PSC Insurance Group Limited

APPENDIX 4E PRELIMINARY FINAL REPORT 2021

PSC Insurance Group Limited & Controlled Entities

ACN 147 812 164

Level 4, 96 Wellington Parade
East Melbourne VIC 3002

www.pscinsurancegroup.com.au

APPENDIX 4E PRELIMINARY FINAL REPORT

Name of entity

PSC INSURANCE GROUP LIMITED
ABN 81 147 812 164

1. Reporting period

Report for the financial year ended 30 June 2021.

Previous corresponding period is the financial year ended 30 June 2020.

2. Results for announcement to the market

Revenues from ordinary activities up 32.9% to $224.6m.

Profit (loss) from ordinary activities after tax attributable to members up 126% to $40.5m.

Net profit (loss) for the period attributable to members up 126% to $40.5m.

Dividends	Amount per security	Franked amount per security
Interim dividend – 07 April 2021	4.0¢	4.0¢
Final dividend – 13 October 2021	6.5¢	4.6¢
Record date for determining entitlements to the dividend		15 September 2021

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

Refer to the separate 2021 Results Announcement.

3. Statement of Comprehensive Income

Refer to the attached audited 2021 Annual Report.

4. Statement of Financial Position

Refer to the attached audited 2021 Annual Report.

5. Statement of Cash Flows

Refer to the attached audited 2021 Annual Report.

6. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2021	07 April 2021	$12,499,858
Final dividend – year ended 30 June 2021	13 October 2021	$20,945,482

Amount per security

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend:	Current year	10.5¢	8.6¢	N/A
	Previous year	9.0¢	9.0¢	N/A

Total dividend on all securities

Dividends	Current period $A'000	Previous corresponding Period – $A'000
Ordinary securities (each class separately)	33,445	25,291
Preference securities (each class separately)	NIL	NIL
Other equity instruments (each class separately)	NIL	NIL
Total	**33,445**	**25,291**

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

There is a Dividend Reinvestment Plan (DRP) in operation for the Final FY 21 dividend payable on 13 October, 2021. The record date for the dividend is 15 September, 2021. Elections to participate in the DRP for this dividend close 5.00 pm (AEST) 16 September, 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 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 17 September, 2021 to 30 September, 2021.

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

8. Statement of retained earnings

Refer to attached audited 2021 Annual Report.

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(23.2¢)	(25.0¢)

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

Refer to attached audited 2021 Annual Report.

11. Details of associates and joint venture entities

Refer to attached audited 2021 Annual Report.

12. Significant information relating to the entity's financial performance and financial position

Refer to the separate 2021 Results Announcement and attached audited 2021 Annual Report.

13. The financial information provided in the Appendix 4E is based on the annual financial report (attached), which has been prepared in accordance with Australian Accounting Standards.

14. Commentary on the results for the period.

Refer to the separate 2021 Results Announcement and attached audited 2021 Annual Report.

15. Audit of the financial report

The financial report has been audited by Ernst & Young, Melbourne.

PSC INSURANCE GROUP

PSC Insurance Group Limited

ANNUAL REPORT 2021

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& Controlled Entities

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CHAIRMAN'S LETTER

My Fellow Shareholders,

I am pleased to advise that your company has once again been able to achieve another record underlying earnings result for the financial year ended June 2021 as our company continues to grow.

Given the current climate the results achieved have been very satisfying and pleasing for all shareholders.

The pandemic around the globe has created challenges for our company and our customers. These challenges that we have faced have been far greater and longer than we first estimated. We have endured as a community various government imposed lockdowns and restrictions, which of course have stretched our resilience as a company as well as tested the resilience of many of our customers. Our staff have been exemplary in adapting to continue to provide excellent and attentive service to all customers, and is a credit to everyone in our business.

Your Board also has adapted to Webex/Zoom meetings on a regular basis and we do look forward to once again meeting up in person with our shareholders and staff around the globe.

We are seeing some of our customers in the most affected industries be impacted materially, however more broadly many of our customers have performed well and the general economic conditions over the financial year 2021 have been surprisingly strong.

Our industry has continued to see increases in insurance premiums overall as underwriters strive to improve their returns and profitability and this leads to increases generally to our customers. Our Brokers continue to ensure the best and most competitive terms are delivered to all customers, as our ethos of delivering excellence to our customers remains paramount for all our teams.

An exciting strategic development in the period has been the material expansion of our UK commercial/SME broking ('retail') businesses. We completed the acquisitions of Absolute Insurance, Abaco Insurance Brokers and Trust Insurance over the period. We welcome all to the PSC team and look forward to visiting them all face to face when we can.

We now have 4 businesses in this space to greatly enhance our scale, all are performing well and the teams are working together to build the new PSC Insurance Brokers UK brand. The UK retail broking market is very similar to Australia, so to be building this business with new and experienced partners in the UK, to complement the core PSC Insurance Brokers Australia businesses, is very pleasing.

We have also added depth to our Board during the period. We have been very pleased to introduce Mr James Kalbassi and Ms Jo Dawson. James joins as an Executive Director and a previous Founder of Paragon, and brings extensive market and commercial experience, particularly in the UK and USA. Jo joins as an Independent Non-Executive Director and will also chair the Audit & Risk Committee. Jo brings a wealth of executive and non-executive experience in the financial services industry over many years.

I am pleased to announce an increase in the final dividend to 6.5 cents per share, franked to 70%, for total dividends for the year of 10.5 cents per share, franked to 81%. The final dividend is not fully franked given the growth in our UK businesses. As an indication of the very strong growth we have achieved since our listing in 2015, this represents a greater than 10% after-tax cash return for those shareholders that have been with us since that time.

Our Managing Director's Report will provide detail on the financial and operating results for 2021. We remain confident on our prospects for financial year 2022 and beyond. This is a great business in a great and valued industry.

Thanks again to my fellow Directors for their continued commitment and support and together we thank all the PSC staff for their continued and passionate support delivering for our customers. We also must thank our customers for their loyalty.

