

ASX Announcement

22 August 2023

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

Appendix 4E and Annual Report

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

- Appendix 4E for the full year ended 30 June 2023; and
- Annual Report for the full year ended 30 June 2023.

The release of this announcement was authorised by the AUB Board.

For further information, contact Richard Bell, Chief Legal and Risk Officer, on +61 2 9935 2222 or richardb@aubgroup.com.au.

About AUB Group

AUB Group Limited (ASX: AUB) is an ASX200 listed group of retail & wholesale insurance brokers and underwriting agencies operating in ~570 locations globally. Over 5,000 team members work with ~950,000 clients to place ~AUD 9.5bn in insurance premiums with local and foreign insurers.

AUB Group Limited

ABN 60 000 000 715

ASX Disclosure – Appendix 4E

ASX DISCLOSURE – APPENDIX 4E
Annual Report – 30 June 2023

Under Listing Rule 4.3A 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 30 June 2023.

1. Reporting Period

Current reporting period – twelve months ended 30 June 2023

Previous corresponding period – twelve months ended 30 June 2022

2. Results for Announcement to the Market

				\$'000
2.1 Revenue from ordinary activities ¹	up	122.1%	to	827,433
2.2 a) Profit (loss) from ordinary activities after tax attributable to members	down	19.3%	to	65,253
b) Total comprehensive income after tax attributable to members	up	76.2%	to	134,462
2.3 Underlying NPAT ²	up	74.4%	to	129,105
2.4 Dividends				

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Interim Dividend	17.0 cents	100%	17.0 cents
Final dividend determined	47.0 cents	100%	47.0 cents

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 amortisation of intangibles. A reconciliation is provided between Reported NPAT and Underlying NPAT in Note 3 of the Financial Report. Underlying NPAT is non-IFRS financial information and as such has not been audited

2.5 Record date for determining entitlement to the final dividend Friday 8th September 2023.

2.6 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 Annual Report – 30 June 2023 attached as Attachment A.

3. Statement of Comprehensive Income

The Statement of Comprehensive Income is contained in Attachment A – Annual Report.

4. Statement of Financial Position

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

5. Statement of Cash Flows

The Statement of Cash Flows is contained in Attachment A – Annual Report.

6. Dividends

The payment of the fully franked interim dividend on ordinary shares for the year to 30 June 2023 of 17.0 cents per share was paid on 4 April 2023. This dividend totaled \$17,260,188.

On 22 August 2023, the Directors determined a fully franked final dividend of 47.0 cents per share. This dividend is payable on Monday 9th October 2023. Based on issued shares of 108,405,620 this dividend will total \$50,950,641.

7. Dividend Reinvestment Plan

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

8. Movements in Retained Earnings

An analysis of the movements through Retained Earnings is shown in Attachment A – Annual Report.

9. Net Tangible Assets Per Security

30 June 2023	\$(3.73)
30 June 2022	\$3.86

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

Entities over which control has been gained during the period.

Acquisitions	Date
SRS Broking Pty Ltd	1/07/2022
Longitude Insurance Pty Ltd	1/07/2022
Umbrella Insurance Brokers Pty Ltd	1/08/022
Strata Unit Underwriting Agency Pty Ltd	31/08/2022
Integro Insurance Brokers Holding Ltd	30/09/2022
Galileo Insurance Services LLC	30/09/2022
Austbrokers RIS Pty Ltd	1/11/2022
Prism Group Ltd	1/12/2022
AEI Insurance Group Pty Ltd	1/01/2023
ABP & AG Pty Ltd	15/05/2023

Entities over which control has been lost during the period.

Austbrokers Coast to Coast Pty Ltd	31/01/2023
Rework Pty Limited	17/03/2023
Galileo Insurance Services LLC	19/05/2023

11. Associates and Joint Venture Entities

Details of associates are shown in Attachment A – Annual Report.

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 – Annual 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 – Annual 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 August 2023 prepared by Ernst & Young and included in the Annual Report – 30 June 2023 attached as Attachment A.

APPENDIX A - ANNUAL REPORT



2023 ANNUAL REPORT



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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 2023 Financial Year (FY23) performance and Annual Report.

FY23 has seen a continuing cycle of economic uncertainties, including inflation, geopolitical headwinds, environmental challenges, and capital constraints for the insurance markets. AUB Groups' partner businesses play a pivotal role in assisting clients navigate the environment by providing risk management and certainty to their business operations.

FINANCIAL PERFORMANCE AND CAPITAL STRENGTH

FY23 was a strong year for AUB Group as we delivered against our strategic agenda. The financial performance exceeded the top-end of our upgraded guidance with the Underlying Net Profit After Tax (UNPAT) increasing by 74.4% compared to FY22, to \$129.1m, while maintaining a strong balance sheet and capital position. Divisionally, all key metrics across all operating divisions delivered growth.

Despite a challenging and uncertain macroeconomic environment, our balance sheet remains strong, with the corporate entity being cash generative with \$133.2m in operating cashflow, and access to ~\$256.8m in cash and debt funding. The Group also successfully completed a \$165m equity capital raising in May 2023 to create funding capacity for our pipeline of acquisition opportunities.

PROGRESS ON STRATEGIC AGENDA

The Group's focus and delivery of its strategic priorities remains core to our strong financial performance. Key highlights during the year include strategically important and accretive acquisitions of SRS Broking in Australian Broking, ICIB in New Zealand, Strata Unit Underwriters in Agencies, as well as a number of bolt-ons, equity steps and restructures across the network. The business also completed five divestments to realign our portfolio.

Our agencies portfolio is positioned for continued growth, writing more than \$900m premium in FY23, an increase of 34% compared to FY22, with opportunities being explored to deliver increased capacity to existing binders as well as expanding capability into new segments, via Tysers.

In FY23 we completed our significant and transformative acquisition of leading London and Lloyd's broker Tysers with its specialist capabilities and global distribution. The transaction is designed to expand our role across the insurance broking value chain and increase our broker and client proposition by providing enhanced insurance capacity and market access. The transaction was completed on 30 September 2022 and has resulted in a much larger, more dynamic, and pleasingly, a more balanced (geographically and market segment) portfolio for the Group. Since completion, the business has performed ahead of forecasts, with both revenue and profitability growing strongly. A key driver has been AUB's execution of cost reduction levers including optimising the operating and governance model.

Looking ahead, the Group's FY23 strategic focus will be primarily a continuation of FY23 objectives, with a particular focus on New Zealand business performance, technology delivery, and the successful integration of Tysers.

DIVIDENDS

As a result of our financial performance, the Directors have declared a final fully franked dividend of 47.0 cents per share, payable on 9 October 2023. This, together with the interim dividend of 17.0 cents, results in a full year fully franked dividend of 64.0 cents, an increase of 16.4% and translates into a payout ratio of 52.8% of UNPAT.

Strong business results as well as disciplined M&A also led to underlying Earnings per Share increasing by 33.7% compared to FY22.

CHAIR'S MESSAGE (CONTINUED)

ENVIRONMENT, SOCIAL AND GOVERNANCE

Our recent focus on improving the Group's environmental, social and governance (ESG) practices have resulted in a number of key initiatives being implemented and further planned. Our approach as well as progress in FY23 is reported on page 53 of this report. Key highlights include:

- AUB Group was recertified as a 'Great Place to Work'
- Roll-out of AUB Giving (employees contribute pre-tax donations, with AUB Group matching) and Community Day (day of paid volunteer leave to participate in community activities)
- Continued support via donations to, and sponsorship of, community and sporting clubs around Australia
- Ongoing trusted partner relationships with clients demonstrated by premium retention of 91%

With respect to Governance, in FY23 Richard Deutsch joined the board. Richard is a Non-Executive Director and Chair of the Board Audit Committee of Bendigo & Adelaide Bank Limited, Chair of the Movember Foundation and the Stephenson Mansell Group. Previously, Richard was the Chief Executive Officer of Deloitte Australia from 2018 to 2021. Prior to the CEO role, Richard was the Managing Partner of the Audit & Advisory Practice and a member of the Global Audit & Advisory Leadership Team. Richard's career includes more than 25 years working with PwC, including nine years on PwC's Australian executive and brings considerable experience in finance and domestic and international insurance auditing to the AUB Board.

Post completion of the Tysers acquisition, the business appointed Andrew Kendrick as a Non-Executive Director to the Tysers Board. The AUB Group Board also welcomed Andrew to the Group Board as a Non-Executive Director. Andrew is a former Non-Executive Director of Lloyd's of London, Lloyd's Market Association and Russian Reinsurance Co. and has more than 40 years' experience in the insurance industry in the UK, Europe and Bermuda.

Andrew's executive career includes leadership positions with Chubb and Ace, culminating in the role of President & Chairman, Chubb European Group. Andrew's strong knowledge, experience, expertise, and relationships in the London Wholesale Insurance market have added further depth to the AUB Board.

Shareholders will be asked to formally elect both Andrew and Richard at the 2023 Annual General Meeting.

On 23 August Paul Lahiff retires from the AUB Group Board after almost 8 years as a Non-Executive director. Paul has made an outstanding contribution to the Company during a period of strong growth, particularly in his role as Chair of the Remuneration and People Committee. We wish him every success in the future.

CONCLUSION

I would like to conclude by thanking all our employees and partners for their contributions during the year. Another strong result in FY23 is testament to their effort, discipline, and commitment to the success of the business. I'd also like to acknowledge the ongoing support from our clients and shareholders who continue to place their trust in our business and look forward to further updating you on our progress at our AGM in November.



David Clarke
Chair

CEO'S MESSAGE

Michael Emmett
Chief Executive Officer
and Managing Director



Dear Shareholders,

I am delighted with AUB Group's FY23 results and we delivered another strong performance across all divisions. Australian Broking continued its focus on portfolio optimisation activities, Agencies accelerated its scale-up and market expansion, we created momentum for the turn-around in New Zealand and BizCover leveraged the benefits of platform scale and business maturity. These results were delivered against the successful completion of our strategically important acquisition of Tysers in October 2022.

OVERALL FINANCIAL PERFORMANCE

In FY23, we grew underlying revenue of \$1.11bn by 61.2% in comparison to FY22, while Underlying NPAT grew by 74.4% to \$129.1mn. To deliver these Underlying NPAT results, our business achieved 12.3% organic growth and 17.2% acquisition growth, excluding Tysers, while our acquisition of Tysers enabled a further 44.9% net growth, after allowing for the increased net cost of funding.

All divisions delivered growth in revenue and profitability with revenue growth ranging between 13.7% to 34.3%, margin expansion between 140bps and 290bps and increases in Profit before tax attributable to AUB shareholders of between 18.9% and 59.4%.

As a result, EPS grew by 33.7% on the prior year and our three-year average Return on Invested Capital ending on 30 June 2023 was 12.6%.

The business continues to be strongly cash generative with underlying NPAT fully converted to cash for FY23. The Group's net debt position has reduced from \$690mn on 31 Dec 2022 to \$474mn on 30 June 2023, with our leverage ratio reducing to 1.71 on 30 June 2023.

Cash and undrawn debt on 30 June 2023 was \$256.8mn, allowing substantial headroom for future acquisition activity.

DIVISIONAL PERFORMANCE

Australian Broking had another very active year as we continued to optimise our portfolio. During FY23, we completed three acquisitions, four equity step-ups, six equity step-downs, five divestments, and two portfolio consolidations with several other restructures in parallel, indicating the ongoing opportunity to optimise the broking portfolio and the consequential potential for margin expansion. The division continues to grow revenue strongly while expanding margin.

BizCover delivered further margin improvement as the platform continues to scale. In FY23, BizCover exceeded AUB's medium-term margin target for this business of 40% with margin expanding both in Australian and international markets. In addition to the financial performance, BizCover continues to operate with a market-leading NPS of +71 and added new insurers and products to the platform, enhancing its future growth potential.

During FY23, Agencies grew revenue by 34.3%, expanded margin by 140bps while EBIT grew by 39.5%. In early FY21 we communicated our strategy to build the Agency division to \$1bn of premium within five years, split across three areas of General Commercial, Specialty, and Strata. We are delighted with the strong progress toward this goal with agency premium in FY23 exceeding \$900mn.

Our strategic focus on a turn-around in the New Zealand business has progressed strongly with the business achieving organic growth of 42.5%, as well as acquisition growth of 17.9%. The acquisition of ICIB and its merger with BWRS created one of New Zealand's leading brokerages. This supported by the ongoing quality of the remaining broking businesses and the NZbrokers network have delivered a strong rebound in our results. Our new broking technology solution, Lola, achieved some key milestones, including integrating with three primary insurance partners and implementation across two pilot branches. We are now working with the systems vendor to resolve some technical issues before recommencing.

CEO'S MESSAGE (CONTINUED)

TYSERS UPDATE

In FY23, we completed our acquisition of Tysers. During the nine-month period of ownership, the business delivered an EBIT margin of 26.1% which compares favorably with the ~20% normalised margin we announced as part of the acquisition in May 2022. At the time of acquisition, we also communicated overall cost and revenue run-rate synergy targets of \$25mn per annum. In FY23, we have made strong progress in implementing the planned cost reduction initiatives and achieved \$2.9mn of in-year savings with these expected to deliver annual run-rate savings of \$7.6mn. Various additional cost actions have been identified for implementation that will deliver the balance of the \$15mn cost target on a run-rate basis during FY24. We also committed to a synergy target of \$10mn from increased income arising largely from the placement of individual risks and binders by members of the AUB network. Already during the latter stages of FY23, Tysers earned \$0.4mn income from AUB brokers' client risk placements while a focus by AUB has resulted in incremental income of \$2.6mn earned from a more disciplined approach to investment.

OUTLOOK

In FY24, we forecast underlying net profit after tax to be in the range of \$154mn to \$164mn, representing growth of 19.3% to 27% on FY23. The profit contribution from acquisition activity of 3.9% reflects only those M&A activities that are known and of a very high certainty.

The Group continued to expand margins across all divisions in FY23. The strong momentum and good progress made over the past few years has enabled us to upgrade the medium-term margin targets for four of the five divisions with Australian Broking, New Zealand and Tysers targets increasing by 2% and BizCover increasing the target by 10% to 50%. The target for Agencies is unchanged.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

AUB Group's business model entails distributed ownership and partnership with hundreds of operating shareholders who take individual ownership in supporting the ESG goals that are specific and relevant to the communities in which they operate. The model works well because we allow for differences in culture, processes, work styles and ambitions in each of these businesses.

Gender diversity in most businesses and at most levels is excellent however we need to improve significantly at senior levels. Our teams across our businesses and geographies are passionate about workplace giving and supporting those in need. The Group has adopted corporate platforms such as the Do Good Be Better donation matching and volunteering programme for Head Office and Agency staff. In parallel, every one of our businesses has an active involvement in charitable giving and a focus on diversity and equality in each workplace. We are pleased to be once again accredited as a Great Place to Work.

With regards to the Environment, we identified and implemented actions to reduce our carbon impacts from air travel by implementing a validated and audited carbon-offset partner for all flights, transitioned our Corporate Head Office energy consumption to renewable sources and rolled out new workplace technologies, including energy-efficient wide-screen monitors that reduce the need for printing. We are also commencing a programme to work with each of our teams to identify ways for them to transition to renewable energy sources for their homes, with company assistance offered as a way to afford the transition.

In FY23, we were pleased to maintain our AA rating of our ESG initiatives from MSCI.

CONCLUSION

FY23 was a busy year with multiple imperatives, and our progress and performance is a testament to the AUB team's ability to manage a complex portfolio of initiatives and deliver strongly against our priorities.

I want to thank 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 acknowledge our people for their commitment to the success of the Group. Given our foundations, I am confident that AUB is well placed for continued out-performance in future years.

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 2023

BOARD OF DIRECTORS

Your Directors submit their report for the year ended 30 June 2023. The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



David C. Clarke

LLB, MAICD

Independent Non-Executive Chair

Appointed: Non-Executive Director from 3 February 2014; Chair from 26 November 2015

Board Committees: Board Audit & Risk, Nomination (Chair), Remuneration & People

Background and experience:

David Clarke was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 2013. Prior to joining Investec Bank, he was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles, including Chief Executive of BT Financial Group. David has 40 years' experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited. David is the Chair of Charter Hall Group Limited, Fisher Funds Management Limited and Resolution Life Australasia Limited.

Directorships of other listed entities (last 3 years):

- Charter Hall Group Limited (April 2014 to present)



Michael P.C. Emmett

B Com, H.Dip. Acc CA (SA)

CEO and Managing Director

Appointed: 11 March 2019

Board Committees: Nil

Background and experience:

Mike Emmett is a Director of various companies within the Group, including Tysers Insurance Brokers Limited. 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. Earlier, 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.

Directorships of other listed entities (last 3 years):

- 1ST Group Limited (January 2019 to May 2021)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

BOARD OF DIRECTORS (CONTINUED)



Richard D. Deutsch

B Econ, FCA

Independent Non-Executive Director

Appointed: 3 November 2022

Board Committees: Board Audit & Risk, Nomination, Remuneration & People (from 3 November 2022)

Background and experience:

Richard Deutsch was the Chief Executive Officer of Deloitte Australia from 2018 to 2021. Prior to the CEO role, Richard was the Managing Partner of the Audit & Advisory Practice and a member of the Global Audit & Advisory Leadership Team. Richard's career also includes more than 25 years working with PwC, including nine years on PwC's Australian executive. Richard is a Non-Executive Director of Bendigo & Adelaide Bank Limited. He is the Chair of the Movember Foundation and Chair of the Stephenson Mansell Group, a Champions of Change Coalition Convenor and Advisor to CEOs and Boards.

Directorships of other listed entities (last 3 years):

- Bendigo and Adelaide Bank Limited (September 2021 to present)



Peter G. Harmer

Harvard Advanced Management Program

Independent Non-Executive Director (from 22 July 2021)

Appointed: 22 July 2021

Board Committees: Board Audit & Risk, Nomination, Remuneration & People

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 Limited and nib holdings limited, and the Chair of Lawcover Insurance Pty 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. Peter has over 40 years' experience in the industry spanning insurance, reinsurance broking, and insurance broking. He is a Non-Executive Director of Tysers Insurance Brokers Limited.

Directorships of other listed entities (last 3 years):

- Commonwealth Bank of Australia Limited (March 2021 to present)
- nib holdings limited (July 2021 to present)
- Insurance Australia Group Limited (November 2015 to November 2020)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

BOARD OF DIRECTORS (CONTINUED)



Andrew J. Kendrick

Independent Non-Executive Director

Appointed: 27 January 2023

Board Committees: Board Audit & Risk, Nomination, Remuneration & People (from 27 January 2023)

Background and experience:

Andrew Kendrick is a former Non-Executive Director of Lloyd's of London, Lloyd's Market Association and Russian Reinsurance Co. He has more than 40 years' experience in the insurance industry in the UK, Europe and Bermuda. Andrew's executive career includes leadership positions with Chubb and Ace, culminating in the role of President & Chairman, Chubb European Group. He began his career at Sturge Syndicate 210, and held a number of senior underwriting positions with Ockham Underwriting. Andrew is the Chair of Everest Insurance (Ireland) DAC and the Chair of Tysers Insurance Brokers Limited.

Directorships of other listed entities (last 3 years):

- Nil



Paul A. Lahiff

BSc Agr, GAICD

Independent Non-Executive Director

Appointed: 1 October 2015

Board Committees: Board Audit & Risk, Nomination, Remuneration & People (Chair)

Background and experience:

Paul Lahiff 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 is the Chair of Harmony Corp Limited, 86400 Holdings Limited and NESS Super, and Lead Independent Director of Sezzle Inc. He is also the Chair of the Steering Committee for ISO 20022 Migration for the Australian Payments System.

Directorships of other listed entities (last 3 years):

- Sezzle Inc. (May 2019 to present)
- Harmony Corp Limited (February 2021 to present)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

BOARD OF DIRECTORS (CONTINUED)



Robin J. Low

B Com, FCA, GAICD

Independent Non-Executive Director

Appointed: 3 February 2014

Board Committees: Board Audit & Risk (Chair), Nomination, Remuneration & People

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. She is a Director of Appen Limited, IPH Limited and Marley Spoon SE. Robin also serves on the boards of not-for-profit organisations: Guide Dogs NSW/ACT and the Sax Institute. Robin is a member of the audit committee of the University of New South Wales, and is a past Deputy Chair of the Auditing and Assurance Standards Board and past member of Australian Reinsurance Pool Corporation.

Directorships of other listed entities (last 3 years):

- IPH Limited (September 2014 to present)
- Appen Limited (October 2014 to present)
- Marley Spoon AG (January 2020 to present)



Cath L. Rogers C

FA, B Com, MBA, GAICD

Independent Non-Executive Director

Appointed: 3 May 2018

Board Committees: Board Audit & Risk, Nomination, Remuneration & People

Background and experience:

Cath Rogers is a partner at Antler, a global early-stage venture capital firm. She is a member of the Commercialisation Committee of the Heart Research Institute and was previously a Non-Executive Director of fintech Digital Wallet Pty Limited which trades as Beem It (2018-2021) and McGrath Limited (2016-2018). Cath has a background in financial services, private equity and venture capital both in Australia and overseas including with AirTree Ventures, Anchorage Capital Partners, Masdar Capital and Credit Suisse.

Directorships of other listed entities (last 3 years):

- Nil

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

INTERESTS IN THE SHARES AND RIGHTS OF THE COMPANY

Details of shares and rights held by Directors and KMPs are set out in the Remuneration Report.

DIRECTORS' MEETINGS

The number of Directors' meetings held (including meetings of Committees of Directors) and attendance of Directors during the year ended 30 June 2023 is as follows:

Director	Board Scheduled		Board Unscheduled		Board Audit & Risk Committee		Remuneration & People Committee		Nomination Committee	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
David Clarke	8	8	10	10	6	6	8	8	4	4
Michael Emmett ²	8	8	10	10	6	6	8	8	4	4
Richard Deutsch ³	5	5	5	5	4	4	5	5	3	3
Peter Harmer	8	8	10	7	6	6	8	8	4	4
Andrew Kendrick ⁴	4	4	4	3	3	3	3	3	2	2
Paul Lahiff	8	8	10	7	6	6	8	8	4	4
Robin Low	8	8	10	9	6	6	8	8	4	4
Cath Rogers	8	8	10	7	6	6	8	8	4	4

1 The number of meetings held during the time the Director was a member of the Board or of the relevant Committee.

2 Michael Emmett was not a member of any Committee and attended Committee meetings as an invitee.

3 Richard Deutsch was appointed as a Director on 3 November 2022.

4 Andrew Kendrick was appointed as a Director on 27 January 2023.

COMPANY SECRETARIES

Richard H. Bell

BBus, LLB, B.Comm (Law)

(Chief Legal & Risk Officer and Company Secretary)

Richard Bell joined AUB Group on 15 June 2021 as Group General Counsel and was appointed Company Secretary on 29 June 2021 and Chief Legal & Risk Officer on 22 November 2022. 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.

Elizabeth M. McGregor

BA, MBA, FGIA, FCIS, GAICD

(Joint Company Secretary)

Elizabeth McGregor joined AUB Group on 1 October 2021 and was appointed Joint Company Secretary on 29 October 2021. She was previously company secretary of a number of ASX listed entities, through her work with the professional services companies Automic Group and Mertons Corporate Services.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

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 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 53.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

PRINCIPAL ACTIVITIES

AUB Group Limited (ASX: AUB) is an ASX200 listed group comprising insurance brokers and underwriting agencies operating in ~570 locations. Over ~5,000 team members work with our ~950,000 clients to place more than ~\$9.5bn in insurance premiums with local and foreign insurers.

AUB Group operates through five 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 broking businesses, complemented by established capabilities in member services, life insurance broking, premium funding, and claims management.

In **New Zealand Broking** our businesses provide insurance broking and advisory services primarily to SME clients. AUB Group holds equity stakes in 5 major insurance broker partners as well as ownership of NZbrokers (the largest broking management group in New Zealand).

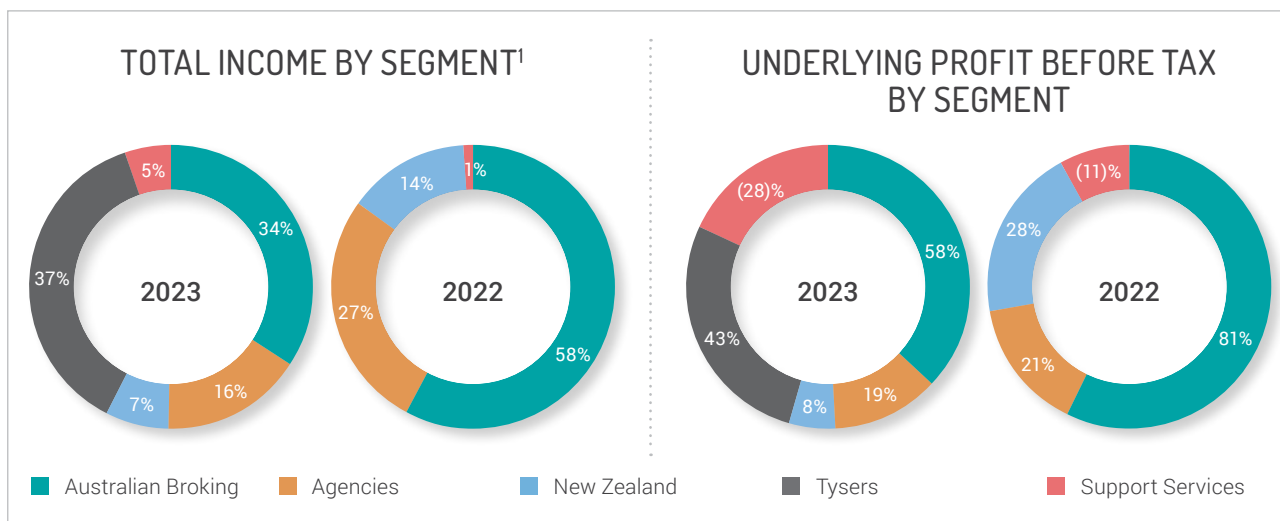
Agencies distribute and manage insurance products on behalf of licensed insurance companies through General Commercial, Strata and Specialty sub-divisions with underwriting agencies with access to delegated global underwriting capacity. These products and services are available to customers of insurance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

Tysers includes Wholesale and Retail broking and Managing General Agents (MGA) and is headquartered in London. This is a separately reportable segment given Tysers is largely UK based operating mainly in markets outside Australia.

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

- Platforms division: automated quoting & binding, white-labelling, and technological support. This division includes BizCover, Australia's leading digital SME insurance platform with multi-channel presence and a comprehensive insurance offering. The business also provides the Austbrokers network with ExpressCover, Australia's newest SME insurance platform utilising the BizCover quote and bind engine.
- Corporate: AUB Group Head office.

These sub segments are not individually reportable.



The Group owns equity stakes in its partner businesses, which in turn 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-centre and related infrastructure support, common broking and back-office platforms, finance, tax, M&A, human resources, risk, compliance and other operational support services.

1 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 2023

OPERATING AND FINANCIAL REVIEW

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

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

	2023 \$'000	2022 \$'000
Net Profit after tax attributable to equity holders of the parent	65,253	80,836
Add back/(less) (net of non-controlling interests and income tax):		
- Amortisation of broking registers	30,352	11,143
- Adjustments to value of entities (to fair value) on the day they became controlled entities	(29,796)	(41,046)
- Remeasurement of put option liability (net of Interest unwind)	3,620	1,104
- Impairment charge	5,473	7,537
- Movements in contingent consideration	39,912	(337)
- (Profit)/Loss on deconsolidation of controlled entity , sale/dilution of associates and portfolios	(25,315)	(5,894)
- Impairment of the Right of Use Asset and Onerous Lease Expense	251	219
- Acquisition related expenses	39,355	20,456
Underlying Net Profit After Tax	129,105	74,018

Operating results for the year

In the year ended 30 June 2023 (FY23) Reported Net Profit After Tax attributable to equity holders of the parent (Reported NPAT) was \$65.25m (FY22: \$80.83m). Reported NPAT was impacted by increased amortisation of broking registers due to acquisition activity, increased contingent consideration related to acquisitions, debt raising and other acquisition related expenses including for the acquisition of Tysers in September 2022. Tysers is a leading London based Llyod's market broker with access to specialist underwriting expertise and global distribution capabilities.

On a Reported NPAT basis, earnings per share was 65.35 cents for the full year (FY22: 105.60).

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 related costs.

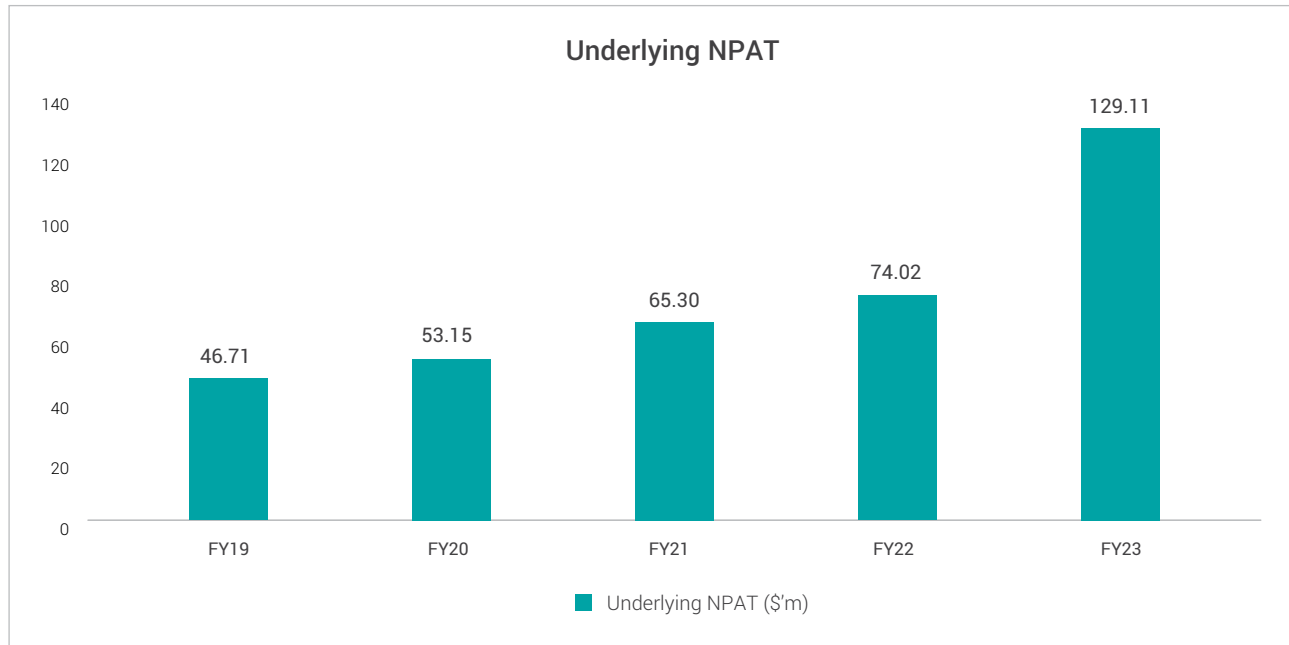
Underlying NPAT increased 74.42% to \$129.11m in FY23 (FY22: \$74.02m) due to strong organic growth across all divisions, complemented by the acquisition of Tysers performing above expectations.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

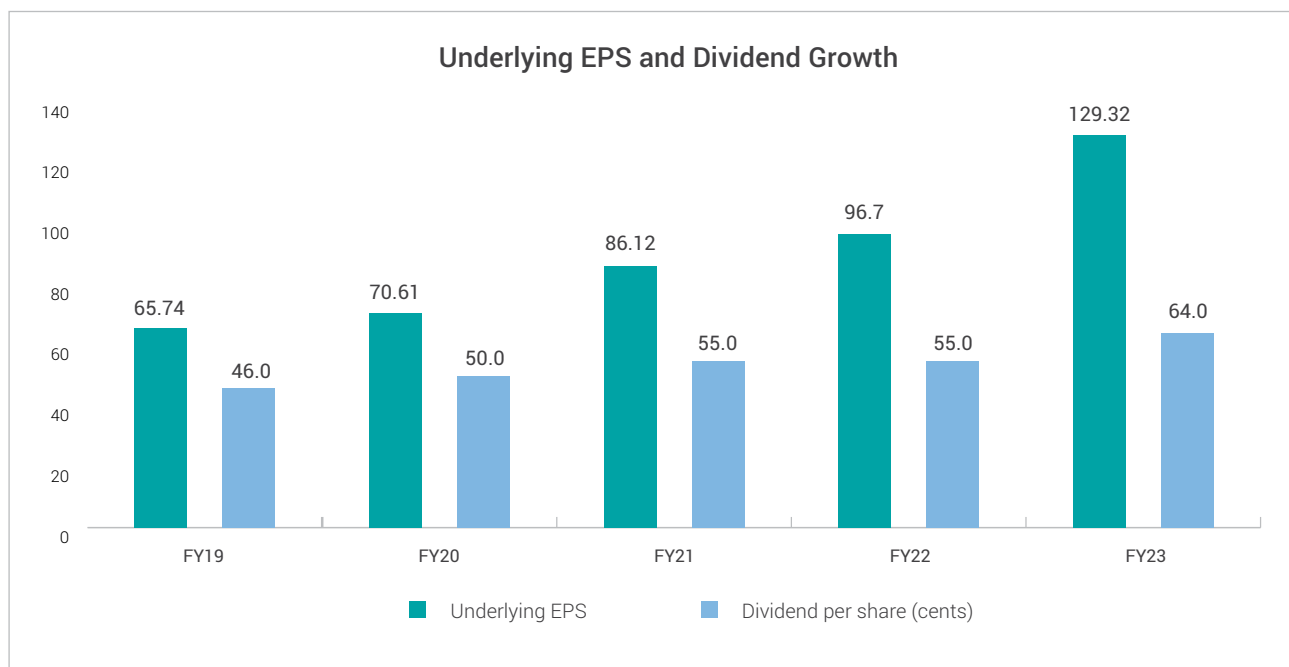
OPERATING AND FINANCIAL REVIEW (CONTINUED)

Operating results for the year (continued)



On an Underlying NPAT basis, earnings per share (EPS) increased by 33.73% over the prior year to 129.32 cents.

