

APPENDIX 4D

For The Half-Year Ended 31 December 2020



**PSC Insurance Group Limited
& Controlled Entities**

ABN: 81 147 812 164

Level 4, 96 Wellington Parade
East Melbourne VIC 3002

www.pscinsurancegroup.com.au

APPENDIX 4D

Half-Year Report for the six months to 31 December 2020

Name of entity

PSC INSURANCE GROUP LIMITED
ABN 81 147 812 164

1. Reporting period

Report for the half-year ended 31 December 2020

Previous corresponding periods are financial year ended 30 June 2020 and half-year ended 31 December 2019

2. Results for announcement to the market

Revenues from ordinary activities up 29.9% to \$99.5m

Profit from ordinary activities after tax attributable to members up 60.7% to \$13.5m

Net profit for the period attributable to members up 60.7% to \$13.5m

Dividends	Amount per security	Franked amount per security
Interim dividend (FY 2021, to be paid 7 April 2021)	4 ¢	4 ¢
Final dividend (FY 2020, paid 14 October 2020)	5.5 ¢	5.5 ¢
Previous corresponding period (12 months 2020)	9 ¢	9 ¢

Record date for determining entitlements to the dividend 10 March 2021 - 5.00pm (AEDT).

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to the separate December 2020 half-year results announcement.

3. Net tangible assets per security

Dividends	Current period (31 December 2020)	Previous corresponding period (31 December 2019)
Net tangible asset backing per ordinary security	(\$0.08)	(\$0.43)

4. Details of entities over which control has been gained or lost during the period:

Please refer to Note 11 of the attached Financial Report.

5. Dividends to members of the parent

	Date of payment	Total amount of dividend
Interim dividend year ended 30 June 2020	8/4/20	\$9,504,917
Final dividend year ended 30 June 2020	14/10/20	\$15,786,064

Amount per security

Total dividend:	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Current year (half-year 2021)	4¢	4¢	-
Previous year (half-year 2020)	3.5¢	3.5¢	-

Total dividend on all securities

Dividends	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities	\$12,500	\$9,497
Preference securities	nil	nil
Other equity instruments	nil	nil
Total	\$12,500	\$9,497

6. Details of dividend or distribution reinvestment plans in operation are described below:

There is a Dividend Reinvestment Plan (DRP) in operation for the half-year FY 21 dividend payable on 7 April 2021. The record date for the dividend is 10 March 2021. Elections to participate in the DRP for this dividend close 5.00 pm (AEDT) 11 March 2021.

There will be no discount applied to shares issued through the DRP. Shares issued through the DRP will be a new issue of shares.

The calculation of the issue price is the arithmetic average of the daily volume weighted average sale price of Shares (rounded to four decimal places) sold through a Normal Trade on the ASX on the ten trading days commencing on the second trading day following the record date for this dividend. The relevant dates for this dividend are 12 March 2021 to 25 March 2021.

The DRP rules and FAQ's can be found at: <https://www.pscinsurancegroup.com.au/corporate-governance/>

7. The financial information provided in the Appendix 4D is based on the half-year condensed financial report (attached).

8. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.



FINANCIAL REPORT

For The Half-Year Ended 31 December 2020

This half-year
financial report is to
be read in conjunction
with the financial
report for the year
ended 30 June 2020



**PSC Insurance Group Limited
& Controlled Entities**

ABN: 81 147 812 164

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East Melbourne VIC 3002

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DIRECTOR'S REPORT

The Directors present their report together with the condensed financial report of the Group consisting of PSC Insurance Group Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2020 and independent review report thereon.

Directors

The names of directors in office at any time during or since the end of the half-year are:

Brian Austin

Paul Dwyer

Antony Robinson

John Dwyer

Melvyn Sims

Tara Falk

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of operations

A review of the operations of the Group during the half-year ended 31 December 2020 and the results of those operations are as follows:

There has been strong operating performance from the Group in the period. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was up 52% on the prior period to \$28.7m, excluding the impact of AASB 16.

Key highlights were the performance of our team for our customers in the changed environment of the pandemic, the expansion of our UK commercial broking businesses and commencement of trading in the Hong Kong market.