To my fellow shareholders, thank you for the continued support and confidence you have placed in your Board. We are currently still evaluating whether this year's AGM can be conducted in person as we had hoped for, but feel at this stage it may again be held in the virtual online world with our UK Directors and colleagues having to dial in via online access. We will update further on this.

Yours sincerely,

Brian Austin
Chairman

MANAGING DIRECTOR'S REPORT

Key financial highlights in 2021 were:

- UNDERLYING REVENUE UP 17% TO $207.2M.
- UNDERLYING EBITDA UP 25% TO $72.0M[1].
- UNDERLYING NPATA UP 22 % TO $45.8M.
- EPS GROWTH OF 8 % TO 15.1 CPS.

Year in Review:

Another eventful year, where we have all experienced numerous personal and business challenges. The challenges have been faced by our clients, staff and more generally across the broader economies in which we operate. In this context we are delighted with the performance of the Group for financial year 2021.

Our key learning from the year is the reinforcement of our confidence in our core beliefs being:

- Focus on what we do well.
- Remain disciplined about the processes that help to drive our success.
- Strive to be a better business each day.

I believe our strong results are a product of our focus, our discipline and our drive to improve. It is also a product of the resilience of our clients and our people.

I think about our core disciplines and processes across 4 key areas.

Firstly, we are a client and people business. That sounds obvious however a significant number of businesses, including in our industry, are revenue and expense businesses. It is important for us to be disciplined about our client first approach and never forget that our people are the drivers of our success. As I have noted before, the most important people in our business are those looking after clients, with the Group supporting them in making this as efficient as possible and executing on new growth opportunities. I am writing to you as shareholders, however only as the representative of all of the people in PSC. We are all striving together to make this an even greater business.

Secondly, we are now a large business that is a collective of smaller business units. We believe that this allows us to be lean, efficient and growth driven. Small business units can be lead rather than managed, which allows the leaders to help build skills in each business unit and to provide boundaries and autonomy to people in the business unit without burdening that business with the costs and stifling impact of excessive management. We strive to be more akin to a commercial partnership than a corporation with an expectation that everyone in the business has a voice and input into our success.

Thirdly, a strong focus on organic growth. We always want more clients. To grow you also need to strive to maintain relationships with all existing clients as well as build new relationships. This focus on organic growth drives us to optimise service to existing customers and creates a sense of discipline and accountability in all aspects of the business that helps fuel success.

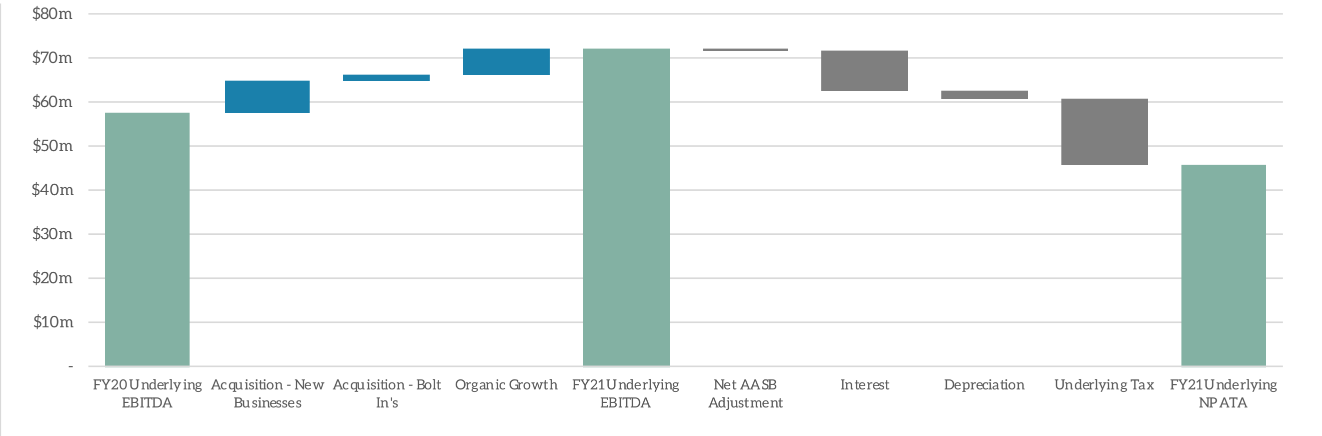
Lastly, we look for great acquisitions that add value to PSC by bringing new skills, depth of expertise, scale and growth. The investment world seems to have woken up to the importance of insurance broking and the role it plays and more importantly the growth opportunities and stability of earnings it offers shareholders and investors. The competition for acquisitions is consequently strong however the right ones still make a significant contribution to growing the value and success of PSC. We remain disciplined about the process of selection and pricing and as a consequence we have made a number of terrific acquisitions through the period. Good acquisitions are largely about the fit of the people with our culture of accountability and performance. They are therefore really mergers and work best where we are a stronger business post that merger. This has been the case during financial year 2021 and particularly with the new UK retail businesses that have joined the Group. As the Chairman commented, we now have a strong and growing presence in the UK retail (commercial SME) market and a significant team of people working to further build our retail market share.

The end outcome of applying our efforts in a disciplined and focused way is another year of strong growth. We believe this approach is maintainable and repeatable and that consequently growth is maintainable and repeatable. There may be years where there is less growth and some where the growth will be really significant, with that variance being a product of the opportunities that appear, the insurance premium rate cycle and some other factors. Broadly though, our capabilities and drive will see the business produce solid and consistent growth year after year, as can be seen by the consistent growth over the period since listing in 2015.

