers Unit Trust	01/07/21	42.7%	50.0%
Coffs Harbour Insurance Brokers Unit Trust	01/07/21	0.0%	37.5%

12. Any other Significant Information

Any other significant information needed to make an informed assessment of the financial performance and financial position is included in Attachment A – Financial Report.

13. Accounting Standards Applied to Foreign Entities

Not Applicable.

14. Commentary on the Results for the Period

A commentary on the results for the period is contained in the Directors Report section of Attachment A – Financial Report.

15. Audit Dispute or Qualification

There is no audit dispute or qualification. Refer to the Independent Auditor's Review Report to the members of AUB Group Limited dated 22 February 2022 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2021 attached as Attachment A.

ATTACHMENT A

AUB GROUP LIMITED
A.B.N. 60 000 000 715

FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2021

CONTENTS

DIRECTORS' REPORT

HALF YEAR ENDED 31 DECEMBER 2021

Your Directors present their report with the consolidated financial statements of AUB Group Limited (the 'Company') for the six months ended 31 December 2021.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. The Directors were in office for the whole period unless otherwise stated.

D C Clarke (Chair)
M P C Emmett (Chief Executive Officer and Managing Director)
R Carless (until 31 August 2021)
P G Harmer (from 22 July 2021)
P A Lahiff
R J Low
C L Rogers

REVIEW AND RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE HALF YEAR

Reported Net Profit After Tax attributable to equity holders of the parent (Reported NPAT) increased 27.72% to $29.68m in the 6 months to 31 December 2021 (1H21: $23.24m). Reported NPAT included the benefit of strong organic and acquisition growth in Austbrokers and Agencies partially offset by the loss of income from the sale of Altius and higher corporate insurance costs together with the impact of non-recurring fair value adjustments as a result of the Group obtaining control of a number of associates.

On a Reported NPAT basis, earnings per share was 39.89 cents for the half year, 27.24% above the comparable prior period.

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

Underlying NPAT was $30.62m, up 2.04% on 1H21. Underlying NPAT from continuing operations increased 16.69% (1H21 $26.24m when excluding JobKeeper and Altius which was sold in April 2021). The increased Underlying NPAT was due to a mixture of strong organic and acquisition growth primarily in the Australian Broking and Agency divisions as mentioned above.

On an Underlying basis, earnings per share has increased to 41.15 cents per share, up 1.68% over the prior comparative period, and 16.26% on a continuing operations basis.

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

RESULTS BY OPERATING SEGMENT

Australian Broking

- Underlying pre-tax profit for the half year increased by 9.52% to $38.31m (1H21 $34.98m). Excluding $2.13m non-recurring JobKeeper receipts in the prior period, the Underlying pre-tax profit for the half year increased by 16.62%. This increase was predominantly driven by:
  - Increased Commercial lines insurance premiums of 9% over the period
  - Ongoing cost reductions due to network rationalisations
  - Partially offset by wage cost inflation.
- Acquisition related profit growth included the investments in iaAnyware (1 October 2021), and Vaughan & Monaghan (1 October 2021).
- EBIT margin was 31.14% up 43bps from 1H21 after excluding non-recurring JobKeeper receipts.

New Zealand Broking

- Underlying pre-tax profit for the half year decreased by 20.56% to $3.55m (1H21: $4.47m). Technology investment of $2.17m was made in the current period (1H21: $0.78m) to transform and enhance the NZ broking experience via a new platform. Excluding these costs from both periods, the Underlying pre-tax profit for the half year increased by 8.91%.
- Strong pipeline of new clients and acquisition opportunities.
- Competitive broking market observed.

Agencies

- Underlying pre-tax profit for the half year increased by 82.88% to $8.91m (1H21: $4.87m).
- The current half includes the full period benefit of the investment in 360 Underwriting Solutions from 1 December 2020, which has helped accelerate AUB Group's scale in Agencies.
- Organic growth included increased profit commissions due to the quality of risks insured across a number of agencies.
- EBIT margin 32.56% up 521bps from 1H21.