Underlying net profit after tax before amortisation (NPATA) was up 50% on the prior period to \$17.1m. Statutory net profit after tax (NPAT) was up 55% on the prior period to \$13.6m.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

In accordance with ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, the amounts in the director's report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the directors:




Brian Austin

Chairman

Melbourne

Date: 22 February 2021



Antony Robinson

Managing Director

Melbourne

Date: 22 February 2021

AUDITOR'S INDEPENDENCE DECLARATION

**EY****Building a better
working world**

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Auditor's Independence Declaration to the Directors of PSC Insurance Group Limited

As lead auditor for the review of the half-year financial report of PSC Insurance Group Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a.) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b.) No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

T M Dring
Partner
Melbourne
22 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31-Dec 2020 \$'000	31-Dec 2019 \$'000
Revenue		
Fee and commission income	92,134	73,249
Other revenue	760	592
Interest income	204	585
Share of equity accounted results	118	103
Gain on financial instruments	5,839	1,886
Investment income	425	165
	99,480	76,580
Expenses		
Administration and other expenses	(11,149)	(11,824)
Depreciation expense - property, plant and equipment	(1,015)	(961)
Depreciation expense - right-of-use assets	(1,857)	(996)
Amortisation expense	(4,118)	(1,766)
Employee benefits expense	(49,917)	(40,178)
Finance costs	(4,417)	(2,376)
Finance costs - lease liabilities	(556)	(228)
Impairment losses	(2,034)	(1,465)
Employee contractors	(1,399)	(1,575)
Information technology costs	(2,142)	(1,923)
Professional fees	(1,808)	(1,525)
	(80,412)	(64,817)
Profit before income tax expense	19,068	11,763
Income tax expense	(5,422)	(2,980)
Net profit from continuing operations	13,646	8,783
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(2,836)	343
Other comprehensive income for the half-year	(2,836)	343
Total comprehensive income	10,810	9,126
Profit is attributable to:		
- Owners of PSC Insurance Group Limited	13,515	8,408
- Non-controlling interests	131	375
	13,646	8,783
Total comprehensive income is attributable to:		
- Owners of PSC Insurance Group Limited	10,679	8,751
- Non-controlling interests	131	375
	10,810	9,126
Earnings per share for profit attributable to the equity holders of the parent entity:		
Basic earnings per share	4.6 cents	3.2 cents
Diluted earnings per share	4.5 cents	3.1 cents

The accompanying notes form part of these condensed financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	31-Dec 2020 \$'000	30-Jun 2020 \$'000
Current assets			
Cash and cash equivalents	4	103,238	25,973
Financial assets - trust cash	5	209,005	168,525
Receivables		9,665	11,612
Contract assets - broking		34,698	49,552
Financial assets - derivatives	5	1,074	-
Other assets		9,861	9,046
Total current assets		367,541	264,708
Non-current assets			
Receivables		1,772	3,400
Financial assets - investments in shares and unit trusts	5	38,272	34,453
Equity accounted investments	12	7,629	8,512
Property, plant and equipment		16,663	16,763
Intangible assets	10	332,229	316,372
Right-of-use assets		17,974	14,754
Total non-current assets		414,539	394,254
Total assets		782,080	658,962
Current liabilities			
Payables		229,976	183,642
Provisions		3,789	4,542
Current tax liabilities		7,158	3,991
Financial liabilities - derivatives		-	1,127
Lease liabilities		3,101	2,341
Contract liabilities - deferred revenue		4,932	4,852
Amounts payable to vendors		16,470	19,503
Total current liabilities		265,426	219,998
Non-current liabilities			
Borrowings		173,359	158,505
Provisions		626	565
Deferred tax liabilities		13,438	16,213
Financial liabilities - derivatives		-	205
Lease liabilities		17,389	13,909
Contract liabilities - deferred revenue		470	474
Amounts payable to vendors		2,609	4,572
Total non-current liabilities		207,891	194,443
Total liabilities		473,317	414,441
Net assets		308,763	244,521
Equity			
Share capital	7	316,025	243,043
Reserves	8	(45,254)	(40,449)
Retained earnings		36,936	39,235
Equity attributable to owners of PSC Insurance Group Limited		307,707	241,829
Non-controlling interests		1,056	2,692
Total equity		308,763	244,521