Dividend per share paid for FY23 totaled 64 cents.



DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Results by operating division

Tysers - Tysers performed above expectations, with revenue growth for the 9 months to 30 June 2023, up 5.4% vs initial forecast (Organic: 5.8%, FX: -0.4%). Underlying pre-tax profit contributed by Tysers for the 9 months to 30 June 2023 was \$76.93m.

Australian Broking – underlying pre-tax profit for the period increased by 21.59% to \$104.75m (FY22: \$86.15m).

These increases were driven by organic and bolt-on acquisition growth. Growth drivers included:

- Increased Commercial Lines premiums;
- Growth in client and policy count;
- Continued network optimisation; and
- Increased interest income on trust accounts from higher interest rates.

Agencies – underlying pre-tax profit for the period increased by 53.86% to \$35.05m (FY22: \$22.78m). Strong organic growth was partially offset by non-recurrence of some profit commissions.

Acquisition-related profit growth included Strata Unit Underwriters (1 September 2022).

New Zealand Broking – underlying pre-tax profit for the year increased by 59.35% to \$14.27m (FY22: \$8.95m) due to:

- Revenue and profit growth for all businesses, supported by increased Commercial lines premiums;
- BWRS Group merger with ICIB effective 1 December 2022; and
- Step-up investment in AUB Group NZ to 100% from 1 July 2022.

BizCover – underlying pre-tax profit for the year increased by 18.89% to \$12.48m (FY22: \$10.50m). This increase was due to organic profit growth assisted by operating leverage and scalability of the platform.

FINANCIAL CONDITION

Shareholders' equity increased to \$1,513.37m from \$997.68m at 30 June 2023, due to the impact of the current year financial performance as well as issue of shares during the period.

The Group generated positive cash flow from operating activities before customer trust account movements of \$113.38m (2022: \$101.96m). Cash outflow of \$136.85m from investing activities in FY23 was due mainly to the purchase of Tysers. Cash flows from financing activities were \$498.66m primarily from an increase in borrowings, see further detail outlined below. Other finance activity related cash flows were to increase our shareholding in controlled entities and to fund dividends paid to shareholders. Cash held at the end of the period totaled \$260.35m (2022: \$259.33m), excluding monies held in trust.

Interest-bearing loans and borrowings increased by \$536.43m to \$584.23m. This is driven by the \$675m syndicated debt facility entered into to fund the Tysers acquisition. Please see details of this facility outlined in Note 17 of the Financial Statements. Subsidiaries had debt of \$63.01m (2022: \$47.80m) and the look through share of borrowings by associates (including contingent obligations) of \$25.52m (2022: \$17.54m)¹ are not included in the Group balance sheet as these entities are not consolidated.

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

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

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

BUSINESS STRATEGY

AUB Group's strategy remains consistent – exploit the latent potential in our existing business supplemented with strategically aligned and disciplined inorganic growth:

- Deliver a market leading proposition for our brokers, and in-turn our clients, by investing in processes and technologies that drive efficient and effective outcomes;
- Continued focus on optimising our portfolio through consolidation and targeted involvement to improve underlying business performance; and
- Manage our active pipeline of external M&A opportunities through a disciplined and strategic approach to investment.

In FY24, the business will continue to evolve its focus from FY23 priorities with specific accountability for the following:

- **Improve and enhance New Zealand performance**
 - Accelerated revenue and profit growth for AUB NZ's portfolio of brokers;
 - Successful development, pilot and implementation of Project Lola and commencement of roll-out to NZbrokers network.
- **Optimise our network**
 - Continue to optimise our portfolio of businesses to outperform by consolidating into more efficient operating entities or to expand specialisation.
- **Execute on strategically aligned acquisitions**
 - Disciplined and targeted approach to acquisitions, either bolt-ons that deliver synergy benefits or to expand capabilities and footprint;
 - Increased investments in current network businesses to aid consolidation/optimisation.
- **Stabilise and optimise Tysers post acquisition**
 - Enhance the business' growth potential through strategic intervention in areas of opportunity to expand contribution to AUB UNPAT, including execution of proposed synergy initiatives;
 - Evolve the operating model to allow successful delivery of the strategic objectives and optimise costs.

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 with potential for extension considering recent ongoing losses in key global underwriting markets.

CORPORATE GOVERNANCE

The 2023 Corporate Governance Statement can be found at the AUB Group website: aubgroup.com.au/corporate-governance.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

RISK MANAGEMENT

Effective risk management is an integral element in AUB Group in achieving its strategic objectives.

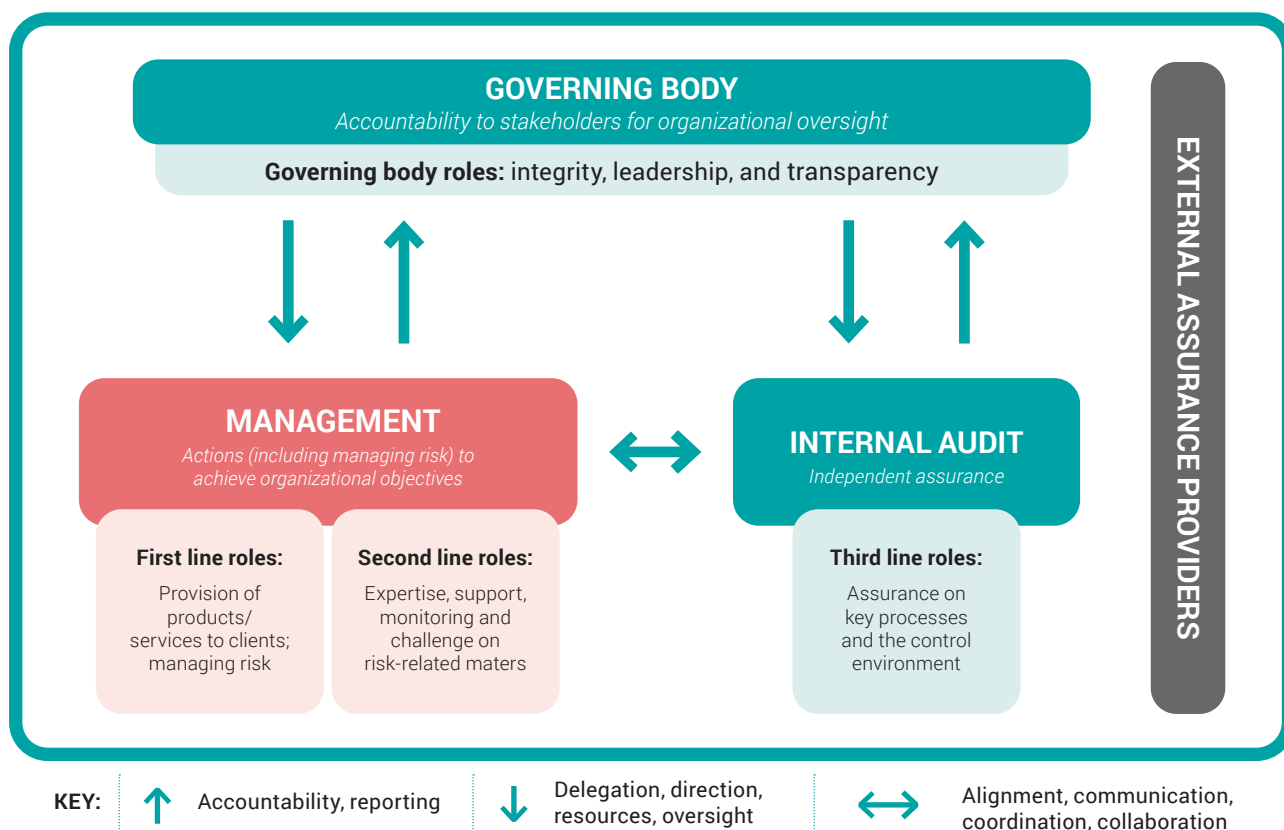
Overseen by the Board and the Board Audit and Risk Committee, the Risk Management Framework underpins identification and management of enterprise-wide and emerging risks and allows for effective decision-making that is within the Board approved risk appetite and specific limits.

The content and status of risk profiles and mitigation plans is considered and updated, in line with changes to the environment and operations, through regular reviews by management.

The Board reviews the Group's key risks and assesses the effectiveness of the risk management framework annually in accordance with the ASX Corporate Governance Principles and Recommendations.

AUB Group continues to review and enhance its governance structure and processes in accordance with the 'three lines model' recommended by the Institute of Internal Auditors (see below).

- Management: responsible for achieving the organisation's objectives through first-and second-line activities and risk-based decision-making. Businesses, the 'first line', are responsible for evaluating their risk environment, putting in place appropriate controls and ensuring that these controls are implemented effectively. The 'second line' provides complementary expertise and continuous monitoring systems in areas including legal and compliance, information and technology security, sustainability, and risk management.
- Internal audit function: undertake assurance and activities to promote and facilitate continuous improvement.
- the Board: responsible for organisational oversight through integrity, leadership, and transparency.



(source: The Institute of Internal Auditors, Australia.)

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

KEY BUSINESS RISKS

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

Strategic

Clearly defining and successfully executing the AUB strategy.

Risk Description

Strategy is unclear, misaligned or fails to take into account the changing competitive, regulatory and technological landscape. Failure to successfully execute the strategy, including M&A, and deliver strategic objectives and outcomes.

2023 Commentary

Business model of acquiring and holding equity in operating business

An important part of AUB's business model and its growth strategy is to acquire and hold equity in insurance broking, underwriting agency.

Key considerations include the likely future performance of the business being acquired and the extent to which the business will fit strategically within the AUB Group. A priority is the integration of Tysers which represents a significant acquisition for the Group.

When due diligence related to acquisitions, mergers or when AUB makes a strategic or financial investment in an entity, fails to detect substantial issues, the transactional documents may not contain corresponding safeguards including representations, warranties or indemnities, to protect AUB against existing and potential liabilities of the target businesses.

AUB can be made financially liable and subjected to legal proceedings for past non-compliances of laws and regulations. These may affect AUB's business operations and hinder its corporate growth. A failed merger and acquisition transaction may also damage AUB's reputation.

While AUB ordinarily has veto rights on most decisions concerning AUB group members, it may not have the capacity to implement its decisions in all cases.

There can be no assurance that the anticipated benefits and synergies expected to result from all or some of the integrations of these acquisitions will be realised.

Management and Mitigation

As part of the annual assessment of strategic risks, the Board and Management team assess potential risks from both external and internal factors. Actions to mitigate these risks are designed as appropriate. Changes to these key risks and status of actions are reviewed quarterly at the Risk Management Executive Committee and bi-monthly at the Board Audit and Risk Committee meetings.

Specific mitigation actions include:

- Annual strategy and priorities approved by the Board with bi-annual updates and review;
- Assessment criteria (operational, financial, reputation) for all M&A activity which is reviewed by senior management and Board (if required);
- Investment and acquisition approach involving skilled resource, due diligence and negotiated representations and warranties;
- Post acquisition review, including capital and returns analysis;
- Engagement with relevant government stakeholders, regulators, insurers and industry bodies; and
- Experienced senior leadership team with global sector knowledge, industry connections and reputation.

KEY BUSINESS RISKS (CONTINUED)

2023 Commentary	Management and Mitigation
<p>Increased competition or market change</p> <p>An increase in competition or deterioration in the competitive positioning of AUB may have an adverse impact on AUB network members and could potentially result in a reduction in gross written premium placed through AUB network members due to a loss of market share; a reduction in fees and commissions; and/or a reduction in margins which may adversely impact the revenue and earnings of AUB network members.</p> <p>Increased competition from new entrants and existing market participants, including increased commoditisation of business insurance products, may have an adverse impact on partner network and AUB earnings. If there are changes in the remuneration model for, or the use of, insurance brokers, underwriting agencies, or risk services businesses, this may adversely impact AUB's earnings and/or financial position and performance.</p> <p>AUB in some cases acts as agent of the insurers. Insurers may choose to reduce their reliance on insurance brokers and underwriting agencies including through an increase in their direct web-based distribution models.</p> <p>Continued consolidation in the general insurance industry may result in a more limited product set and/or greater pricing power for insurers which may result in downwards pressure on commissions and fees.</p>	<p>The Board and Senior Management are constantly assessing market dynamics and conduct formal strategic planning sessions twice a year.</p> <p>Specific additional mitigants include:</p> <ul style="list-style-type: none"> – Annual strategy and priorities approved by the Board with bi-annual updates and review; – Specialist advisors (eg Sector, banks, legal) provide market insights, competitor analysis (threats, opportunities) and regulatory updates; – Engagement with relevant government stakeholders, regulators, insurers and industry bodies; and – Experienced senior leadership team with global sector knowledge, industry connections and reputation.
<p>Environmental, social and governance (ESG) risks and expectations</p> <p>Evolving community attitudes towards, and increasing regulation and disclosure in relation to ESG issues may impact the operation of AUB's business. Increased expectations, and in particular the failure to meet those expectations, with respect to ESG may impact on the profitability or value of AUB's business, restrict AUB's ability to attract financing or investment, result in heightened compliance costs associated with meeting prevailing regulatory and disclosure standards, or adversely impact on the reputation of AUB, which may have an adverse effect on AUB's business, financial position and prospects.</p>	<p>The manner in which ESG risks and opportunities are embedded in the day-to-day business activities continues to evolve and improve. The following key mitigants have been implemented over the last 18 months:</p> <ul style="list-style-type: none"> – Independent specialists conducted an ESG materiality assessment, engagement and reporting programme; – ESG considerations are included as part of stakeholder engagement plans; – ESG risks are included as part of each M&A business assessment; and – ESG reporting is provided to senior management and Board.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

KEY BUSINESS RISKS (CONTINUED)

Financial

Risks relating to funding and liquidity management, expected return on investments and mitigation of fraud, client disputes and professional indemnity claims.

Risk Description

Multiple factors could lead to the Group having insufficient capital or cash flow to meet its obligations including unfavourable outcomes from inappropriate management of interest rate, foreign exchange, counterparty credit, liquidity and self-insurance risks, adverse effects from capital structure and funding or losses associated with fraud, claims or disputes.

2023 Commentary

Market risk

The operating and financial performance of AUB is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates and government fiscal, monetary and regulatory policies.

Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters. A prolonged deterioration in general economic conditions could be expected to have an adverse impact on AUB's operating and financial performance and financial prospects.

The ability of AUB to secure debt financing, or financing on acceptable terms, may be affected by volatility in the financial markets, globally or within a particular geographic region, industry or economic sector. An inability to obtain, or increase in the costs of obtaining, financing on acceptable terms could adversely impact AUB's financial position and performance. AUB is exposed to movements in interest rates through its debt facility.

Fraudulent or inappropriate conduct

AUB has in place policies and procedures implemented in relation to the risk of fraud. However, particularly in relation to businesses where AUB does not control the day-to-day operations, there is a risk that funds of the business or of those held on behalf of clients may be the subject of fraudulent behaviour. Any such fraudulent behaviour would likely have an adverse impact of AUB's financial position, performance and reputation.

Management and Mitigation

AUB Group proactively manages these risks and opportunities through its established corporate governance structures, through the Compliance Framework, Risk Management Framework, and Assurance program supported by company policies, standards and procedures.

We employ specialised and experienced resources and teams to oversee and educate stakeholders of relevant regulatory requirements and monitor potential changes. Where required, we also engage specialist advisors to support internal resources where required.

Other specific mitigation plans include:

- Finance specialists undertake forecasting and financial scenario testing activities;
- The organisation operates with segregation of duties and a Board approved delegation of authority;
- Actions to improve fraud reporting and dashboards to facilitate more effective oversight; and
- Implementation of external advisory channels for improved accessibility, accuracy and consistency.

The AUB Group Financial Risk Management Committee (FRMC) is accountable for assessing key existing and emerging financial risks, including whether there are appropriate and effective risk management controls in place to manage these risks. The Committee meets at least quarterly and reports significant findings to the BARC.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

KEY BUSINESS RISKS (CONTINUED)

Compliance and regulatory risk

Risk of non-compliance with obligations (legal, regulatory, contractual) or failure to identify or appropriately respond to changes in the regulatory environment.

Risk Description

AUB operates in a regulated environment which has been and continues to be subject to regulatory review and change.

2023 Commentary	Management and Mitigation
<p>Failure to act in accordance with regulation, licenses, industry standards and codes, internal policies and procedures and principles of good governance could result in regulatory or legal action, licences being suspended or withdrawn, significant fines, penalties, other costs, reputation damage and/or reduced investor confidence. This, in turn, may adversely impact AUB's reputational, financial performance and position.</p> <p>AUB may be exposed to violations of financial crime laws including fraud, anti-bribery and corruption, sanctions and anti-money laundering and terrorism financing. The acquisition of Tysers has further exposed AUB to some jurisdictions which can be higher risk for breach of such financial crime laws. A breach of financial crime laws or other applicable laws or regulatory requirements could lead to enforcement action by regulators, and/or significant fines and/or other penalties, litigation, as well as the risk of reputational damage.</p> <p>Regulatory changes may also impact AUB and/or its operating entities through costly and burdensome regulation and may have consequences which cannot be foreseen. Additionally, compliance with these regulatory obligations may require considerable investment into the establishment of compliance systems and the monitoring and maintenance of such systems to minimise the risk of noncompliance in the future.</p>	<p>AUB Group proactively manages these risks and opportunities through its established corporate governance structures, through the Compliance Framework, Risk Management Framework, and Assurance program supported by company policies, standards and procedures.</p> <p>We employ specialised and experienced resources and teams (Legal, Compliance, Finance, etc.) to oversee and educate stakeholders of relevant regulatory requirements and monitor potential changes. Where required, we also engage specialist advisors to support internal resources where required.</p> <p>Other specific mitigation plans include:</p> <ul style="list-style-type: none">- Continuous disclosure policy and Management Disclosure Committee;- Improved oversight and reporting at a Group and Board level;- Policies, Frameworks and Procedures; and- Financial Crime Compliance Framework.
<p>AUB also faces the risk of failing to identify or appropriately respond to changes in the regulatory environment or of damaging AUB's standing with its regulators as a result of AUB not meeting regulatory expectations.</p>	<ul style="list-style-type: none">- Legal advisors identify any potential changes in legislation, including the impact on AUB business; and- Structured approach for Regulatory change implementation, including training and education of relevant AUB and broker stakeholders.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

KEY BUSINESS RISKS (CONTINUED)

Operational

A disruption that impacts the ability of AUB to operate effectively.

Risk Description

AUB may be unable to continue to operate effectively due to inadequate or failed internal systems and processes, disruption including inability to access premises, inability to use technology or systems (may be information security or cyber related), an infrastructure failure, impact to people and third-party disruption (including loss of Binder arrangements).

2023 Commentary

Loss of capacity for underwriting agencies

Unexpected loss of underwriter capacity, whereby an underwriter fails to renew a binder or withdraws capacity for strategic reasons (such as exiting lines of business or a specific country exit) is likely to result in significant loss of income.

Further risk may be as a result of an underwriter withdrawing capacity due to uneconomic underwriting results. This would severely constrain the ability of underwriting agencies to write new business and may restrict them from renewing existing business. Any such scenario would have an adverse impact on the financial performance of AUB's underwriting business.

Management and Mitigation

There are a number of key mitigation strategies to manage this risk including:

- Binder agreements are subject to layered review by key and external legal advisors;
- Key binder obligations are identified, communicated to relevant stakeholders and monitored on a regular basis;
- Peer to peer review reviews in accordance with underwriting guidelines;
- Insurer claims and underwriting audits conducted to identify any control weaknesses or non-performance of binder agreements; and
- Internal assurance activities are conducted to identify control weaknesses, the results of which are tabled at key management and Board meetings.

Specific mitigation actions to manage binder compliance include:

- Binder management approach;
- Business Continuity Framework and Plans;
- Disaster recovery plans and annual disaster recovery tests;
- Information security strategy, framework, roadmap; and
- Tactical controls such as malware, multi-factor authentication, network segmentation among others.

KEY BUSINESS RISKS (CONTINUED)

2023 Commentary

Technology and cyber security risk

AUB's information technology systems (including those provided by third party technology vendors) are vulnerable to damage or interruption from a number of sources. Information security breaches or Cyber incidents could significantly curtail AUB's ability to conduct its business and generate revenue and lead to losses associated with investigation, rectification and remediation activities. Loss of sensitive (personal or organisational) information can lead to reputational damage, client distrust and regulatory inquiries or actions.

Management and Mitigation

- Group has designed and implemented a suite of core capabilities to manage cyber security and cyber risk. From the establishment of a set of strategic objectives, to an industry aligned cyber security framework, to a roadmap focused on embedding solid foundations, we have developed an ecosystem whereby our cyber posture is continually assessed and enhanced. Taking a risk-based approach to prioritising the cyber roadmap initiatives, we are focused on meeting our strategic information security objectives and managing risk within the enterprises risk appetite and tolerance levels. Mitigation plans include:
 - a security operations centre with technologies such as managed detection and response (MDR) and security information and event management (SIEM);
 - cyber awareness training;
 - phishing simulation exercises;
 - vulnerability and patch management;
 - risk and threat assessments;
 - third party audits;
 - penetration testing; and
 - incident and disaster recovery exercises.

Personal and Confidential Information

AUBs operations rely on the secure processing, transmission and storage of confidential, proprietary and other information. In addition to information loss from technology and cyber security breaches, personal and confidential information may be lost due to theft, misplacement of data, human error or other similar events.

Any loss, unauthorised disclosure or use of confidential information, including financial data, commercially sensitive information or other proprietary data whether by AUB or a third party could have a material adverse effect on AUB.

The loss of confidential information could result in interruptions to operations, reputational damage and regulatory action.

Specific mitigation actions include:

- Data protection framework including policies, standards and procedures;
- Third party contracts include privacy and data loss provisions;
- Use of incident management and responses plans;
- Physical and system controls to ensure information is secure and available only to approved personnel;
- Staff training on data and privacy requirements; and
- Privacy due diligence checklist for M&A transactions.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

KEY BUSINESS RISKS (CONTINUED)

Partnering and Outsourcing

AUB failing to identify, develop and manage Broker partnerships and third party relationships to best deliver the long term strategy

Risk Description

Inability to identify, onboard and effectively manage insurers and third parties by AUB may result in missed opportunities, financial losses, inability to deliver the strategy, reputation damage and increased concentration risk.

2023 Commentary

An important part of AUB's business model and its growth strategy is to acquire and hold equity in insurance broking, underwriting agency or risk services businesses. These relationships are a significant contributor to AUB Group success. Failure to manage these relationships effectively could lead to reduced revenues, increased costs and an inability for AUB Group to deliver its strategy.

Third Party Risk

AUB utilises third party suppliers to bring external expertise and support to the business. Insufficient or uncommercial contractual arrangements may impact the Group's ability to maintain efficiency and ensure third parties meet their obligations.

The risks associated with engaging third parties include reputational damage, operational disruption, and risks to AUB's compliance with laws and regulations.

Management and Mitigation

Specific mitigation actions include:

- Contract development and review approach;
- Third party Service Level Agreements (SLAs)/Key Performance Indicators (KPIs) embedded in contracts and monitored;
- Partner Development Manager Roles; and
- Delegations of authority are in place, outlining who can bind AUB into agreements.

People

AUB relies on the recruitment, retention and engagement of skilled personnel.

Risk Description

Ineffective recruitment, retention and engagement of skilled/key personnel, or failure to appropriately manage work health and safety, may result in AUB being unable to operate efficiently and effectively, leading to potential financial and reputational impacts and inability to successfully execute its strategy.

2023 Commentary

A loss of key personnel by AUB may lead to material business interruption and loss of key customer or partner relationships. AUB also relies on the need to be able to attract staff with the right experience and expertise to assist AUB with successful execution of its strategic priorities and growth plans. Particularly given the presently competitive labour market, there can be no certainty that AUB will be able to attract the people it desires.

Skilled/key personnel may include key persons noted on Binder Authorities, Responsible Managers as noted on AFSL's, incumbents in key roles or individuals who hold business critical knowledge.

Management and Mitigation

Specific mitigation plans include

- Succession plans and review approach;
- KPI setting and performance reviews;
- Regular monitoring of staff hours and skills gaps to identify recruitment needs;
- Workforce planning including recruitment and employee development plans to assist achieve the organisation's future goals and keep talent engaged; and
- 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 2023

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 22 August 2023, the Directors of AUB Group Limited determined a final fully franked dividend on ordinary shares of 47.0 cents per share in respect of the 2023 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is estimated to be \$50.95m.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors are satisfied that adequate systems are in place for management of the Company's environmental responsibility and compliance with various requirements and regulations. The Directors are not aware of any material breaches to these requirements, and to the best 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 AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor, 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 2023

REMUNERATION & PEOPLE COMMITTEE CHAIR'S LETTER

Dear Shareholders

On behalf of the Board of AUB Group Limited (AUB Group), I am pleased to present our Remuneration Report for the financial year ended 30 June 2023.

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

Key financial highlights for FY23

Key FY23 financial highlights include:

- Underlying revenue of \$1,111.4m, representing growth of 61.2% from FY22;
- Underlying NPAT of \$129.11m, representing growth of 74.42% from FY22; and
- Underlying earnings per share of 129.32 cents, an uplift of 33.73% in comparison to FY22.

Changes to remuneration and key governance measures

The Board continually monitors AUB Group's incentive scheme frameworks to ensure they appropriately reflect AUB Group's profile, are effective in driving business strategy and financial performance to create sustainable shareholder value and continue to reflect our 'pay for performance' philosophy.

During the course of FY23, the Board undertook a review of our Long Term Incentive (LTI) Plan framework, in conjunction with external stakeholder feedback. Key changes and remuneration governance measures arising from that review included the following in respect of FY23 LTI awards:

- The addition of a new Return on Invested Capital (ROIC) performance measure;
- An increase in EPS hurdles;
- The introduction of a one year holding lock in relation to Performance Share Rights (PSRs) that vest and convert into Shares under the LTI Plan; and
- PSRs awarded at share price face value with vested PSRs receiving a cash equivalent of dividends awarded during the performance period.

It was pleasing to receive overwhelming shareholder support for these changes to the LTI Plan, with 99.8% of shareholders voting in favour at the Extraordinary General Meeting (EGM) in March 2023.

Furthermore, a minimum shareholding policy for both Non-Executive Directors and Group Executives has been introduced to provide strong ongoing alignment between Non-Executive Directors, Group Executives and shareholders.

The Board continued to align our risk, remuneration and consequences management framework, with the Remuneration & People Committee and Board Audit & Risk Committee meeting concurrently to consider if there were risk-based or other adjustments that may warrant consideration in the Board's determination of remuneration outcomes. The Committees observed management's continued progress in integrating and embedding effective risk management throughout the organisation to support achievement of business priorities and fulfill corporate governance objectives. The Board is pleased to confirm that no risk-based or other adjustments to remuneration were recommended by the Committees as a result of their review of risks and behaviours.

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

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

REMUNERATION & PEOPLE COMMITTEE CHAIR'S LETTER (CONTINUED)

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 146% of their STI target award (compared to the maximum target STI opportunity of 150%), supported by Underlying NPAT increasing by 74.42% to \$129.11m from FY22. This strong Underlying NPAT growth was driven by both underlying organic growth, pleasingly across all operating businesses, and acquisition driven growth.

To further align the interests of Group Executives with shareholders, 30% of STI outcomes are deferred in the form of PSRs that vest over 12 and 24 months.

This Remuneration Report discloses the outcome of the FY21 LTI grant (performance period ending 30 June 2023). Based on sustained long-term performance over this performance period, 100% (in total) of LTI PSRs will vest 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.

Group Executive remuneration framework review

As part of the annual remuneration review cycle, and following the recent international expansion of AUB's business, the Board undertook a review of the Group Executive remuneration framework to ensure competitiveness across its global markets, alignment to strategic priorities and effectiveness in retaining and attracting the leadership and talent it needs to drive business strategy and financial performance in the interests of shareholders. The changes to CEO remuneration are set out in this report.

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



Paul Lahiff

Chair of Remuneration & People Committee

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

REMUNERATION REPORT OVERVIEW

This Remuneration Report for the financial year ended 30 June 2023 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 within Section 7 of this report.

List of KMPs – Reporting Period

Table 1 below outlines the KMP during the Reporting Period.

Name	Position	Term as KMP
Non-Executive Directors		
David Clarke	Chair; Non-Executive Director	Full financial year
Richard Deutsch	Non-Executive Director	From 3 November 2022
Peter Harmer	Non-Executive Director	Full financial year
Andrew Kendrick	Non-Executive Director	From 27 January 2023
Paul Lahiff	Non-Executive Director	Full financial year
Robin Low	Non-Executive Director	Full financial year
Cath Rogers	Non-Executive Director	Full financial year
Executive KMP		
Michael Emmett	Chief Executive Officer and Managing Director	Full financial year
Mark Shanahan	Chief Financial Officer	Full financial year

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.



SENIOR EXECUTIVE REMUNERATION STRUCTURE

FIXED	STI	LTI
<p>FIXED REMUNERATION</p> <p>Base salary, superannuation & other benefits</p>	<p>SHORT-TERM INCENTIVE (STI)</p> <p>Reward for strong individual and group performance during the performance period</p>	<p>LONG-TERM INCENTIVE (LTI)</p> <p>Reward for sustainable longer-term AUB Group performance</p>
VALUE DETERMINED BY		
<ul style="list-style-type: none"> – Experience, position and responsibilities – Competitive fixed remuneration in the market (market median) 	<p>Achievement of annual financial and non-financial performance hurdles at a:</p> <ul style="list-style-type: none"> – Group level – Business unit level – Individual level 	<ul style="list-style-type: none"> – TSR – 40% weighting – EPS – 40% weighting – ROIC – 20% weighting
HOW DOES IT LINK WITH STRATEGY & PERFORMANCE		
<ul style="list-style-type: none"> – Provides competitive ongoing remuneration in recognition of day-to-day responsibilities and accountabilities 	<ul style="list-style-type: none"> – Supports annual delivery of key strategic and operational targets and to recognise and reward individual performance – Deferred STI supports retention and more closely aligns the interest of executives and shareholders 	<ul style="list-style-type: none"> – Focuses on multi-year metrics that support sustained shareholder value creation – Delivered in equity to align the interests of executives and shareholders – Supports retention

AT RISK

SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK (CONTINUED)

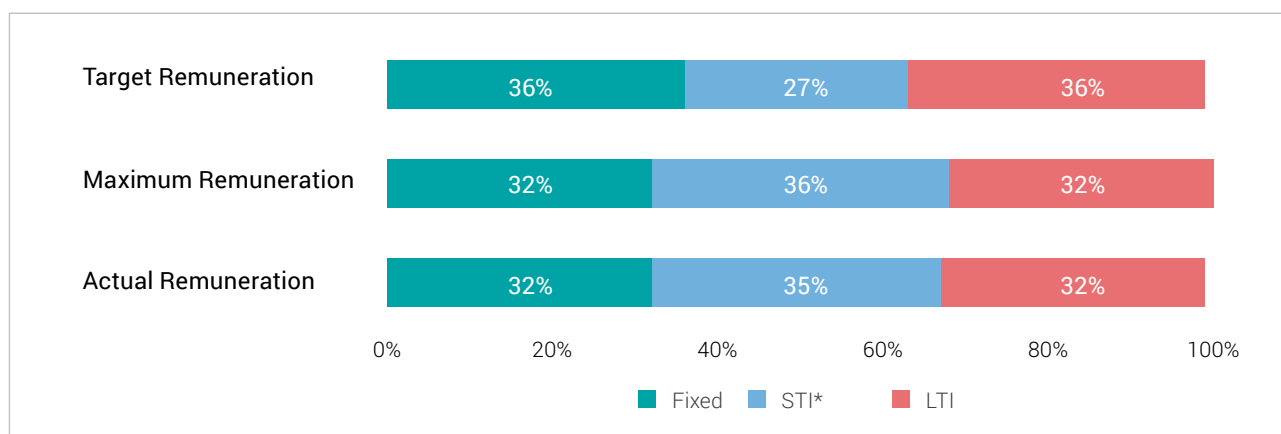
Group Executive Remuneration Mix

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.