1 Adjusted for AASB16 impact of ~ -$0.6m to ensure like for like comparison with prior years.

Year in Review (Financial Commentary):

We summarise the components of our 2021 growth below:

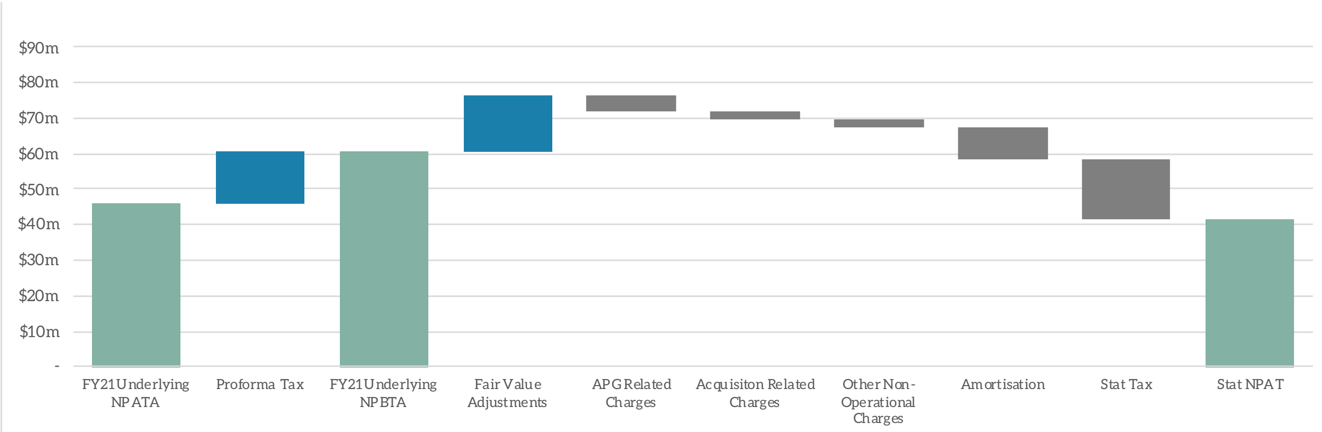


Comments:

- Organic growth across the Group was strong at $6.3m (11%), with this growth being broad based across the 3 operating segments, with EBITDA margins increasing from 33% to 35%. Distribution contributed $2.8m, Agency $1.9m, UK $1.5m and Group $0.1m.
- Within these organic growth results are some items that mask further strength in the momentum across the Group. The APG and travel insurance businesses have been challenged, and contributed a combined reduction in operating performance of $1.1m. A weaker average GBP rate has reduced operating performance by $0.8m. The current spot rate is now well below the financial year 2021 average rate. There has been a net profit reduction of $1.4m across increased insurance costs, a reduction in service fees received from insurer partners and decreased costs from travel and entertainment. These $3.3m in items are not expected to recur in any meaningful extent in financial year 2022.
- The UK segment ($7.2m) was the major contributor to the acquisition based growth of $8.0m. In particular, Paragon (Q1 only) incremental performance was $2.8m, Absolute Insurance (Q2-Q4) was $1.7m, Abaco (Q4) was $1.5m and Trust Insurance (Q4) was $1.2m. There was an acquisition contribution of $0.8m from Distribution, across a number of smaller bolt-in acquisitions.
- All acquisitions have performed well, and are largely ahead of expectations. They have integrated as planned, with the acquisitions of Absolute, Abaco and Trust allowing the scale for a strong UK retail presence. Over the next 12 months, these businesses will be closer together for a PSC Insurance Brokers UK strategy, akin to the Australian insurance broking platform.
- The acquisitions completed in financial year 2021 were largely funded by equity issues. Interest costs are up on the prior period largely as a result of an increase in the average debt levels driven by the acquisitions of Paragon and Griffiths Goodall. All debt facilities have remaining maturities > 3 years and covenants are comfortably covered. Net leverage ratio for the Group is approximately 2.0 times on a pro-forma historical basis.

MANAGING DIRECTOR'S REPORT

Key adjustments to reconcile underlying to statutory results are below:



Comments:

- Fair Value (Investments) – this increased materially and provided a positive contribution of $16.1m. BP Marsh has performed well over the period with its share price up 38% (resulting in a $13.5m book value increase) and an increase in other investment assets of $2.6m.
- Non-operating charges – totalled $9.6m the main items were:
  a. As previously advised the APG business in the UK has been re-structured and merged with Carrolls, this has resulted in pre-tax charges of approximately $5.0m
  b. Acquisition related charges, including professional costs and fair value changes in deferred consideration totalling approximately $2.0m
  c. A net charge of approximately $1.0m relating to the position across unrealised FX and the fair value of the Paragon FX forwards
  d. Approximately $1.0m of other non-operational or non-recurring charges including employee termination charges of $0.6m and corporate and tax advice charges of $0.4m.
- Amortisation – of approximately $9.0m, which has increased over FY20, given a full year of the Paragon acquisition and other UK based acquisitions.

Dividend and Outlook:

The Chairman announced an increased final dividend of 6.5 cents per share, franked to 70%, bringing total dividends for the financial period to 10.5 cents per share, franked to 81%. Franking has reduced for this dividend given the increased contribution from our UK businesses.

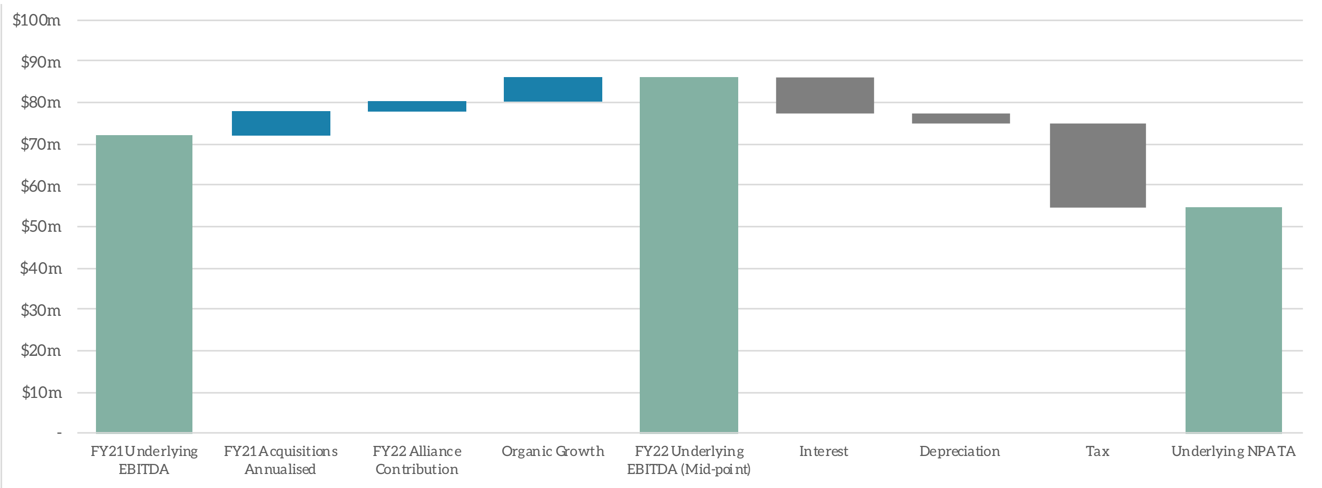
This represents a payout ratio of approximately 73%, relative to underlying NPATA.