The accompanying notes form part of these condensed financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Share capital	Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2019	140,572	(36,473)	44,807	2,145	151,051
Adjustment due to change of accounting policy, net of tax	-	-	(263)	-	(263)
Restated opening balance	140,572	(36,473)	44,544	2,145	150,788
Profit for the half-year	-	-	8,408	375	8,783
Exchange differences on translation of foreign operations, net of tax	-	343	-	-	343
Total comprehensive income for the half-year	-	343	8,408	375	9,126
Transactions with owners in their capacity as owners:					
Capital issued	35,000	-	-	-	35,000
Capital issuing costs	(578)	-	-	-	(578)
Shares in lieu of cash for acquisition of subsidiary	27,509	-	-	-	27,509
Converted share options	300	-	-	-	300
Dividend reinvestment	873	-	-	-	873
Non-controlling interest arising from business combination	-	-	-	181	181
Employee share issues	-	182	-	-	182
Put option revaluation	-	(362)	-	(54)	(416)
Dividends paid	-	-	(13,691)	(266)	(13,957)
Total transactions with owners	63,104	(180)	(13,691)	(139)	49,094
Balance as at 31 December 2019	203,676	(36,310)	39,261	2,381	209,008

	Share capital	Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2020	243,043	(40,449)	39,235	2,692	244,521
Profit for the half-year	-	-	13,515	131	13,646
Exchange differences on translation of foreign operations, net of tax	-	(2,836)	-	-	(2,836)
Total comprehensive income for the half-year	-	(2,836)	13,515	131	10,810
Transactions with owners in their capacity as owners:					
Capital issued	60,000	-	-	-	60,000
Capital issuing costs	(1,285)	-	-	-	(1,285)
Shares in lieu of cash for acquisition of subsidiary	3,507	-	-	-	3,507
Dividend reinvestment	760	-	-	-	760
Dividend reinvestment underwrite shares issued	10,000	-	-	-	10,000
Non-controlling interest arising from business combination	-	(4,642)	-	(2,626)	(7,268)
Employee share issues	-	175	-	-	175
Put option exercised	-	2,498	-	959	3,457
Dividends paid	-	-	(15,814)	(100)	(15,914)
Total transactions with owners	72,982	(1,969)	(15,814)	(1,767)	53,432
Balance as at 31 December 2020	316,025	(45,254)	36,936	1,056	308,763

The accompanying notes form part of these condensed financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31-Dec 2020 \$'000	31-Dec 2019 \$'000
Cash flow from operating activities		
Receipts from customers	109,456	88,370
Payments to suppliers and employees	(67,385)	(63,097)
Trust distributions / dividends received	542	862
Interest received	204	586
Interest paid	(3,587)	(2,817)
Income tax paid	(5,124)	(9,474)
Operating cash before movement in customer trust accounts	34,106	14,430
Net movement in customer trust accounts	721	4,011
Net cash provided by operating activities	34,827	18,441
Cash flow from investing activities		
Payment for property, plant and equipment	(791)	(984)
Proceeds from sale of financial assets	-	9,394
Payment for financial assets	(418)	-
Payment for other investments	(317)	(619)
Payment for equity investments	-	(960)
Proceeds from sale of equity investments	-	633
Net proceeds / payments from derivatives	(296)	(314)
Net cash provided by / (used in) investing activities	(1,822)	7,150
Cash flow from financing activities		
Payments for deferred consideration/business acquisitions	(24,977)	(81,376)
Proceeds from borrowings	15,481	85,208
Repayments of borrowings	-	(8,141)
Capital issued	60,000	35,000
Capital issuing costs	(1,285)	(825)
Dividend reinvestment underwrite shares issued	10,000	-
Proceeds from converted share options	-	300
Payment of lease liabilities	(2,140)	(1,248)
Dividends paid	(15,153)	(13,083)
Related parties loans and receivables	2,588	(261)
Net cash provided by / (used in) financing activities	44,514	15,574
Reconciliation of cash		
Cash at beginning of the half-year	25,973	21,475
Net (decrease) / increase in cash held	77,519	41,165
Effect of exchange rate fluctuation on cash held	(254)	(1,915)
Cash at end of the half-year	103,238	60,725

The accompanying notes form part of these condensed financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: CORPORATE INFORMATION

This condensed half-year financial statements of PSC Insurance Group Limited and its controlled entities (collectively, the Group) for the six months ended 31 December 2020 was authorised for issue by the directors on 22 February 2021.