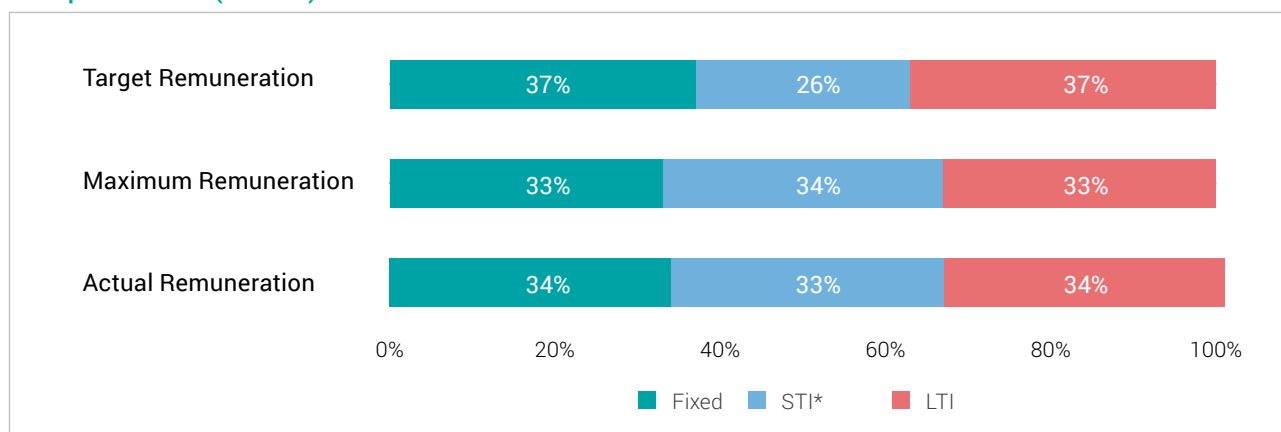
The following illustration shows the remuneration mix for the Group Executives in FY23. It has been modelled on the average of the Group Executive's target opportunity (but excluding the one-off grant of Share Appreciation Rights (SARs) under the Outperformance Plan).

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 as well as the realised value of PSRs that vest and convert into shares.

CEO Remuneration Mix



Group Executive (ex-CEO) Remuneration Mix



* 15% of STI is deferred is deferred for 1 year, a further 15% is deferred for 2 years.

Minimum Shareholding Policy

The Board endorsed during this Reporting Period a minimum shareholding policy for Group Executives to promote the alignment of executive interests with the long-term interests of shareholders and support long-term sustained value creation for AUB Group. The CEO is required to acquire AUB Group shares equivalent to 150% of base salary, and other Group Executives are required to acquire AUB Group shares equivalent to 100% of base salary. Group Executives have a five-year period commencing on the later of 1 July 2023 or the date of their appointment (hire or promotion) to meet the minimum shareholding expectation.

Further details of Executive KMP shareholdings are provided in Table 9.

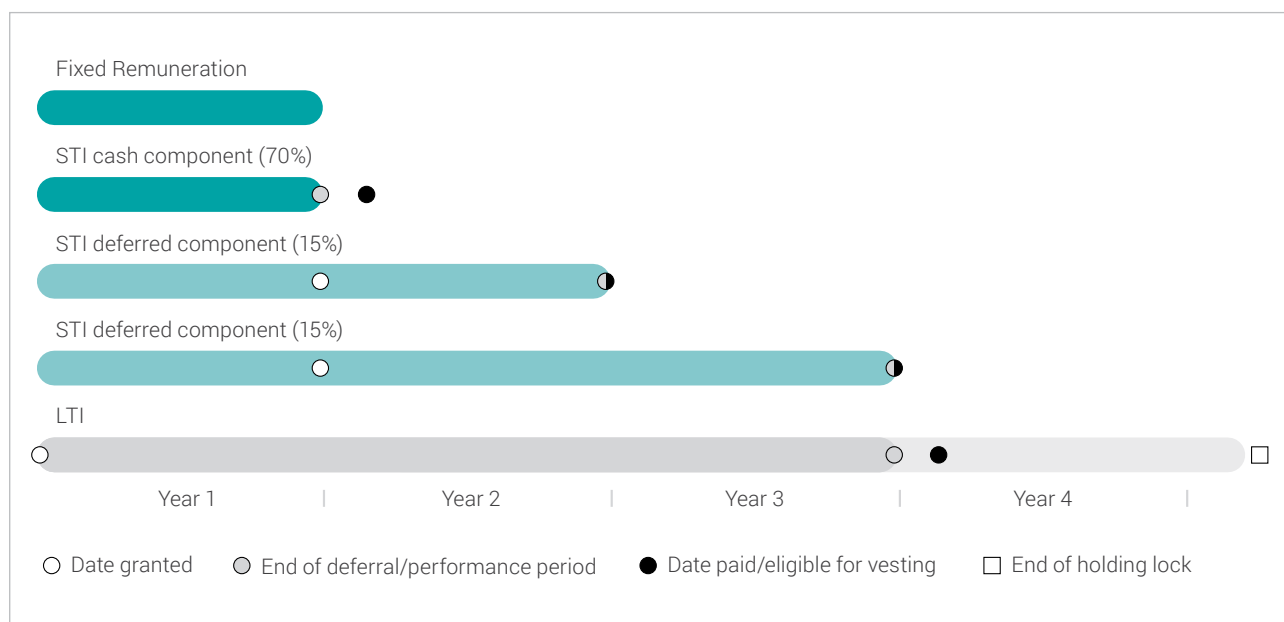
DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 1 GROUP EXECUTIVE REMUNERATION FRAMEWORK (CONTINUED)

Group Executive remuneration time horizon

The following diagram provides an illustrative indication of how remuneration is delivered to Group Executives.



Adjustments to ongoing CEO remuneration

Executive Remuneration was reviewed and there were no adjustments during the reporting period, including no adjustments to CEO & Managing Director remuneration. A summary of CEO & Managing Director remuneration arrangements for the reporting period is as follows:

Item	\$
Fixed remuneration	1,000,000
STI (at target)	750,000
LTI opportunity	1,000,000
Total target remuneration	2,750,000

Following the reporting period, the Board has adjusted the CEO & Managing Director remuneration for FY24 as follows:

Item	\$
Fixed remuneration	1,250,000
STI (at target)*	1,000,000
FY24 LTI opportunity**	1,875,000
Total target remuneration	4,125,000

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

** Face value of LTI award. The FY24 LTI grant is subject to being approved by shareholders at the Annual General Meeting in November 2023..

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED

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

Description	<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>
STI opportunity	<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 accrual to be distributed.</p> <p>Group Executives (including the CEO) have (on average) a target STI opportunity of 70% of fixed remuneration. The maximum STI payout is capped at a maximum of 150% of a participant's target STI opportunity.</p>
Performance conditions	<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 behavioural 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' behaviours are assessed by the CEO, who recommends eligibility for Group Executive STI 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>
Why were these performance conditions chosen?	<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 behavior 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>
How STI outcome is then determined	<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 KPIs are set and reviewed annually.</p> <p>Prior to an award, the scorecard outcome is assessed holistically against individual and Group performance to determine if any discretion to vary from scorecard results should apply. 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? (CONTINUED)

Deferral terms	<p>The following STI deferral arrangements have been introduced for Group Executives: 70% of STI outcome will be paid in cash and the remaining 30% is deferred in the form of an equity award of PSRs, with these PSRs vesting as follows:</p> <ul style="list-style-type: none"> – half of the deferred component (15% of the STI outcome) after 12 months; and – half of the deferred component (15% of the STI outcome) after 24 months. <p>No additional performance conditions apply to the vesting of PSRs, with the exception of the continued employment by the relevant Group Executive as described below.</p> <p>The number of PSRs is calculated using the VWAP over the 60 trading days immediately prior to and including the last day of the performance period.</p>
Eligibility for dividends	<p>An amount (based upon dividends paid by AUB during the deferral period) accrues on the PSRs and is paid in cash at the end of the deferral period if the PSRs vest.</p>
Forfeiture and clawback	<p>The Board has broad 'clawback' powers to lapse unvested PSRs 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, to prevent a participant being entitled to an inappropriate benefit, or if there is a change of control event.</p> <p>The clawback policy also permits clawback of any shares allocated on exercise of the PSRs, as well as cash payments received on vesting and exercise of PSRs.</p>
Who assesses performance?	<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.</p>
Cessation of employment	<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' (for example, 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 unvested PSRs (deferred STI) will remain on foot and vest in the ordinary course, unless the Board determines otherwise.</p> <p>If a Group Executive has ceased employment and is not a 'good leaver', then unvested PSRs will automatically lapse on or around the date of cessation of employment, unless the Board determines otherwise.</p>
Restrictions on transfer or hedging	<p>PSRs granted under the plan are not transferable and participants are prohibited from entering into hedging arrangements in respect of unvested PSRs.</p>

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY23 LONG TERM INCENTIVE – HOW DOES IT WORK?

Description	<p>Under the FY23 LTI Plan, annual grants of PSRs 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.</p> <p>Non-Executive Directors are not eligible to participate in the LTI Plan.</p>																			
LTI opportunity	<p>The number of PSRs 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.</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>																			
Vesting conditions	<p>PSRs will only vest to the extent that the vesting conditions and ongoing employment conditions (set out below later in this table) are satisfied over the relevant three year performance period.</p> <p>PSRs are tested against three vesting conditions over a three year performance period:</p> <ul style="list-style-type: none"> – 40% of PSRs are tested against an EPS hurdle; – 40% of PSRs are tested against a Relative TSR hurdle; and – 20% of PSRs are tested against a Return on Invested Capital (ROIC) hurdle. <p>Vesting outcomes for FY20 and FY19 LTI PSRs exercised during FY23 are detailed in Note 21 of the Financial Report.</p>																			
EPS – 40% weighting	<p>The EPS vesting condition is measured by comparing the Compound Annual Growth Rate (CAGR) 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. CAGR 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.</p> <p>The percentage of EPS PSRs granted in FY23 that may vest is determined based on the following vesting schedule (see hurdles and outcomes of FY21 grants in section 3 of this report):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">CAGR of Underlying EPS</th> <th style="text-align: left;">PSRs subject to EPS vesting condition that vests (%)</th> <th style="text-align: left;">Base and required EPS Outcomes for FY23 Grant (cents per share – cps)</th> </tr> </thead> <tbody> <tr> <td>Base for EPS growth</td> <td>30 June 2022 Underlying EPS</td> <td>96.70 cps Base</td> </tr> <tr> <td>Less than 7%</td> <td>0%</td> <td>Less than 118.46 cps in FY25</td> </tr> <tr> <td>7%</td> <td>50%</td> <td>At 118.46 cps in FY25</td> </tr> <tr> <td>Greater than 7% to less than 12%</td> <td>Straight line vesting between 50% and 100%</td> <td>Between 118.46 cps and 135.85 cps in FY25</td> </tr> <tr> <td>12% or more</td> <td>100%</td> <td>135.85 cps in FY25 or greater</td> </tr> </tbody> </table>		CAGR of Underlying EPS	PSRs subject to EPS vesting condition that vests (%)	Base and required EPS Outcomes for FY23 Grant (cents per share – cps)	Base for EPS growth	30 June 2022 Underlying EPS	96.70 cps Base	Less than 7%	0%	Less than 118.46 cps in FY25	7%	50%	At 118.46 cps in FY25	Greater than 7% to less than 12%	Straight line vesting between 50% and 100%	Between 118.46 cps and 135.85 cps in FY25	12% or more	100%	135.85 cps in FY25 or greater
CAGR of Underlying EPS	PSRs subject to EPS vesting condition that vests (%)	Base and required EPS Outcomes for FY23 Grant (cents per share – cps)																		
Base for EPS growth	30 June 2022 Underlying EPS	96.70 cps Base																		
Less than 7%	0%	Less than 118.46 cps in FY25																		
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12% or more	100%	135.85 cps in FY25 or greater																		

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY23 LONG TERM INCENTIVE – HOW DOES IT WORK? (CONTINUED)

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 PSRs are granted.

For any PSRs 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 TSR PSRs that may vest is determined based on the following vesting schedule:

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

ROIC – 20% weighting

The ROIC vesting condition is measured based on the average annual return on invested capital (ROIC) achieved, which is assessed over a 3 year performance period.

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

3 year average ROIC	PSRs subject to ROIC vesting condition that vests (%)
Less than 11%	0%
11%	50%
Greater than 11% to less than 12%	Straight line vesting between 50% and 100%
12% or more	100%

ROIC in each year is calculated as EBITA Less Tax divided by Average Invested Capital, defined as follows:

EBITA Less Tax	Underlying NPAT, add back interest expense related to external borrowings (net of interest received from operating bank accounts) as per consolidated financial statements after tax.
Invested Capital	The sum of equity attributable to equity holders of the parent plus interest-bearing loans and borrowings (excluding lease liabilities), less cash and cash equivalents not held in trust.
Average Invested Capital	(Invested Capital at financial year end + Invested Capital at previous financial year end)/2
3 year average ROIC	Simple average of ROIC in each of the 3 years of the performance period

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY23 LONG TERM INCENTIVE – HOW DOES IT WORK? (CONTINUED)

ROIC – 20% weighting	Calculation of invested capital and average invested capital at the end of the reporting period (\$,000)		
	FY21	FY22	FY23
Equity attributable to Shareholders of AUB Group as at 30 June	478,754	854,494	1,279,853
External interest-bearing Loans and Borrowings (excluding lease liabilities)	212,283	47,802	584,230
Less cash and cash equivalents (excluding cash held in trust)	(76,588)	(259,329)	(260,352)
Invested Capital	614,449	642,967	1,603,731
Average Invested Capital	595,561	628,708	1,123,349
3 year average ROIC	11.8%	11.7%	12.6%

<p>Why were these performance conditions chosen?</p>	<p>The Board is confident that it has the right arrangements in place to drive performance and retention in line with shareholders' interests.</p> <p>EPS</p> <ul style="list-style-type: none"> – Is a relevant indicator of increases in shareholder value; and – Is a target that provides a suitable line of sight to encourage executive performance. <p>Relative TSR</p> <ul style="list-style-type: none"> – 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; and – Is widely understood and accepted by key stakeholders. <p>ROIC</p> <ul style="list-style-type: none"> – Ensures alignment between an increase in underlying profit and appropriate returns on new acquisitions; – Indicates the company's ability to generate a return on all its capital; – Outcomes can be measured against peers to determine relative performance; and – Performance can be measured against acquisition strategy and compared against actual outcomes.
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<p>Who assesses performance and when?</p>	<p>EPS and ROIC 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.</p> <p>The vesting conditions are therefore tested at the end of the performance period and the Board determines the relevant number (if any) of PSRs that will vest and convert into shares.</p> <p>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).</p> <p>Any PSRs that do not vest following testing at the completion of the performance period, lapse.</p>
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SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY23 LONG TERM INCENTIVE – HOW DOES IT WORK? (CONTINUED)

Vesting	<p>PSRs vest following testing by the Board at the end of the relevant three year performance period.</p> <p>Prior to vesting, the outcome is assessed holistically against individual and Group performance to determine if any discretion to vary from formulaic results should apply. The Board will have the discretion to exclude the impact of significant acquisitions or capital raisings that are considered in the best long-term interest of AUB if these occur within the final 12 months of the performance period. Any discretion applied will be disclosed.</p> <p>If PSRs vest, the Board has discretion to issue new shares, acquire shares on-market or to cash settle to satisfy the PSRs that will vest.</p> <p>Participants receive one share for each PSR that vests or, if the Board determines, an equivalent cash payment.</p> <p>Shares allocated on vesting of the PSRs are subject to the terms of AUB Group's Securities Trading Policy and carry full dividend and voting rights upon allocation.</p>
Holding Lock	<p>There will be a holding lock for a period of one year from the date that the PSRs vest and convert into shares.</p> <p>During this period executives will be restricted from dealing with any of the shares allocated on vesting.</p>
Are PSRs eligible for dividends?	<p>For PSR grants issued after 1 July 2022, holders of PSRs are entitled to a cash equivalent of dividends paid during the performance period if the PSRs vest.</p> <p>There are no voting rights until the PSRs have vested and converted into shares.</p>
Cessation of employment – CEO and Managing Director	<p>If the CEO and Managing Director ceases employment before his PSRs vest, then the following treatment applies:</p> <ul style="list-style-type: none"> – 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 PSRs will automatically lapse; or – if employment is terminated with notice given by the Company or Mr Emmett, all unvested PSRs remain on foot and will be tested in the ordinary course.
Cessation of employment – Group Executives other than the CEO	<p>If a participant ceases employment before his/her PSRs vest, then the following treatment applies, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> – 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 PSRs automatically lapse; or – if employment ceases in any other circumstances, then a pro rata portion of the participant's PSRs (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. <p>If a participant ceases employment and holds vested PSRs which have not been exercised, then the following treatment applies, unless the Board determines otherwise:</p> <ul style="list-style-type: none"> – if employment is terminated for cause, then all vested PSRs automatically lapse; or – if employment ceases in any other circumstances, then all vested PSRs must be exercised within three months of cessation of employment. After this time, all vested PSRs are automatically exercised at a time determined by the Board.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 2 HOW VARIABLE REMUNERATION IS STRUCTURED (CONTINUED)

FY23 LONG TERM INCENTIVE – HOW DOES IT WORK? (CONTINUED)

Forfeiture and clawback	<p>The Board has broad 'clawback' powers to lapse unvested PSRs 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, to prevent a participant being entitled to an inappropriate benefit, or if there is a change of control event.</p> <p>The clawback policy also permits clawback of any shares allocated on exercise of the PSRs, as well as cash payments received on vesting and exercise of PSRs.</p>
What happens in the event of a change of control?	<p>There is no automatic vesting of PSRs on a change of control. The Board has discretion to determine the appropriate treatment regarding PSRs 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 PSRs based on the proportion of the performance period that has passed at the time of the change of control event.</p>
Restrictions on transfer or hedging	<p>PSRs granted under the LTI Plan are not transferable and participants are prohibited from entering into hedging arrangements in respect of PSRs.</p>

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

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 2019 to 30 June 2023 highlighting alignment between AUB Group's remuneration strategy and framework and group performance over the past 5 years.

Table 2: Summary of movement in shareholder wealth

	2023	2022	2021	2020	2019
Underlying NPAT (\$m)	129.11	74.02	65.30	53.15	46.71
Underlying EPS (cents)	129.32	96.70	86.12	70.61	65.74
TSR (%)	69.40	(18.58)	60.99	5.20	(10.50)
Share price (\$)	29.40	17.68	22.39	14.70	10.44
Change in share price (\$)	11.72	(4.71)	7.69	4.26	(3.14)
Dividends paid and proposed (cents)	64.0	55.0	55.0	50.0	46.0

Executive remuneration is directly aligned with group performance through STI measures of profitability, and LTI measures of EPS growth, capital efficiency, and TSR performance relative to constituents of the S&P/ASX Small Ordinaries Industrials Index.

AUB Group Limited (AUB) v S&P/ASX Small Ordinaries Industrials Index (AXSID)



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.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

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 FY23 STI award (performance period 1 July 2022 – 30 June 2023); and
- the FY21 LTI grant (performance period 1 July 2020 – 30 June 2023).

FY23 STI Outcomes

FY23 continued a run of strong performance for the Group and therefore the Board considered STI for FY23 and has provided for an accrual of \$5.96m for all Group STI participants (including deferred components of STI granted in prior periods).

Table 3: Group STI accrual outcome

(\$'m)	2023	2022	2021	2020	2019
Cash bonuses	5.96	4.74	4.01	3.57	0.88

Table 4: FY23 CEO Balanced Scorecard

FY23 Balanced Scorecard		
Performance Category and Weighting	Measures	Achieved (% of max)
Financial (70%)	Business profitability and financial performance: <ul style="list-style-type: none"> – % Growth in Group UNPAT; – % Growth in Tysers UNPAT; – Network growth, including value of M&A transactions (excl. Tysers); – % NZ Profit Growth; and – % Profit Growth in Agencies. 	100%
Network Partners and Customers (16.67%)	<ul style="list-style-type: none"> – Board Assessment of Network, Customer and Team progress; – Number of business optimisations (consolidations, simplifications and equity restructuring); and – Continued uplift in effectiveness of risk management and compliance processes and reporting. 	90%
Other (13.33%)	<ul style="list-style-type: none"> – Number of alternative Premium Funding Arrangements; – Successful completion of Tysers integration activities, including incentive schemes to retain key brokers; and – Scaling of IT platforms, including Lola development. 	93.33%
STI Scorecard outcome		97.44%

This resulted in an STI award of \$1,096,250 of which 70% will be paid in cash with the balance allocated to PSRs and will vest over 12 and 24 months. See section 2 of this report for further details.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 3 REMUNERATION OUTCOMES AND ALIGNMENT TO PERFORMANCE (CONTINUED)

LTI Outcomes

2021 LTI grant outcomes

100% of the total 2021 LTI grant will vest:

- 100% of the Relative TSR component will vest given that AUB Group's TSR was 141.09%, which resulted in AUB's percentile rank at 95.09% over the performance period;
- 100% of the EPS component will vest given that AUB Group's actual EPS AAGR across the performance period was 22.74%; and
- 164,436 PSRs will vest on 31 August 2023.

Table 5 below discloses the outcomes of the 2021 LTI grant. All unvested PSRs after testing will lapse.

1 July 2020 to 30 June 2023	Actual outcome
Total shareholder return (TSR) outcomes – 40% of total PSR grant* (65,775 PSRs)	
TSR of AUB Group Limited	141.09%
Percentile Rank	95.09%
Number of TSR PSRs vesting percentage under the 2021 LTI plan	100%
100% vesting of TSR PSRs where AUB Group's TSR ranking relative to Peer Comparator Group exceeds 75% percentile.	

Earnings Per Share (EPS) outcomes – 60% of total PSR grant* (98,661 PSRs)

1 July 2020 to 30 June 2023	Minimum entry target for vesting	Straight line for vesting	Maximum threshold target for vesting	Actual 3-year AAGR achieved (%)	Actual vesting outcome
	5% AAGR	5%-10% AAGR	10% AAGR	22.74%	N/A
EPS vesting percentage (of the 60%)	50%	50%-100%	100%	N/A	100.00%
Total percentage of EPS PSRs vesting under the 2021 LTI Plan					100%

* The vesting conditions in Table 5 apply to the 2021 LTI Plan.

Results of the 3 year testing of the CEO's 200,000 PSRs sign on grant.

A sign-on bonus of 200,000 PSRs was granted to the CEO and Managing Director that vest over five years. In the previous year, one third of the PSRs were tested over the three year performance period from 1 July 2019 to 30 June 2022.

The TSR and EPS hurdles for the sign-on PSR grant were the same as the hurdles for the FY20 grants.

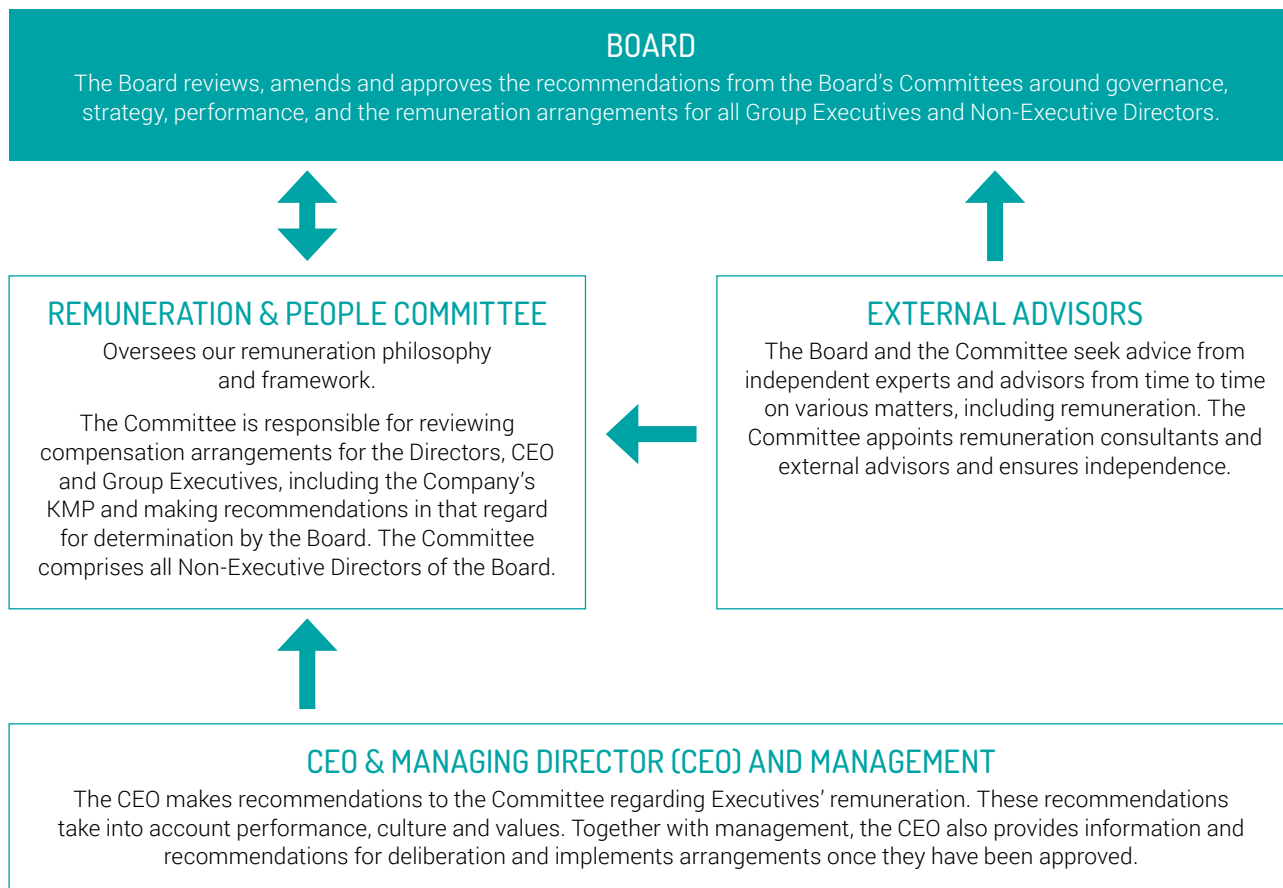
Based on the TSR and EPS outcomes (refer to the remuneration report included in the 2022 Annual Report), all 66,667 PSRs (both TSR PSRs and EPS PSRs) satisfied the performance hurdles and will therefore remain on foot and vest at the end of the 5 year period ended 30 June 2024, subject to the CEO's employment conditions.

The remaining balance of 133,333 PSRs (TSR and EPS) will be tested after the completion of the 5 year period ended 30 June 2024. Any unvested PSRs at that time will lapse.

SECTION 4 REMUNERATION GOVERNANCE

Overview

The following diagram illustrates AUB Group'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 2023

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 6: Executive Service Agreement terms

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

A total of 39,169 shares were acquired on-market by the Austbrokers Employee Share Acquisition Schemes Trust (at an average price of \$27.07 per share) during the Reporting Period to satisfy AUB Group's obligations under various equity and related plans.

Securities Trading Policy

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

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 5 NON-EXECUTIVE DIRECTOR REMUNERATION

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

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.

A further fee is payable to Non-Executive Directors who are directors of Tysers Insurance Brokers Limited, which is a wholly owned subsidiary of AUB Group. Non-Executive Director fees for the reporting period are shown in Table 7.

Non-Executive Directors do not receive retirement benefits other than amounts paid by way of the superannuation guarantee, 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 cap approved by shareholders

Non-Executive Directors' fees are set by the Board within the maximum aggregate amount of \$1,500,000 per annum approved by shareholders at the Annual General Meeting in November 2022.

Table 7: Non-Executive Director fees payable during the Reporting Period

1 July 2022 to 30 June 2023

Board fees per annum	\$ Amount (incl. of statutory superannuation)
Chair	240,000
Non-Executive Director	120,000
Committee Chair (Board Audit & Risk)	Additional 25,000
Committee Chair (Remuneration & People)	Additional 15,000
Committee Chair (Nomination)	N/A
Subsidiary Boards (excluding Tysers)	Additional 10,000
Committee member	N/A
Tysers Insurance Brokers Limited: Chair	GBP 100,000
Tysers Insurance Brokers Limited: Non-Executive Director	GBP 50,000

Non-Executive Directors Minimum Shareholding Policy

Non-Executive Directors are encouraged to hold AUB shares and the Board has endorsed a minimum shareholding policy for Non-Executive Directors to hold 100% of the annual director (or Board Chair) base fee within five years, commencing on the later of 1 July 2023 or the date of their appointment. The value of shares for determining compliance is the higher of cost or market value.

Our Non-Executive Director minimum shareholding policy is intended to align the interests of Non-Executive Directors with our shareholders. The Non-Executive Directors do not participate in any of our performance-based incentive schemes and have to acquire shares out of their own funds.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA

Table 8: PSR/SARs movements for the period

The LTI grants for FY23 and movements in all unvested PSRs previously granted to Senior Employees are summarised in the LTIP tables below:

GROUP EXECUTIVES (including KMPs)									
LTIP Financial Year (tranche)	Opening	Granted	Lapsed	Exercised	Remaining	Earliest vesting date	Lapse date	Fair value per PSR at grant date (\$)	Fair value to be expensed in the future (\$)
2019 (14 th)	4,873	–	(3,674)	(1,199)	–	31-Oct-21	31-Oct-25	10.72	–
2020 (15 th -5 year PSRs)	200,000	–	–	–	200,000	31-Aug-24	31-Aug-28	8.91	335,104
2020 (15 th -3 year PSRs)	101,219	–	–	(101,219)	–	31-Aug-22	31-Aug-26	9.37	–
2021 (16 th)	164,436	–	–	–	164,436	31-Aug-23	31-Aug-27	11.27	–
2022 (17 th)	144,879	–	–	–	144,879	31-Aug-24	31-Aug-28	18.02	788,720
2022 (DSTI)	–	39,169	–	–	39,169	31-Aug-23	31-Aug-24	19.02	–
2023 (18 th)	–	150,146	–	–	150,146	31-Aug-25	31-Aug-29	20.04	1,790,041
Total	615,407	189,315	(3,674)	(102,418)	698,630				2,913,865
Total Share Appreciation Rights	1,016,776	–	–	–	1,016,776	31-Aug-26	31-Aug-26	3.79	1,965,326

Shares issued as a result of the exercise of PSRs

During FY23, 101,219 PSRs were exercised and converted to shares in AUB Group Limited under the 2020 LTIP and 1,199 PSRs were exercised under the 2019 LTIP. The remaining 3,674 unvested 2019 LTIP PSRs, lapsed. The hurdles and vesting conditions for 2019 and 2020 LTIP were detailed in the FY22 financial statements.

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

Unissued shares

As at the date of this report, there were 698,630 unissued ordinary shares under PSRs as part of the LTIP that have not vested. Refer to Note 21 of the Financial Report for further details of the PSRs outstanding.

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

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 9: Shares held in AUB Group Limited at 30 June 2023

	Balance at 30-Jun-22	Shares acquired during the year	Shares disposed during the year	Balance at 30-Jun-23
Directors				
D. C. Clarke (Chair)	29,587	1,250	–	30,837
M. P. C. Emmett (CEO)	5,405	77,279	–	82,684
R. D. Deutsch ¹	–	1,000	–	1,000
P. G. Harmer	2,497	918	–	3,415
A. J. Kendrick ²	–	–	–	–
P. A. Lahiff	12,322	416	–	12,738
R. J. Low	23,196	1,250	–	24,446
C. L. Rogers	7,154	1,250	–	8,404
Executives				
M. J. Shanahan	14,301	14,319	–	28,620
Total	94,462	97,682	–	192,144

1. R. D. Deutsch was appointed as a Director on 3 November 2022.

2. A. J. Kendrick was appointed as a Director on 27 January 2023.

Table 10: PSRs/SARs holdings of KMP at 30 June 2023

	Balance at 30-Jun-22	Granted as remuneration	PSRs exercised	PSRs lapsed/forfeited	Balance at 30-Jun-23	Total PSRs/SARs at year end	
						Vested/exercisable	Not vested/not exercisable
Directors							
M. P. C. Emmett (CEO)							
PSRs	408,101	52,576	(76,029)	–	384,648	–	384,648
PSRs (DSTI) *	–	16,009	–	–	16,009	–	16,009
SARs	508,388	–	–	–	508,388	–	508,388
Executives							
M. J. Shanahan (CFO)							
PSRs	59,306	28,917	(14,319)	(1,341)	72,563	–	72,563
PSRs (DSTI) *	–	8,218	–	–	8,218	–	8,218
SARs	254,194	–	–	–	254,194	–	254,194

* PSRs granted as part of the FY22 deferred short term incentive scheme (DSTI).