RESULTS BY OPERATING SEGMENT (CONTINUED)

BizCover

- Underlying pre-tax profit for the half year increased by 13.57% to $4.92m (1H21: $4.33m). Excluding $0.45m non-recurring JobKeeper receipts in the prior period, the Underlying pre-tax profit for the half year increased by 26.70%. This increase was due to organic profit growth assisted by operating leverage and scalability of the platform.
- Future growth is expected from the recent expansion into the US and South African markets.
- EBIT Margin 37.03% up 101bps from 1H21 after excluding non-recurring JobKeeper receipts.

Health & Rehab

- Underlying pre-tax profit in 1H21 was $2.81m. Altius was sold on 1 April 2021.

GEARING RATIO

Gearing based on the Consolidated Financial Statements increased to 30.93% at 31 December 2021 (30 June 2021: 28.50%). AUB Group has undrawn facilities of $57.62m at 31 December 2021 (30 June 2021: $68.12m).

DIVIDEND PAYMENTS

The Directors have determined a fully franked interim dividend of 17.0 cents per share totaling $12.66m which will be paid to shareholders on 4 April 2022 (record date 2 March 2022). The Dividend Reinvestment Plan (DRP) remains suspended and will not apply to interim dividend.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Other than a dividend declaration, as noted above, there were no other significant events after the balance date.

ROUNDING

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

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of directors.

D C Clarke
Chairman

M P C Emmett
Chief Executive Officer and Managing Director

Sydney, 22 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

HALF YEAR ENDED 31 DECEMBER 2021

Building a better working world

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

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

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

Ernst & Young

Ernst & Young

M J Wright

Michael Wright
Partner
22 February 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HALF YEAR ENDED 31 DECEMBER 2021

	Notes	HY22 $'000	HY21* $'000
Revenue from contracts with customers	4 (i)	156,576	149,251
Other income		379	548
Share of profit of associates	4 (ii)	17,966	18,191
Cost to provide services and administrative expenses	4 (iii)	(130,723)	(128,243)
Finance costs		(3,510)	(3,839)
		40,688	35,908
Adjustments to carrying value	4 (iv)	(448)	(1,207)
Profit from sale or dilution of interests in associates, controlled entities and broking portfolios	4 (v)	5,475	1,046
Profit before income tax		45,715	35,747
Income tax expense		(8,477)	(7,313)
Net Profit After Tax		**37,238**	**28,434**
Net Profit after tax for the period attributable to:			
Equity holders of the parent		29,684	23,241
Non-controlling interests		7,554	5,193
		37,238	**28,434**
Basic earnings per share (cents per share)		39.89	31.35
Diluted earnings per share (cents per share)		39.69	31.25
Other comprehensive income			
Other comprehensive income to be reclassified to profit/loss in subsequent periods:			
Net movement in foreign currency translation and asset revaluation reserves		658	280
Income tax benefit relating to currency translation		(59)	-
Total comprehensive income after tax for the period		**37,837**	**28,714**
Total comprehensive income after tax for the period attributable to:			
Equity holders of the parent		30,433	23,492
Non-controlling interests		7,404	5,222
		37,837	**28,714**