Financial year 2021 has been a strong year and we are confident in the outlook of the Group for financial year 2022, noting as follows:

- After adjusting for the annualised impact of acquisitions completed in financial year 2021, the pro-forma financial year 2021 EBITDA is approximately $78m.
- Last week we announced the acquisition of Alliance Insurance Services. We expect this to make an ongoing annualised EBITDA contribution of $3m, and dependent on timing of completion, a contribution of approximately $2.4m in financial year 2022.
- We expect organic growth to remain a strong contributor to growth.
- An expectation for hard market conditions, however lower rate increases than we have seen in the last 2 periods.

On this basis we expect an underlying EBITDA range of $84m-$89m and underlying NPATA range of $54m-$58m in financial year 2022.

This is represented below at the EBITDA mid-point:



ENVIRONMENTAL AND SOCIAL STATEMENT CORPORATE GOVERNANCE STATEMENT

ENVIRONMENTAL AND SOCIAL STATEMENT

Overview

PSC Insurance Group Limited (PSC) has reported on its governance and various aspects of its social responsibility in different areas of its annual reporting. This year, we have consolidated our reporting into this Environmental and Social Statement and the Corporate Governance Statement (ESG). PSC's approach to incorporate environmental, social, and governance initiatives into our operating framework reflect our longstanding commitment to our customers, partners, shareholders, and employees and the communities in which we operate. At the core of what we do, we protect our clients assets and livelihoods. PSC prides itself on being there in our client's moment of need at their time of loss.

Our view on ESG is that it is a continuous process of aligning our operations and controls with our culture and values as a company. Our ESG commitments are structured around three key areas relevant to our business:

(i) Our Environment, (ii) Our People and Communities, and (iii) Our Corporate Governance.

Over the coming reporting periods, we will look to build on the quantitative metrics included in this Statement to enhance our oversight and provide further insight into our operations. We look forward to engaging with our stakeholders on these important issues as we continue to develop and enhance our ESG strategy and framework.

Our Values

In 2018 PSC commenced a project to clearly define our values and standards. This project was driven and championed by our staff and was a culmination of the contribution from all employees across PSC. This project ultimately resulted in what we refer to as our "PSC DNA" which captures the values and core principles of what our business and people stand for. In each of our branches and business units, we have team members who have volunteered to be 'PSC DNA champions' and we recognise team members displaying PSC DNA values via our peer nominations. We are proud that the PSC DNA is driven by our people and this is a testament to their contribution to our culture and their drive to make the workplace and by extension the community a better place.

Our DNA assists us to embed our social, environmental and ethical standards throughout our global business.

OUR ENVIRONMENT

PSC is a services based organisation operating in local communities with a limited environmental footprint and limited exposure to supply chain risks such as modern slavery. Despite this, we remain conscious of the global climate pressures and are committed to minimising the environmental impacts of our business.

Our Objectives	How We Are Achieving Our Objectives
Monitor and reduce energy consumption	• Reducing energy consumption. • Measuring emissions across PSC; see Emissions section for further detail. • Flexible staff working arrangements. • Our water usage is limited to that used in our office premises which is minimal, but we focus on reducing this where possible.
Minimise waste, and encourage the reuse and recycling of waste items	• Active encouragement of recycling with computer equipment, paper, glass and aluminium in each office.
Promote sustainable transport to employees, clients and suppliers	• Where possible, offices are in central locations near public transport hubs. • Reduced air travel in FY21 due to COVID, with forward commitments to carbon offset all employee air travel and only undertake it where it is considered to be a net benefit for the business as well as combining with other initiatives where possible. • Video and audio communication is encouraged in order to reduce air and road travel.
Support sustainable procurement and other sustainable work practices	• Supplier due-diligence via a questionnaire seeking clarification on the supplier's sub-contracting practices, the nature and geographic source of goods and services provided to PSC entities, employment practices and modern slavery risks (if any) identified in their organisation. The questionnaire also required the supplier to attest to be bound by PSC's Modern Slavery Policy. • Procurement of environmentally-friendly office supplies is encouraged. • Hard copy corporate brochures and business cards have moved to online versions • Double-sided printing is encouraged in all offices.

Emissions

PSC is committed to being a responsible and sustainable organisation. PSC emissions data recorded below covers the Group's offices located throughout Australia and New Zealand and spans the 12 month period from April 2020 to March 2021. The Clean Energy Regulator in Australia is a Government body responsible for accelerating carbon abatement for Australia through the administration of the National Greenhouse and Energy Reporting (NGER) scheme. PSC's emissions data follows the NGER scheme which encompasses the following categories of greenhouse gas emissions:

- Scope 1: emissions released to the atmosphere as a direct result of business activities (gas usage and vehicle transport).
- Scope 2: indirect emissions from the burning of coal (office electricity usage).
- Scope 3: emissions not reported under the NGER Scheme which are indirectly caused by our business activities (commercial airline travel).