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

During the current year a total of 189,315 PSRs were granted (105,720 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 2023 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 2023

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Compensation of Directors and other Key Management Personnel

Table 11: Statutory Reporting Basis – period ending 30 June 2023

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 expensed in the Company's Financial Report for the particular year.

	Year	Salary & fees	Cash short term incentive*	Equity Settled Short term incentive	Non monetary benefits	Post employment Super-annuation contributions	Share-based payment Equity PSRs/SARs**	Total remuneration	Total performance related
30 June 2023		\$	\$	\$	\$	\$	\$	\$	%
Non Executive Directors									
D. C. Clarke (Chair)	2023	217,195	–	–	–	22,805	–	240,000	0%
	2022	218,182	–	–	–	21,818	–	240,000	0%
R. J. Carless	2023	–	–	–	–	–	–	–	–
	2022	18,182	–	–	–	1,818	–	20,000	0%
P. G. Harmer***	2023	167,653	–	–	–	17,604	–	185,257	0%
	2022	102,937	–	–	–	10,294	–	113,231	0%
P. A. Lahiff	2023	122,172	–	–	–	12,828	–	135,000	0%
	2022	122,727	–	–	–	12,273	–	135,000	0%
R. J. Low	2023	145,000	–	–	–	–	–	145,000	0%
	2022	145,000	–	–	–	–	–	145,000	0%
C. L. Rogers	2023	108,598	–	–	–	11,402	–	120,000	0%
	2022	109,091	–	–	–	10,909	–	120,000	0%
R.D. Deutsch	2023	79,091	–	–	–	–	–	79,091	0%
	2022	–	–	–	–	–	–	–	–
A.J. Kendrick****	2023	153,916	–	–	–	–	–	153,916	0%
	2022	–	–	–	–	–	–	–	–
Executive Directors									
M. P. C. Emmett (CEO)	2023	971,762	767,376	328,874	2,922	27,500	1,530,697	3,629,131	72.39%
	2022	973,410	710,500	304,500	2,922	27,500	1,352,767	3,371,599	70.23%
Executives									
M. J. Shanahan (CFO)	2023	478,098	378,000	162,000	46,585	27,500	527,840	1,620,023	65.92%
	2022	454,425	364,723	156,310	71,060	27,500	365,598	1,439,616	61.59%
Total Remuneration	2023	2,443,485	1,145,376	490,874	49,507	119,639	2,058,537	6,307,418	
Total Remuneration	2022	2,143,954	1,536,033	460,810	73,982	112,112	1,718,365	5,584,446	

* STI amounts included above relate to the accrued provision in respect of the current year's performance that will be paid/settled during the following financial year. The 2023 amounts have been approved by the Remuneration Committee.

** Share based payments are calculated on the accrued cost to the Company recognising that PSRs issued to KMP will vest over 3 years (5 years for CEO sign-on PSRs and 5 years for SARs) after taking into account a 75% -100% probability that the Group will achieve the performance hurdles required for those PSRs/SARs to vest.

*** P.G. Harmer was appointed to the Tysers Insurance Brokers Limited Board on 1 October 2022. Remuneration is based on GBP 50,000 per annum.

**** A.J. Kendrick, joined the AUB Group Board on 27 January 2023. During the period he received an amount of AUD 51,613 based on an annual Directors fee of AUD 120,000. In addition to the AUB Group Board, A.J. Kendrick also received remuneration as chair of the Tysers Insurance Brokers Board, based on a fee of GBP 100,000 per annum. The remuneration received from 1 December 22 to 30 June 23 was AUD 102,303. Fees were converted based on an AUD/GBP exchange rate of 0.5702.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

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 performance share rights previously granted and an accrual for STIs. 30% of the FY23 STI will be settled by the grant of further performance share rights of which 50% will vest on 31 August 2024 and the balance will vest on 31 August 2025. There are no performance hurdles required for vesting of the deferred short term incentives settled as performance share rights other than continuing employment.

Table 12: Cash and vesting basis - period ending 30 June 2023

The table below outlines remuneration received individually during the year including the prior year STI paid in cash, including the deferred component, in the reporting year plus the benefit received from vesting of shares granted under the Employee Long Term Incentive Scheme.

	Year	Salary & fees \$	Cash short term incentive* \$	Equity settled Short term incentive \$	Non monetary benefits \$	Post employment Superannuation \$	Share-based payment PSRs/SARS** \$	Total remuneration \$	Total performance related %
30 June 2023									
Non Executive Directors									
D. C. Clarke (Chair)	2023	217,195	–	–	–	22,805	–	240,000	0%
	2022	218,182	–	–	–	21,818	–	240,000	0%
R. J. Carless	2023	–	–	–	–	–	–	–	–
	2022	18,182	–	–	–	1,818	–	20,000	0%
P. G. Harmer	2023	167,653	–	–	–	17,604	–	185,257	0%
	2022	102,937	–	–	–	10,294	–	113,231	0%
P. A. Lahiff	2023	122,172	–	–	–	12,828	–	135,000	0%
	2022	122,727	–	–	–	12,273	–	135,000	0%
R. J. Low	2023	145,000	–	–	–	–	–	145,000	0%
	2022	145,000	–	–	–	–	–	145,000	0%
C. L. Rogers	2023	108,598	–	–	–	11,402	–	120,000	0%
	2022	109,091	–	–	–	10,909	–	120,000	0%
R.D. Deutsch	2023	79,091	–	–	–	–	–	79,091	0%
	2022	–	–	–	–	–	–	–	–
A.J. Kendrick	2023	153,916	–	–	–	–	–	153,916	0%
	2022	–	–	–	–	–	–	–	–
Executive Directors									
M. P. C. Emmett	2023	971,762	710,500	304,500	2,922	27,500	1,696,055	3,713,239	73.01%
	2022	973,410	884,375	–	2,922	27,500	–	1,888,207	46.84%
Executives									
M. J. Shanahan	2023	478,098	364,723	156,310	46,585	27,500	319,428	1,392,644	60.35%
	2022	454,425	457,517	–	71,060	27,500	235,052	1,245,554	36.73%
Total Remuneration	2023	2,443,485	1,075,223	460,810	49,507	119,639	2,015,483	6,164,147	
Total Remuneration	2022	2,143,954	1,341,892	–	73,982	112,112	235,052	3,906,992	

* STI amounts paid during each financial year for performance during the prior financial year based on agreed KPIs. 30% of FY22 STI amounts were settled by grant of performance share rights of which 50% vest on 31 August 2023 and the balance on 31 August 2024. There are no performance hurdles required for vesting of the deferred short term incentives settled as performance share rights other than continuing employment.

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

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 13: Number of PSRs granted as part of remuneration

30 June 2023 (Grant year FY23)	Granted no.	Grant date	Fair value per PSR at grant date (see Note 21)	Exercise price per PSR (see Note 21) \$	Expiry date	First exercise date	Last exercise date
Directors							
M. P. C. Emmett							
PSRs	52,576	29-Mar-23	20.04	0.00	31-Aug-29	31-Aug-25	31-Aug-29
PSRs (DSTI)	16,009	2-Sep-22	19.02	0.00	31-Aug-24	31-Aug-23	31-Aug-24
Executives							
M. J. Shanahan							
PSRs	28,917	29-Mar-23	20.04	0.00	31-Aug-29	31-Aug-25	31-Aug-29
PSRs (DSTI)	8,218	2-Sep-22	19.02	0.00	31-Aug-24	31-Aug-23	31-Aug-24
Total	105,720						

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

Mr Emmett's grant of 52,576 PSRs under the Long Term Incentive Plan was approved by shareholders at the EGM on 28 March 2023, and this approval was for all purposes, including Listing Rule 10.14.

Deferred Short term Incentive (DSTI)

30% of the FY22 STI was deferred in the form of an equity award based on the 60 day VWAP for 30 June 2022. Half of the PSRs will vest on 31 August 2023 with the remaining PSRs vesting on 31 August 2024. No additional performance conditions apply to the vesting of these PSRs other than continued employment to the date the PSRs vest.

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

SECTION 6 STATUTORY REMUNERATION TABLES AND DATA (CONTINUED)

Table 14: Value of PSRs/SARs granted as part of remuneration (including PSRs/SARs vested or lapsed during the year)

30 June 2023	Value of PSRs/ SARs granted during the year*	Value of PSRs/SARs exercised during the year**	Percentage of remuneration consisting of value share based payments incurred during the year***	Shares issued on exercise of PSRs		Number of PSRs vested during the year	Number of PSRs lapsed during the year
				Number of shares issued on exercise of PSRs	Paid per share on exercise of PSRs		
	\$	\$	%	No.	\$	No.	No.
Directors							
M. P. C. Emmett							
PSRs	1,053,623	1,696,055	–	76,029	–	76,029	–
DSTI***	304,491	–	–	–	–	–	–
Total	1,358,114	1,696,055	40.24%	76,029	–	76,029	–
Executives							
M. J. Shanahan*							
PSRs	579,496	319,428	–	14,319	0.00	14,319	1,341
DSTI***	156,306	–	–	–	–	–	–
Total	735,802	319,428	40.67%	14,319	0.00	14,319	1,341
Total	2,093,916	2,015,483		90,348	0.00	90,348	1,341

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

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

*** Share based payments as a percentage of remuneration is calculated on the accrued cost to the Company recognising that PSRs issued to KMP will vest over 3 years after taking into account a 75 - 100% probability that the Group will achieve the performance hurdles required for those PSRs to vest.

SECTION 7 GLOSSARY

AAGR	Average annual growth rate (expressed as a %)
Balanced Scorecard	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
CAGR	Compound annual growth rate (expressed as a %)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
EPS	Underlying earnings per share
Executive KMP	Michael Emmett (CEO and Managing Director) and Mark Shanahan (Chief Financial Officer)
Group Executives	The CEO, CFO, Chief Broking Officer, Chief Underwriting Officer and Chief Legal & Risk Officer
KMP	Persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of AUB Group during the Reporting Period
LTI Plan	AUB Group's Long-Term Incentive Plan
Peer Comparator Group	Constituents of the S&P/ASX Small Ordinaries Industrials Index (AXSID), defined at the commencement of the performance period
PSR	Performance Share Right, with each right entitling the holder to receive one fully-paid ordinary share in AUB Group on vesting (or, if the Board determines, an equivalent cash payment). Vesting of PSRs may be subject to vesting conditions and performance hurdles
Relative TSR	AUB Group's compounded TSR measured against the ranking of constituents of the Peer Comparator Group
Reporting Period	12 months period ended 30 June 2023
ROIC	Return on Invested Capital – is a profitability or performance ratio that aims to measure the percentage return that AUB Group earns on invested capital. The ratio shows how efficiently the Group is using the investors' funds to generate income. Invested capital also includes interest bearing debt (net of cash and cash equivalents) but excludes lease liabilities.
SAR	Share Appreciation Right, with each right entitling the holder to receive fully-paid ordinary shares in AUB Group on vesting (or, if the Board determines, an equivalent cash payment). See remuneration report included in the 2022 Annual Report for further details.
STI Plan	AUB Group's Short-Term Incentive Plan
TSR	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
Underlying EPS	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.
Underlying NPAT	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.
VWAP	Volume weighted average price of shares in AUB Group traded on the ASX

DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2023

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 74 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 2023 were predominantly in relation to tax matters. Other services included independent investigation and reviews. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act (2001) Cth*. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. The amounts received or due to be received are detailed in Note 24 of the Financial Report.

Signed in accordance with a resolution of the Directors.



D.C. Clarke
Chair



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

Sydney: 22 August 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

1. SCOPE AND METHODOLOGY

1.1 INTRODUCTION

Doing the right thing by our people, our partners, our customers, our environment, and the communities in which we operate is part of our ethos. At AUB Group we recognise our responsibility in society towards creating a more sustainable future. We continue to embed ESG into our business strategy and operations. This is increasingly important as our business continues to grow year on year. With changing customer expectations and increasing demand for ESG engagement, sustainability is increasingly becoming a driver for success. The visible impacts of climate change increase the urgency for action and the need to continue to develop our ESG strategy, as well as support our customers also facing these risks.

We are a services organisation operating in more than ~570 locations globally. AUB Group's network of insurance intermediaries conduct business with clients and other stakeholders both face-to-face and remotely. We maintain office space in the locations in which we operate and our team travels to these office locations and client venues. We do not consume raw materials or manufacture any physical products so our environmental footprint and exposure to supply chain risks is limited to our direct operations.

During FY23, we continued to build on our ESG strategy and working towards achieving our ESG commitments. The Tysers acquisition is a direct response to serving our customers and providing them access to cover for harder to place climate risks. We have formalised our ESG targets into a balance scorecard approach, ensuring that we set ambitious ESG goals which will help us create long term sustainable value for our stakeholders. Our ESG priorities across each pillar are the result of extensive stakeholder engagement, including materiality assessments.

This report covers AUB Group's ESG management approach and associated activities for the year ending 30 June 2023. Unless otherwise indicated, ESG data is presented for the period from 1 May 2022 to 30 April 2023 (the 'reporting period'). This report includes the activities of our subsidiaries and their controlled entities at the end of the reporting period. The data for these subsidiaries has been presented for the full year, irrespective of when control was obtained, and comparative information has been represented where necessary.

Governance is a key aspect on delivering on our ESG strategy and in ensuring we have the right policies and processes in place to support our ESG commitments. As further detailed within this report, the Board, in consultation with the Board Audit and Risk Committee, oversees and approves AUB Group's ESG activities, including our strategy, policies and procedures.

1.2 GLOBAL POLICIES AND PRINCIPLES

We recognise the need to provide our stakeholders with clear and transparent ESG reporting. This report has been prepared considering the guidance provided by the Global Reporting Initiative (GRI) Standards 2016. We have also considered the United Nations Sustainable Development Goals and disclosed in this report the areas where we believe we can have the greatest impact. We will comply with a globally accepted ESG reporting standard by FY25.



1.3 THEMES THAT MATTER - STAKEHOLDER ENGAGEMENT AND MATERIALITY

Social responsibility and caring for our environment are aligned with our stakeholders' interests. Listening to our stakeholders diverse needs, helps us adapt and shape our approach to ESG, and identify the key themes that matter to them.

In 2021 we conducted a materiality assessment to develop our fundamental ESG principles and identify our most important focus areas. The materiality assessment involved:

- Engaging expert advisors;
- A desktop review and of industry trends and leading practice in ESG;
- Interviews with internal and external stakeholders to determine material topics and their relative importance; and
- An assessment of our impact areas against the UN Sustainable Development Goals (SDGs).

The three areas of employees, customers and social and environment are the themes under which our material impacts are organised. Our strong relationship with our partner businesses is an essential component of our framework, and our ethics and integrity underpin everything that we do; they guide us in our approach to all of our stakeholders and business activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

Material Topics identified

Ethics and Integrity:

- Responsible business and governance;
- Integrity and ethical behaviour;
- Responsible investment;
- Financial resilience and profitability;
- Trust, transparency and disclosure;
- Fair insurance broker commissions;
- Compliance; and
- Data security and privacy.

Employee:

- Partner relationship advocacy;
- Employee training, development, and retention; and
- Health, Safety and wellbeing.

Customers:







- Technological transformation; and
- Product innovation.

Social and Environment:

- Climate change, environmental sustainability, and stewardship;
- Social responsible engagement and reconciliation; and
- Responsible supply chain.

During 2023 we reviewed the outcomes of the materiality assessment and confirmed that the topics identified remained our most important focus areas. Additionally, we considered stakeholder feedback obtained throughout the year from our stakeholders and whether this has any impact on our ESG strategy, ensuring we are agile and continuing to focus on the themes that matter most. We plan to undertake a materiality assessment every 3 years, with our next assessment to be completed in FY24.

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:

STAKEHOLDER	DESCRIPTION	INTEREST
CUSTOMERS 	Our network partners are in regular direct contact with their customers. They collect and analyse customer feedback through a range of interactions such as one on one meetings, online surveys, social media and focus groups. This helps to ensure that we are aware of, and able to respond to, the evolving needs of customers. A hardening commercial insurance market over the past 5 years has impacted the price and availability of insurance cover for our customers.	Acting fairly and in their best interest. Providing access to insurance. Reducing cost pressures. Deliver a reliable and secure service.
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.	Responsible investing. Good governance practices. Oversight of decentralised group.
EMPLOYEES 	We conduct regular employee engagement surveys, industry benchmark research and regular team meetings to keep our employees up-to-date on the latest company and industry developments. Using feedback and research we set targets to appropriately respond to employee issues.	Development opportunities. Market tested salaries. Technology to eliminate repetition. Flexible arrangements. Diversity targets and plans.
GOVERNMENT AND REGULATORS 	We engage with Federal and state-level governments, regulators and industry bodies through meetings and formal policy consultation submissions to advocate for issues important to our stakeholders. We ensure we comply with regulation and proactively adopt key principles of upcoming changes and best practice.	Good governance practices and risk mitigation. Strong asset management and protection.
SUPPLIERS 	We hold formal and informal meetings with our top suppliers including IT, product suppliers, insurance underwriters and finance providers.	Prompt payments to small businesses. Supply chain integrity.
COMMUNITY 	We engage with the communities in which we operate through volunteering, fundraising initiatives and events, workshops and funded programs.	Being a good corporate citizen Giving back through volunteering and charity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

1.4 OUR SDG CONTRIBUTION

Our approach to ESG supports the United Nations Sustainable Development Goals (SDGs). As our business continues to grow internationally, supporting these global goals is increasingly important for the Group. AUB Group have identified priority SDGs where we believe we can have the greatest impact and have incorporated the goals into our broader ESG framework.

SDG

WHAT AUB GROUP IS DOING AND WHERE IS OUR FOCUS



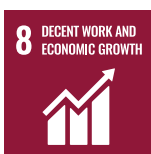
We ensure our employees have a safe working environment and offer them health and wellbeing programs and initiatives. With greater numbers of employees working remotely, we are mindful of the need to monitor and address the impact on their mental wellbeing as well as look to broader health and wellbeing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

We use Officevibe, a platform which prompts employees to complete fortnightly surveys anonymously and provides resulting insights to management. The tool enables us to collect continuous feedback from employees on range of topics including well-being.



As with others in our industry, reaching gender balance throughout AUB Group remains a challenge. We have assessed our recruitment, selection and retention processes and explored opportunities to improve gender equality at all levels across the organisation. Our longer term gender balance goal is to achieve 40:40:20 (40% men, 40% women and 20% open) – at all levels of our organisation.

During FY23 we completed a review of Group wide pay to identify whether there was any gender pay gaps within the Group that need to be addressed. As a result of this review, we have identified measures to improve our gender pay equity that we will focus on during FY24.



We stay at the forefront of market developments so that we can offer our customers the best technology and product solutions for their needs. Developments and better use of customer data have led to greater choice, and a more efficient & customised experience.

We negotiate terms with underwriters to enable our customers to obtain the most affordable and appropriate protection for themselves, their workers and their families. We provide our employees opportunities to develop their careers with us through internal and external training and study assistance. We have strengthened our training platform and program, with the objective organisation-wide engagement and alignment with key policies and commitments. We introduced an updated Modern Slavery Policy to address modern slavery risks within our operations, supply chains and investment activities.

We are committed to continuous assessment of potential modern slavery issues in our supply chain and focusing on developing our approach to quantifying and managing impacts.



We contribute to our communities through volunteering and fundraising. Our decentralised business model means that our partner businesses are free to contribute to causes and local communities at their own discretion. We plan to support this activity by developing partnerships with our community stakeholders and our partner business to address inequalities.

The roll-out of our 'Do Good, Be Better' program during the year saw increased volunteering hours across the group. Our AUB Community Day grants employees a day of paid volunteer leave to participate in community activities such as volunteering, mentoring, and working with charities and other not-for-profit organisations. The AUB Community Day includes partnerships with community groups who benefit from our involvement and support to deliver their mission.

During 2023, the Group has contributed over \$1.2m (FY22: \$1.2m) of donations to a range of organisations. This is comprised of:

Direct contributions to charities from the Group of \$374k (FY22: \$507k);

Indirect contributions to charities through foundations run by the Group of \$435k (FY22: \$315k); and

Direct and indirect contributions of the Group's associate businesses of more than \$350k (FY22: \$325k).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

SDG

WHAT AUB GROUP IS DOING AND WHERE IS OUR FOCUS



We make efforts to manage our environmental footprint. This includes measure such as carbon offsetting, switching to renewable energies and measuring our scope 1, 2 and 3 emissions. We carbon offset our business travel emissions.




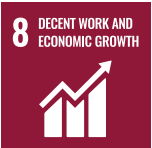

We are committed to net zero emissions by 2050 for wholly owned group entities.

We are working to improve how we measure and report on our environmental impacts and our long-term approach to mitigate climate change, including by developing our ESG reporting to comply with a globally accepted ESG reporting standard by FY24.

2. ESG BALANCE SCORECARD





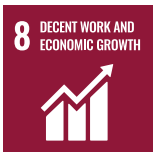

AUB Group have committed to a range of short to longer term ESG targets, as reviewed and approved by our Board of Directors. These targets support our wider ESG strategy, as well as our contribution to the UN SDGs. AUB Group is comprised of a number of controlled entities, who are either fully owned or majority owned entities. Some of our targets range from group wide or with initial focus on wholly owned entities and commitment to expand the target to all controlled entities in the subsequent year.

Our balanced scorecard represents our commitments for FY23 and our progress against these.

FOCUS AREA	MEASURE	PROGRESS
Environmental Governance (Environment)   	Extend renewable energy and carbon offset model to others in the Group	During the year, additional group entities switched to 100% renewable energy usage in their offices. In FY23, 38% of the Group's energy usage was from renewable resources. We are committed to continuing to rollout the renewable energy model to additional entities in the Group and increasing our renewable energy usage. AUB head office entities and Tysers currently are part of carbon offsetting programs, offsetting 100% of scope 3 emissions from business flights. Tysers began carbon offsetting in July 2022 and AUB head office entities from October 2022. We will extend carbon offsetting to other entities in the Group during FY24.
Employee Development (Social)  	Minimum of 20 hours training in addition to ethics training for all AUB Group head office staff	During FY23, all head office employees completed on average 20.7 hours of training (FY22: 19.5). This training was completed on LITMOS, our centralised learning and development (L&D) platform.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

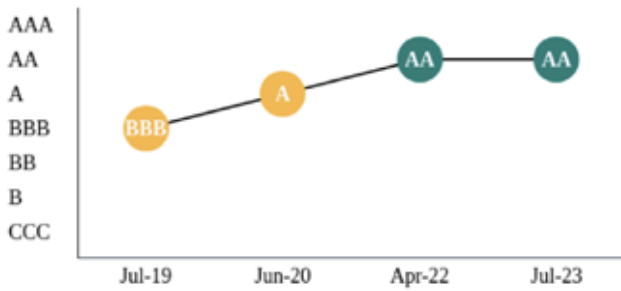
YEAR ENDED 30 JUNE 2023

FOCUS AREA	MEASURE	PROGRESS
<p>Community Investment (Social)</p> 	<p>Rollout of a donation and volunteering model</p>	<p>We launched the following as part of our 'Do Good, Be Better' initiative;</p> <p>AUB Community Day grants a day of paid volunteer leave to all AUB had office employees to participate in community activities such as volunteering, mentoring, and working with charities and other not-for-profit organisations. The AUB Community Day includes partnerships with community groups who benefit from our involvement and support to deliver their mission.</p> <p>AUB Giving programme allows our team members the freedom to support causes they are passionate about via pre-tax donations, deducted directly from their pay, with AUB Group matching each donation up to a maximum of \$1,000 per head office employee per annum. The program will also become part of AUB Group's performance recognition process with the option to receive 'charity gift cards' instead of other financial awards. At launch, all employees received a one-off \$50 in their AUB Giving account to facilitate donations to the charities of their choice.</p>
<p>Social Governance (Social)</p>   	<p>Assess strategic measures to be implemented to achieve long term gender balance objective of 40/40/20</p> <p>Benchmark and assess strategic measures to assess and eliminate any gender wage gap.</p>	<p>The Group has a target to achieve 40:40:20 (40% men, 40% women and 20% open) – at all levels of our organisation. During the year, a gender wage assessment was completed across the Group. As a result of this assessment, we have identified focus areas for FY24 and are assessing measures to eliminate any gender wage gaps identified.</p>
<p>Corporate governance over M&A (Governance)</p>  	<p>ESG metrics formally codified within M&A checklist</p>	<p>We have taken initial steps to formally build ESG metrics into our M&A checklist.</p> <p>This goal will be finalised during FY24.</p>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

ESG RATING HISTORY



We are proud of our MSCI rating. Our rating from MSCI has consistently improved since their initial assessment in 2019 and we are pleased to have maintained our rating during FY23. For our stakeholders on average the most material areas of focus relate to the Governance Pillar. In this regard we proactively work to uplift the Group's governance through hiring skilled employees in the right positions, and a drive to achieve best practice outcomes. The improvement in our score is a reflection of this journey.

3. ESG GOVERNANCE

AUB Group is committed to high standards of corporate governance. Embedding ESG into our existing business is key to optimising our impact and therefore it is treated as a key part of our system of governance.

AUB Group's Board comprises three Board Committees that guide our governance activities in respective areas according to their Committee Charters and Group policies.

Board structure and responsibilities

AUB GROUP LTD BOARD

BOARD AUDIT & RISK COMMITTEE REMUNERATION & PEOPLE COMMITTEE NOMINATION COMMITTEE

The Board of Directors is responsible for the corporate governance of AUB Group and ensuring high standards of governance are maintained across all the aspects of Group's business and operations. The Board guides and monitors the business and affairs of AUB Group on behalf of stakeholders. Our corporate structure ensures that the Board maintains an appropriate level of oversight over our operations.

The Board, in consultation with the Board Audit and Risk Committee (BARC), 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 of our ESG activities.

During the year, to further embed and support our ESG governance, AUB Group established a new ESG related committee run by management.

The BARC endorses all ESG targets, progress is formally reported in BARC meetings held every 2 months, and reviews all ESG materials, and outcomes of ESG rating agencies assessments. The BARC also approve our ESG report prior to publication, ensuring that all material topics are appropriately reported on.

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.

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:

www.aubgroup.com.au/corporate-governance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

4. ENVIRONMENT

Environmental sustainability is integral to a strong, secure future. AUB Group is committed to being a responsible and sustainable organisation.

4.1 RISKS AND OPPORTUNITIES

Climate change presents a number of risks and opportunities for all sectors, including the insurance industry. These include direct damage to assets or property from climate related events, pricing and demand changes flowing 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 risk to some customers and as these events become more regular, the cost of insurance may become prohibitive and certain risks may become uninsurable. This has direct impact on AUB Group Limited as a broking and underwriting group.

AUB Group believes that we must take climate risks seriously to ensure the viability of our business as well as identify opportunities to change and grow in a changing world. We acknowledge the science and are supportive of global efforts to decarbonize the economy. We are committed to net zero emissions by 2050 for wholly owned Group entities.

We are working to align 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). We have made an initial assessment of our risks and opportunities against the TCFD, and will comply with a globally accepted ESG reporting standard by FY25.

We are committed to reducing the environmental impact of our direct operations, including reduced emissions and carbon offsetting, reducing energy and water/waste consumption. Our specific climate goals are set out in our ESG scorecard.

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

OUR OBJECTIVE	HOW WE ACHIEVE IT
Reduce water and energy consumption	<ul style="list-style-type: none">– Reducing and consolidating office space.– 4/1 work from home program for Sydney-based agency and head office staff, where employees work from home 4 days a week.– Measuring Scope 1, 2 and 3 emissions across the AUB Group.– Monitoring and reducing water consumption year-on-year.– Monitoring and encouraging carbon offsets purchase and use of renewable energy. Head office and a number of other businesses' energy supply switched to fully renewable sources.– 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.– Use of energy efficient lighting in our office buildings.<ul style="list-style-type: none">– 5 buildings in the target emissions group have an average energy rating of 4.5.– 4 buildings in the target emissions group have an average water rating of 4.5
Minimise waste, and encourage the reuse and recycling of waste items	<ul style="list-style-type: none">– Actively encouraging recycling of paper, glass and aluminium. We also provide printer toner cartridge recycling stations in each office.– Encouraging our employees to use reusable water bottles, cups, and mugs while in the office to reduce waste.– 2 buildings in the target emissions group have an average waste rating of 2.8.
Promote sustainable transport to employees, clients, and suppliers	<ul style="list-style-type: none">– 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).– Encouraging video and audio communication to reduce air and road travel.– Carbon offset purchase for corporate travel.
Support sustainable procurement and other sustainable work practices	<ul style="list-style-type: none">– Procuring environmentally friendly office supplies.– Adopting digital solutions to reduce our use of paper and our need for business travel.– Reducing our paper usage by setting printers to print double-sided output.– Equipping our employees with knowledge and training to minimise their own environmental footprint.– Actively engaging with our network partners on good ESG practices.

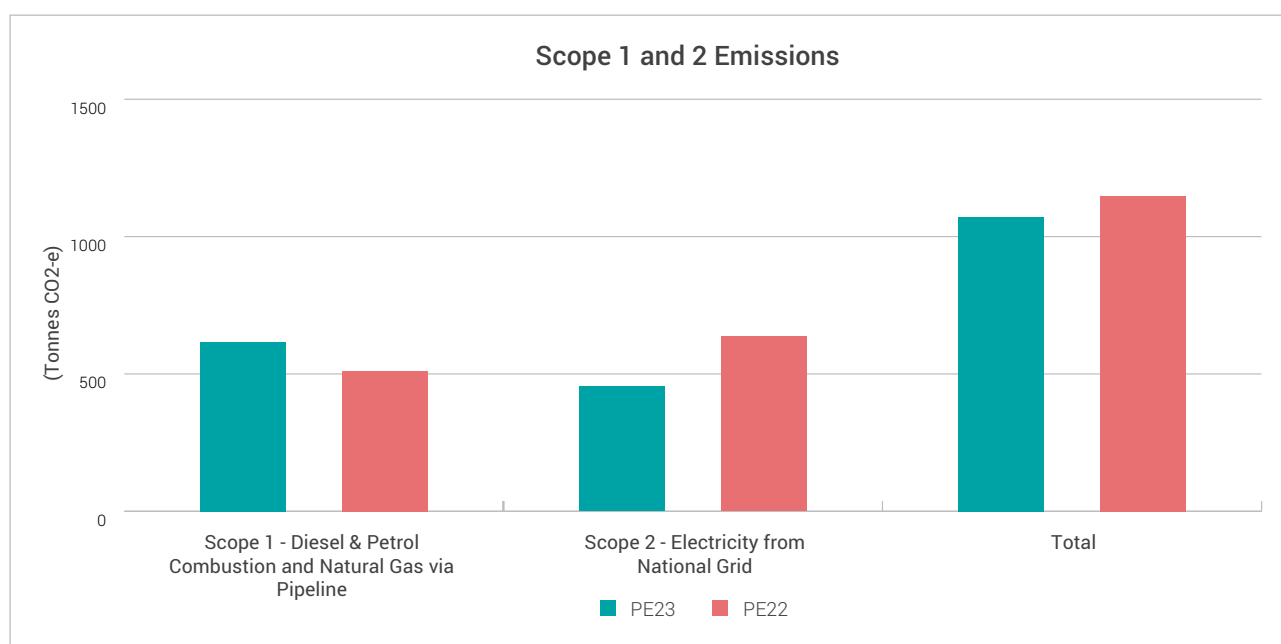
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

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, 2 and 3 emissions.

- Scope 1 emissions relate to emissions from our car fleets.
- Scope 2 emissions relate to energy we purchase from the electricity grid.
- Scope 3 emissions are the result of activities from activities not directly controlled by the Group and consists of activities in our supply chain. This includes business travel.



The Graphs include impacts of newly acquired entities if they had been in the Group for the full period. The increase has been due to the growth of the business, primarily through acquisitions. Pleasingly carbon emissions per employee continues to fall compared to FY22.

	2023	2022	Movement, %
Scope 1 and 2 Emissions, tCO2-e/employee	0.44	0.50	(12.00%)

AUB operates a 4/1 work from home program for our North Sydney head office, where employees of AUB Group, our agencies and two brokerages work from home four days a week. This has allowed our staff greater flexibility and control over their working hours and reduced our office space needs. We have sub-let or surrendered a number of offices. We continue to monitor our emissions across the AUB Group and explore initiatives to reduce them.

Scope 3 emissions and carbon offsets

AUB head office entities and Tysers use carbon offsetting programs, offsetting 100% of scope 3 emissions from business flights. Tysers began carbon offsetting in July 2022 and AUB head office entities from October 2022. As this is the first year of our carbon offsetting programs, no prior period comparatives are applicable.