The above Consolidated Statement of Comprehensive Income (SOCI) should be read in conjunction with the notes to the Financial Report.
* Comparative balances have been restated due to a change in accounting policy, refer to Note 2.2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	HY22 $'000	FY21 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		75,767	76,588
Cash and cash equivalents - Trust		196,785	205,232
Trade and other receivables		62,613	64,081
Lease net investment		872	1,045
Other financial assets		926	554
Total Current Assets		336,963	347,500
Non-current Assets			
Trade and other receivables		2,620	3,532
Other financial assets		10,717	40
Investment in associates	8	275,599	280,643
Property, plant and equipment		6,898	7,534
Intangible assets and goodwill		514,836	469,677
Right of use asset & Lease net investment		23,528	22,618
Deferred tax asset		14,785	14,574
Total Non-current Assets		848,983	798,618
Total Assets		**1,185,946**	**1,146,118**
LIABILITIES			
Current Liabilities			
Trade and other payables		238,704	242,904
Deferred revenue from contracts with customers		7,268	7,166
Income tax payable		6,356	9,706
Provisions		20,157	20,680
Lease liabilities		7,730	7,786
Interest-bearing loans and borrowings	6	5,262	11,474
Total Current Liabilities		285,477	299,716
Non-current Liabilities			
Trade and other payables		16,138	10,530
Provisions		6,624	3,767
Deferred tax liabilities		19,263	14,929
Lease liabilities		18,638	18,080
Interest-bearing loans and borrowings	6	225,453	200,809
Total Non-current Liabilities		286,116	248,115
Total Liabilities		**571,593**	**547,831**
Net Assets		**614,353**	**598,287**
EQUITY			
Issued capital	10	266,659	266,659
Retained earnings		208,297	210,424
Foreign currency translation reserve		(1,020)	(1,519)
Asset revaluation reserve		358	108
Put option reserve		(8,024)	(7,057)
Share based payments reserve	11	12,128	10,139
Equity attributable to equity holders of the parent		**478,398**	**478,754**
Non-controlling interests		135,955	119,533
Total Equity		**614,353**	**598,287**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
	Issued capital	Retained earnings	Foreign currency translation reserve	Put option reserve	Asset revaluation reserve	Share based payment reserve	Total		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2020	**258,947**	**177,769**	**(1,129)**	**(14,778)**	**-**	**8,469**	**429,278**	**61,140**	**490,418**
Net profit after tax for the period	-	23,241	-	-	-	-	23,241	5,193	28,434
Other comprehensive income 1 July - 31 December	-	-	250	-	-	-	250	30	280
Total comprehensive income for the year	**-**	**23,241**	**250**	**-**	**-**	**-**	**23,491**	**5,223**	**28,714**
Ownership changes without gaining / losing control	-	(5,642)	-	-	-	-	(5,642)	(14,653)	(20,295)
Non-controlling interest relating to new acquisitions	-	-	-	-	-	-	-	77,068	77,068
Transfer to put option reserve & impact of put option release	-	5,468	-	(4,885)	-	-	583	-	583
Net cost of share based payment	-	-	-	-	-	902	902	-	902
Capital issued under dividend reinvestment plan	1,985	-	-	-	-	-	1,985	-	1,985
Issue of shares	5,604	-	-	-	-	-	5,604	-	5,604
Equity dividends	-	(26,216)	-	-	-	-	(26,216)	(5,678)	(31,894)
At December 2020	**266,536**	**174,620**	**(879)**	**(19,663)**	**-**	**9,371**	**429,985**	**123,100**	**553,085**

CONSOLIDATED STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2021

	Notes	HY22 $'000	HY21* $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		176,116	145,741
Dividends / trust distributions received from associates		22,900	21,487
Management fees received from associates/ related entities, and interest received		8,146	8,425
Payments to suppliers and employees		(144,738)	(109,005)
Income tax paid		(14,109)	(12,895)
Interest paid		(2,879)	(3,087)
Interest paid - lease liabilities		(517)	(616)
Net cash from operating activities before customer trust account movements		44,919	50,050
Net (decrease) in cash held in customer trust accounts		(17,861)	(17,323)
NET CASH FLOWS FROM OPERATING ACTIVITIES		27,058	32,727
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of consolidated entities, net of cash acquired	7 (a)	(15,786)	(13,199)
Cash inflow / (outflow) from sale / deconsolidation of controlled entities	7 (b)	5,330	-
Payment for new associates and increases in holdings in associates		(5,532)	(2,588)
Proceeds from reduction in interests in associates		774	1,417
Payment for contingent consideration on prior year acquisitions		(4,153)	(1,407)
Net payment for new broking portfolios purchased / broking portfolios sold		(229)	(1,385)
Net payments from purchases / sales of plant and equipment, capitalised projects, and other assets*		(987)	(2,566)
Net repayment of loans to associates / related entities		1,582	1,264
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(19,001)	(18,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders**		(29,017)	(34,932)
Dividends paid to shareholders of non-controlling interests		(6,831)	(5,678)
Increase in borrowings		31,350	40,568
Repayment of borrowings		(13,552)	(9,589)
Payments of principal for lease liabilities		(3,614)	(4,602)
Proceeds from reduction in interests in controlled entities		6,844	978
Payment for increase in interests in controlled entities		(2,800)	(18,152)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(17,620)	(31,407)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(9,563)	(17,144)
Cash and cash equivalents at beginning of the period		281,820	243,151
Impact as a result of foreign exchange		295	143
Cash and cash equivalents at the end of the period		**272,552**	**226,150**