PSC Insurance Group Limited is a company limited by shares, incorporated and domiciled in Australia. The address of PSC Insurance Group Limited's registered office and principal place of business is Level 4, 96 Wellington Parade, East Melbourne, VIC 3002. PSC Insurance Group Limited is a for-profit entity for the purpose of preparing the financial statements.

NOTE 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

(a) Basis of preparation

This condensed consolidated half-year financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This condensed consolidated half-year financial statements do not include all the notes of the type usually included in an annual financial report.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by PSC Insurance Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Rounding amounts

In accordance with ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(c) Fair value compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the condensed financial statement.

(d) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020.

There have been no new accounting policies adopted since the year ended 30 June 2020 which have had a material effect in the preparation of the condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time, but these do not have an impact on the condensed consolidated financial statements of the Group.



NOTE 3: SELECTED (REVENUE) AND EXPENSE ITEMS

	31-Dec 2020	31-Dec 2019
	\$'000	\$'000
Legal and professional fees	133	803
Share based payment expense	210	182
(Gain) or loss on deferred consideration	(138)	110
Other expenses	2,849	2,052
Impairment losses	2,034	1,465
Unrealised loss/(gain) on foreign exchange	144	(49)
Realised loss/(gain) on foreign exchange	417	(587)
Fair value (gains) on derivatives	(2,438)	(2,722)
Fair value revaluation of assets	(3,401)	836
	(190)	2,090

NOTE 4: CASH AND CASH EQUIVALENTS

	31-Dec 2020	30-Jun 2020
	\$'000	\$' 000
Cash on hand	8	13
Cash at bank	29,721	20,371
Cash on deposit	73,509	5,589
	103,238	25,973

NOTE 5: FINANCIAL ASSETS

	31-Dec 2020	30-Jun 2020
	\$'000	\$' 000
Current		
Financial assets		
Trust cash	209,005	168,525
Derivatives	1,074	-
Total Current Financial Assets	210,079	168,525
Non Current		
Financial assets		
Shares in listed corporations	35,183	32,487
Other shares and units held	3,089	1,966
Total Non Current Financial Assets	38,272	34,453

NOTE 6: DIVIDENDS

	31-Dec 2020 \$'000	31-Dec 2019 \$'000
(a) Dividends paid or declared		
Dividends paid fully franked	15,814	13,691
Dividends paid to non-controlling interests, franked	-	150
Dividends paid to non-controlling interests, unfranked	100	116
	15,914	13,957
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends of 4.0 cents per share (2020: 3.5 cents per share) fully franked	12,500	9,497
	12,500	9,497

NOTE 7: SHARE CAPITAL

	31-Dec 2020 \$'000	30-Jun 2020 \$'000
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(a) Issued and paid-up capital

312,496,442 Ordinary shares fully paid (June 2020: 287,019,337)	316,025	243,043
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Fully paid ordinary shares carry one vote per share and have the right to dividends.