	2023 Scope 3 Emissions	2023 Total Emissions Offset	2023 Scope 3 Net Emissions
tCO2 from business flights- Tysers and AUB Head Office entities	4,820	(3,217)	1,603

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

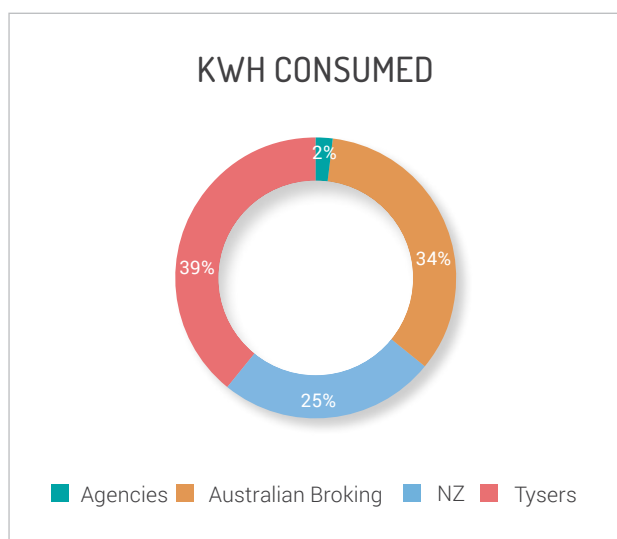
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Energy consumption

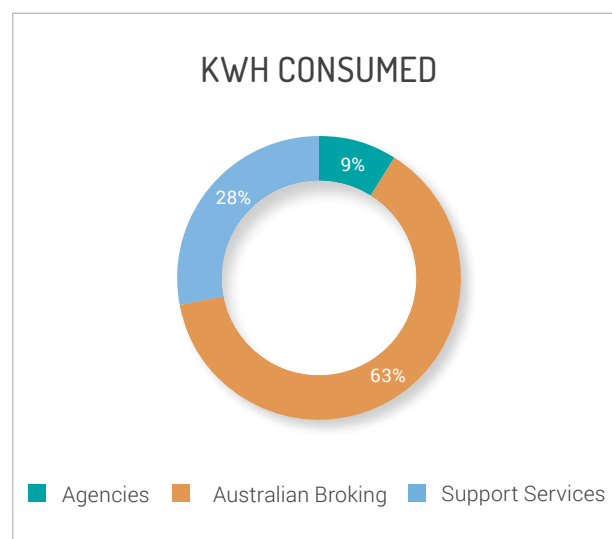
As a services organisation, our energy consumption relates to energy used to power our offices. In April 2022, AUB head office entities switched to renewable energy. During FY23, 15% of our total electricity usage was derived from renewable sources. This is expected to increase in FY24 as the renewable energy model is extended to others in the Group.

	2023	2022
Total energy consumption (kWh) 000's	2,012	1,352
Renewable (%)	15%	1%

Energy consumption by segment from non-renewable sources



Energy consumption by segment from renewable sources



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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

5. SOCIAL

The pillars of our social approach are **community**, our **customers** and our **people**.

5.1 OUR COMMUNITY INVESTMENT

AUB Group is committed to supporting the communities in which operate, and to manage our wider social responsibilities. We recognise the importance of focusing on economic and social wellbeing by supporting our local communities.

Do Good, Be Better

During FY23, we successfully launched our AUB Group 'Do Good, Be Better' initiative' which is designed to support the aspirations of our teams and employees to make a difference to the causes they care about most. Initially offering paid volunteer leave and donation matching, in partnership with The Good Company.

AUB Community Day

During the year we granted a day of paid volunteer leave to all AUB Head Office employees to participate in community activities such as volunteering, mentoring, and working with charities and other not-for-profit organisations. This includes partnerships with community groups who benefit from our involvement and support to deliver their mission – whether by assisting the homeless, supporting children in need, working at schools or volunteering at animal shelters.

AUB Giving

The AUB Giving program allows our team members the freedom to support causes they are passionate about via pre-tax donations, deducted directly from their pay. During FY23 AUB Group matched each donation up to a maximum of \$1,000 per head office employee per annum. Since the launch of the program, there has been \$18.4k of donations. This is a positive uptake and we expect to further the uptake in FY24 as the program becomes more established. The program will also become part of AUB Group's performance recognition process with the option to receive 'charity gift cards' instead of other financial awards. At launch, all head office employees received a one-off \$50 in their AUB Giving account to facilitate donations to the charities of their choice.

Tysers

Tysers donates fortnightly to charities chosen by employees. Since launching in 2019, over 60 charities have benefited from this scheme. During 2023, Tysers also selected a charity via employee vote to support via donations and an employee volunteer program. The chosen charity operates in the UK to help those impacted by homelessness.

Our network partnerships and initiatives

AUB Group and our partners support community organisations, such as charities and sporting clubs, through fundraising, sponsorship, and volunteering. Because our partners are located in a wide range of locations, 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 FY23, our employees volunteered over 1,079 hours to charitable causes.

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 charity the Primary Club of Australia (PCA). The event raises funds for the PCA, which gives people with disabilities the opportunity to experience the joy and exhilaration that comes from playing cricket. We also actively support other PCA events that take place throughout the year.
- Major sponsor of the Lloyd's Australia Golf Day. In 2022, 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. Our sponsorship enables the AllKids staff to work with local public schools, teachers and principals, local government, commune officials and families to give all children in their community access to quality education. Throughout the year we sponsored the education of 10 children in Cambodia through the AllKids Kids to School program.
- Sponsorship for 4 students studying English in Cambodia to attend the Central Coast Grammar School and develop educational skills to assist the teachers at Sunrise Cambodia, an organisation that provides care for at risk children. This includes the provision of a home, food, clothing and education including English and computer lessons.
- 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, IA and its Foundation has contributed over \$3m to more than 50 different charities. Each year over \$400k is donated to a variety of community fundraising initiatives, including charities such as Men's Shed Association, Tour De Cure, Act for Kids, South Australian Health and Medical Research Institute, Starlight Foundation and Pancare.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

- Adroit Insurance and Risk, based in regional Victoria and Albury 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 variety of local community groups, organised and hosted many fundraising events and volunteered over 400 hours of staff time. Adroit has proudly supported foundations and their projects including, The Power In You Project who help those affected by substance, mental health or justice related challenges, Ballarat Health Services by raising funds to purchase two new infant resuscitation cots – for the Emergency Department and the Operating Theatre, and The Border Trust Foundation – various projects within the Albury Wodonga region including, financially assisting families to get their children back to school.

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

Commitment to fair tax contributions

AUB recognises that without taxes, communal investment including development of future talent through formal education opportunities would suffer. We benefit from this communal investment and as such believe we have an obligation to pay a fair share of taxes. AUB's Board has a strict policy to operate within the law and not to take aggressive tax positions, or operate within tax havens.

Our aim is to avoid any tax controversies and to pay a fair share of our profits as taxes in each country we operate in. In FY23 the Group paid \$32.34m (FY22: \$26.9m) in income tax, and \$21.9m (FY22: \$6.7m) in payroll tax. In addition, our associates (companies we don't control) pay taxes at similar rates.

The Effective Tax Rate for the Year Ended 30 June 2023 was 28% (2022: 18%). The Group's tax rate is below the main effective tax rate in Australia of 30% largely as a result of the \$9m tax impact of entities that are accounted for on an equity basis. Entities accounted for on an equity basis are fully tax paying in Australia, however for accounting purposes the related tax expense is reflected in the net return on the investment rather than the tax expense of the Group. This is offset by a \$4m increase in the tax charge resulting from expenses that are not deductible for tax purposes which principally relate to fees incurred when acquiring new businesses in the year.

The increase in the effective tax rate of 10% is largely the result of a net loss on the adjustment to carrying value of investments in 2022 (see Note 4f of the Notes to the Financial Statements), that did not have an associated tax credit, which did not recur in 2023. The main impact on the tax rate in future years is expected to be the continued profitability of the business accounted for under the equity accounting rules as discussed above, the change in geographic profile of the earnings of the Group and any changes in tax legislation.

5.2 SUPPORTING OUR CUSTOMERS

Our customers are at the heart of everything we do. Our approach is based on our commitment to high-quality service and seeks to support our customers in safeguarding their future. Every day we provide valuable support through market-leading technology and products backed by strong customer service.

Customer Engagement

Our partners and their employees actively engage with our customers and earn their long-term trust by providing high standards of customer service. 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.

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 resources on these requirements and provides support, as and when required, to meet regulatory notification and ongoing reporting obligations. Customer complaints are monitored by Group Risk and Compliance, and are reported to the Group Board Audit and Risk Committee on a regular basis.

Technological Transformation

To deliver a stable, reliable and secure service to our partner businesses, we provide an opt in centrally managed network and infrastructure services. This centralised technology service leverages our scale and helps partners better serve their clients confidently. All data is backed up and secured in our dedicated Sydney data centre with a second back up datacenter site in Melbourne. AUB Group has made several strategic acquisitions which uniquely position us to transform our broker platform experience. We now have the building blocks to create a cohesive modern suite of digital broker solutions. In addition, our Underwriting Agencies have transitioned to a new digital platform which will better enable them to serve brokers and clients.

Product Access and Innovation

We keep abreast of product innovation to ensure our partners are constantly meeting our customers' needs. We provide our partners with 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 assist our partners to optimise their businesses by facilitating 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 2023

The acquisition of Tysers represents significant acquisition during the period to increase capacity and support hard to place insurance risks. Tysers is a leading Lloyds and London based broker with access to specialist underwriting expertise and global distribution capabilities. Tysers operates primarily out of the UK but has operations in more than a dozen countries including the United States.

The acquisition represents vertical integration of wholesale insurance in the Group. The acquisition will enable the Group to enhance client service, by increasing capacity for harder to place risks for our clients direction of wholesale placement from our Agencies to Tysers. The acquisition will also provide Brokers and Agencies across the Group to access capabilities and facilities in the Lloyd's and International markets.

Digital Confidence

Ensuring that we have robust data privacy and security measures helps us to improve customer experience and develop trust with our customers.

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

Cyber Security- AUB Group has designed and implemented a suite of core capabilities to manage cyber security and cyber risk, including the establishment of a set of strategic objectives to an industry aligned cyber security framework and a roadmap focused on embedding solid foundations. We have developed a capability whereby our cyber posture is continually assessed and enhanced. Taking a risk-based approach to prioritising the cyber roadmap initiatives, we are focused on meeting our strategic information security objectives and managing risk consistent with enterprise risk appetite and tolerance levels. The minority of partner firms within the group who manage their own IT services and security, are subject to AUB's Security Policy and IT Service Standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

5.3 OUR PEOPLE

Our employees are a critically 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.



For the second year in row, an independent review conducted by Great Place to Work benchmarked the staff of AUB's Sydney office against peers globally and certified AUB as a Great Place to Work. Of approximately 300 employees surveyed: – 98% believe it is a safe place to work – 95% believed they are treated fairly regardless of their race or sexual orientation – 89% believed they are treated fairly irrespective of their gender or age – 88% believed they can take off time when they believe it's necessary – 89% average score for justice.



Employee Development

We are committed to ensuring that our employees get a sense of fulfilment from their work. We do this by providing them with ongoing 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 ensures that insurance broker employees receive the necessary 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.

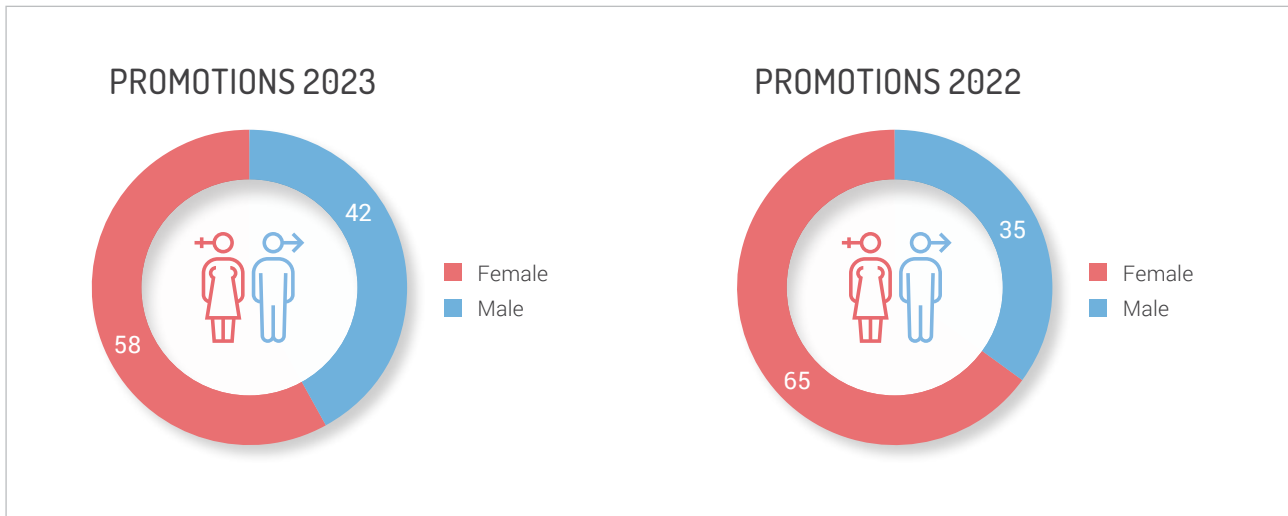
Our Agency Division and Head Office employees complete their ongoing training requirements online through the LITMOS learning management system. Our agencies' training managers are responsible for running LITMOS, ensuring that the available learning material meets the relevant training requirements and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

During the year, training hours for our employees across the group remained consistent with the previous year. In FY23, employees undertook an average of 21.1 hours of training each, including our broker and agency employees.

	2023	2022	Movement, %
Employee training hours (includes compliance related)	46,757	46,975	(0.5)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023



Employee Engagement

We use our Employee Net Promoter Score (eNPS) to assess employee engagement based on their willingness to recommend the organisation to others. AUB Group's head office employee satisfaction is measured regularly and reflects a strong level of overall satisfaction, especially with respect to how our employees feel about their relationships with peers and their managers.

We utilise Officevibe, a dynamic online employee engagement platform. The platform prompts employees to complete 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 has been rolled out to our head office teams as well as to all Sydney, Melbourne and Brisbane teams in our agencies, and a number of brokers in the Group.

Diversity and Inclusion

Gender parity is integral to a dynamic balanced workforce. We are working to improve gender balance across the AUB Group. We have 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.

Our longer term gender balance goal is to achieve 40:40:20 (40% men, 40% women and 20% open) – at all levels of our organisation. We recognise this is a long-term commitment and that the insurance industry as a whole will require substantial work in this space.

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

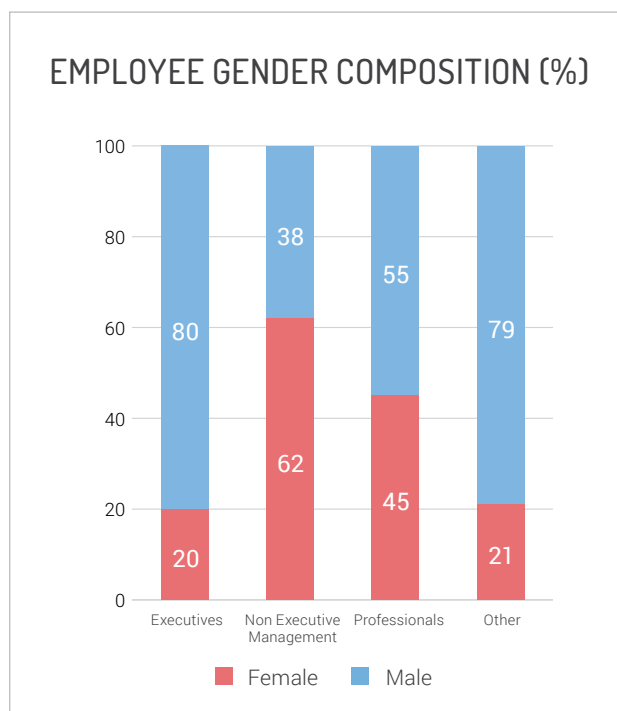
- Seeking to achieve gender diversity in the composition of our board and with a target of 30% female directors;
- Mentoring and career resiliency programs that are focused on giving female staff equal opportunity to rise to senior positions;
- Regular remuneration reviews to ensure remuneration is relevant to the market and commensurate to the role regardless of gender;
- In January 2023 Tysers joined Insurance Cultural Awareness Network (iCAN) as a bronze sponsor. iCAN is an industry-wide independent network that supports multicultural inclusion across the UK insurance sector. It aims to bring the industry together to share best practices and to promote multicultural inclusion in the workplace; and
- Tysers' Charity Initiative donations for March were directed to Smart Works which provides interview training and clothing to help low-income women in the UK improve their confidence, secure employment and gain financial independence.

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](#).

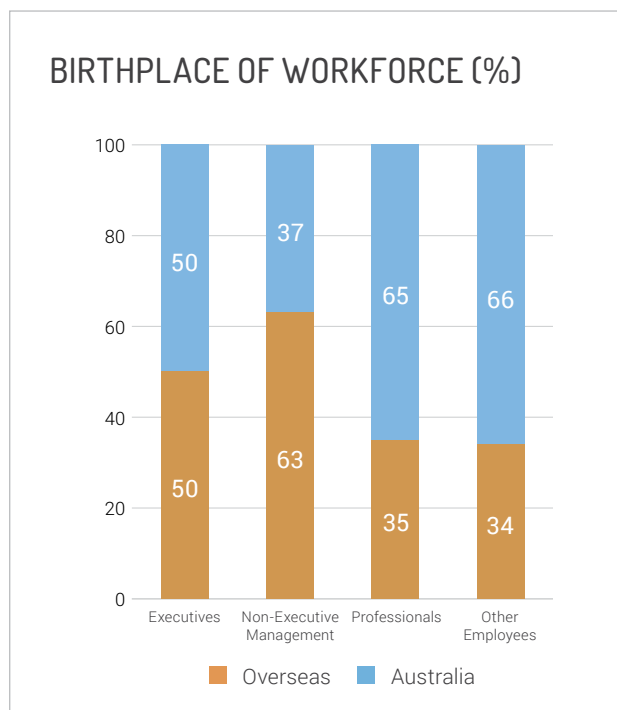
As at 30 June 2023 AUB Group and its controlled entities had a total of 2,433 (FY22: 1,208) employees with women representing 58% (FY22: 61%) across the Group. We're pleased to report that throughout the year approximately 58% (FY22: 65%) of our internal promotions were female, demonstrating that the efforts we are making to support the careers of our female employees are delivering results. During the year, 65% of our new hires were female.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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We also recognise our workforce and that of Australia as a whole is built on migration. 30% of Australians were born overseas, and our workforce reflects this at all levels.



We will 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.

Talent Attraction and Retention

We see increasing demand for talent across several 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 engaged with their roles. We conduct exit interviews to help management ensure that organizational issues are identified and dealt with. Employee turnover across the Group was 17% in 2023 compared to 20% in 2022. The volatility was experienced particularly around new starters and casual employees as the industry and Australia as a whole struggles with a shortage in the employment market.

Absenteeism can be a lead indicator for poor wellbeing. We recognise equally a very low absentee rate indicates employees being over worked. We aim to keep absentee rates below 5% (excluding paid annual leave). We encourage all our employees to utilise their full entitlement to paid leave each year.

Fair Remuneration

Many of our employees are highly skilled and their remuneration reflects their value to AUB and the market. We recognise our responsibility to ensure all our staff are able to achieve a livable wage (60% of the median wage). We have benchmarked the lowest paid employees to an FTE equivalent to ensure their pay meets the higher of this benchmark and the related industry award.

Based on the benchmark there were 4 employees marginally below the threshold, 3 of whom were school leaver/interns and 1 part-time employee working 1 day per week. Such opportunities represent an alternative pathway to higher education with an expectation to complete industry qualifications after gaining sufficient relevant practical experience.

A number of non-cash benefits such as work from home allowances, complimentary or discounted insurance coverage available to staff, are not considered in the analysis above. The average salary across the Group was \$132k, and median salary was \$104k.

We have also engaged an external party to review all casual rates to benchmark against industry standards. In addition to benchmarking current pay and conditions we engaged the same external party to review all termination entitlement payments to ensure employees are paid what they are owed at all times.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

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 Board Audit & Risk Committee.

We have a dedicated free and confidential Employment Assistance Program (EAP) to support our employees and their families 24/7. During the current year, 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 as 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.

Advocacy

We engage in industry research, public relations initiatives and policy advocacy on behalf of our partners. Our activities include engaging with governments, regulators and industry bodies through official consultations and meetings in order to provide information and perspectives on our industry and our members.

The main industry associations and advocacy organisations which are Group employees are members of include The Insurance Association of Australia, The Australian and New Zealand Institute of Insurance and Finance and The Insurance Brokers Association of New Zealand.

6. GOVERNANCE

Our Policies and Processes

AUB Group have implemented policies and processes across the Group to support our high standards of governance, ensuring that those in the business are guided by our core principles and appropriate support is in place for communicating any grievances to appropriate levels of governance.

Commitment to Responsible Investing

As outlined in the Directors report, a key element of the Group's strategy is to execute on strategically aligned acquisitions. As part of further embedding ESG into our daily governance, we have implemented a formal ESG Mergers and Acquisitions checklist.

Working to formalise our ESG considerations in M&A activity will support creating long term stakeholder value by acquiring businesses with ESG strategies and commitments aligned to our strategy.

Our commitment to responsible investing includes;

1. Acquisitions of ethical businesses with ethical leadership;
2. A long term view of ownership and sustainable operating models; and,
3. Consideration of all stakeholders.

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 direct or indirect equity investment 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 to our business decisions and provides clear, consistent guidelines on 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; and
- Respect confidentiality and privacy.

All employees are required to complete ethics training annually. Breaches of our code of conduct will impact an employee's annual performance rating and in turn the at-risk portion of their remuneration. Except for fixed term contractors and other labour hire staff, all employees have a portion of their remuneration at risk based on performance measures.

In addition to standard HR policies, and our code of conduct, our businesses have policies governing (1) Complaints, (2) Financial Hardship, (3) Domestic Violence and (4) Flexible working.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

Employee and Customer Grievance

There are risks which may arise from our decentralised operation such as pockets of poor culture or leadership. In addition to grievance and escalation policies that exist within each of our businesses we provide an anonymous access point for any employee of any company in the Group or any customer to contact the head office. Submissions are jointly reviewed by the Group legal counsel & Head of People and Culture on any grievance they may have.

This process is designed to pro-actively manage a range of issues including mismanagement across the decentralised Group. Although these issues may not constitute whistleblower events, we believe it is best practice to enable them to surface and be dealt with.

Whistleblower events are dealt with through our Whistleblower portal - Whisplii. We do not report the number of whistleblower or grievance instances to protect the anonymity of any submitted.

Supply Chain Management

AUB Group acknowledges that modern slavery can occur in every industry, sector, and country, including those where we operate. AUB Group has a 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.

We recognise that as an organisation our suppliers are key to positively contributing to the social, economic, and environmental wellbeing of the communities that we are part of. Therefore, an assessment of modern slavery risks forms part of our review of all potential supplier engagements.

We include standard ethical sourcing contractual clauses in all contracts where new vendors are directly engaged to provide services to AUB Group. We expect our first-tier suppliers to comply with these standards and encourage that they expect the same level of compliance from their suppliers. We believe mutual commitments between AUB Group and our suppliers, to operate in accordance with community expectations of businesses, creates sustainable value for all our stakeholders. We work collaboratively with our suppliers to foster relationships that align with the standards in our governance framework and the interests of our stakeholders.

AUB Group takes a systematic approach to assessing modern slavery risks to ensure we remain compliant with modern slavery requirements and educate, encourage and provide resources (including self-certification) to support compliance by controlled entities with modern slavery requirements. AUB Group conducted a preliminary review of and its controlled entities' supply chain partners and assessed it against government and international organisations' data and resources as part of our enterprisewide Risk & Compliance Management Framework.

As our approach to addressing modern slavery risk matures, we will continue to develop systems, controls and processes to assess and further develop the effectiveness of our risk management framework, including in respect of controlled entities. AUB Group has implemented compliance measures to assess and review potential risks.

To further complement our framework and demonstrate compliance with modern slavery requirements and obligations, the Group has developed a range of controls to reduce modern slavery risks. These include policies, training and awareness, reporting tools, due diligence and monitoring. These policies and procedures promote and instill good practices and behaviours and protect the human rights of our employees and suppliers.

During the reporting period, AUB Group took action to uplift its processes across three broad categories: (1) Governance, (2) Supplier Assessment and (3) Internal Awareness, Education & Training. The key uplifts across these categories included:

- Incorporating a review of embedment of modern slavery practices across our broker network;
- Enhancing our reporting line and internal accountability through the introduction of a grievance form available on our public website;
- Engaging an external party to review AUB's key supplier agreements to align contractual standards with AUB's minimum compliance requirements;
- Focusing on training related to mental health and modern slavery, and continuing training and awareness through delivery of training programs for directors and employees; and
- Reporting on training completion rates to our Board Audit and Risk Committee.

In subsequent reporting periods, we will continue to review and develop our processes to ensure effectiveness of our actions. The AUB Group Board Audit and Risk Committee has responsibility for overseeing the Group's response to modern slavery risks. Modern slavery risk management is discussed by the Group Board and the Group Board Audit and Risk Committee. Our Modern Slavery Statement is available on our website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2023

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FINANCIAL REPORT

AUDITORS INDEPENDENCE DECLARATION



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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 financial year ended 30 June 2023, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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



Ernst & Young

Ernst & Young



Michael Wright
Partner
22 August 2023

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Revenue from contracts with customers	4 (a)	763,659	332,502
Other Income	4 (b)	28,084	1,035
Share of profit of associates	4 (c)	35,690	39,053
Cost to provide services and administrative expenses	4 (d)	(660,625)	(282,701)
Finance costs	4 (e)	(72,102)	(6,750)
		94,706	83,139
Adjustments to carrying value	4 (f)	(6,649)	31,817
Profit from sale or dilution of interests in associates, controlled entities and broking portfolios	4 (g)	39,046	7,250
Profit before income tax		127,103	122,206
Income tax expense	5 (a)	(35,480)	(22,322)
Profit for the year		91,623	99,884
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange Differences on Translation of Foreign Operations		62,688	(4,264)
Gains/(Losses) on Cash Flow Hedges		17,601	(1,122)
Tax on Other Comprehensive Income to be reclassified to profit or loss in subsequent periods		(3,911)	(32)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurements of Post-Employment Benefit Obligations and Other		(7,124)	180
Tax on Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods		17	–
Other comprehensive income after income tax for the period		69,271	(5,238)
Total comprehensive income after tax for the year		160,894	94,646
<i>Profit for the year attributable to:</i>			
Equity holders of the parent		65,253	80,836
Non-controlling interests		26,370	19,048
		91,623	99,884
<i>Total comprehensive income after tax for the year attributable to:</i>			
Equity holders of the parent		134,462	76,322
Non-controlling interests		26,432	18,323
		160,894	94,646
Basic earnings per share (cents per share)	6 (a)	65.35	105.60
Diluted earnings per share (cents per share)	6 (a)	65.08	105.23

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	10	260,352	259,329
Cash and Cash Equivalents - Trust	10	936,369	333,131
Trade and Other Receivables	11	313,079	117,679
Lease Net Investment		1,804	1,020
Financial and Other Assets	12	11,718	1,868
Deferred Acquisition Costs		13,822	–
Total Current Assets		1,537,144	713,027
<i>Non-current Assets</i>			
Trade and Other Receivables	11	17,286	739
Right of Use Asset and Lease Net Investment		70,360	23,851
Financial and Other Assets	12	29,891	9,214
Property, Plant and Equipment		12,885	6,347
Investment in Associates	8	238,526	250,100
Intangible Assets and Goodwill	13	1,956,841	622,510
Deferred Tax Asset	5 (b)	21,385	14,694
Total Non-current Assets		2,347,174	927,455
Total Assets		3,884,318	1,640,482
LIABILITIES			
<i>Current Liabilities</i>			
Trade and Other Payables	15	1,050,117	407,651
Deferred Revenue from Contracts with Customers		30,827	10,382
Income Tax Payable		26,482	7,967
Provisions	16	204,547	29,104
Lease Liabilities		14,743	8,187
Interest-bearing Loans and Borrowings	17	19,769	8,941
Financial Liabilities	18	36,138	17,976
Total Current Liabilities		1,382,623	490,208
<i>Non-current Liabilities</i>			
Provisions	16	5,475	4,505
Lease Liabilities		62,134	18,752
Interest-bearing Loans and Borrowings	17	564,461	38,861
Financial Liabilities	18	237,940	72,876
Deferred Tax Liabilities	5 (b)	118,317	17,603
Total Non-current Liabilities		988,327	152,597
Total Liabilities		2,370,950	642,805
Net Assets		1,513,368	997,677
EQUITY			
Issued Capital	20	945,687	608,520
Retained Earnings		258,399	247,278
Foreign Currency Translation Reserve		57,340	(5,057)
Hedge Reserve		12,562	(1,128)
Defined Benefits Plan and Other Reserves		(6,617)	261
Put Option Reserve	18	(11,781)	(8,161)
Share-based Payments Reserve		24,263	12,781
Equity attributable to equity holders of the parent		1,279,853	854,494
Non-controlling Interests		233,515	143,183
Total Equity		1,513,368	997,677

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

YEAR ENDED 30 JUNE 2023

	Attributable to equity holders of the parent									Total equity \$'000
	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserves \$'000	Put option reserves \$'000	Hedge reserves \$'000	Defined benefit plan and other reserves \$'000	Share-based payments reserves \$'000	Total \$'000	Non-controlling interests \$'000	
At 1 July 2022	608,520	247,278	(5,057)	(8,161)	(1,128)	261	12,781	854,494	143,183	997,677
Net profit after tax for the year	–	65,253	–	–	–	–	–	65,253	26,370	91,623
Other comprehensive income	–	–	62,397	–	17,601	(6,895)	–	73,103	62	73,165
Tax on other comprehensive income	–	–	–	–	(3,911)	17	–	(3,894)	–	(3,894)
Net comprehensive income for the period	–	65,253	62,397	–	13,690	(6,878)	–	134,462	26,432	160,894
Transactions with owners in their capacity as owners:										
Ownership changes without gaining/losing control (Note 9)	–	(5,337)	–	–	–	–	–	(5,337)	4,012	1,325
Non-controlling interests relating to new acquisitions (Note 7(a))	–	–	–	–	–	–	–	–	84,046	84,046
Non-controlling interests relating to disposals (Note 7(b))	–	–	–	–	–	–	–	–	(2,020)	(2,020)
Transfer to put option reserve & impact of put option release	–	3,620	–	(3,620)	–	–	–	–	–	–
Net cost of share-based payment	–	–	–	–	–	–	11,482	11,482	–	11,482
Issue of shares, net of issue costs	337,167	–	–	–	–	–	–	337,167	–	337,167
Equity dividends (Note 6(d))	–	(52,415)	–	–	–	–	–	(52,415)	(22,138)	(74,553)
At 30 June 2023	945,687	258,399	57,340	(11,781)	12,562	(6,617)	24,263	1,279,853	233,515	1,513,368

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 2022

	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 reserves \$'000	Put option reserves \$'000	Hedge reserves \$'000	Defined benefit plan and other reserves \$'000	Share- based payments reserves \$'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 year	-	80,836	-	-	-	-	-	80,836	19,048	99,884
Other comprehensive income	-	-	(3,538)	-	(1,128)	185	-	(4,481)	(725)	(5,206)
Tax on other comprehensive income	-	-	-	-	-	(32)	-	(32)	-	(32)
Net comprehensive income for the period	-	80,836	(3,538)	-	(1,128)	153	-	76,323	18,323	94,646
Transactions with owners in their capacity as owners:										
Ownership changes without gaining/losing control (Note 9)	-	(3,408)	-	-	-	-	-	(3,408)	6,619	3,211
Non-controlling interests relating to new acquisitions (Note 7(a))	-	-	-	-	-	-	-	-	14,131	14,131
Non-controlling interests relating to disposals (Note 7(b))	-	-	-	-	-	-	-	-	(436)	(436)
Transfer to put option reserve & impact of put option release	-	1,104	-	(1,104)	-	-	-	-	-	-
Net cost of share-based payment	-	-	-	-	-	-	2,642	2,642	-	2,642
Issue of shares, net of issue costs	341,861	-	-	-	-	-	-	341,861	-	341,861
Equity dividends (Note 6(d))	-	(41,678)	-	-	-	-	-	(41,678)	(14,987)	(56,665)
At 30 June 2022	608,520	247,278	(5,057)	(8,161)	(1,128)	261	12,781	854,494	143,183	997,677

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		816,668	345,154
Dividends/trust distributions received from associates		38,203	43,149
Management fees received from associates/related entities, and interest received		34,665	15,988
Payments to suppliers and employees		(677,007)	(268,931)
Income tax paid		(32,339)	(26,904)
Interest paid		(62,813)	(5,489)
Interest paid - lease liabilities	4	(4,001)	(1,006)
Net cash from operating activities before customer trust account movements		113,376	101,961
Net increase/(decrease) in cash held in customer trust accounts		88,862	(6,426)
NET CASH FLOWS FROM OPERATING ACTIVITIES		202,238	95,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of consolidated entities, net of cash acquired	7 (a)	(160,199)	109,303
Cash inflow from sale/deconsolidation of controlled entities	7 (b)	9,710	5,330
Payment for new associates and increases in holdings in associates	8	(7,207)	(5,408)
Proceeds from reduction in interests in associates		42,135	8,124
Payment for contingent and deferred consideration on prior year acquisitions	18	(16,078)	(5,179)
Net payment for new broking portfolios purchased/broking portfolios sold		(4,307)	10
Net payments from purchases/sales of plant and equipment, capitalised projects, and other assets		(749)	(2,193)
Net repayments/(advances) of loans to associates/related entities		(159)	2,500
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(136,854)	112,487
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raising	20	161,297	341,861
Dividends paid to shareholders of the Group		(52,415)	(41,678)
Dividends paid to shareholders of non-controlling interests		(22,137)	(14,987)
Distributions paid outside the group to unitholders of controlled trusts		(11,804)	–
Increase in borrowings	10 (b)	709,315	32,103
Repayment of borrowings	10 (b)	(178,825)	(208,352)
Proceeds from issue of capital to non-controlling interest		–	5,967
Payments of principal for lease liabilities	10 (b)	(10,255)	(7,392)
Payment of financial liabilities resulting from acquisition of controlled entity		(92,978)	–
Payment for increase in interests in controlled entities		(21,934)	(3,136)
Proceeds from reduction in interests in controlled entities		18,394	380
NET CASH FLOWS FROM FINANCING ACTIVITIES		498,658	104,766
NET INCREASE IN CASH AND CASH EQUIVALENTS		564,042	312,788
Cash and cash equivalents at beginning of the period		592,460	281,820
Impact as a result of foreign exchange		40,219	(2,148)
Cash and cash equivalents at the end of the period	10	1,196,721	592,460

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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 2023 was authorised for issue in accordance with a resolution of the directors on 22 August 2023. 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 of entities within the consolidated Group for the year were the provision of services globally across insurance broking, agencies, 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 and Tysers is Australian Dollars. The New Zealand Broking segment's functional currency is New Zealand dollars. The Tysers segment's functional currency is British Pounds. The presentational currency of the Group is Australian Dollars.