* Comparative balances have been restated due to a change in accounting policy, refer to Note 2.2.

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

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 interim financial report of AUB Group Limited for the six months ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 22 February 2022.

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 general purpose condensed financial report for the half year ended 31 December 2021 has been prepared in accordance with AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

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

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

There are no changes to significant accounting judgements, estimates and assumptions from those used at 30 June 2021. The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting period except new and amended accounting standards which came into effect on 1 July 2021, which are detailed in Note 2.2.

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

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated group as the full financial report. It should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2021.

Fair value

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

Please refer to the Group's Annual Consolidated Financial Statements as at 30 June 2021 for further information on the Group's measurement of fair value of recognised assets and liabilities, and their classification in the fair value hierarchy.

b) Significant accounting judgements, estimates and assumptions

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

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

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

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

Impairment of goodwill / intangibles and investments in associates

The Group determines whether goodwill is impaired at least on an annual basis and for any identifiable intangibles and investments in associates that have an indicator of impairment. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. COVID-19 was considered in our assessment of (1) EBIT market multiples, (2) required return on equity in relation to discounted cash flow (DCF) models and (3) future cash flow projections in DCF models. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 14 to the Group's Annual report as at 30 June 2021. At half year the Group performs a review of impairment indicators.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of contingent considerations

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 further details on current year transactions.

Re-estimation of put options financial liability

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

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 to the Group's Annual Report as at 30 June 2021 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 to the Group's Annual Report as at 30 June 2021 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation are the same as those adopted at 30 June 2021 except new and amended accounting standards which came into effect on 1 July 2021, both of which are detailed below.

The 31 December 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 has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2021:

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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 adopted the new interpretation during the most recent annual report but after the release of the 31 December 2020 half year financials (i.e. the comparative). Prior to adopting the new interpretation 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 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.

The key impacts included a reduction in capitalised cost amortisation by $0.38m and an increase to business technology and software costs by $1.53m for the 6 months to 31 December 2020.

The comparative balances where indicated have been restated.

3. OPERATING SEGMENTS

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. **Agencies:** assess risk profile and pricing of policies requested by brokers on behalf of the insurer across Australia and New Zealand. 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 liability.
3. **New Zealand Brokers:** provides broking 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.

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

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

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

Underlying Net Profit Before Tax

Performance of segments are reviewed by 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.

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 (SOCI) as follows:

	Notes	HY22 $'000	HY21* $'000
Net Profit After Tax attributable to equity holders of the parent	SOCI	29,684	23,241
Add back / (less):			
- Share of amortisation of broking registers		5,520	5,649
- Adjustments to value of entities (to fair value) on the day they became controlled entities		(8,868)	(3,851)
- Remeasurement of put option liability (net of Interest unwind)		968	5,470
- Share of impairment charge		7,591	-
- Share of movements in contingent consideration, net of impairment charge		-	(280)
- (Profit) / loss on deconsolidation of controlled entities		(3,079)	-
- Equity accounted profits not previously recognised		(510)	-
- Share of profit from sale or dilution of interests in associates, controlled entities and broking portfolio		(1,695)	(1,387)
- Share of impairment of the Right of Use Asset and Onerous Lease Expense		283	402
- Share of legal and due diligence costs		727	763
Underlying Net Profit After Tax		**30,621**	**30,007**
Represented by:			
Underlying profit before tax		43,914	43,753
Tax expense		(13,293)	(13,746)
Underlying Net Profit After Tax		**30,621**	**30,007**

* Comparative balance has been restated as a result of a change in accounting policy, refer to Note 2.2 for further information.