Being a professional services firm, PSC is a low greenhouse gas emitter. We are committed to considering further emissions offsetting and reduction initiatives for adoption in FY22 and we will incorporate UK and HK emissions data. PSC is evolving its reporting of its carbon footprint which will become more complete over time.

PSC Australia and New Zealand Greenhouse Gas (GHG) Emissions

PSC Australia and New Zealand businesses comprise 375 staff across 20 office locations. In the 12 months to 31 March 2021 in Australia and New Zealand:

- PSC's combined Scope 1 (Gas, Vehicle Transport) and Scope 2 (Electricity) emissions was 586 tonnes of GHG Emissions (CO2-e) or 0.64 tonnes per employee.
- The threshold for any business to report its GHG emissions under the NGER scheme is equal to or greater than 50,000 tonnes of Scope 1 and 2 GHG Emissions (CO2-e).
- Whilst Scope 3 emissions are not reported under the NGER scheme, PSC has chosen to track the indirect emissions created by our employee air travel which totalled 37 tonnes of GHG Emissions (CO2-e). We acknowledge that our employee air travel was reduced during the reporting period due to the impact of COVID-19.
- Solar energy exported to the grid from PSC funded solar panels installed on various PSC office buildings was 27,131 kWh or 27 tonnes of GHG Emissions (CO2-e).

OUR PEOPLE AND OUR COMMUNITIES

Dedication To Our Communities

It is our aim to help anyone from within PSC to be able to give back to the community. We are fortunate enough to have passionate and committed individuals making significant contributions to their community in order to benefit others. Over the years, our people in their own capacity and via the PSC Foundation have contributed to significant donations and countless hours of time volunteering for a range of community organisations.

In the 12 months to 31 March 2021, PSC continued its proud tradition of partnering with local sporting clubs and community organisations across Australia, New Zealand and the UK. PSC's support included volunteering at community events, the donation of vital equipment and merchandise, as well as cash grants.

In the same period, PSC contributed to worthy charitable causes across Australia, New Zealand and the UK. Great Ormond Street Children's Hospital, the Australian Red Cross, the Indigenous Marathon Foundation, Royal Far West, Fight MND Foundation and the Starlight Children's Foundation are some of the notable charities PSC proudly supported this year.

The PSC DNA has been demonstrated by many individuals within our organisation who continue to drive the support of familiar causes, as well as the newly vulnerable groups within our community who have suffered due to the COVID pandemic.

Supporting Our Clients

At PSC our commitment is to always act in the best interests of our clients in everything we do. This aligns our actions and reactions to ensure a consistent focus on our clients.

We focus on our customers above all else and take a personal approach to each client: to evaluate all aspects of their business, their risks and their situation. Our attention to every detail about their business beyond just insurance and risk means PSC Insurance Brokers provide the right advice to suit our client's unique situations.

ENVIRONMENTAL AND SOCIAL STATEMENT CORPORATE GOVERNANCE STATEMENT (continued)

Our personal approach to our client's business means our approach is to:

- Understand our client's needs, their industry and their risks.
- Negotiate on their behalf to provide the best policies and terms available to them.
- Deliver quality, timely and cost-effective client services that are unique to their business situation.

At PSC, we are committed to supporting our clients through times of crisis, and acknowledge the role we play in protecting the livelihoods of thousands of individuals and businesses located across the globe. 2020 was a time of uncertainty and change and we supported our clients through these challenges by:

- Adapting quickly to the COVID lockdown environment by shifting to working remotely and utilising technology to maintain service levels and client delivery across all divisions.
- Our claims handling teams maintaining service levels during the peak periods following natural disaster events by lodging claims as quickly as possible, remaining contactable to clients and working with insurers to fast track claims for clients experiencing hardship or vulnerability wherever possible.

Additionally we have a continued focus on building the capability of our people to support vulnerable clients by implementing internal policies and awareness training to better identify and understand vulnerability, and how to best respond with sensitivity, dignity, respect and compassion. Completed actions include;

- Launching a Family Violence & Financial Hardship Policy in 2020 to provide customers with information on how they will be offered counselling support and access to other external services if affected by family violence and provided with relief options or payment plans when experiencing financial hardship.
- Training our staff to offer a number of support services to prevent communication barriers when dealing clients who could be impacted by language barriers, a disability or limited literacy skills.
- Training our staff to exercise flexibility to our internal policies for customers who may require additional support to meet identification requirements such as customers who are from an Aboriginal or Torres Strait Islander community or a non-English speaking background.

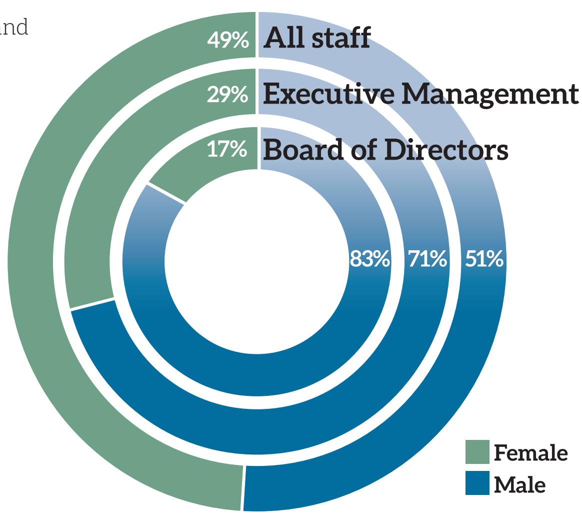
Workplace Diversity and Inclusion

PSC maintains a strong commitment to promoting an organisational culture which highly values equality and inclusiveness and believes strongly in creating working environments free from discrimination and harassment. The Company recognises the value of attracting and retaining personnel of different backgrounds, knowledge, experiences and abilities. We are committed to supporting a diverse and inclusive workforce by recognising and responding to people's needs at different stages of their lives.