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. Adjustments are made to ensure conformity with the Group's accounting policies.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Significant accounting judgements, estimates and assumptions (continued)

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. The resulting recoverable amounts derived from the appropriate measures described in Note 13 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. 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 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 multiple less historic payments made.

See Note 7(a) and Note 8 for further details on current year transactions and Note 18 for movements in all contingent and deferred considerations.

Re-estimation of financial liability at amortised cost

A financial liability at amortised cost 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 and the value of units held by others for consolidated trusts. The Group re-estimates the financial liability at the reporting date, taking into account the estimated future outcomes for income or profit. For put options, 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 18 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.

Pensions

Tysers operates two defined benefit pension schemes, which require contributions to be made to separately administered funds. The cost of the defined benefit pension schemes and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in a valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Remeasurements, comprising actuarial gains and losses, the effect of any asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Capital Risk Management

AUB Group's risk management policy is to identify, assess, and manage risks, which are likely to adversely impact its financial performance, continued growth and its survival. In terms of financial risk management, the Group takes a risk-averse approach, and seeks to minimise risk whilst bearing in mind cost effectiveness.

AUB will not engage in speculative activity, nor will it explicitly seek opportunities to profit from expected movements in the financial markets. The Group hedges cashflows where there is a mis-match in cash receipts compared to the functional expense base of an entity.

As at 30 June 2023, AUB Group's hedge program includes foreign currency hedges, to mitigate the risk of variability of operating cash flows caused by foreign currency fluctuations. The current hedges are designed to ensure that USD revenue exposures are hedged to GBP, the Tysers operating currency.

Where possible the Group takes advantage of natural hedges offsetting foreign currency assets and liabilities.

Hedge Accounting

The Group uses derivative financial instruments, such as forward currency contracts to hedge its exposure to foreign currency risk in forecast transactions and firm commitments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Significant accounting judgements, estimates and assumptions (continued)

At the inception of a hedge relationship, AUB Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve. If there is any ineffective hedge, that portion is recognised immediately in profit or loss.

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.

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 five business units which have been identified as separate reportable segments as follows:

1. Australian Broking: assesses 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 generally comprise of Small and Medium Enterprise (SME) businesses, however services are also provided to large institutions and individuals.

2. Agencies: assesses, on behalf of the insurer, the risk profile of the end customer and pricing of policies requested by brokers. Post policy-binding services primarily include claims handling on behalf of the insurer (claims processing). Business is largely generated by brokers operating within the SME insurance sector. Agencies do not assume any underwriting risk and accordingly do not incur or hold policy liabilities.

3. New Zealand Broking: 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. Tysers: includes Wholesale and Retail broking and Managing General Agents (MGA) and is headquartered in London. This is a separately reportable segment given Tysers is largely UK based and operating mainly in markets outside Australia. Tysers operates across:

- Wholesale broking: wholesale broker to the Lloyd's marketplace with global distribution largely through retail brokers;
- Retail broking: provides retail broking services within the UK market; and
- Managing General Agents: operates insurer delegated authorities, both in-house and through third parties.

5. Support Services: provides a diversified range of services to support the Australian Broking, Agencies, and New Zealand Broking and Tysers 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.

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 is reviewed by CODM on an Underlying Net Profit Before Tax (UNPBT) basis. UNPBT excludes the effects of non-recurring events or other items not representative of the underlying operating 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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 (SOCl) as follows:

	Notes	2023 \$'000	2022 \$'000
Net Profit after tax attributable to equity holders of the parent	SOCI	65,253	80,836
Add back/(less) (net of NCI and income tax):			
– Amortisation of broking registers		30,352	11,143
– Adjustments to value of entities (to fair value) on the day they became controlled entities		(29,796)	(41,046)
– Remeasurement of put option liability (net of Interest unwind)		3,620	1,104
– Impairment charge		5,473	7,537
– Movements in contingent consideration, net of impairment charge		39,912	(337)
– (Profit)/Loss on deconsolidation of controlled entity, sale/dilution of associates and portfolios		(25,315)	(5,894)
– Impairment of the Right of Use Asset and Onerous Lease Expense		251	219
– Acquisition related expenses		39,355	20,456
Underlying Net Profit After Tax		129,105	74,018
Represented by:			
Underlying profit pre tax		180,643	106,086
Tax Expense		(51,538)	(32,068)
Underlying Net Profit After Tax		129,105	74,018

Segment Financial Performance	30 June 2023					Total \$'000
	Australian Broking \$'000	Agencies \$'000	New Zealand Broking \$'000	Tysers \$'000	Support Services \$'000	
Inter-segment revenue**	5,618	–	–	–	41,924	47,542
Revenue from external customers	279,517	137,584	60,690	311,069	2,883	791,743
Total revenue and other income	285,135	137,584	60,690	311,069	44,807	839,285
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	41,069	2,855	1,287	(325)	12,480	57,366
Total income	326,204	140,439	61,977	310,744	57,287	896,651
Less: Expenses						
Total underlying cost to provide services and administrative expenses*	(175,097)	(88,696)	(37,824)	(211,203)	(65,955)	(578,775)
Inter-segment expenses**	(21,450)	–	(6,050)	(20,042)	–	(47,542)
Interest paid and other borrowing costs	(741)	(58)	(1,196)	(992)	(41,686)	(44,673)
Non-controlling interest	(24,165)	(16,635)	(2,640)	(1,578)	–	(45,018)
Underlying Net Profit Before Tax	104,751	35,050	14,267	76,929	(50,354)	180,643

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

** 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 2023

3 OPERATING SEGMENTS (CONTINUED)

Segment Financial Performance	30 June 2022					Total \$'000
	Australian Broking \$'000	Agencies \$'000	New Zealand Broking \$'000	Tysers \$'000	Support Services \$'000	
Inter-segment revenue**	2,846	–	–	–	1,841	4,687
Revenue from external customers	192,659	92,120	48,524	–	234	333,537
Total revenue and other income	195,505	92,120	48,524	–	2,075	338,224
Share of Net Underlying Profits of Associates accounted for using the equity method before amortisation on broking registers and income tax expense	42,689	2,724	1,669	–	10,497	57,579
Total income	238,194	94,844	50,193	–	12,572	395,803
Less: Expenses						
Total underlying cost to provide services and administrative expenses*	(132,366)	(60,717)	(36,911)	–	(20,061)	(250,055)
Inter-segment expenses**	(2,862)	–	(1,825)	–	–	(4,687)
Interest paid and other borrowing costs	(640)	(31)	(530)	–	(4,309)	(5,510)
Non-controlling interest	(16,177)	(11,314)	(1,974)	–	–	(29,465)
Underlying Net Profit Before Tax	86,149	22,782	8,953	–	(11,798)	106,086

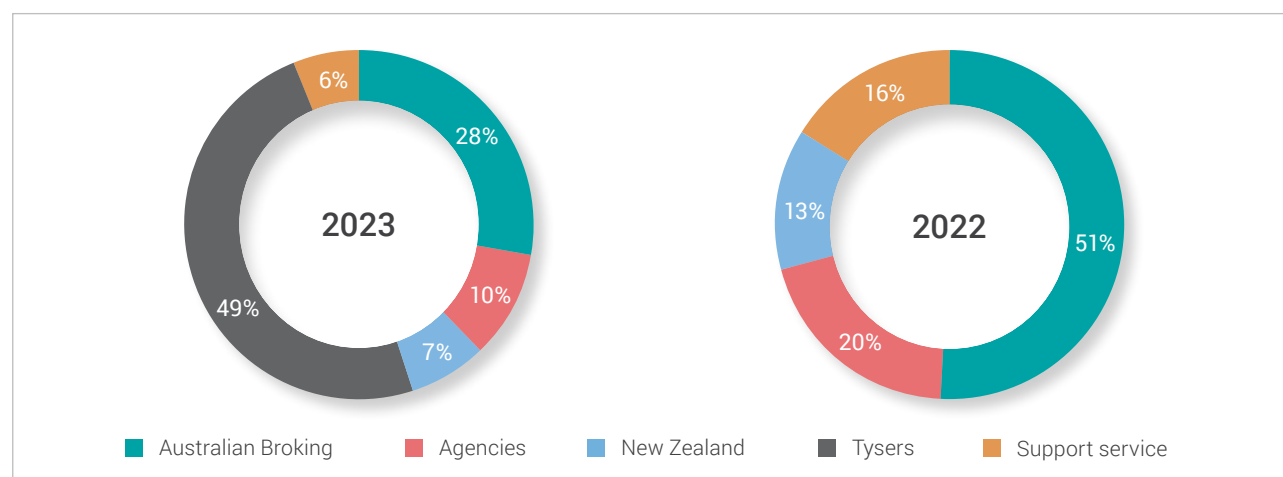
* Excludes non-operating expenses, refer to preceding table for reconciliation between statutory profit and underlying profit after tax.

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

Tysers was acquired during the year therefore no comparatives shown.

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 is disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

3 OPERATING SEGMENTS (CONTINUED)

Other Segment Information

Revenue from external customers is attributed to geographic location based on the country where services were provided.

Revenue based on geographic location	2023 \$'000	2022 \$'000
Australia	418,448	285,103
New Zealand	80,759	48,524
UK	196,269	–
USA	69,476	–
Rest of Europe	24,987	–
Other	1,804	–
Total revenue	791,743	333,537

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

4 REVENUE AND EXPENSES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

4 REVENUE AND EXPENSES (CONTINUED)

	2023 \$'000	2022 \$'000
(a) Revenue from contracts with customers		
Commission, brokerage and fee income	734,033	312,765
Management fees from related entities	5,982	13,774
Other revenue	23,644	5,963
Total revenue from contracts with customers	763,659	332,502
<i>Recognised at a point in time</i>	<i>727,847</i>	<i>312,496</i>
<i>Recognised over time</i>	<i>35,812</i>	<i>20,006</i>
(b) Other income		
Interest income from related parties	248	169
Interest from other persons/corporations	27,836	866
Total other income	28,084	1,035
(c) Share of Profit of Associates		
Share of Profit of Associates After Tax but Before Amortisation	41,920	45,853
Amortisation of intangibles – Associates	(6,230)	(6,800)
Total share of profit of associates	35,690	39,053

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 are 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 growth and risk free discount rates over the next 10 years.

Amortisation of brokering registers is conducted on a straight line basis over the useful life of the asset, generally 10-12 years.

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 is recognised on a straight line basis over the useful life of the asset, refer to Note 27 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 on a net basis 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 Notes 7-9.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

4 REVENUE AND EXPENSES (CONTINUED)

	2023 \$'000	2022 \$'000
(d) Costs to provide services and administration expenses		
Salaries and wages	403,164	162,400
Business technology and software costs	43,571	20,190
Commission expense	26,045	17,990
Amortisation/impairment of right of use asset and rent expense	17,097	10,369
Amortisation of broking registers	35,920	9,341
Amortisation of other financial assets	1,104	839
Amortisation of capitalised project costs	2,365	675
Depreciation	3,876	2,333
Insurance	22,776	12,778
Advertising, marketing and travel costs	29,826	7,924
Consulting, accounting, and audit fees	21,150	6,470
Legal fees/acquisition costs	19,349	20,862
Share-based payments	10,591	2,365
Other expenses	23,791	8,165
Total cost to provide services and administrative expenses	660,625	282,701
(e) Finance costs		
Interest paid and other borrowing costs	44,673	5,510
Interest unwind on lease liability	4,001	1,006
Interest unwind on put option liability	303	234
Interest unwind on contingent consideration	12,126	–
Finance charge on profits of trust minority interests	10,999	–
Total finance costs	72,102	6,750
(f) Adjustments to carrying value		
Fair value adjustment relating to the carrying value of associates and goodwill	29,930	40,715
Adjustment to contingent consideration on acquisitions	(26,920)	411
Remeasurement of put option liability	(3,317)	(870)
Impairment charge relating to the carrying value of goodwill and intangible assets (see Note 13)	(6,342)	(8,439)
Total adjustments to carrying value	(6,649)	31,817
(g) Profit from sale or dilution of interests in associates, controlled entities and broking portfolios		
Profit on sale of controlled entities leading to deconsolidation (Note 7 (b))	4,447	3,928
Profit from sale or dilution of interests in associates and broking register	34,599	3,322
Total profit from sale or dilution of interests in associates, controlled entities and broking portfolios	39,046	7,250

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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 Consolidated Statement of Financial Position.

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

For the purposes of income taxation, AUB Group Limited (AUB) entered into a Consolidated Tax Group with its 100% owned Australian subsidiaries. Tax consolidation results in the controlled entity members being treated as part of the Head Company for tax purposes rather than as separate taxpayers. The Income Tax Assessment Act (1997) provides that the Consolidated Tax Group is to be treated as a single entity for Australian tax purposes with the Head Company responsible for the tax payable. AUB formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

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

Tax effect accounting by members of the tax consolidated group

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

5 INCOME TAX (CONTINUED)

Effective Tax Rate

The Effective Tax Rate for the Year Ended 30 June 2023 was 28% (2022: 18%). The Group's tax rate is below the main effective tax rate in Australia of 30% largely as a result of the \$9m tax impact of entities that are accounted for on an equity basis. Entities accounted for on an equity basis are fully tax paying in Australia, however for accounting purposes the related tax expense is reflected in the net return on the investment rather than the tax expense of the Group. This is offset by a \$4m increase in the tax charge resulting from expenses that are not deductible for tax purposes which principally relate to fees incurred when acquiring new businesses in the year.

The increase in the effective tax rate of 10% is largely the result of a net loss on the adjustment to carrying value of investments in 2022 (see Note 4 (f)), that did not have an associated tax credit, which did not recur in 2023. The main impact on the tax rate in future years is expected to be the continued profitability of the business accounted for under the equity accounting rules as discussed above, the change in geographic profile of the earnings of the Group and any changes in tax legislation.

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 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 a significant amount of its income is received from franked dividends.

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:

	2023 \$'000	2022 \$'000
<i>Current income tax</i>		
Current income tax charge	49,638	21,810
Adjustment for prior years	(1,077)	(15)
<i>Deferred tax credit</i>		
Origination and reversal of temporary differences	(13,081)	527
Total income tax expense in Consolidated Statement of Comprehensive Income	35,480	22,322

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:

	2023 \$'000	2022 \$'000
Profit before income tax	127,103	122,206
At the company's statutory income tax rate of 30% (2022: 30%)	38,131	36,662
Impact of:		
Equity accounted income/distributions from entities operating as trusts	(8,975)	(8,998)
(Loss)/Gain on sale	775	(1,375)
Adjustments to carrying value (see Note 4(f))	1,995	(9,545)
Tax losses not recognised	1,095	-
Benefit of tax losses not previously recognised	(1,099)	-
Income taxed at different tax rates on overseas operations	981	(115)
(Over)/under provision prior year	(1,077)	(16)
Acquisition costs and other non-deductible expenses	3,654	5,709
Income tax expense reported in the Consolidated Statement of Comprehensive Income	35,480	22,322

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

5 INCOME TAX (CONTINUED)

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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Unamortised broking registers (and other intangibles)	–	–	(132,791)	(16,793)
Non assessable income	–	–	(5,912)	(7,595)
Foreign currency hedge	–	–	(4,332)	
Defined benefit pensions	–	–	(1,611)	
Accrued expenses and provisions	30,092	15,357	–	–
PPE & ROU tax timing differences	5,578	3,947	–	–
Borrowing costs	4,068	340	–	–
Carry forward capital losses	–	123	–	–
Carry forward operating losses	9,737	1,505	–	–
Other	–	592	(1,761)	(385)
Netting of deferred taxes (arising within same tax consolidated group or entity)	(28,090)	(7,170)	28,090	7,170
Deferred tax assets/(liabilities)	21,385	14,694	(118,317)	(17,603)

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 2023 was \$2.0m (2022: \$1.24m). Deferred tax assets arising from unused capital losses not recognised at 30 June 2023 was \$1.1m (2022: \$nil).

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

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

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;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- 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:

	2023 \$'000	2022 \$'000
Net profit attributable to ordinary equity holders of the parent	65,253	80,836
	2023 Thousands Shares	2022 Thousands Shares
Weighted average number of ordinary shares for basic earnings per share	99,837	76,546
Effect of dilution:		
Share Options	430	269
Weighted average number of ordinary shares adjusted for the effect of dilution	100,267	76,815
Basic earnings per share (cents per share)	65.35	105.60
Diluted earnings per share (cents per share)	65.08	105.23

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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

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 21 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.

d) Equity dividends on ordinary shares

	2023 \$'000	2022 \$'000
<i>Dividends paid or recognised as a liability during the year</i>		
Final franked dividend for financial year ended 30 June 2021: 39.0 cents		29,017
Interim franked dividend for financial year ended 30 June 2022: 17.0 cents		12,661
Final franked dividend for financial year ended 30 June 2022: 38.0 cents	35,155	
Interim franked dividend for financial year ended 30 June 2023: 17.0 cents	17,260	
Total dividends paid/provided in current year	52,415	41,678

In addition to the above, dividends paid to non-controlling interests totalled \$22.14m (FY22:\$14.99m).

Dividends proposed and not recognised as a liability

Final franked dividend for financial year ended 30 June 2022: 38.0 cents		35,155
Final franked dividend for financial year ended 30 June 2023: 47.0 cents	50,951	
	50,951	35,155
Dividends paid and accrued per share (cents per share)	55.00	56.00
Dividends proposed per share (cents per share) not recognised at balance date	47.00	39.00

e) Franking credit balance

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

– franking account balance as at the end of the financial year at 30% (2022: 30%)	61,938	52,547
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	15,359	–
The amount of franking credits available for future reporting periods	77,297	52,547
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year	(21,836)	(15,049)
The amount of franking credits available for future reporting periods after payment of dividend	55,461	37,498

The tax rate at which paid dividends have been franked is 30% (2022: 30%).

Dividends proposed and accrued will be franked at the rate of 30% (2022: 30%).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

7 BUSINESS COMBINATIONS AND TRANSACTIONS INVOLVING GAIN OR 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 in the current period primarily relate to insurance broking and agency businesses in Australia, New Zealand, and the purchase of Tysers which is incorporated in the UK and the US.

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 acquisition costs 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 2.1 (d) and Note 18 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 acquisition to determine the amount of any goodwill associated with the transaction. Any previously held interests of the acquiree are 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 fair 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 is obtained or lost.

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 net assets of the entity including 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.

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

- Effective 1 July 2022, Austbrokers Corporate Pty Ltd (AUC), a controlled entity of the Group, acquired 100% of SRS Broking Pty Ltd. AUC partially funded the acquisition by issuing shares, resulting in AUB diluting its ownership in AUC by 20% to 80%.
- Effective 30 September 2022, AUB Group acquired 100% of Integro Insurance Brokers Holdings Limited and its controlled entities, Galileo Insurance Services LLC, and Integro Insurance Brokerage Services LLC (collectively Tysers) for GBP 520m, comprising GBP 320m in cash, GBP 100m in AUB shares, and GBP 100m in contingent consideration. The contingent consideration is subject to Tysers meeting revenue growth hurdles within 24 months of completion. The fair value of the contingent consideration at acquisition date is based on the probability weighted outcome discounted over 24 months at 9.88%.

Tysers is a leading Lloyd's and London based broker with access to specialist underwriting expertise and global distribution capabilities. Tysers operates primarily out of the UK but has operations in more than a dozen countries, and services clients in more than 100 countries.

Tysers is a material acquisition for the Group. The acquisition will enable the Group to enhance client service by increasing capacity for harder to place risks for our clients and generate synergies through economies of scale, cost rationalisation and direction of wholesale placement from our Agencies to Tysers. The acquisition provides Brokers and Agencies across the Group with access to the capabilities and facilities of the Lloyd's and international markets.

Total transaction costs for the Tysers acquisition were \$35.5m of which \$19.0m was expensed in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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

a) Business combinations (continued)

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

Regulatory investigation

The acquisition of Tysers has exposed the Group to risk in relation to the alleged conduct of business in Ecuador between 2013 and 2017 by Integro Insurance Brokers Limited (a company within the Tysers group) and/or its employees, agents and associated persons. While the UK Serious Fraud Office has communicated that it has decided not to take any action against Integro Insurance Brokers Limited/Tysers in respect of the alleged conduct, the U.S. Department of Justice (DOJ) investigation into Integro Insurance Brokers Limited, its employees, agents and associated persons remains ongoing. The DOJ investigation relates to suspicions of bribery and corruption, and possible associated money laundering. If this investigation reveals any unlawful conduct by companies within the Tysers group, Tysers (and/or the relevant group companies) may be subject to fines and/or other penalties and may incur reputational damage. As previously disclosed, AUB obtained a number of contractual protections in the Tysers transaction documents, including indemnification that AUB considered appropriate for the recovery of potential losses/fines and penalties which may become payable by Tysers in connection with the aforementioned investigations. On acquisition of Tysers, AUB Group has recognised a provision and related recoveries in respect of this matter in accordance with the Australian Accounting Standards.

- Effective 1 January 2023, AUB Group acquired a further 25% of AEI Insurance Group Pty Ltd (AEI). On this date AEI became a controlled entity of the Group, and the transaction resulted in a fair value gain on step up of \$27.4m.

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.

The total Revenue and Net Profit After Tax recognised during the year in relation to the current period acquisitions were \$373.9m, and \$37.8m respectively. Group revenue in relation to current period acquisitions would have been \$481.7m had all of the above transactions closed on 1 July 2022. The profit contribution to the Group had all the above transactions closed on 1 July is impractical to measure given significant change in operational and financing aspects of the acquirees prior to acquisition.

Business Acquired	Transaction date(s)	FY23 %/\$ '000	FY22 %
SRS Broking Pty Ltd	1/07/2022	100.00	0.00
Integro Insurance Brokers Holdings Limited	30/09/2022	100.00	0.00
AEI Insurance Group Pty Ltd	1/01/2023	65.00	45.00
All other transactions	Various	Various	Various
Total consideration paid for all additional interest acquired		1,101,779	
Less contingent/deferred consideration		154,912	
Less shares issued by AUB Group Limited		215,016	
Less cash acquired		95,131	
Less trust cash acquired		476,521	
Payments for acquisition of consolidated entities, net of cash acquired		(160,199)	
Goodwill arising on acquisition related to the Group		801,739	
Goodwill arising on acquisition relating to non-controlling interests		48,967	
Total Goodwill arising on acquisition		850,706	
Other intangibles net of deferred taxes		340,484	
Net increase in non-controlling interest		84,046	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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

The fair value of the identifiable assets and liabilities recognised as a result of the acquisition of Tysers are as follows:

	Tysers \$'000
ASSETS	
Cash and Cash Equivalents	85,878
Cash and Cash Equivalents - Trust	421,442
Trade and Other Receivables	148,623
Right of Use Asset	36,205
Intangible Assets	388,289
Property, Plant and Equipment	10,671
Deferred Acquisition Costs	10,320
Total Assets	1,101,428
LIABILITIES	
Trade and Other Payables	514,290
Deferred Revenue from Contracts with Customers	9,750
Provisions	173,559
Lease Liabilities	37,223
Deferred Tax Liability	76,539
Total Liabilities	811,361
Net Assets	290,067
Total consideration paid for interest acquired	939,225
Less contingent/deferred consideration	154,737
Less shares issued by AUB Group Limited	175,870
Less cash acquired	85,878
Less trust cash acquired	421,442
Payments for acquisition of Tysers, net of cash acquired	(101,298)
Goodwill arising on acquisition related to the Group	649,158
Goodwill arising on acquisition relating to non-controlling interests	2,318

ii) During the prior period, the following transactions occurred:

- Effective 1 July 2021, the Group acquired a further 8.8% of HQ Insurance Brokers Pty Ltd (HQ) for \$2.74m cash. 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 contingent 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, a controlled entity of the Group, acquired 90% of Rosser Underwriting Limited (Rosser), including 50% from another controlled entity of the Group. On this date Rosser became a controlled entity of the Group. The Group's effective ownership has increased by 2.3%, however control was established as the Group controls an entity which in turn controls Rosser.
- Effective 30 June 2022, the Group acquired a further 5.5% of Insurance Advisernet Unit Trust (IAA) & Insurance Advisernet New Zealand Unit Trust (IAH). On this date IAA & IAH become controlled entities of the Group, and the transaction resulted in a fair value gain on step up of \$29.06m.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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

b) Loss of Control

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

When a partial disposal occurs leading to the Group losing control of the entity, the Group derecognises all assets, liabilities and NCI 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.

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

Effective 31 January 2023, the Group disposed all of its interest in Austbrokers Coast to Coast Pty Ltd ("Coast to Coast"). On that date Coast to Coast ceased to be a controlled entity.

Business Disposed	Transaction date(s)	2023 %/\$'000	2022 %/\$'000
Austbrokers Coast to Coast Pty Ltd	1/01/2023	–	51.00
Various	Various	Various	Various
Total consideration received for all additional interests disposed		13,633	
Less cash disposed		(3,923)	
Receipts for disposal of consolidated entities, net of cash disposed		9,710	
Total goodwill derecognised on disposal		(9,014)	
Total intangibles derecognised on disposal		(1,604)	
Total non-controlling interest derecognised		(2,020)	

ii) During the previous period, there were no individually significant transactions which resulted in the Group losing control of any of its subsidiaries.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

8 INVESTMENT IN ASSOCIATES (CONTINUED)

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

Entity	Transaction date(s)	30 Jun 2023 %/\$'000	30 Jun 2022 %/\$'000
Increase in voting shares			
Various	Various	Various	Various
Total cash consideration paid for all interest acquired		7,207	
Decrease in voting shares			
SRG Group Pty Ltd	01-Aug-22	–	50.0%
Western United Financial Services Pty Ltd	01-May-23	–	50.0%
Various	Various	Various	Various
Total consideration received for all interest disposed		43,435	
Less carrying value of shares being sold		(6,104)	
Less Capital Gains Tax on shares being sold		(10,948)	
Net gain on disposal of interest		26,383	

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

There were no individually significant transactions with associates in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

8 INVESTMENT IN ASSOCIATES (CONTINUED)

iii) *The Group's investment in associates ownership at balance date is as follows:*

	2023 %	2022 %
Australian Broking		
Adroit Specialty Risks Pty Limited	34.0	34.0
Austbrokers ABS Aviation Pty Ltd	50.0	50.0
AEI Insurance Group Pty Ltd*	65.0	40.0
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0
Austbrokers Kelly Partners Pty Ltd	50.0	50.0
Austbrokers RIS Pty Ltd*	95.0	50.0
Austbrokers SPT Pty Ltd	50.0	50.0
Austral Insurance Brokers Pty Ltd	–	50.0
Bluestone Insurance Pty Ltd	50.0	50.0
Brett Grant and Associates Pty Ltd	50.0	50.0
Broker Claims Pty Ltd	47.5	47.5
Countrywide Insurance Holdings Pty Ltd**	52.5	52.5
Cruden & Read Pty Ltd	50.0	50.0
Finzane Group Pty Ltd	50.0	–
Global Assured Finance Pty Ltd	50.0	50.0
JMD Ross Insurance Brokers Pty Ltd	50.0	40.0
KJ Risk Group Pty Ltd	49.0	49.0
Lea Insurance Brokers Pty Ltd/Lea Group Trust**	57.0	53.4
Markey Group Pty Ltd	50.0	50.0
MGA Management Services Pty Ltd	49.9	49.9
National Rural Insurance Group Pty Ltd	25.0	25.0
Nexus Advisernet (Aust) Pty Ltd	50.0	50.0
Oxley Insurance Brokers Pty Ltd/Port Macquarie Insurance Brokers Unit Trust	42.7	42.7
Pace Insurance Pty Ltd/Pace Insurance Group Unit Trust***	10.4	–
Peter L Brown & Associates Pty Ltd	50.0	50.0
Rework Pty Ltd	50.0	–
Rivers Insurance Brokers Pty Ltd	50.0	50.0
SRG Group Pty Ltd	–	50.0
Supabrook Pty Ltd	50.0	50.0
The Procure Group Pty Ltd	48.8	49.0
Western United Financial Services Pty Ltd	–	50.0
YDR Pty Ltd	50.0	50.0
Agencies		
Anchorage Marine Underwriting Agency Pty Ltd	26.2	26.2
Longitude Insurance Pty Ltd*	100.0	75.0
Millennium Underwriting Agencies Pty Ltd	–	49.9
Sura Hiller Marine Pty Ltd	50.0	50.0
Sura Professional Risks Pty Ltd	50.0	50.0
Sura Technology Risks Pty Ltd	50.0	–
Tasman Underwriting Pty Ltd	50.0	50.0

* The Group obtained control of the entity during the period as a result of further shares obtained.

** 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.

*** Whilst the Group's look through interest in the entity is less than 20%, the Group controls an entity which has significant influence over the entity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

8 INVESTMENT IN ASSOCIATES (CONTINUED)

iii) The Group's investment in associates ownership at balance date is as follows (continued):

	2023 %	2022 %
New Zealand Broking		
BWRS (North Shore) Limited	36.1	44.7
Commercial and Rural Insurance Limited	36.1	44.7
McDonald Everest Insurance Brokers Limited	50.0	44.7
Support Services		
BizCover Pty Ltd	40.7	40.6
Tysers		
Factory and Industrial Risk Managers (Pty) Ltd	40.0	–

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 or agency business except The Procure Group Pty Ltd which offers investigation, and loss adjusting services.
- b) There have been nil impairments relating to the investment in associates during the current year or previous year.
- 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, and associates owned by Tysers Insurance Brokers Limited which is a controlled entity incorporated in the UK
- d) The following associates are considered material to the Group as at 30 June 2023:
 - BizCover is a commercial online insurance platform that allows SME clients to compare quotes from insurance providers and purchase a variety of insurance products, including public liability, professional indemnity and business insurance. The carrying value at 30 June 2023 is \$129.49m (2022: \$131.68m); and
 - MGA Management Services Pty Limited provides insurance agent and broker services for a range of insurance types including commercial insurance, personal insurance and specialised insurance. The carrying value at 30 June 2023 is \$26.80m (2022: \$25.00m).