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

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

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

3. OPERATING SEGMENTS (continued)

	6 months ended 31 December 2020				
	Australian Broking*	Agencies	New Zealand Brokers	Support Services*	Total
Segment Financial Performance	$'000	$'000	$'000	$'000	$'000
Inter-segment revenue**	919	-	-	2,078	2,997
Revenue from external customers	84,448	23,022	21,143	21,186	149,799
Total revenue and other income	**85,367**	**23,022**	**21,143**	**23,264**	**152,796**
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	20,833	1,486	809	4,333	27,461
Total income	**106,200**	**24,508**	**21,952**	**27,597**	**180,257**
Less: Expenses					
Total underlying cost to provide services and administrative expenses***	(60,884)	(18,641)	(15,467)	(24,856)	(119,848)
Inter-segment expenses**	(1,209)	(938)	(850)	-	(2,997)
Interest paid and other borrowing costs	(360)	(5)	(207)	(2,552)	(3,124)
Non-controlling interest	(8,763)	(55)	(961)	(756)	(10,535)
Underlying Net Profit Before Tax	**34,984**	**4,869**	**4,467**	**(567)**	**43,753**

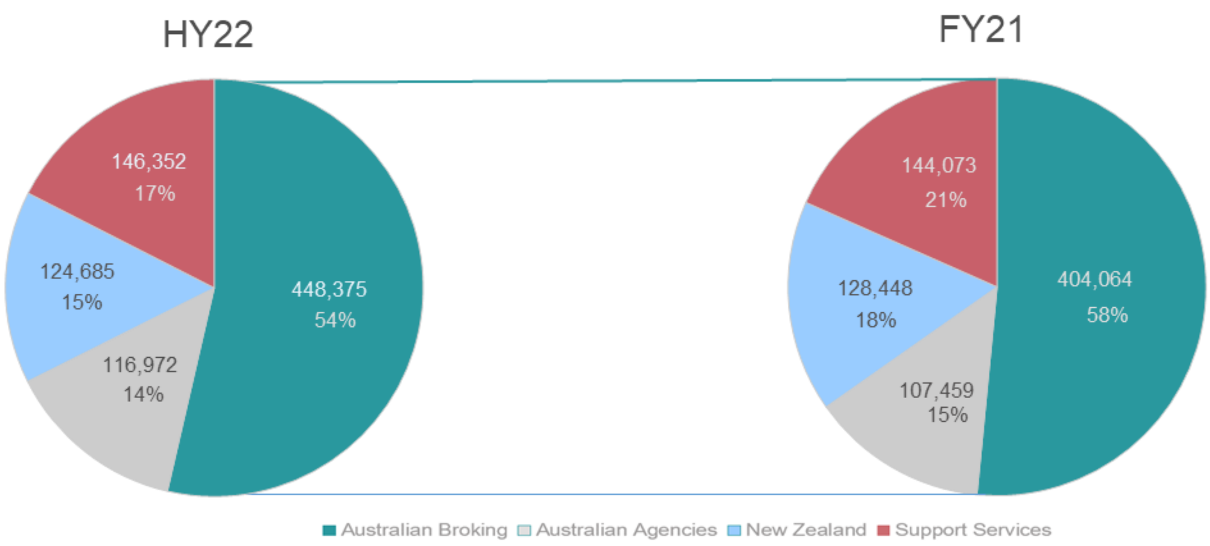
* Comparative restated to include BizCover Pty Limited within Support Services segment, previously within Australian Broking. The comparative balance has also been restated as a result of a change in accounting policy, refer to Note 2.2 for further information.

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

***Excludes non operating expenses, refer to preceding table for reconciliation between statutory profit and underlying profit before tax. The comparative balance has been restated as a result of a change in accounting policy, refer to Note 2.2 for further information.

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.

4. REVENUE AND EXPENSES

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

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

For further information on the Group's policies, please refer to the 2021 Annual Report.