At PSC, equality and diversity means:

- an inclusive workplace that embraces individual differences;
- a workplace that is free from discriminatory behaviours and business practices including discrimination, harassment, bullying, victimisation and vilification;
- equitable frameworks and policies, processes and practices that assist with equal advancement opportunities;
- equal employment opportunities based on capability and performance;
- awareness of the different needs of employees;
- the provision of flexible work practices and policies to support employees; and
- attraction and retention of a diverse range of talented people.

The graphs provide an insight into the gender diversity across our business.



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

PSC recognises that equality and diversity amongst its Personnel:

- broadens the pool of high-quality directors and employees;
- enhances the ability of the Company to attract talent and retain employees; and
- encourages greater innovation by drawing on different perspectives.

A review of the PSC Diversity and Inclusion Policy was undertaken during the current financial year with updates to our recruitment, selection and succession processes. PSC is committed to maintaining pay equality for all staff working in like roles.

Staff Health and Wellbeing

Employee safety is PSC's highest priority and the Group sees the benefits of a continuous focus on providing safe workplaces for all employees across PSC's worldwide operating locations. PSC recognises our responsibility to ensure that staff enjoy a work–life balance, are provided with opportunities to develop professionally and are assured of PSC's commitment to promoting staff health and safety. A review of the PSC WH&S policies was completed in 2020 to ensure the physical and psychological safety of our people, with emphasis placed on the impacts felt by employees during COVID lockdown periods where remote working arrangements were necessary. We also acknowledge that people have had to take on additional responsibilities and stresses during the pandemic and in many cases transformed their homes into offices for varying periods depending on location. PSC management considers the needs of the business and the preferences of our employees when considering flexible working arrangements. A number of our people have thrived from the opportunity to vary their working location and shift times to improve their work life balance and wellbeing.

Parental Leave

A number of PSC staff took parental leave in the past 12 months and subsequently returned to work. PSC recognises the importance of family and that, following parental leave, staff may need to adjust their work patterns to assist them in handling their family responsibilities. To this end, PSC promotes flexibility in both job functionality and hours of work, where possible, to assist staff returning from parental leave.

Integrating Staff From New Acquisitions

PSC has a long and successful history of growth through the acquisition of existing broker and underwriting businesses which align to the ethos and culture of PSC. PSC welcomed new businesses and their staff into the PSC family in Australia, Hong Kong and the United Kingdom during 2020/21.

PSC acknowledges the biggest asset of any business we acquire is the people within that business who are crucial to the businesses continued client retention, growth and success, as part of the PSC Group. For this reason, PSC has focused on retaining and integrating the staff of all acquired businesses by supporting their continued professional development and personal growth and wellbeing.

Human Rights and Eradicating Modern Slavery

Business plays an important role in respecting and promoting human rights and eradicating modern slavery. We, at PSC, recognise that modern slavery is a complex problem, best tackled by collective commitment and responsibility to end it and we are committed to working with all our stakeholders to fulfil this common goal.

The *Australian Modern Slavery Act 2018* took effect on 1 January 2019, and applies to commercial and not for profit entities with annual consolidated revenue of at least AUD$100 million. In 2020, PSC established our Modern Slavery Policy which outlines the minimum standards expected of suppliers including:

- Legal wages
- No forced labour
- Adequate safety & hygiene
- No bribery
- No discrimination
- No child labour.

ENVIRONMENTAL AND SOCIAL STATEMENT CORPORATE GOVERNANCE STATEMENT (continued)

This was followed by an extensive supply chain due diligence exercise in preparation for PSC's first Modern Slavery Statement. We focused on mapping the supply chain of suppliers engaged directly to provide products and services to PSC and its subsidiaries (Tier 1 suppliers). PSC has grown to manage a global supply chain made up of more than 1000 Tier 1 suppliers, with 94% based in Australia and the UK. Despite both jurisdictions being rated low risk of Modern Slavery contraventions according to the internationally recognised Walk Free 2018 Global Slavery Index, PSC organised for a Modern Slavery questionnaire to be completed by the top 40 Tier 1 suppliers who had not previously published a Modern Slavery Policy or Statement.

The questionnaire achieved a 70% completion rate, with no risks identified in the provision of services to PSC, and no suppliers flagging investigations or charges incurred relating to breaches of modern slavery or human rights laws.

PSC also completed an internal assessment and identified the risk of modern slavery in PSC human resource operations as low. All businesses in PSC monitor and address human rights issues in our operations under the PSC Code of Conduct as well as the PSC Diversity Policy. Remuneration for all employees is reviewed on an annual basis in accordance with PSC's Remuneration Policy and starting salaries are determined by market benchmarking. Such remuneration reviews ensure fair pay and adherence to workplace laws which reduces the risk of modern slavery practices.

PSC is committed to further strengthening our modern slavery risk management in 2021 as we seek to proactively identify, mitigate and remedy modern slavery risks in our own operations and supply chains. Some of the forward commitments agreed by the Board include:

- Implementing new contractual provisions to include in all future Tier 1 supplier agreements to obligate adherence to the PSC Modern Slavery Policy.
- Broadening our use of international sanction screening services beyond client engagement to identify potential suppliers subject to enforced domestic or international sanctions.
- Distribution of an annual Modern Slavery Tier 1 supplier questionnaire.

A full list of the planned focus areas for the next 12 months can be reviewed within the 2020 Modern Slavery Statement published on the PSC Group website.

Open and Transparent Workplace

PSC believes in the strong ethical values of integrity and business honesty and is committed to a culture of high corporate compliance, high ethical behaviour and acting lawfully. PSC is committed to creating and maintaining an open and transparent working environment in which employees, directors and contractors are able to raise concerns regarding actual or suspected unethical, unlawful or undesirable conduct.

Our policy provides strong protections for individuals who disclose wrongdoing, help uncover misconduct that may not otherwise be detected, hold PSC accountable to its ethical and professional standards, and promote compliance with applicable laws and the importance of a 'speak up' culture.