	2023 \$'000	2022 \$'000
Revenue	176,639	198,886
Operating profits before income tax	56,588	58,853
Amortisation of intangibles	(6,230)	(6,800)
Net profit before income tax	50,358	52,053
Income tax expense	(14,668)	(13,000)
Share of associates' net profits	35,690	39,053

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

8 INVESTMENT IN ASSOCIATES (CONTINUED)

iv) *The Group's reconciliation of its carrying value in its investment in associates are presented below:*

	2023 \$'000	2022 \$'000
Balance at the beginning of the period	250,100	280,643
Acquisition of or increase of investment in associates	10,522	9,552
Disposal or dilution of interest in associates	(6,104)	(6,048)
Reclassification of investment in associates becoming controlled entities	(13,057)	(29,957)
Reclassification of controlled entity to investment in associate on losing control	569	34
Reclassification of investment in associate to other investments where significant influence was lost	(1,786)	–
Share of associates' profit after income tax	35,690	39,053
Dividends/trust distributions received	(37,889)	(43,149)
Net foreign exchange and other movements	481	(28)
Balance at the end of the period	238,526	250,100

v) *The Group's share of the assets and liabilities of associates:*

	2023 \$'000	2022 \$'000
Current assets	205,892	165,777
Non-current assets	66,485	94,250
Current liabilities	(176,769)	(145,137)
Non-current liabilities	(24,927)	(28,335)
Net assets	70,681	86,555

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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.

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

Entity	Transaction date(s)	June 2023 %	June 2022 %
Increase in voting shares			
AUB Group NZ Ltd	01-Jul-22	100.00	89.30
All other transactions	Various	Various	Various
Decrease in voting shares			
AUB Three Sixty Pty Ltd	01-Jan-23	49.65	52.27
All other transactions	Various	Various	Various

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

- On 1 October 2021 AUB Three Sixty Pty Ltd undertook a capital raise of \$6m to fund the increased interest in Rosser Underwriting Limited and Anchorage Marine Underwriting Agency Pty Ltd.

There were no other significant transactions between owners during the period.

Other information

- a) All controlled entities are incorporated in Australia except for the following:
- AUB Group NZ Limited (AUB NZ), AUB Three Sixty NZ Limited and Insurance Advisernet New Zealand Unit Trust and their controlled entities which are incorporated in New Zealand;
 - Ludgate Limited which is incorporated in the UK;
 - Ludgate US Corp which is incorporated in the US; and
 - Colonnade Pte Ltd (Colonnade) which is incorporated in Singapore.
- b) Colonnade is the Group's insurance captive. Given the size and scale of the Group including associates, certain insurable risks are internally manageable. Furthermore, the entity provides the Group opportunities to insure certain non-insurable or hard to place risks at more equitable terms for all participants in the scheme. During the current period, insurance placed through the Colonnade covers AUB Group, some of its controlled entities and some of its associates. No external parties to the Group are part of the schemes provided by Colonnade.
- c) Material non-controlling interests (NCI) of the Group's controlled entities include the following:

As at 30 June 2023	Principal place of business	Non Controlling Interest %	Profit or loss attributed to minority \$'000	Total NCI balance at balance date \$'000
AUB Three Sixty Pty Ltd	Australia and New Zealand	50.3	9,086	92,494
AEI Insurance Group Pty Ltd	Australia	35.0	1,380	37,221

As at 30 June 2022	Principal place of business	Non Controlling Interest %	Profit or loss attributed to minority \$'000	Total NCI balance at balance date \$'000
AUB Group NZ Limited	New Zealand	10.7	668	17,153
AUB Three Sixty Pty Ltd	Australia and New Zealand	47.7	6,542	81,912

No other NCI or minority interest is material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

9 SHARES IN CONTROLLED ENTITIES (CONTINUED)

iii) *The Group's shares in controlled entities ownership at balance date is as follows:*

	2023 %	2022 %
Name and Interests in controlled entities:		
Australian Broking		
AB Phillips Group Pty Ltd and its controlled entities	58.2	60.8
Austbrokers Life Pty Ltd and its controlled entities	95.1	95.1
Adroit Holdings Pty Ltd and its controlled entities	100.0	100.0
AEI Insurance Group Pty Ltd and its controlled entities*	65.0	40.0
Astute Insurance Services Pty Ltd	53.2	–
AUB Hospitality Pty Ltd	100.0	100.0
Austbrokers Canberra Pty Ltd	100.0	85.0
Austbrokers Coast to Coast Pty Ltd and its controlled entity	–	51.0
Austbrokers City State Pty Ltd	60.0	60.0
Austbrokers InterRisk Pty Ltd	51.0	80.0
Austbrokers Member Services Pty Ltd	100.0	100.0
Austbrokers RIS Pty Ltd and its controlled entities*	95.0	50.0
Austbrokers RWA Pty Ltd	51.0	60.0
Austbrokers Southern Pty Ltd	51.0	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)	83.5	83.5
Experien Insurance Services Pty Ltd and its controlled entities	73.2	73.2
Finsura Holdings Pty Ltd and its controlled entities	70.0	70.0
Insurance Advisernet Unit Trust and its controlled entities	52.0	52.0
Insurance Advisernet New Zealand Unit Trust and its controlled entities	52.0	52.0
Austbrokers Corporate Pty Ltd and its controlled entities	80.0	100.0
McNaughton Gardiner Insurance Brokers Pty Ltd	75.0	75.0
North Coast Insurance Brokers Pty Ltd**	39.0	75.0
Northlake Holdings Pty Ltd (Country Wide Insurance Brokers WA) and its controlled entities	89.1	90.5
Terrace Insurance Brokers Pty Ltd and its controlled entity	50.5	53.7
The Insurance Alliance Pty Ltd and its controlled entity	100.0	100.0
Agencies		
Austagencies Pty Ltd and its controlled entities	100.0	100.0
AUB Three Sixty Pty Ltd and its controlled entities	49.7	52.3
New Zealand Broking		
AUB Group NZ Limited and its controlled entities	100.0	89.3
Brokerweb Risk Services Limited and its controlled entities	72.1	89.3
Runacres Limited and its controlled entities	67.0	67.0
Support Services – Australia		
AUB Group Services Pty Ltd	100.0	100.0
Austbrokers Investments Pty Ltd	100.0	100.0
Colonnade Pte Ltd	100.0	100.0
Tysers		
Ludgate Limited and its controlled entities	100.0	–
Ludgate US Corp and its controlled entity	100.0	–

* The Group obtained control of the entity during the period as a result of further shares obtained. The entity was previously an associate of the Group.

** While the look through economic interest in the entity is below 50%, the entity is controlled by intermediary holding group, which is in turn controlled by the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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, claims floats and amounts to be held in escrow for specified purposes. 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.

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.

	2023 \$'000	2022 \$'000
Cash and cash equivalents	260,352	259,329
Cash and cash equivalents - Trust	936,369	333,131
Total Cash and cash equivalents	1,196,721	592,460

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

10 CASH AND CASH EQUIVALENTS (CONTINUED)

a) Cashflow from operating activities

	2023 \$'000	2022 \$'000
Profit after tax for the period	91,623	99,884
Equity accounted (profits) after income tax	(35,690)	(39,053)
Dividends/trust distributions received from associates	38,203	43,149
Amortisation of intangibles	35,920	10,180
Amortisation of capitalised project costs	3,469	675
Amortisation and impairment of Right of Use Asset	12,024	7,171
Depreciation of fixed assets	3,876	2,333
Share options expensed	10,590	2,366
Adjustments to contingent consideration on acquisitions	26,920	(411)
Remeasurement of put option and interest unwind	3,620	636
Finance charge on movement in trust minority interests	10,999	–
Profit/Loss from sale of associates, controlled entities and broking portfolios	(34,599)	(6,782)
Profit on deconsolidation of controlled entity	(4,447)	–
Interest unwind on contingent consideration	12,126	–
Adjustments to fair value of associates and goodwill	(29,930)	(40,715)
Impairment of intangibles	6,342	8,439
<i>Changes in assets and liabilities</i>		
(Increase) in trade and other receivables	(46,724)	(7,387)
(Decrease)/increase in trade and other payables	(19,239)	12,949
Increase in deferred revenue from customers	10,149	2,108
Increase/(decrease) in trust payables	109,919	(7,486)
(Decrease)/increase in provisions	(6,054)	12,061
Change in deferred tax	(13,081)	(3,333)
Increase/(decrease) in provision for tax	16,222	(1,249)
Net cash flows from operating activities	202,238	95,535

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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 2023	1 July 2022 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	New Acquisitions \$'000	Other \$'000	New consolidated entity/ deconsolidation \$'000	30 June 2023 \$'000
Current interest bearing loans and borrowings (excluding items listed below)	8,388	10,624	–	195	–	(5)	19,202
Current lease liability	8,187	1,721	72	4,821	–	(58)	14,743
Current unsecured loan other	553	14	–	–	–	–	567
Non-current interest bearing loans and borrowings	38,630	519,934	416	5,355	–	(23)	564,312
Non current lease liability	18,752	8,534	510	34,371	–	(33)	62,134
Non Current Unsecured Loan Other	231	(82)	–	–	–	–	149
Total liabilities from financing activities	74,741	540,745	998	44,742	–	(119)	661,107

Year ended 30 June 2022	1 July 2021 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	New Acquisitions \$'000	Other \$'000	New consolidated entity/ deconsolidation \$'000	30 June 2022 \$'000
Current interest bearing loans and borrowings (excluding items listed below)	10,508	(4,558)	(80)	2,518	–	–	8,388
Current lease liability	7,786	43	(42)	400	–	–	8,187
Current unsecured loan other	750	(182)	(15)	–	–	–	553
Non-current interest bearing loans and borrowings	200,345	(166,764)	(513)	9,250	–	(3,688)	38,630
Non current lease liability	18,080	(296)	(43)	1,011	–	–	18,752
Non Current Unsecured Loan Other	680	(448)	(1)	–	–	–	231
Total liabilities from financing activities	238,149	(172,205)	(694)	13,179	–	(3,688)	74,741

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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 acts as an agent in the collection of amounts due from customers for premiums and amounts payable to insurers on broking/agency operations, as the Group is not liable for the underlying insurance contract. As such these balances do not meet the definition of a financial liability or financial asset respectively. The Group recognises amounts due from customers in relation to uncollected fees and commissions due to the Group for services rendered, adjusted for the expected credit loss. The Group only recognises amounts due to insurers for premiums when collected but yet to be transferred to the insurer.

Amounts due from premium funding operations include amounts due from policyholders in respect of insurances arranged by a controlled entity. These arrangements with policyholders have repayment terms up to 12 months from policy inception. The individual funding arrangements are used to pay insurers. Should policyholders default under the premium funding arrangement, the insurance policy is cancelled by the insurer and a refund issued which is credited against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged plus any additional interest charged under the premium funding arrangement.

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

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:

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

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

As at 30 June 2023

	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 receivables	59,422	–	476	–	59,898
Amount due from customers on broking/agency operations	111,236	75,029	–	–	186,265
Amount due from clients in respect of premium funding	2,038	–	–	–	2,038
Related party receivables	7,069	–	3,195	6,661	16,925
Prepayments and other receivables	53,506	4,779	6,953	–	65,238
Total trade and other receivables	233,271	79,808	10,625	6,661	330,365

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

	As at 30 June 2022				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	24,414	–	45	–	24,459
Amount due from customers on broking/agency operations	74,967	–	–	–	74,967
Amount due from clients in respect of premium funding	1,018	873	–	–	1,891
Related party receivables	14,279	–	694	–	14,973
Prepayments and other receivables	2,128	–	–	–	2,128
Total trade and other receivables	116,806	873	739	–	118,418

Expected Credit Losses (ECL)

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 over due by more than (a) Brokers - 30 days, (b) Support services entities and Underwriters - 90 days and (c) Wholesale brokers - 180 days are considered to have a significance increase in credit risk.

Expected credit losses 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.

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

The provision for lapses 5.0% (2022: 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.

Commercial loans to controlled entities and associates are secured over the shares of the non AUB Group shareholders of the borrower. Other related party loans are generally provided to a related party for purchase of shares in a controlled entity or associate, where the shares acquired form 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 2023 and 30 June 2022.

The Group recognises under AASB 15 a deferred component of Revenue representing the significant risk of reversal on issued policies. This is within the Group's Deferred Revenue balance within the Consolidated Statement of Financial Position. In addition to requirements under AASB 15, forward looking elements under ECL provisioning is required. This is presented in the table above, along with ECL provisioning on assets not impacted by AASB 15. As such changes in forward looking elements of ECL provisioning have an impact on the table below.

	2023 \$'000	2022 \$'000
Opening balance 1 July	316	2,792
ECL from acquisition of a controlled entity	3,780	103
Movements during the year	1,100	(2,579)
Total Expected Credit Loss	5,196	316

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

12. FINANCIAL AND OTHER ASSETS

Foreign Exchange Forward Contract Asset

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. Such derivative financial instruments are initially recognised at fair value at the date at which a derivative contract is entered into and are subsequently remeasured at fair value. If there is any ineffective portion, it is recognised immediately in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset of liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

Other Assets

Other assets are contract assets, secured loans, minor investment in listed equities and defined benefit scheme asset. For AUB's policy on defined benefit schemes refer to Note 16.

Contract assets represent assets recognised at fair value acquired on acquisition of a subsidiary in relation to expected revenues generated by existing contracts over the next 10 years. The asset has finite life and is amortised over the term of the contract (10 years).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

12 FINANCIAL AND OTHER ASSETS (CONTINUED)

	As at 30 June 2023				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	
Foreign Exchange Forward Contract Asset	5,628	4,603	13,303	–	23,534
Other Assets	744	743	16,588	–	18,075
Total Financial and Other Assets	6,372	5,346	29,891	–	41,609

	As at 30 June 2022				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	
Foreign Exchange Forward Contract Asset	–	–	–	–	–
Other Assets	1,868	–	9,214	–	11,082
Total Financial and Other Assets	1,868	–	9,214	–	11,082

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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:

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

Directly attributable costs that are capitalised as part of the software 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

13 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Goodwill (continued)

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 and Brand Name

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. 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 for insurance broking registers and indefinite for brand name. Intangible assets with finite lives are amortised over the useful life, currently estimated to be 10 and 12 years (2022: 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 2023				
	Capitalised project costs \$'000	Goodwill \$'000	Insurance broking registers \$'000	Brand name \$'000	Total \$'000
Cost					
Balance at the beginning of the year	5,538	559,847	123,081	–	688,466
Net addition/(disposals) not related to consolidation/ (deconsolidation)	4,714	–	4,307	–	9,021
Acquisition of controlled entities	1,026	850,707	402,010	54,886	1,308,629
Deconsolidation of controlled entities	(11)	(9,014)	(1,604)	–	(10,629)
Impairments/write-off during the year	(201)	(1,219)	(4,922)	–	(6,342)
Translation of foreign exchange rate movements	653	43,113	24,156	3,977	71,899
Total Intangibles at cost	11,719	1,443,434	547,028	58,863	2,061,044
Amortisation					
Balance at the beginning of the year	2,299	–	63,657	–	65,956
Deconsolidation of controlled entities	–	–	(1,604)	–	(1,604)
Amortisation during the year	2,365	–	35,920	–	38,285
Translation of foreign exchange rate movements	299	–	1,267	–	1,566
Total Accumulated amortisation	4,963	–	99,240	–	104,203
Summary					
Net carrying amount at beginning of year	3,239	559,847	59,424	–	622,510
Net carrying amount at end of year	6,756	1,443,434	447,788	58,863	1,956,841

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

13 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	Year ended 30 June 2022				
	Capitalised project costs \$'000	Goodwill \$'000	Insurance broking registers \$'000	Brand name \$'000	Total \$'000
Cost					
Balance at the beginning of the year	2,240	416,241	107,709	–	526,190
Net addition/(disposals) not related to consolidation/ (deconsolidation)	702	(1,723)	1,977	–	956
Acquisition of controlled entities	2,686	161,627	15,801	–	180,114
Deconsolidation of controlled entities	–	(5,320)	(1,139)	–	(6,459)
Translation of foreign exchange rate movements & Other	(90)	(2,539)	(1,267)	–	(3,896)
Total Intangibles at cost	5,538	568,286	123,081	–	696,905
Amortisation					
Balance at the beginning of the year	1,696	–	54,817	–	56,513
(Disposals) not related to deconsolidation	(137)	–	–	–	(137)
Amortisation during the year	675	–	9,341	–	10,016
Impairments/write-off during the year	–	8,439	–	–	8,439
Translation of foreign exchange rate movements	65	–	(501)	–	(436)
Total Accumulated amortisation	2,299	8,439	63,657	–	74,395
Summary					
Net carrying amount at beginning of year	544	416,241	52,892	–	469,677
Net carrying amount at end of year	3,239	559,847	59,424	–	622,510

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

13 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Intangible assets are attributable to the following controlled entities:

	2023 \$'000	2022 \$'000
i) Goodwill		
Ludgate Limited and its controlled entities	670,177	–
AUB Group NZ Limited and its controlled entities	109,325	82,692
Insurance Advisernet Unit Trust & Insurance Advisernet New Zealand Unit Trust	117,109	103,812
AUB Three Sixty Pty Ltd and its controlled entities	115,319	115,012
Austagencies Pty Ltd and its controlled entities	79,232	47,021
AEI Insurance Group Pty Ltd and its controlled entities	75,143	–
Austbrokers Corporate Pty Ltd and its controlled entities	58,867	17,545
Adroit Holdings Pty Ltd and its controlled entities	41,954	38,272
Ludgate US Corp and its controlled entities	19,531	–
Experien Insurance Brokers Pty Ltd	18,538	18,596
Other controlled entities	138,239	136,897
Total Goodwill	1,443,434	559,847

	Remaining amortisation period (years)		2023 \$'000	2022 \$'000
	2023	2022		
	ii) Insurance Broking Registers			
Ludgate Limited and its controlled entities	11.3	–	329,021	–
AUB Group NZ Limited and its controlled entities	5.5	6.5	36,270	26,832
AEI Insurance Group Pty Ltd and its controlled entities	9.5	–	29,952	–
Austbrokers Corporate Pty Ltd and its controlled entities	5.5	3.5	14,382	1,312
Other controlled entities			38,163	31,280
Total Insurance Broking Register			447,788	59,424

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

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 indication of impairment exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at its 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 or 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 Agency businesses have been disaggregated into two CGU and Tysers businesses have been aggregated into one 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.

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 impairment 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% decline 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

14 IMPAIRMENT CONTINUED

Investments in Associates, Intangibles and Goodwill (continued)

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 Financial Control, (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 2022 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.

Key assumptions for the fair value methodology are as follows:

	2023	2022
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.	8-15 times	8-15 times
The risk free rate (before risk margin).	3.65%	2.8-3.1%
Multiples have been determined after factoring in the following assumed sustainable long-term profit growth.	up to 2%	up to 2%

Value in use

Where the Value In Use methodology produces a higher valuation than Fair Value 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 the intermediary cash flows. 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, no CGU's (2022: three CGU's) were valued using the value in use methodology. All CGUs were supportable using the fair value methodology. For two of the CGUs it was determined that an EBIT multiple was not appropriate in measuring the recoverable amount for the Group in relation to the entities. 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 19).

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

	2023	2022
Post-tax discount rates (WACC).	N/A	6.5%-10.9%
Short-term revenue growth rate - used in discount cash flow assumptions (1-5 years).	N/A	2.5%-5.7%
Long-term revenue growth rate.	N/A	1.5%-2.0%

Low headroom

Entities are considered to have low headroom if headroom is less than \$500k or 5% of total carrying value (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).

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

When making an acquisition, the Group may pay a deposit and defer a component of the purchase price to be determined based on future financial results. Estimates of the final acquisition cost are made and recognised in the financial statements. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change or actual payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate is reduced an offsetting adjustment (impairment) is generally made to the carrying value.

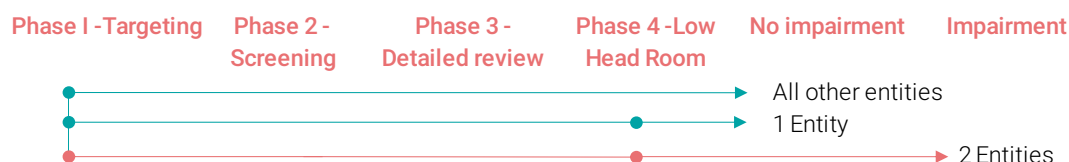
During the current year, due to current market conditions further adjustments to contingent considerations in respect of current and prior year acquisitions resulted in a net reduction (previous year increase) to the estimates previously recognised by the Consolidated Group of \$0.28m (2022: \$0.41m). Where the revised contingent consideration estimates were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge may be recognised. The reduction in contingent consideration lead to an impairment of \$nil (2022: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

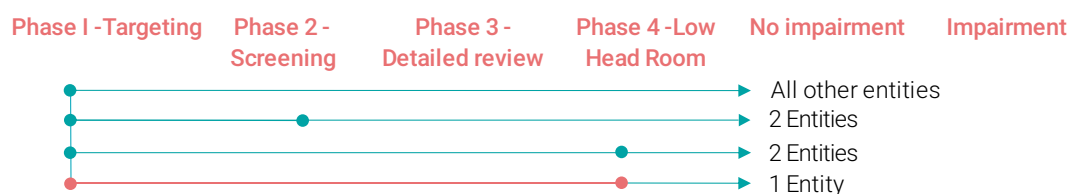
14 IMPAIRMENT (CONTINUED)

Impairment - current year



Two cash generating unit were assessed to be impaired during the current year by \$6.34m. One CGU remains on the watchlist due to low headroom. One CGU was removed from the watchlist. No CGUs were added to the watchlist.

Impairment - previous year



One cash generating unit was assessed to be impaired during the previous year by \$8.44m. Two CGUs remain on the watchlist due to low headroom. No CGUs were added to the watchlist.

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.

As at 30 June 2023					
	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	53,782	–	–	–	53,782
Amount payable on broking/agency operations	932,983	–	–	–	932,983
Related party payables	3,387	–	–	–	3,837
Other payables	59,965	–	–	–	59,965
Total trade and other payables	1,050,117	–	–	–	1,050,117

As at 30 June 2022					
	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	42,100	–	–	–	42,100
Amount payable on broking/agency operations	354,176	–	–	–	354,176
Related party payables	1,130	–	–	–	1,130
Other payables	10,245	–	–	–	10,245
Total trade and other payables	407,651	–	–	–	407,651

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

16 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.

Make good provision on leased premises

In accordance with the various lease agreements, the Group must restore the leased premises to a similar condition that existed prior to leasing the premises by removing all fixed and removable partitions. A provision has been included for expected amounts payable. Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. During the year further amounts were provided for premises leased during the year. Current lease durations range from less than 1 year to 10 years. Make good payments will only be made at the end of the lease.

Employee entitlements

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 high quality corporate bond rates attaching as at the reporting date, with terms to maturity that match, as closely as possible, estimated future cash outflows. Any contributions made to the accumulated superannuation funds by entities within the Group are charged against profits when due.

Defined benefit plan liability

The Group operates two defined benefit pension plans in the UK. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

Defined benefit schemes are funded, with assets of the scheme held separately from those of the Group, in separate trustee administered funds. Defined benefit scheme assets are measured at fair value and liabilities are measured by independent actuaries using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

If the present value of defined benefit obligations at the reporting date is less/more than the fair value of plan assets at that date, the plan has a surplus/deficit respectively which is presented in the Consolidated Statement of Financial position. The Group recognises a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

16 PROVISIONS (CONTINUED)

	Year ended 30 June 2023			
	Employee entitlements \$'000	Make good provision \$'000	Other general provisions \$'000	Total \$'000
Balance at the beginning of the year	31,414	2,195	–	33,609
Payments made during the year	(18,690)	–	(729)	(19,419)
Change in estimates	(273)	(88)	(823)	(1,184)
Additions during the year	13,729	669	151	14,549
Acquisition of controlled entity	95,890	1,088	77,824	174,802
Deconsolidation of controlled entities	(580)	(5)	–	(585)
Foreign exchange rate movements	5,465	92	2,693	8,250
Balance at the end of the year	126,955	3,951	79,116	210,022
Current 2023	123,476	1,955	79,116	204,547
Non-current 2023	3,479	1,996	–	5,475
Balance at the end of the year	126,955	3,951	79,116	210,022

A regulatory investigation of Tysers for an event which occurred prior to AUB's ownership is currently in progress. Please refer to Note 7 for further details.

	Year ended 30 June 2022			
	Employee entitlements \$'000	Make good provision \$'000	Other general provisions \$'000	Total \$'000
Balance at the beginning of the year	22,819	1,628	–	24,447
Additions/Disposals/Other during the year	8,595	567	–	9,162
Balance at the end of the year	31,414	2,195	–	33,609
Current 2022	28,479	625	–	29,104
Non-current 2022	2,935	1,570	–	4,505
Balance at the end of the year	31,414	2,195	–	33,609

17 INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing liabilities are initially recognised at fair value of the consideration received, net of any directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised. Borrowing costs are amortised over the term of the loans.

Group Borrowing facilities as at 30 June 2023

AUB Group entered into a Syndicated Debt Facility totalling \$675m to fund the completion of the Tysers acquisition. The facility has a maturity date of 30th September 2027. The total facility consists of:

- Tranche A: AUD term facility of \$525m (amortising \$1.5m per quarter); and
- Tranche B: multi-currency facility of \$150m.

At 30 June 2023 the total outstanding facility balance is \$520.5m.

AUB Group Limited's borrowing facilities are subject to financial undertakings and warranties typical of facilities of this nature and have sub-limits for various purposes including acquisitions.

A small number of controlled entities within the Group in Australia and New Zealand have negotiated facilities with other banks.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

17 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

	2023 \$'000	2022 \$'000
Current		
Secured bank loan	19,202	8,388
Other	567	553
Total interest-bearing loans and borrowings (current)	19,769	8,941
Non-current		
Secured bank loan	564,312	38,630
Other	149	231
Total interest-bearing loans and borrowings (non-current)	564,461	38,861
AUB Group Limited syndicated finance facility (see below)	520,500	–
Commonwealth Bank	19,251	2,518
Hunter Premium Funding	17,191	14,790
St George Bank	7,278	16,170
Australia and New Zealand Banking Group	8,316	9,250
Macquarie Bank	5,471	3,690
Other	5,507	600
Total secured bank loans	583,514	47,018

Group Borrowing facilities as at 30 June 2023

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)
AUB Group Limited										
Syndicated Finance Facility	Loan Facility	670,500	150,000	520,500	520,500	6,000	514,500	30/09/2027	8	Var
Australia and New Zealand Banking Group	Bank Guarantees	13,458	–	13,458	–	–	–	N/A	N/A	N/A
Facilities arranged by other controlled entities										
Commonwealth Bank	Loan facility	20,257	1,006	19,251	19,251	1,994	17,257	31/07/2023 & 01/07/2026	6-10	Var
Hunter Premium Funding	Loan Facility	20,268	3,077	17,191	17,191	2,833	14,358	Between 30/11/2024 & 31/05/2028	1 - 2.75	Fixed
Australia and New Zealand Banking Group	Loan facility	8,316	–	8,316	8,316	1,552	6,764	30/06/2032	7	Var
St George Bank	Loan Facility	8,000	722	7,278	7,278	1,100	6,178	5/12/2024	7	Var
Macquarie Bank	Loan facility	8,471	3,000	5,471	5,471	377	5,094	Between 01/05/2024 & 30/04/2027	3.75 - 5.2	Var and Fixed
Other	Loan facility	7,201	1,694	5,507	5,507	5,346	161	Between 30/11/2023 & 30/06/2032 & 31/10/2025	8 - 9.1	Var
Total Borrowing Facilities		756,471	159,499	596,972	583,514	19,202	564,312			

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

17 INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Group Borrowing facilities as at 30 June 2022

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)
AUB Group Limited										
Australia and New Zealand Banking Group	Bank Guarantees	23,179	–	23,179	–	–	–	N/A	N/A	N/A
Facilities arranged by other controlled entities										
Hunter Premium Funding	Loan facility	18,694	3,904	14,790	14,790	2,669	12,121	Between 01/11/2025 & 27/01/2035	1 - 2	Fixed
St George Bank	Loan Facility	16,888	719	16,170	16,170	2,468	13,702	Between 18/10/2022 & 19/03/2023	4 - 4.2	Var
Macquarie Bank	Loan facility	4,140	449	3,691	3,691	133	3,558	Between 01/05/2024 & 30/04/2027	3.75 - 5.2	Var and Fixed
Australia and New Zealand Banking Group	Loan Facility	14,896	5,646	9,250	9,250	–	9,250	20/04/2027	2	Fixed
Other	Loan facility	4,706	1,588	3,118	3,118	3,118	–	30/11/2022	6	Fixed
Total Borrowing Facilities		82,502	12,305	70,197	47,018	8,388	38,630			

18 FINANCIAL LIABILITIES

Contingent and deferred consideration payable

The Group initially recognises estimated contingent and deferred consideration at present value as part of purchase consideration and is remeasured at amortised cost at each reporting date.

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.

Financial liability at amortised cost

AUB recognises a financial liability in relation to units held by non-AUB parties for unit trusts controlled by the Group, as the Group does not control the distribution of profits by these entities to their beneficiaries. These liabilities are initially measured at fair value and subsequently measured at each reporting date at amortised cost as an expense through finance costs.

Put options

AUB Group Limited entered into agreements with various shareholders of controlled entities and associates, granting options to put shares held by those shareholders to AUB Group Limited at fair value 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 estimated 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 2.1 (d) for further information on measurement and critical assumptions and for Put Option liability movement during the current period, refer to the SOCIE.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

18 FINANCIAL LIABILITIES (CONTINUED)

Put options (continued)

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 of Comprehensive Income as income or expense. Movements in the put option liability are ultimately transferred from retained earnings to the Put Option Reserve.

Whilst this obligation will only be payable in the event that other shareholders of controlled and associated entities 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.

Included in financial liabilities are the following:

	As at 30 June 2023				
	Contingent and Deferred Considerations \$'000	Financial Liability at amortised Cost \$'000	Actuarial Liability \$'000	Put Options \$'000	Total \$'000
Balance at the beginning of the period	17,576	51,861	5,252	8,161	82,850
Additions during the year	152,516	–	6,235	–	158,751
Interest unwind/Finance charge on profits of trust minority	12,126	10,999	–	397	23,522
Remeasurement of past obligations (including foreign currency movements)	26,920	7,642	(757)	3,223	37,028
Payments made in respect of previously recognised balances	(16,078)	(11,805)	(190)	–	(28,073)
Balance at the end of the period	193,060	58,697	10,540	11,781	274,078

Contingent consideration sensitivity: A 10% increase or decrease in profit or revenue of acquired entities which are subject to an earn out would have a \$2.68m charge or \$19.36m release to the profit or loss respectively.

	As at 30 June 2022				
	Contingent and Deferred Considerations \$'000	Financial Liability at amortised Cost \$'000	Actuarial Liability \$'000	Put Options \$'000	Total \$'000
Balance at the beginning of the period	8,606	–	817	7,057	16,480
Additions during the year	14,529	51,861	4,435	–	70,825
Interest unwind/Finance charge on profits of trust minority	–	–	–	234	234
Remeasurement of past obligations (including foreign currency movements)	(380)	–	–	870	490
Payments made in respect of previously recognised balances	(5,179)	–	–	–	(5,179)
Balance at the end of the period	17,576	51,861	5,252	8,161	82,850

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

18 FINANCIAL LIABILITIES (CONTINUED)

Ageing is presented below:

	As at 30 June 2023				
	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
Contingent or deferred consideration payables	26,790	–	166,270	–	193,060
Financial Liability at amortised cost	–	4,639	–	54,058	58,697
Actuarial Liability	743	743	9,054	–	10,540
Put Options	3,223	–	8,558	–	11,781
Total Financial Liabilities	30,756	5,382	183,882	54,058	274,078

	As at 30 June 2022				
	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
Contingent or deferred consideration payables	8,352	–	9,224	–	17,576
Financial Liability at amortised cost	9,624	–	–	50,239	59,863
Actuarial Liability	–	–	5,252	–	5,252
Put Options	–	–	8,161	–	8,161
Total Financial Liabilities	17,976	–	22,637	50,239	90,852

19 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, bank overdrafts and derivatives.

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.

AUB has entered into forward contracts to manage the foreign currency risk associated with multi-currency cash flows generated by Tysers. AUB has designated these instruments in hedge relationships.

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

Risk exposures and Responses

a) Credit Risk

Refer to Note 10 *Cash and 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 control 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 as outlined in Note 17, although some controlled entities have arranged borrowing facilities with other banks.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

19 FINANCIAL INSTRUMENTS (CONTINUED)

b) Liquidity Risk (continued)

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 2023 with comparatives based on conditions existing at 30 June 2022.

	2023 \$'000	2022 \$'000
Financial Assets		
Due not later than 6 months	1,433,664	710,710
6 months to not later than one year	93,480	2,317
Later than one year and not later than five years	40,516	5,346
Later than five years	6,661	4,607
Total financial assets	1,584,321	722,980
Financial Liabilities		
Due not later than 6 months	(1,126,784)	(439,381)
6 months to not later than one year	(51,293)	(13,756)
Later than one year and not later than five years	(810,477)	(75,001)
Later than five years	(54,058)	(50,239)
Total financial liabilities	(2,042,611)	(578,377)

Whilst the Group's financial liabilities exceed its financial assets for periods past 12 months, AUB generates significant cash flows from its long term equity interest in its subsidiaries and associates which are excluded from the table above. This cash flow is expected to enable AUB to meet its debts when they become due and payable. Furthermore AUB has the ability to raise substantial debt and capital from the market should it need.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

19 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, including cash.