		HY22	HY21
		$'000	$'000
i)	**Revenue from contracts with customers**		
	Commission, brokerage and fee Income	146,341	138,856
	Other revenue	10,235	10,395
	Total revenue from contracts with customers	156,576	149,251
	Recognised at a point in time	146,811	107,230
	Recognised over time	9,765	42,021
ii)	**Share of profit of associates**		
	Share of associates profits after tax but before amortisation	21,288	21,724
	Amortisation of intangibles – Associates	(3,322)	(3,533)
	Total share of profit of associates	17,966	18,191
	Share of profit of associates are recognised using the equity accounted method.		
iii)	**Cost to provide services and administrative expenses**		
	Salaries and wages	79,245	82,490
	Business technology and software costs*	8,769	8,391
	Commission expense	9,572	7,131
	Amortisation / impairment of right of use asset and rent expense	4,729	5,935
	Amortisation of broking registers	4,742	4,971
	Amortisation of capitalised project costs*	297	106
	Depreciation	1,097	1,368
	Insurance	6,776	4,675
	Advertising, marketing and travel costs	3,046	3,116
	Legal fees / acquisition costs	1,947	866
	Other expenses	10,503	9,194
	Total cost to provide services and administrative expenses	130,723	128,243
iv)	**Adjustments to carrying value**		
	Adjustment to contingent consideration on acquisitions	-	314
	Remeasurement of put option liability	(870)	(5,372)
	Impairment to carrying value of associates and goodwill	(8,500)	-
	Fair value adjustment relating to the carrying value of associates and goodwill	8,922	3,851
	Total adjustments to carrying value	(448)	(1,207)
v)	**Profit from sale or dilution of interests in controlled entities, associates and insurance portfolios**		
	Profit on sale of controlled entities leading to deconsolidation	3,788	-
	Profit from sale or dilution of interests in associates, controlled entities and broking portfolios	1,687	1,046
	Total profit from sale or dilution of interests in controlled entities and broking portfolios	5,475	1,046

1 cash generating unit within the New Zealand segment was assessed to be impaired during the current year by $8.50m. The primary driver for the impairment was due to the loss of key brokers and in turn expected lower client retention.

* The comparative balance has been restated as a result of a change in accounting policy, refer to Note 2.2 for further information.

5. DIVIDENDS PAID AND PROPOSED

	HY22 $'000	HY21 $'000
Equity dividends on ordinary shares:		
Dividends paid or recognised as a liability during the period		
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	-	26,216
Final franked dividend for financial year ended 30 June 2021: 39.0 cents	29,017	-
Total dividends paid/provided in current period	**29,017**	**36,917**
In addition to the above, dividends paid to non-controlling interests totalled $6.83m (HY21:$5.68m).		
Dividends proposed and not recognised as a liability		
Interim franked dividend for financial year ended 30 June 2021: 16.0 cents	-	11,905
Interim franked dividend for financial year ended 30 June 2022: 17.0 cents	12,658	-
	12,658	**11,905**

The tax rate at which paid and proposed dividends have been franked is 30% (HY21: 30%).
The Dividend Reinvestment Plan (DRP) remains suspended and will not apply to the interim dividend.

6. INTEREST BEARING LOANS AND BORROWINGS

Group Borrowing facilities as at 31 December 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 2021: $250m). This facility includes an advance in NZ$ totaling NZ$45m (2021: NZ$45m). The debt facility was re-negotiated during the year to extend the facility to 6 January 2023 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.

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

Group gearing ratio

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.

The gearing ratios at were as follows;	HY22	FY21
Debt to equity ratio	$'000	$'000
Interest bearing loans and borrowings - controlled entities	230,715	212,283
Interest bearing loans, borrowings & contingent consideration payable - associates (AUB Group share)	26,189	17,543
Contingent consideration payable	18,181	8,606
Total debt	275,085	238,432
Total equity	614,353	598,287
Total equity and debt	889,438	836,719
Gearing ratio - total debt/(total equity and debt)	**30.93%**	**28.50%**

7. BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING LOSS OF CONTROL

Business combinations

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

The business combinations in the current period relate to insurance broking and agency businesses in Australia except Rosser Insurance Limited (Rosser) which is an agency incorporated in New Zealand.