	31-Dec 2020 No of shares	31-Dec 2020 \$'000
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(b) Movements in shares on issue**31 December 2020**

Beginning of half-year	287,019,337	243,043
Capital issued	20,000,000	60,000
Capital issuing costs	-	(1,285)
Shares in lieu of cash for acquisition of subsidiary	1,325,118	3,507
Dividend reinvestment	278,302	760
Dividend reinvestment underwrite shares issued	3,660,322	10,000
Loan funded shares	213,363	-
End of half-year	312,496,442	316,025

NOTE 7: SHARE CAPITAL (Continued)

	31-Dec 2019	31-Dec 2019
	No of shares	\$'000
31 December 2019		
Beginning of half-year	245,875,876	140,572
Capital issued	13,461,529	35,000
Capital issuing costs	-	(578)
Shares in lieu of cash for acquisition of subsidiary	10,832,349	27,509
Loan funded shares	559,960	-
Dividend reinvestment	316,238	873
Converted share options	300,000	300
End of half-year	271,345,952	203,676

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

NOTE 8: RESERVES

	31-Dec 2020	30-Jun 2020
	\$'000	\$' 000
Share-based payment reserve	2,634	2,459
Foreign currency translation reserve	(6,995)	(4,159)
Revaluation surplus	1,100	1,100
Put option reserve	-	(2,498)
Non-controlling interest reserve	(41,993)	(37,351)
Reserves	(45,254)	(40,449)

NOTE 9: SEGMENT INFORMATION

(a) Description of segments

The Group has four reportable segments as described below:

- **Distribution:** Insurance Broking, including PSC Network Insurance Partners, life broking and PSC Workers Compensation Consulting.
- **Agency:** Underwriting agencies, including Chase Underwriting, Breeze Underwriting, Online Travel Solutions and Medical Indemnity Australia.
- **United Kingdom (International):** Businesses including Paragon International Insurance Brokers, Paragon Bermuda, Carolls, Breeze Underwriting (UK), Alsford Page & Gems, Turner, Chase Underwriting (UK) and Hong Kong.
- **Group:** Group income and investments from non-operating assets and any net group costs not recovered from operating segments.

All these operating segments have been identified based on internal reports reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

(b) Segment information

The Group's chief operating decision maker uses segment revenue, segment result, segment assets and segment liabilities to assess each operating segment's financial performance and position. Amounts reported for each operating segment are the same amount recorded in the internal reports to the chief operating decision maker. Segment information is measured in the same way as the financial statements. They include items directly attributable to the segment and those that can reasonably be allocated to the segment based on the operations of the segment. Inter-segment revenue is determined on an arm's length basis. Segment information is reconciled to financial statements and underlying profit disclosure notes if provided elsewhere where these amounts differ.

	Distribution	Agency	United Kingdom	Group	Total
31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue					
Commission income	20,064	5,129	44,013	-	69,206
Fees income	16,519	1,570	209	-	18,298
Other fees	4,300	282	48	-	4,630
Other revenue	(51)	-	807	4	760
Interest income	166	16	4	18	204
Share of equity accounted results	-	-	31	87	118
Gain on financial instruments	-	-	2,438	3,401	5,839
Investment income	-	-	-	425	425
Total segment revenue	40,998	6,997	47,550	3,935	99,480
Segment revenue from external source	40,998	6,997	47,550	3,935	99,480
Segment result					
Total segment result	9,918	1,367	4,552	(2,191)	13,646
Segment result from external source	9,918	1,367	4,552	(2,191)	13,646
<i>Items included within the segment result:</i>					
Depreciation expense - property, plant and equipment	(339)	(97)	(356)	(223)	(1,015)
Depreciation expense - right-of-use assets	(853)	(156)	(848)	-	(1,857)
Amortisation expense	(1,589)	(232)	(2,297)	-	(4,118)
Interest expense	(97)	-	(5)	(4,315)	(4,417)
Interest expense - lease liabilities	(160)	(12)	(384)	-	(556)
Income tax expense	(3,809)	(479)	(1,360)	226	(5,422)
Total segment assets	152,431	17,205	165,353	447,091	782,080
Total segment liabilities	132,010	18,390	149,177	173,740	473,317