OUR CORPORATE GOVERNANCE

The Board is responsible for the corporate governance of the Group. Outlined are policies and practices adopted by the Group. We are committed to high standards in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations unless stated otherwise. The Board is comprised of highly experienced and qualified members with the necessary skills and experience within the financial services industry. Refer to the Board member profiles published on pages 17 and 18.

Principle 1 – Lay solid foundations for management and oversight

The Board's role includes guiding the Group's strategic direction, driving its performance and overseeing the activities of management and the operation of the Group. The respective roles and responsibilities of the Board and Executives are defined in the Board Charter, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. There is a clear delineation between the Board's responsibility for the Group's strategy and activities, and the day-to-day management of operations conferred upon the Group's officers.

More specifically, the Board is responsible for:

Strategy and financial performance

These include:

- develop, approve and monitor the Group's corporate strategy, investment and financial performance objectives;
- determine the Group's dividend policy;
- evaluate, approve and monitor all aspects of capital management, including material acquisitions, divestitures and other corporate transactions, including the issue of securities of the Group and undertaking of new debt facilities or issue of debt securities;
- approve all financial reports and material reporting and external communications by the Group; and
- appoint the Chair of the Board and, where appropriate, any Deputy Chair or Independent Director.

Executive and Board management

These include:

- appoint, monitor and manage the performance of the Group's Directors;
- manage succession planning for the Group's Executive Directors and any other key management positions as identified from time to time;
- ratify the appointment and, where appropriate, the removal of senior management of the Group and any subsidiaries; and
- review and approve the remuneration of individual Board members and Senior Executives, having regard to their performance.

Audit and risk management

These include:

- appoint the external auditor and determine its remuneration and terms of appointment;
- ensure effective audit, risk management and regulatory compliance programs are in place;
- approve and monitor the Group's risk and audit framework and its Risk Management Policy;
- monitor the Group's operations in relation to, and in compliance with, relevant regulatory and legal requirements; and
- approve and oversee the integrity of the accounting, financial and other corporate reporting systems and monitor the operation of these systems.

Corporate governance and disclosure

These include:

- evaluate the overall effectiveness of the Board, its committees and its corporate governance practices and policies;
- supervise the public disclosure of all matters that the law and the ASX Listing Rules require to be publicly disclosed in a manner consistent with the Continuous Disclosure Policy; and
- approve the appointment of Directors to committees established by the Board and oversee the conduct of each committee.

The Company Secretary, Stephen Abbott, reports directly to the Chairman of the Board. The role of the Company Secretary is outlined in the Board Charter.

The responsibility for the operation of the Group is delegated by the Board to the Managing Director. The Board and senior management monitor the performance of the Group through monthly reporting of the operating performance of each business, with reference to Board approved budgets and prior corresponding periods. The Remuneration and Nominations Committee monitors the performance of Key Management Personnel. All Directors have a written agreement setting out the terms of their appointment.

ENVIRONMENTAL AND SOCIAL STATEMENT CORPORATE GOVERNANCE STATEMENT (continued)

Principle 2 – Structure the Board to be effective and add value

The Board currently comprises four Non-Executive Directors and four Executive Directors. Of these eight Directors, four are independent Non-Executive Directors; Mr Brian Austin, Mr Paul Dwyer, Mr Melvyn Sims and Ms Jo Dawson. The Board are highly invested in the Group and believe this is in the best interests of all shareholders to drive the performance and add value.

Mr Brian Austin, Mr Paul Dwyer and Mr John Dwyer are all substantial shareholders in the Group. While Mr Austin's and Mr Dwyer's direct and indirect shareholding in the Group may be an indicator that they may not be an independent Director under ASX guidelines, the Board believes they continue to act independently of management and in the best interests of all shareholders and consequently the Board has deemed that they are independent. The experience and expertise relevant to the position of Director held by each Director at the date of this report is included in the Directors' Report.

The term in office held by each Director at the date of this report is as follows:

Name	Term in office
Brian Austin – Chairman, Independent Non-Executive Director	11 years
Paul Dwyer – Deputy Chairman, Independent Non-Executive Director	11 years
John Dwyer – Executive Director	11 years
Antony Robinson – Managing Director	6 years
Melvyn Sims – Independent Non-Executive Director	5 years
Tara Falk – Executive Director	2 years
James Kalbassi – Executive Director	1 month
Jo Dawson – Independent Non-Executive Director	1 month

Principal 2.4 and 2.5 of the ASX Corporate Governance Principals and Recommendations recommends that the Board comprise a majority of Directors who are independent. The Board is currently composed of 50% of Directors who are independent. The Board considers this to be appropriate given the shareholder structure.

The Board has established two committees to assist it in its endeavours:

- Audit & Risk Committee.
- Remuneration & Nominations Committee.

The charter of each of these committees can be reviewed at www.pscinsurancegroup.com.au.

In considering the skills required by members of the Board, consideration is given to the following:

- Insurance industry experience.
- Executive management experience.
- Financial acumen.
- Legal knowledge.
- UK business experience.
- Operational and acquisition experience.

The Board has considered these requirements and is satisfied with the current composition.

To enable performance of their duties, all Directors:

- Are provided with appropriate information in a timely manner and can request additional information at any time,
- Have access to the Company Secretary;
- Are able to seek independent professional advice at the company's expense;
- Are able to undertake professional development opportunities to further develop their knowledge and skill needed to perform their role as Director; and
- Have undergone an induction process to enable them to be effective Directors and gain substantial knowledge of the company.

Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

The Group is committed to operating honestly and ethically in all its business dealings and to embody this commitment has adopted a Code of Conduct which applies to all Directors, officers, employees, contractors or consultants of the Group as well as a Securities Trading Policy. Each of these has been prepared having regard to the ASX Corporate Governance Principles and Recommendations and is available on the Group's website at www.pscinsurancegroup.com.au. The Group has adopted a Diversity Policy, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. Where candidates for Board and Executive positions have commensurate experience and expertise, the Group will have a preference for appointments that enhance our diversity. Presently, the proportion of female employees across the Group is 49%.