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 deferred acquisition costs, contingent considerations, put option liabilities, actuarial liability and contingent considerations made in relation to acquisitions of controlled entities and associated 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 18 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 a 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 and 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 18 for further information; and
- The fair value of forward contracts is determined based on standard market valuation methodologies which use reliable observable inputs including yield curves and market rates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

19 FINANCIAL INSTRUMENTS (CONTINUED)

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

The carrying value of most of the Group's financial assets and financial liabilities approximate their fair value due to their short term nature. Presented below are the between the book value and fair value of the Group's financial assets and liabilities:

	2023			Carrying value \$'000	Fair Value \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		
Financial Assets measured at fair value					
<i>Financial Assets;</i>					
Foreign Exchange Forward Contract Asset	–	23,534	–	23,534	23,534
Total Financial Assets measured at fair value	–	23,534	–	23,534	23,534
Financial Assets not measured at fair value					
Cash and cash equivalents	260,352	–	–	260,352	260,352
Cash and cash equivalents - Trust	936,369	–	–	936,369	936,369
Deferred Acquisition Costs	–	–	13,822	13,822	13,822
<i>Financial Assets;</i>					
Other Financial Assets	–	18,075	–	18,075	18,075
Total Financial Assets not measured at fair value	1,196,721	18,075	13,822	1,228,618	1,228,618
Financial Liabilities not measured at fair value					
Contingent or deferred consideration payables	–	–	193,060	193,060	193,617
Actuarial Liability	–	–	10,540	10,540	10,540
Put Options	–	–	11,781	11,781	10,228
Financial Liability at amortised cost	–	–	58,697	58,697	71,139
Interest-bearing loans and borrowings	–	584,230	–	584,230	584,230
Total Financial Liabilities not measured at fair value	–	584,230	274,078	858,308	869,754
2022					
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Carrying Value \$'000	Fair Value \$'000
Financial Assets measured at fair value					
<i>Other Financial Assets;</i>					
Foreign Exchange Forward Contract Asset	–	–	–	–	–
Total Financial Assets measured at fair value	–	–	–	–	–
Financial Assets not measured at fair value					
Cash and cash equivalents	259,329	–	–	259,329	259,329
Cash and cash equivalents - Trust	333,131	–	–	333,131	333,131
Deferred Acquisition Costs	–	–	–	–	–
<i>Financial Assets;</i>					
Other Financial Assets	–	11,082	–	11,082	11,082
Total Financial Assets not measured at fair value	592,460	11,082	–	603,542	603,542
Financial Liabilities not measured at fair value					
Contingent or deferred consideration payables	–	–	17,576	17,576	17,576
Actuarial Liability	–	–	5,252	5,252	5,252
Put Options	–	–	8,161	8,161	7,954
Financial Liability at amortised cost	–	–	51,861	51,861	62,608
Interest-bearing loans and borrowings	–	47,802	–	47,802	47,802
Total Financial Liabilities not measured at fair value	–	47,802	82,850	130,652	141,192

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the current or prior period.

No level 3 financial instrument is measured at fair value on a recurring basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

19 FINANCIAL INSTRUMENTS (CONTINUED)

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

Put Options

AUB Group Limited has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to AUB Group Limited, refer Note 23. Other than shown on Note 18, at balance date no liability has arisen in relation to these arrangements.

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 (including trust cash) 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 three 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 (investment grade 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 variable interest rate risk.

	2023 \$'000	2022 \$'000
Financial Assets		
Cash and cash equivalents (including trust account balance)	1,196,721	592,460
Loans and advances - related entities	16,925	14,973
Other financial assets	41,609	11,082
Total financial assets	1,255,255	618,515
Financial Liabilities		
Loans and other borrowings	(567,691)	(56,934)
Net exposure to interest rate movements	687,564	561,581

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 AUB's current positive net exposure to interest rates, fixing interest rates on borrowings has been assessed by the Group to be unnecessary. Materially all borrowings are based on variable interest rates. See Note 17 for full details of terms and conditions.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

19 FINANCIAL INSTRUMENTS (CONTINUED)

d) Market Risk (continued)

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)	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
+1.00% (100 basis points) (2022 +0.50% (50 basis points))	6,876	2,808	–	–
-1.00% (100 basis points) (2022 -0.50% (50 basis points))	(6,876)	(2,808)	–	–

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 associates 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.

Foreign currency risk

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

The Group maintains a hedge program to manage its foreign currency risks in relation to cash flows. Refer to Note 12 for further information on the Group's hedge instruments.

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

The Group does not hedge its net investment in foreign operations through derivatives. 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)	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
-10% NZD:AUD	(250)	(118)	(15,533)	(11,792)
+10% NZD:AUD	250	118	15,533	11,742
-10% GBP:AUD	9,165	–	(40,599)	–
+10% GBP:AUD	(9,165)	–	40,599	–
-10% USD:AUD	(2,680)	–	(18,266)	–
+10% USD:AUD	2,680	–	18,266	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

19 FINANCIAL INSTRUMENTS (CONTINUED)

e) Capital Management

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

In order to maintain or adjust the capital structure 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 leverage ratio. Leverage is calculated as Net Debt divided by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), as defined below.

- Net Debt contains the Group's interest-bearing loans and borrowings, other debt (including guarantees), the Group's contingent consideration*, the Group's share of borrowings and contingent consideration in relation to associates less uncommitted cash and cash equivalents**.
- EBITDA includes the Group's share of associate EBITDA plus an annualised EBITDA of entities acquired during the period plus any pro forma cost synergies achieved during the period in relation to entities acquired less contribution of EBITDA for any entities disposed during the period.

The leverage ratios at 30 June were as follows:

	2023 \$'000	2022 \$'000
Leverage ratio		
Interest-bearing loans and borrowings	584,230	47,802
Debt like items	16,552	19,231
Contingent consideration	193,060	17,576
Interest bearing loans, borrowings & contingent consideration payable - associates (AUB Group share)	25,522	31,063
Contingent consideration payable for obligors*	(192,859)	–
Uncommitted cash and cash equivalents**	(152,870)	(196,550)
Total Net Debt	473,636	(80,879)
EBITDA- controlled entities	164,500	84,195
Normalisation due to M&A	50,469	–
EBITDA- associates (AUB Group share)	61,571	62,450
Total Normalised EBITDA	276,540	146,645
Leverage Ratio - Net Debt/EBITDA	1.71	(0.55)

* Contingent consideration excludes contingent consideration recognised by wholly owned Group entities.

** Uncommitted cash and cash equivalents excludes trust cash accounts, and restricted cash such as to meet regulatory obligations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

20 ISSUED CAPITAL

	2023 \$'000	2022 \$'000
Issued Capital opening balance	608,520	266,659
Issue of shares, net of issue costs	337,167	341,861
Issued Capital closing balance	945,687	608,520

	Shares No.	Shares No.
Number of Shares on Issue (ordinary shares fully paid)	108,405,620	92,409,126

Movements in number of shares on issue

Beginning of the financial year	92,409,126	74,403,507
Issue of shares*	6,875,102	17,950,069
Issue of shares- acquisition**	9,018,974	–
Number of shares issued during period - options exercised	102,418	–
Number of shares issued during period - options exercised on 11 November 2021	–	55,550
Total Shares on Issue	108,405,620	92,409,126
Weighted average number of shares on issue at end of the year	99,836,672	76,545,637

* On 24 May 2023, AUB issued 6,875,102 shares at \$24.00. Total amount raised less issue costs was \$161.7m.

** On 30 September 2022, AUB issued 9,018,974 shares at \$19.50 to the vendors of Tysers as part of the acquisition (refer to Note 7 for further information). The shares whilst issued are held in escrow for 2 years. Total amount raised less issue costs was \$175.9m.

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.

21. 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 Performance Share Rights Plan is in place which provides benefits to executive directors and senior executives through the issue of both Performance Share Rights (PSRs) and Share Appreciation Rights (SARs). The performance hurdles relating to PSRs issued in previous periods remain unchanged.

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 the methodology to value of PSRs 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

21 SHARE-BASED PAYMENT PLANS (CONTINUED)

For PSRs 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 PSRs issued based on Total Shareholder Return (TSR) hurdles, an expense is recognised irrespective of the Group meeting market expectations.

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

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 PSRs is reflected as additional share dilution in the computation of earnings per share (see Note 6).

The number of PSRs outstanding is represented by:

Financial year Grants issued	As at 30 June 2021	lapsed during FY22	exercised during FY22	Granted during FY22	As at 30 June 2022	lapsed during FY23	exercised during FY23	Granted during FY23	As at 30 June 2023	Grant date	Earliest exercise date	Valuation \$
2018	33,586	(6,077)	(27,509)	–	–	–	–	–	–	07-Apr-16	23-Nov-20	11.83
2019	32,914	–	(28,041)	–	4,873	(3,674)	(1,199)	–	–	08-Dec-16	31-Oct-21	10.72
2020	101,219	–	–	–	101,219	–	(101,219)	–	–	24-Jan-17	31-Aug-22	9.37
2020	200,000	–	–	–	200,000	–	–	–	200,000	23-Nov-17	31-Aug-24	8.91
2021	125,688	–	–	38,748	164,436	–	–	–	164,436	31-Oct-18	31-Aug-23	11.27
2022	–	–	–	144,879	144,879	–	–	–	144,879	13-Nov-21	31-Aug-24	18.02
2023*	–	–	–	–	–	–	–	39,169	39,169	02-Sep-22	31-Aug-23	19.02
2023	–	–	–	–	–	–	–	150,146	150,146	29-Mar-23	31-Aug-25	20.92
	493,407	(6,077)	(55,550)	183,627	615,407	(3,674)	(102,418)	189,315	698,630			
Share Appreciation Rights (SARS's)												
2022	–	–	–	1,016,776	1,016,776	–	–	–	1,016,776	11-Nov-21	31-Aug-26	3.79

* 39,169 Equity award resulting from deferring 30% of the FY22 Short Term Incentive(DSTI). No additional performance conditions apply to the vesting of the PSRs with the exception of the continued employment by the relevant Group Executive. Half of the DSTI will vest after 12 months and the remaining balance will vest after 24 months.

The weighted average exercise price for all PSRs exercised in FY23 and FY22 was \$NIL.

All PSRs lapsed during FY22 and FY23 were due to vesting conditions not being met.

Vesting conditions for PSRs

The following option exercise conditions apply to all PSRs issued.

For PSRs issued in FY21 and FY22, 60% are subject to an average annual growth rate (AAGR) hurdle set out in part (a) below (EPS PSRs) and 40% of PSRs issued will be subject to the total shareholder return hurdle set out in part (b) below (TSR PSRs).

For PSRs issued in FY23 40% are subject to a compound annual growth rate (CAGR) hurdle set out in part (a) below (EPS PSRs), 40% of PSRs issued will be subject to the total shareholder return hurdle set out in part (b) below (TSR PSRs) and 20% subject to an average of 3 years return on invested capital hurdle (ROIC PSRs) set out in part (c) below.

For the purposes of calculating the compound annual growth rate (CAGR) or Annual average growth rate (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 the effects of non-recurring events or other items not representative of the underlying operating items of income and expenditure 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 (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.

Subject to satisfaction of the performance based conditions referred to in paragraphs (a), (b) and (c) below, the PSRs will vest 3 years (5 years for sign-on grant – see part (d)) after the start of the performance period;

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

21 SHARE-BASED PAYMENT PLANS (CONTINUED)

(a) Earnings Per Share Growth hurdles are as follows:

Issued in FY20		Issued in FY21 and FY22		Issued in FY23	
AAGR EPS	EPS vesting	AAGR EPS	EPS vesting	CAGR EPS	EPS vesting
less than 5%	NIL	less than 7%	NIL	less than 7%	NIL
5%	50%	7%	50%	7%	50%
5-7%	50% - 100%	7-10%	50%- 100%	7-12%	50%- 100%
7% or more	100%	10% or more	100%	12% or more	100%

(b) TSR hurdles for all grant years are as follows:

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

For any PSRs 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.

TSR PSRs 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).

Hurdles for TSRs issued after 1 July 2021

Less than 50th percentile of the Comparator Group, 0% of the PSRs will vest.

50th percentile of the Comparator Group, 50% of the PSRs will vest.

Between 50th percentile and 75th percentile of the comparator Group, between 50% and 100% of the PSRs will vest.

75th percentile of the Comparator Group or higher, 100% of the PSRs will become vest.

(c) Return on Invested Capital (ROIC)

The ROIC vesting condition for PSRs granted during FY23 is measured based on the average annual ROIC achieved from 1 July 2022 (the start of the performance period) to 30 June 2025 (being the final year of the performance period).

ROIC in each year is calculated as EBITA Less Tax, divided by Average Invested Capital, defined as follows:

EBITA Less Tax	Underlying NPAT plus interest expense (net of interest received from operating bank account) as per consolidated accounts after tax
Invested Capital	The sum of equity attributable to equity holders of the parent and interest-bearing borrowings and loans, less cash and cash equivalents (excluding cash held in trust).
Average Invested Capital	(Invested Capital at financial year end + Invested Capital at previous financial year end)/2
3 year average ROIC	Simple average of ROIC in each of the 3 years of the performance period

The percentage of ROIC PSRs that may vest is determined based on the following vesting schedule.

3 year average ROIC	PSRs subject to ROIC vesting condition that vests (%)
Less than 11%	0%
11%	50%
Greater than 11% to less than 12%	Straight line between 50% and 100%
12% or more	100%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

21 SHARE-BASED PAYMENT PLANS (CONTINUED)

(d) Performance Period - 200,000 CEO 5 year PSRs

In FY20, a sign-on bonus of 200,000 PSRs was granted to the CEO that vest over 5 years.

In the previous year, one third of the PSRs were tested over the three year performance period from 1 July 2019 to 30 June 2022.

The TSR and EPS hurdles for the sign-on PSR grant are as shown in part (a) and (b).

Based on the TSR and EPS outcomes (see previous year remuneration report), all 66,667 PSRs (both TSR PSRs and EPS PSRs) satisfied the performance hurdles and will therefore remain on foot and vest at the end of the 5 year period ended 30 June 2024, subject to the CEO's employment conditions.

The remaining balance of 133,333 PSRs (TSR and EPS) will be tested after the completion of the 5 year period ended 30 June 2024. Any unvested PSRs at that time will lapse.

Share Appreciation Rights (SARs)

Key terms of the SARs are as follows:

The SARs granted in FY22, have five-year performance period which is intentionally longer than the 3 year performance period for other performance options granted under the LT1 Plan. Additionally there is a further post exercise holding lock of two years which is designed to act as an additional mechanism with executives having additional AUB Group equity ownership.

SARs will be tested against a CAGR of the EPS of the Company during the five-year performance period covering 1 July 21 to 30 June 2026.

Vested SARs

Vesting will require stretch performance exceeding regular LT1 plan maximum, as well as peer LT1 maximum, together with 5 years of ongoing employment from 1 July 2021.

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

SARs will automatically vest and convert into Shares if the vesting conditions have been satisfied, expected to be on or around 31 August 2026. Vested SARs will be converted to shares in AUB Group Limited based on the formula below.

There is no conversion price or exercise price payable for the conversion of any vested SARs.

Vesting is conditional on meeting performance targets in line with table below

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

If the vesting conditions are satisfied, the SARs will convert into that number of Shares based on the following formula:

$$\text{Number of vested SARs} \times \frac{\text{Conversion Price} - \text{Initial VWAP}}{\text{Conversion Price}}$$

Where:

- Number of vested SARs means the number of SARs that vested after the EPS calculation has been undertaken at the end of the 5 year performance period.
- Conversion Price means the VWAP of the Shares traded on the ASX over the 60 trading days prior to 30 June 2026.
- 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).
- The base underlying EPS at 30 June 2021 was 87.93 cents per share (86.12 cents per share TERP adjusted).

During the year the Group has commenced recognition of share based payment expenses in relation to the retention programme for Tysers key producers. The share appreciation rights will be granted around 31 August 2023, with a performance measurement period from 1 July 2023 to 30 June 2026.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

22 PARENT ENTITY INFORMATION

The parent company's summary financials are presented below:

	2023 \$'000	2022 \$'000
ASSETS		
Cash and cash equivalents	111,311	176,673
Current Assets	414,986	131,632
Non-current Assets	1,202,789	436,961
Total Assets	1,729,086	745,266
LIABILITIES		
Current Liabilities	92,728	9,054
Non-current Liabilities - Interest bearing loans and borrowings	514,500	–
Total Liabilities	607,228	9,054
NET ASSETS	1,121,858	736,212
EQUITY		
Issued capital	945,687	608,520
Reserves	17,684	12,641
Retained earnings	158,487	115,051
TOTAL SHAREHOLDERS EQUITY	1,121,858	736,212
Profit for the year before income tax	91,659	62,010
Income tax (expense)/credit	4,192	2,985
Net profit after tax for the year	95,851	64,995
Other comprehensive income/(expense) after income tax for the year	9	(140)
Total comprehensive income after tax for the year	95,860	64,855
Other information		
Guarantees entered into by the parent entity in relation to the debts of its controlled entities or associates:		
AUB Group Limited has guaranteed loan facilities provided to controlled entities and associates in proportion to its shareholding	13,701	–
AUB Group Ltd has guaranteed lease facilities provided to controlled entities and associates in proportion to its shareholding	4,841	16,745
Total Guarantees	18,542	16,745

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

23 COMMITMENTS AND CONTINGENCIES

The Group's commitments and contingencies are presented below:

	2023 \$'000	2022 \$'000
Commitments - Group excluding AASB 16 Lease Liabilities		
- Not later than one year	88	706,608
- Later than one year and not later than five years	-	204
- Later than five years	-	-
	88	706,812
Commitments - Associate excluding AASB 16 Lease Liabilities		
- Not later than one year	-	68
- Later than one year and not later than five years	-	116
- Later than five years	-	-
	-	184
Contingent liabilities		
Estimates of the maximum amounts of contingent liabilities that may become payable:		
AUB Group Limited has guaranteed loan facilities provided to associates in proportion to its shareholding.	1,946	3,598
AUB Group Limited has guaranteed lease facilities provided to associates in proportion to its shareholding.	172	234
Contingent liabilities on committed transactions	-	196,553
	2,118	200,385

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

24 AUDITORS' REMUNERATION

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

	Consolidated	
	2023 \$	2022 \$
Amounts received or due to Ernst & Young (globally and NZ) for:		
Audit of the financial statements of Group and its Controlled entities in Australia	1,646,000	1,200,804
Audit of the financial statements of Controlled entities overseas	3,017,000	195,000
Other statutory assurance services	214,000	156,072
Other assurance related services	–	58,000
Total audit services	4,877,000	1,609,876
<i>Non-audit services</i>		
Taxation advice	–	–
Taxation compliance services	57,000	158,271
Consulting services	–	38,000
Total non-audit services	57,000	196,271
Total services provided by Ernst & Young	4,934,000	1,806,147
Amounts received or due to non Ernst & Young audit firms for:		
Audit and review of financial statements	661,721	280,645
Other statutory assurance services	164,707	20,716
Other assurance related services	85,000	–
Total audit services	911,428	301,361
<i>Non-audit services</i>		
Taxation advice	–	–
Taxation compliance services	26,640	26,669
Other consulting services	59,329	3,030
Total non-audit services	85,969	29,699
Total services provided by other auditors	997,397	331,060
Total Auditors' remuneration	5,931,397	2,137,207

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

25 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	Chairman (non-executive)
R. D. Deutsch	Director (non-executive) (appointed 3 November 2022)
P. G. Harmer	Director (non-executive)
A. J. Kendrick	Director (non-executive) (appointed 27 January 2023)
P. A. Lahiff	Director (non-executive)
R. J. Low	Director (non-executive)
C. L. Rogers	Director (non-executive)

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

M.P.C. Emmett	Director and Chief Executive Officer
M. J. Shanahan	Chief Financial Officer

b) There are no loans outstanding owing by KMP at 30 June 2023 (2022: NIL).

c) Compensation of KMP's by Category

	2023 \$	2022 \$
Salary, fees and short-term incentives	4,158,471	3,753,969
Post employment benefits	119,639	112,112
Other long-term benefits	–	–
Termination benefits	–	–
Share-based Payments	2,058,537	1,718,365
Total	6,336,647	5,584,446

d) STI amounts included above relate to the accrued provision in respect of the current year's performance that will be paid during the following financial year. The 2023 amounts have been approved by the Remuneration Committee.

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

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

1. Entities within the Consolidated Group charge associates management fees for expenses incurred and services rendered. Refer to Note 4.
2. 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 and Note 15 for payables to related parties.

These transactions are at normal commercial terms and conditions.

	2023 \$	2022 \$
Entities within the Consolidated Group have advanced funds to other related parties		
Associates	5,912,764	11,682,895
Related persons/Companies – Shareholder Loan	9,147,665	1,817,877
Loans to association members	1,864,908	1,472,274

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

25 RELATED PARTY DISCLOSURES (CONTINUED)

ii) Transactions with other related parties

	2023 \$	2022 \$
Other payables - related parties		
Associates	2,527,183	1,129,651
Related persons/Companies – Trust distribution	1,461,629	8,115,125
Related persons/Companies – Shareholder Loan	859,652	–

Entities within the Consolidated Group provide Shareholder loans to enable key employees to buy into the business (as part of the Group's strategy to retain key employees). These loans (except one loan payable in 10 years), are payable within 5 years, are fully securitised on the shares of the company, and mechanisms for repayments include garnishing rights over associated dividends.

These transactions are at normal commercial terms and conditions.

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 25(b) and 25(c), there were no other transactions with director or director related entities.

26 SUBSEQUENT EVENTS

On 22 August 2023, the Directors of AUB Group Limited declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is \$50.95m which represents a fully franked dividend of 47.0 cents per share. The dividend has not been provided for in the 30 June 2023 financial statements.

27 OTHER POLICIES

Other Policies

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

For accounting policies on material balances refer to notes above.

Current versus non-current classification

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

An asset is current when it is:

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

An liability is current when:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

27 OTHER POLICIES (CONTINUED)

Deferred acquisition costs

Deferred customer acquisition costs represent costs associated with acquiring a new customer contract where a relationship is bound by contractual agreement. The costs are capitalised only when they are determined to be recoverable per the customer contract. Deferred acquisition costs are amortised over the term of the customer contract.

Deferred revenue from contracts with customers

Revenue from broking and agency activities are partially (1%, 2022: 1%) deferred for premium settlement and claims handling services (1.5%, 2022: 1.5%) and cancellations (5%, 2022: 5%). 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.

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.

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.

Where the Group sub leases a premises, it derecognises 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 is charged against profit and loss.

Non-controlling Interests

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

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST)/Value Added Tax (VAT) except:

- when the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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/VAT 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/VAT 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/VAT recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2023

27 OTHER POLICIES (CONTINUED)

Property, plant and equipment

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

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

Motor vehicles: 5 to 8 years;

Plant and equipment: 5 to 10 years.

Impairment

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

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

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

28.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation are the same as those adopted in prior years except for new and amended accounting standards which came into effect on 1 July 2022.

The 30 June 2023 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 2022:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments; and
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

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.

28.2 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.

- AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- AASB 2020-1 and 2020-6 Amendments to AASs – Classification of Liabilities as Current or Non-current.
- AASB 2021-2 Amendments to AASB 108 – Disclosure of Accounting Policies and Definition of Accounting Estimates.
- AASB 2022-1 Amendments to AASs – Initial Application of AASB 17 and AASB 9 – Comparative Information.
- AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants.
- AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments.
- AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.

DIRECTORS' DECLARATION

YEAR ENDED 30 JUNE 2023

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 2023 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 2023.

On behalf of the Board



D.C. Clarke
Chair

Sydney, 22 August 2023



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

Sydney, 22 August 2023



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AUB Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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.

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Accounting for Tysers acquisition

Financial report reference: Note 7

Why significant

The Group completed the acquisition of the Tysers Group ('Tysers') at 30 September 2022 for GBP 520m comprising GBP 320m in cash, GBP 100m in AUB shares and GBP 100m in contingent consideration.

We determined that the accounting for business combinations was a Key Audit Matter due to the financial significance and judgments involved in determining the contingent purchase price consideration, fair value of assets and liabilities acquired and resultant goodwill arising on the acquisition.

Our audit procedures in relation to the acquisition of Tysers included the following:

- ▶ Inspected the Sale and Purchase Agreement ('SPA') between the relevant parties to assess the basis and composition of the purchase consideration were consistent with the Group's accounting for the acquisition.
- ▶ Agreed the initial consideration paid for the acquisition to the bank statements and SPA, and assessed management's basis for recognising the full amount of the contingent consideration based on their forecast of the future financial performance of Tysers.
- ▶ Assessed the Group's determination of the fair value of assets and liabilities acquired including the Group's basis for determination of identified intangible assets.
- ▶ With the assistance of EY valuation specialists, we reviewed management's assessment of the fair value of the broking register and brand, inclusive of their expert's valuation report.
- ▶ For areas of judgment including provisions, we held discussions with management and external legal counsel, reviewed Board of Directors minutes, third party reports and regulatory correspondence.
- ▶ Recalculated the goodwill balance recognised as a result of the transaction and compared it to the goodwill amount recorded by the Group.
- ▶ Assessed the adequacy of the business combination disclosures included in the financial report to determine whether they were complete and accurate and in line with our understanding of the business and met the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT



Impairment assessment for goodwill and insurance broking registers

Financial report reference: Notes 2, 14

Why significant	How our audit addressed the key audit matter
<p>As at 30 June 2023, the Group's statement of financial position includes goodwill, insurance broking registers and brand totalling \$1.9 billion, representing 50% of total assets. The Group recognised an additional \$835 million of goodwill and \$457 million of insurance broking registers and brand arising from business acquisitions during the year principally due to the acquisition of Tysers.</p> <p>An impairment expense of \$6.3 million was recognised for the year ended 30 June 2023.</p> <p>In assessing the recoverability of goodwill, insurance broking registers and brand, the Group performs an annual impairment assessment, or more frequently, if impairment indicators are present.</p> <p>The Group's impairment assessment involves significant judgments and estimates including:</p> <ul style="list-style-type: none"> ▶ Determination of Cash Generating Units ('CGUs') ▶ Applicable Revenue and Earnings Before Interest and Tax (EBIT) multiples ▶ Discount rates, terminal growth rates as well as revenue and expense assumptions within Discounted Cashflow (DCF) models, where required. ▶ Stress testing of key assumptions. <p>These assumptions are subject to estimation uncertainty, with potential changes in assumptions leading to changes in the recoverable value of the assets. Accordingly, we considered this to be a key audit matter.</p> <p>The Group has disclosed in Note 2.1(d) and Note 14 to the financial statements the methodology and significant assumptions used in the impairment assessment of goodwill and the results of the impairment assessment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ Assessed the CGUs and confirmed their use in the impairment model, based on our understanding of the nature of the Group's business and management's internal reporting. ▶ In addition to the work on Tysers outlined in the above KAM, we assessed the determination of the initial recognition of goodwill and intangible assets arising from business combinations during the year. ▶ Evaluated the Group's process regarding impairment assessments of goodwill and insurance broking registers and the determination of any asset impairment outcomes. ▶ Assessed 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. ▶ Involved EY valuation specialists to assist in assessing the appropriateness of the methodology used by management, including the applicable EBIT multiples used in the current year impairment calculations. ▶ 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. ▶ Assessed the reasonableness of the estimated useful life attributed to identifiable insurance broking register intangible assets. ▶ Assessed the Group's sensitivity analysis and evaluated whether any reasonably foreseeable change in assumptions could lead to an impairment. ▶ Assessed the adequacy of the disclosures associated with the impairment assessment included in Note 2.1(d) and 14 to the financial report.

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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 2023 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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INDEPENDENT AUDITOR'S REPORT



- ▶ 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.

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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 26 to 51 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of the AUB Group Limited for the year ended 30 June 2023, 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.

A handwritten signature in blue ink that reads 'Michael Wright'.

Ernst & Young

Michael Wright
Partner
Sydney
22 August 2023

A handwritten signature in blue ink that reads 'Stacey Hooper'.

Ernst & Young

Stacey Hooper
Partner
Sydney
22 August 2023

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ASX ADDITIONAL INFORMATION

YEAR ENDED 30 JUNE 2023

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 28 July 2023.

A) DISTRIBUTION OF EQUITY SECURITIES

Ordinary share capital

- 108,405,620 fully paid ordinary shares are held by 4,314 individual shareholders. All issued shares carry one vote per share and carry the rights to dividends.
- 9,018,974 fully paid ordinary shares are subject to voluntary escrow until 30 September 2024.
- 229,666 fully paid ordinary shares are subject to voluntary escrow until 20 July 2024.

Performance Share Rights (PSRs)

- 698,630 PSRs are held by 6 individual holders. PSRs do not carry a right to vote.

Share Appreciation Rights (SARs)

- 1,016,776 SARs are held by 3 individual holders. SARs do not carry a right to vote.

There is no current on-market buy-back.

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

Range of shareholding	Number of shareholders	Fully paid ordinary shares	Fully paid ordinary shares (%)
100,001 and over	28	100,294,003	93%
10,001 – 100,000	138	3,448,087	3%
5,001 – 10,000	201	1,451,712	1%
1,001 – 5,000	1,020	2,329,137	2%
1 – 1,000	2,927	882,681	1%
	4,314	108,405,620	100%
Holding less than a marketable parcel	146		

The number of PSRs and SARs holders, by size of holding, in each class are:

Range of holding	Holders of PSRs	Number of PSRs	% of PSRs	Holders of SARs	Number of SARs	% of SARs
100,001 and over	2	537,808	77%	3	1,016,776	100%
10,001 – 100,000	3	153,651	22%	–	–	–
5,001 – 10,000	1	7,171	1%	–	–	–
1,001 – 5,000	–	–	–	–	–	–
1 – 1,000	–	–	–	–	–	–
	6	698,630	100%	3	1,016,776	100%

ASX ADDITIONAL INFORMATION

YEAR ENDED 30 JUNE 2023

B) SUBSTANTIAL SHAREHOLDERS

The following organisations have disclosed a substantial shareholding notice to ASX.

	Date of Notice	Number	Fully Paid Percentage
Integro Parent Inc.	30 September 2022	9,018,974	8.88%
Challenger Limited	5 October 2022	6,609,247	6.51%
The Capital Group Companies, Inc	27 April 2022	3,726,876	5.01%

C) TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Ordinary shareholders	Number	Fully paid Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,573,139	31.89%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	23,681,637	21.85%
CITICORP NOMINEES PTY LIMITED	16,027,643	14.78%
INTEGRO PARENT INC	9,018,974	8.32%
NATIONAL NOMINEES LIMITED	6,139,245	5.66%
BNP PARIBAS NOMINEES PTY LTD	4,498,490	4.15%
WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	1,839,810	1.70%
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	1,662,309	1.53%
BOND STREET CUSTODIANS LIMITED	732,730	0.68%
MASFEN SECURITIES LIMITED	602,088	0.56%
MIRRABOOKA INVESTMENTS LIMITED	439,500	0.41%
NETWEALTH INVESTMENTS LIMITED	356,343	0.33%
MRS GAELEEN ENID ROUVRAY	236,723	0.22%
JACOBS FLORENTINE TRUSTEES LIMITED	229,666	0.21%
DCRM PTY LTD	210,669	0.19%
GOTTLIEB PTY LTD	210,669	0.19%
PACIFIC CUSTODIANS PTY LIMITED	209,562	0.19%
INVIA CUSTODIAN PTY LIMITED	206,251	0.19%
MARKEY INVESTMENTS PTY LTD	148,709	0.14%
MR STEPHEN SPENCE ROUVRAY	147,805	0.14%
	101,171,962	93.33%

DIVIDEND DETAILS

YEAR ENDED 30 JUNE 2023

DIVIDEND DETAILS

Dividend	Amount	Franking	Ex Date	Record Date	Payment Date
Interim	17.0c	Fully Franked	1/03/2023	2/03/2023	4/04/2023
Final	47.0c	Fully Franked	7/09/2023	8/09/2023	9/10/2023

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 13-15.

DIRECTORS

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

COMPANY SECRETARIES

R. H. Bell
E. M. McGregor

ANNUAL GENERAL MEETING

The Annual General Meeting of AUB Group Limited will be held on Thursday 2 November 2023 at 10.00am.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

AUB Group Limited

Level 14, 141 Walker Street
North Sydney NSW 2060

P: + 61 2 9935 2222

W: www.aubgroup.com.au

ACN: 000 000 715

SHARE REGISTRY

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

P: 1800 194 270

W: www.linkmarketservices.com.au

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

AUDITOR

Ernst & Young

200 George Street
Sydney NSW 2000



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