	Distribution	Agency	United Kingdom	Group	Total
31 December 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue					
Commission income	17,828	6,071	28,854	-	52,753
Fees income	14,692	1,201	59	-	15,952
Other fees	4,338	274	(68)	-	4,544
Other revenue	13	-	579	-	592
Interest income	397	47	16	125	585
Share of equity accounted results	-	-	-	103	103
Gain / (loss) on financial instruments	-	-	2,723	(837)	1,886
Investment income	-	-	-	165	165
Total segment revenue	37,268	7,593	32,163	(444)	76,580
Segment revenue from external source	37,268	7,593	32,163	(444)	76,580
<i>Segment result</i>					
Total segment result	6,278	1,155	5,542	(4,192)	8,783
Segment result from external source	6,278	1,155	5,542	(4,192)	8,783
<i>Items included within the segment result:</i>					
Depreciation expense - property, plant and equipment	(337)	(124)	(270)	(230)	(961)
Depreciation expense - right-of-use assets	(769)	(142)	(85)	-	(996)
Amortisation expense	(1,328)	(39)	(399)	-	(1,766)
Interest expense	(59)	-	(109)	(2,208)	(2,376)
Interest expense - lease liabilities	(173)	(15)	(40)	-	(228)
Income tax expense	(2,639)	(305)	(883)	847	(2,980)
Total segment assets	146,971	21,364	168,035	297,960	634,330
Total segment liabilities	122,287	17,869	149,398	135,768	425,322

NOTE 10: INTANGIBLE ASSETS

	31-Dec 2020 \$'000	30-Jun 2020 \$'000
Goodwill at cost	270,271	257,040
Identifiable intangible assets at cost	78,006	71,229
Accumulated amortisation and impairment	(16,048)	(11,897)
	61,958	59,332
Total intangible assets	332,229	316,372

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the period:

	31-Dec 2020 \$'000	30-Jun 2020 \$'000
<i>Goodwill at cost</i>		
Opening balance	257,040	94,952
Additions through business combination (i)	15,267	166,878
Net foreign currency movement arising from foreign operations	(2,036)	(4,790)
Closing balance	270,271	257,040
<i>Identifiable Intangible assets at cost</i>		
Opening balance	59,332	13,123
Additions through business combination (i)	5,422	50,659
Acquired additions through business combination	5	1,627
Other additions	1,749	895
Amortisation expense	(4,118)	(6,477)
Net foreign currency movement arising from foreign operations	(432)	(495)
Closing balance	61,958	59,332
Total intangible assets	332,229	316,372

(i) Additional goodwill and identifiable intangible assets include the business acquisitions of Charter Gilman Holdings Group, Globe Group, Trans-Pacific Insurance Brokers Ltd and Absolute Insurance Brokers Ltd.

NOTE 11: BUSINESS COMBINATIONS

Acquisitions for half-year ended 31 December 2020

In accordance with the Group strategy, a series of acquisitions were completed during the half-year. These acquisitions complement the Group's growth strategies in existing and emerging international markets.

These included the following acquisition vehicle:

- i. Company and its subsidiary entity/(ies)

(a) Consideration paid/payable

	Charter Gilman Insurance Holdings	Globe Group	Trans- Pacific Insurance Brokers	Absolute Insurance Brokers Limited	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash consideration paid	1,105	1,076	770	12,581	15,532
Equity Consideration	-	-	-	2,301	2,301
Contingent consideration	152	-	1,276	4,402	5,830
Total purchase consideration	1,257	1,076	2,046	19,284	23,663
Ownership share	100%	100%	100%	100%	
Acquisition vehicle	(i)	(i)	(i)	(i)	
Date of acquisition	31/07/20	31/07/20	31/07/20	16/10/20	
Fair value of previously held equity interest	1,263	-	-	-	1,263
Total Non-controlling interest	1,263	-	-	-	1,263

Trans Pacific Insurance Brokers includes two acquired companies Trans-Pacific Insurance Brokers Limited and Bonwick International Limited.

The Globe Group includes two acquired companies Globe Limited and Globe Insurance Consultants Limited.

The fair valuation of the previously held equity interest in Charter Gilman Insurance Holdings resulted in a \$32k gain.

Contingent consideration

Contingent consideration is estimated based on agreed multiples of EBITDA, revenue or fees and commission in accordance with the sale and purchase agreements. Refer to Note 13 for adjustments to the contingent liability amounts recognised for business combination in the current and prior periods.