For further information on the Group’s policies, please refer to the 2021 Annual Report.

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

- Effective 1 July 2021, the Group acquired a further 8.8% of HQ Insurance Brokers Pty Ltd (HQ). On this date the entity became a controlled entity of the Group, and the transaction resulted in a fair value gain on step up of $7.73m.

- Effective 1 October 2021, the Group acquired 100% of iaAnyware Unit Trust (iaAnyware) for $18.15m cash plus estimated deferred consideration of $11.85m. iaAnyware is a leading software platform business providing licensing of their proprietary software to brokers across Australia and New Zealand. The deferred consideration is based on estimated normalised EBIT in 2 years from the acquisition date and is uncapped.

- Effective 1 October 2021, the Group acquired a further 40% of Rosser. On this date Rosser became a controlled entity of the Group, and the transaction resulted in a fair value gain on step up of $1.19m.

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

Business Acquired	Transaction date(s)	HY22	FY21
		% / $ '000	%
HQ Insurance Brokers Pty Ltd	01-Jul-21	66.00	57.20
iaAnyware Unit Trust	01-Oct-21	100.00	-
Rosser Underwriting Limited*	01-Oct-21	47.07	44.70
R. J. Vaughan & Monaghan Pty Ltd	01-Oct-21	70.00	-
All other transactions	Various	Various	Various
Total consideration paid for all additional interest acquired		**44,738**	
Less contingent/deferred consideration		(13,484)	
Less shares issues by the Company		-	
Less cash acquired		(15,468)	
Payments for acquisition of consolidated entities, net of cash acquired		**15,786**	
Goodwill arising on acquisition related to the Group		36,966	
Goodwill arising on acquisition relating to non-controlling interests		10,527	
Total goodwill arising on acquisition		47,493	
Other intangibles including deferred taxes		19,521	
Net increase in non-controlling interest		8,469	

* 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 6 months ended 31 December 2021 in relation to the current period acquisitions were $4.78m, and $1.05m respectively. Had the entities been acquired at the beginning of the period ended 31 December 2021, the Revenue and Net Profits would have been $7.52m and $1.79m respectively.

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

Loss of Control

During the period there were no significant transactions which resulted in the Group losing control of any of its subsidiaries. The aggregate results of all transactions are outlined below. A gain on disposal of $3.79m was recognised during the period.

Business Acquired	Transaction date(s)	HY22	FY21
		% / $ '000	%
All transactions	Various	Various	Various
Total consideration receipted to all additional interests disposed		**9,370**	
Less deferred consideration		(377)	
Less non cash settled (share swap)		(3,393)	
Less cash disposed		(270)	
Payments for acquisition of consolidated entities, net of cash acquired		**5,330**	
Total goodwill derecognised on disposal		(5,564)	
Total reduction in non-controlling interests		(428)	

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 it has significant influence if it has more than 20% of the voting rights.

For further information on the Group's policies, please refer to the 30 June 2021 Annual Report.

Except the step up acquisitions of HQ and Rosser (refer to Note 7) which resulted in the entities ceasing to be associates of the Group (becoming controlled entities), there were no other significant transactions related to associates during the period.

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

a) The principal activity of each associate is insurance broking, except for associates owned by Austagencies Pty Ltd and Rosser Underwriting Limited in New Zealand which are agents for insurance underwriters and The Procare Group Pty Ltd which offers rehabilitation, investigation, and loss adjusting services.

b) There have been no significant subsequent events affecting the associates' profits for the period.

c) 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.

9. SHARES IN CONTROLLED ENTITIES

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

During the current period, the following transactions occurred:

- AUB Group Limited disposed 100% of its shares of WRI Insurance Brokers Pty Ltd to CityCover (Aust) Pty Ltd (trading as Austbrokers Comsure), a controlled entity of the Group for $9.85m. On this date AUB's interest in WRI diluted to 83.5%.
- There were no other significant transactions between owners during the period.