NOTE 11: BUSINESS COMBINATIONS (Continued)**(b) Identifiable assets and liabilities acquired**

Recognised on acquisition at fair value

	Charter Gilman Insurance Holdings	Globe Group	Trans- Pacific Insurance Brokers	Absolute Insurance Brokers Limited	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
- Cash and Cash equivalents	338	273	240	4,785	5,636
- Financial asset - trust cash	1,064	249	1,167	1,931	4,411
- Contract assets - broking	(24)	82	314	-	372
- Property, plant and equipment	132	11	-	27	170
- Identifiable intangibles	539	91	-	4,792	5,422
- Acquired Intangibles	-	-	-	5	5
- Trade and other receivables	274	186	33	133	626
- Right of use assets	-	-	-	217	217
- Lease liabilities	-	-	-	(217)	(217)
- Deferred tax liabilities	(78)	(15)	5	(916)	(1,004)
- Trade and other payables	(1,440)	(618)	(1,242)	(2,102)	(5,402)
- Income tax payable	45	-	(7)	(615)	(577)
	850	259	510	8,040	9,659

(c) Goodwill on acquisition

Total consideration paid / payable	1,257	1,076	2,046	19,284	23,663
Total net identifiable (assets) / liabilities acquired	850	259	510	8,040	9,659
Fair value of previously held equity interest	1,263	-	-	-	1,263
Goodwill on acquisition	1,670	817	1,536	11,244	15,267

The provisional calculation for Trans-Pacific Insurance Brokers of the intangibles and goodwill have been based on information available at the time of signing the accounts.

Goodwill recognised is primarily attributed to the expected benefits and synergies that will arise as a result of the acquisitions.

(d) Financial performance since acquisition date

Revenue	638	219	297	921	2,075
Profit / (loss) after tax	(5)	9	(1)	169	172
Financial performance if held for 12 months					
Revenue	1,908	714	952	3,822	7,396
Profit / (loss) after tax	(80)	60	204	1,072	1,256

(e) Transaction costs

The Group incurred transaction costs of \$0.11m (2020: \$1.9m) in respect of the above business acquisitions. Transaction costs included legal fees, stamp duty, due diligence and other direct costs incurred in relation to these acquisitions. These costs are included within Administration and other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

NOTE 12: INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

(a) Associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method in the Group and carried at cost in the parent entity.

During the half-year, changes to investments in associates and joint ventures were:

1 - RP Morayfield Pty Ltd - On 1 July 2020, the Group increased their holding by 50% of the shares of RP Morayfield Pty Ltd for \$145,088 cash. Subsequent to the increase in ownership to 100%, RP Morayfield Pty Ltd is now classified as an investment in subsidiary.

2 - Charter Gilman Insurance Holdings Ltd - On 31 July 2020, the Group increased their holding by 50% of the shares of Charter Gilman Insurance Holdings Ltd for \$1,105,244 cash and deferred contingent cash consideration of \$151,942. Subsequent to the increase in ownership to 100%, Charter Gilman Insurance Holdings Ltd is now classified as an investment in subsidiary.

(b) Movements in holdings in Associated Companies in the half -year

			Ownership interest	
Associated Companies	Nature of relationship	Principal place of business	31-Dec 2020	30-Jun 2020
Shares - RP Morayfield Pty Ltd	Investments in entities holding client lists	Australia	100%	50%
Shares - Charter Gilman Insurance Holdings Ltd	Investments in entities holding client lists	Hong Kong	100%	50%

		31-Dec 2020	30-Jun 2020
Associated Companies		\$'000	\$'000
Investments in entities holding client lists		7,629	8,512
		7,629	8,512

Reconciliation of interests in Associates				
Opening balance			8,512	7,571
Additions			-	1,928
Other valuation adjustments			519	91
Disposals			(1,402)	(1,078)
			7,629	8,512

NOTE 13: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3:** Inputs for the asset or liability that are not based on observable market data

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the consolidated statement of financial position and notes to the condensed financial statements. For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Contingent consideration liabilities measured and recognised at fair value have been determined to be Level 3. There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2020.