Entity	Transaction date(s)	HY22	FY21
Decrease in voting shares		%	%
WRI Insurance Brokers Pty Ltd	1-Oct-21	83.5%	100
All other transactions	Various	Various	Various

10. ISSUED CAPITAL

	HY22 $'000	FY21 $'000
Issued capital opening balance	266,659	258,947
Issued capital under dividend reinvestment plan	-	2,108
Issue of shares	-	5,604
Issued capital closing balance	266,659	266,659

	Shares No.	Shares No.
Number of shares on issue (ordinary shares fully paid)	74,459,057	74,403,507
Movements in number of shares on issue		
Beginning of the financial period	74,403,507	73,818,757
Number of shares issued during period - dividend reinvestment plan	-	138,835
Issue of shares	-	428,566
Number of shares issued during period - options exercised	55,550	17,349
Total shares on issue	74,459,057	74,403,507
Weighted average number of shares on issue at end of period	74,418,904	74,265,626

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.

11. 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').

For further information on the Group's policies, please refer to the 2021 Annual Report.

New options issued

Performance options are granted to senior executives by the ultimate parent entity, AUB Group Limited.

The share based payments expense is recognised in the Consolidated Statement of Profit and Loss.

The following share options were granted during the year:

- 53,277 performance options granted to the CEO with similar hurdles as prior year performance options granted.
- 29,302 performance options granted to the CFO with similar hurdles as prior year performance options granted.
- 62,300 performance options granted to other senior executives with similar hurdles as prior year performance options granted.
- 38,748 performance options granted in relation to FY21 (incorrectly not issued in November 2020) to other senior executives with similar hurdles as prior year performance options granted.
- 508,388 Share Appreciation Rights granted to the CEO, see further details below.
- 254,194 Share Appreciation Rights granted to the CFO, see further details below.
- 254,194 Share Appreciation Rights granted to other senior executives, see further details below.

Share Appreciation Rights (SARs)

Key terms of the SARs are as follows:

- SARs entitle the executive to receive shares equal in value to the difference between the initial VWAP and the conversion price at the end of the five-year performance period.
    - Initial VWAP means $20.33, being the VWAP of the shares traded on the ASX over the 60 trading days prior to 1 July 2021 (the first day of the Performance Period).
    - Conversion Price means the VWAP of the shares traded on the ASX over the 60 trading days prior to 30 June 2026.
- Five-year performance period, but with a further post exercise holding lock of two years. The five-year performance period is intentionally longer than the LTI Plan period and the two-year holding lock is designed to act as an additional mechanism with executives having additional AUB Group equity ownership.
- SARs will be tested against a compound annual growth rate (CAGR) of the EPS of the Company during the five-year performance period 1 July 21 to 30 June 2026 –vesting targets in line with table below.
    - The base underlying EPS at 30 June 2021 was 87.93 cents per share.
- Vesting will require stretch performance exceeding regular LTI plan maximum, as well as peer LTI maximum, together with 5 years of ongoing employment from 1 July 2021.

CAGR of Underlying EPS	Vesting level of SARS
14% or more	100%
Greater than 12% but less than 14%	Pro rata straight line vesting between 25% and 100%
12%	25%
Less than 12%	0%

12. SUBSEQUENT EVENTS

On 22 February 2022, the Directors of AUB Group Limited determined an interim dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is $12.66m which represents a fully franked dividend of 17.0 cents per share. The dividend has not been provided for in the 31 December 2021 financial statements.

DIRECTORS DECLARATION
HALF YEAR ENDED 31 DECEMBER 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,* including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the 6 month period ended on that date;

   ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

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

On behalf of the Board

D.C. Clarke	M. P. C. Emmett
Chair	Chief Executive Officer and Managing Director
Sydney, 22 February 2022	Sydney, 22 February 2022

INDEPENDENT AUDITOR'S REPORT
HALF YEAR ENDED 31 DECEMBER 2021

EY
Building a better working world

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of AUB Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Directors' responsibilities for the half year financial report

The directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Michael Wright
Partner
Sydney
22 February 2022

Stacey Hooper
Partner
Sydney
22 February 2022

AUB GROUP