	Total	Level 1	Level 2	Level 3
As at 31 December 2020	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Shares in listed corporations	35,183	35,183	-	-
Other shares and units held	3,089	-	-	3,089
Derivatives (forward exchange contracts)	1,074	-	1,074	-
Total	39,346	35,183	1,074	3,089
<i>Financial liabilities</i>				
Contingent consideration	19,079	-	-	19,079
Total	19,079	-	-	19,079

	Total	Level 1	Level 2	Level 3
As at 30 June 2020	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Shares in listed corporations	32,487	32,487	-	-
Other shares and units held	1,966	-	-	1,966
Total	34,453	32,487	-	1,966
<i>Financial liabilities</i>				
Derivatives (forward exchange contracts)	205	-	205	-
Contingent consideration	24,075	-	-	24,075
Total	24,280	-	205	24,075

NOTE 13: FAIR VALUE MEASUREMENTS (Continued)**(b) Fair value of Financial Instruments**

The Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how their fair values are determined, including the valuation technique and inputs used:

Financial instrument	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets - Shares in listed corporations	Level 1	The fair value is calculated based on closing bid prices at the reporting date.	None	n/a
Financial assets - Other shares and units held	Level 3	The fair value is determined by reference to expected future cash flows and valuations of the underlying net asset base of the investment.	Forecast earnings and valuations of the underlying assets.	The fair value would increase/ (decrease) if: - The forecast assumptions were higher/(lower)
Financial assets / liabilities - Derivatives (forward exchange contracts)	Level 2	The fair value is calculated based on contracted exchange rates and current forward rates as determined by the issuer of the contract.	None	The fair value would increase/ (decrease) if: - The forecast foreign exchange rates were higher/(lower)
Amounts payable to vendors - contingent consideration	Level 3	The fair value is calculated based on an agreed multiple of EBITDA or fees and commissions. The discount used for long term deferred consideration is 6%.	Forecast EBITDA or fees and commissions	The fair value would increase/ (decrease) if: - The forecast EBITDA or fees and commissions were higher/ (lower)

(c) Reconciliation of recurring level 1 fair value movements

	31-Dec 2020 \$'000	30-Jun 2020 \$'000
Shares in listed corporations		
Opening Balance	32,487	47,982
Additional holdings	44	8,782
Disposal of holdings	-	(9,394)
Fair value adjustments - realised	-	8,575
Fair value adjustments - unrealised	2,652	(23,458)
Closing balance	35,183	32,487

Fair value adjustments are included in gain / (loss) on financial instruments in the consolidated profit and loss and other comprehensive income statement.

(d) Reconciliation of recurring level 3 fair value movements

	31-Dec 2020	30-Jun 2020
Other shares and units held	\$'000	\$'000
Opening Balance	1,966	3,516
Additional holdings	650	290
Fair value adjustments - unrealised	473	(1,840)
Closing balance	3,089	1,966

	31-Dec 2020	30-Jun 2020
Contingent consideration	\$'000	\$'000
Opening balance	24,075	10,292
Additions from acquisitions	6,326	100,697
Deferred payments / revaluations	(10,098)	(50,248)
Deferred share issues	(1,176)	(38,526)
Net foreign currency movement arising from foreign operations	(48)	1,860
Closing balance	19,079	24,075

NOTE 14: SUBSEQUENT EVENTS

Circumstances which have arisen since the end of the half year that affect the state of affairs of the Group are detailed as follows:

(a) Acquisitions

On 28 January 2021, the Group acquired 100% of the share capital of JHR Corporate Risk Services Pty Ltd. The calculation of the fair value of assets is yet to be finalised and accordingly the carrying value of goodwill is yet to be determined. Details of the acquisition will be disclosed at the next reporting date. Total consideration is disclosed below.

Consideration paid/payable	\$'000
Consideration and costs paid	1,173
Contingent consideration	1,119
Total Consideration*	2,292

* Approximate

DIRECTORS DECLARATION

The Directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 5 to 21, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - b. giving a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that PSC Insurance Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Antony Robinson
Managing Director

Melbourne

Date: 22 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of PSC Insurance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A stylized, handwritten signature of Ernst & Young in black ink.

Ernst & Young

A handwritten signature of T M Dring in black ink.

T M Dring
Partner
Melbourne
22 February 2021