Principle 4 – Safeguard the integrity of corporate reports

The Group has established an Audit & Risk Management Committee to oversee the management of financial and internal risks. The Committee is chaired by Independent Non-Executive Director, Ms Jo Dawson, and is also comprised of Mr Paul Dwyer and Mr Antony Robinson as the other members of this committee. Principal 4.1 of the ASX Corporate Governance Principals and Recommendations recommends that the audit committee have at least three members all of whom are Non-Executive Directors. Two members of the Committee are Non-Executive Directors. Mr Robinson is considered the most appropriate third member given his expertise and experience in these matters.

The Audit & Risk Management Committee is governed by an Audit & Risk Management Committee Charter, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. Key roles of the Committee include:

- Review of the half year and full year statutory financial statements;
- Consideration of the performance of the external audit and the periodic rotation of that role;
- Review of risk management assessment and the Group's Risk Management Policy and internal financial controls; and
- The Audit & Risk Committee met five times during the year and each member as then appointed attended all meetings.

Prior to the approval of the financial statements, the Board received a declaration from the Managing Director, Group Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records have been properly maintained, are in accordance with Australian Accounting Standards and give a true and fair view of the financial performance and financial position of the Group. The Group's auditor, Ernst & Young, has indicated they will be attending the Annual General Meeting.

Principle 5 – Make timely and balanced disclosure

The Group is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. The Continuous Disclosure Policy is designed to ensure compliance with ASX Listing Rules and the *Corporations Act 2001*. All disclosures are subject to Board ratification.

Principle 6 – Respect the rights of Security holders

The Group has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. The Group seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is timely, frequent, clear and accessible. The Group provides investors with comprehensive and timely access to information about itself and its governance on its website at www.pscinsurancegroup.com.au. All Shareholders are invited to attend the Group's general meetings, either in person or by representative, at a physical location or online. The Board regards the general meetings as an excellent forum in which to discuss issues relevant to the Group and accordingly encourages full participation by Shareholders. General meetings are structured to enable full participation by shareholders including the opportunity to ask questions of the Board and at annual general meetings, the Group's auditor.

ENVIRONMENTAL AND SOCIAL STATEMENT CORPORATE GOVERNANCE STATEMENT (continued)

Principle 7 – Recognise and manage risk

In conjunction with the Group's other corporate governance policies, the Group has adopted a Risk Management Policy, which is designed to assist the Group to identify, evaluate and mitigate risks affecting the Group. The Audit & Risk Management Committee is responsible for reviewing whether the Group has any material exposure to any economic and commercial risks, and if so, to develop strategies to manage such risks, and present such strategies to the Board. The Audit & Risk Management Committee is supported by the Group Manager Governance and Compliance who has a direct line of report into this committee.

The Group has identified certain key risks that could materially impact its performance, and implemented measures to manage these risks. These include, however are not limited to:

- Regulatory risk – as a Group of regulated financial services businesses, changes in regulation or actions by regulators could impact the Group;
- Personnel risk – competent employees and management are very important to the ongoing success of the Group;
- Financial risk – sound risk management of the financial controls around client monies and financial reporting are very important; and
- Underwriter risk – the Group's underwriting agency businesses require the ongoing support of their underwriters. If this support is withdrawn it could impact the Group.

Risk management within the Group is further enhanced by a separate Compliance and Risk Management committee that meets quarterly to assess operational compliance risks across the Group and is comprised of the Group's compliance managers, Company Secretary and chaired by the Group Manager Governance and Compliance. This committee provides a written report to each full Board Meeting via the Group Manager Governance and Compliance. The Group Manager Governance and Compliance attends each full Board Meeting. Compliance managers are responsible for monitoring and auditing insurance related operational functions to ensure continuing compliance with respective jurisdictional licensing requirements.

Regular internal communication between the Group's management and Board supplements the Group's Risk Management Policy. The Group at least annually evaluates the effectiveness of its risk management framework to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. Under the Audit & Risk Management Committee Charter, the Audit & Risk Management Committee is responsible for providing an independent and objective assessment to the Board regarding the adequacy, effectiveness and efficiency of the Group's risk management and internal control process. A review of the entity's risk management framework is completed at least annually to ensure that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board.

A copy of the Group's Risk Management policy is available on the Group's website at www.pscinsurancegroup.com.au.

Principle 8 – Remunerate fairly and responsibly

The Group has a Remuneration & Nominations Committee to oversee the level and composition of remuneration of the Group's Directors and Executives. The Group's Remuneration & Nomination Committee is governed by a Remuneration & Nomination Committee Charter, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au.

The committee comprises two Directors:

- Brian Austin (Chairman)
- Paul Dwyer

Principal 8.1 of the ASX Corporate Governance Principals and Recommendations recommends that the Remuneration and Nominations Committee have at least three members all of whom are Non-Executive Directors. The Committee is comprised of two independent non-executive directors. The Board considers this appropriate for the size and nature of the business.

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group consisting of PSC Insurance Group Limited and the entities it controlled, for the financial year ended 30 June 2021 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of directors in office at any time during or since the end of the period are:
Brian Austin
Paul Dwyer
Antony Robinson
John Dwyer
Melvyn Sims
Tara Falk
James Kalbassi (appointed 15 June 2021)
Jo Dawson (appointed 15 June 2021)

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

Company Secretary

Mr Stephen Abbott holds the office of Company Secretary.

Principal activities

The principal activity of the Group during the course of the financial year remained unchanged, namely operating a diverse range of insurance services businesses across Australia, the UK and New Zealand, the results of which are disclosed in the attached financial statements. These services include risk financing, insurance, risk management and claims management solutions.

Results

The consolidated profit after income tax and eliminating non-controlling interest attributable to the members of PSC Insurance Group Limited was $40,447,000 (2020: $17,887,000).

Review of operations

A review of the operations of the Group during the financial year and the results of those operations are as follows:

Statutory revenue increased from $169.0m to $224.6m and statutory net profit after tax attributable to owners of PSC Insurance Group Limited increased from $17.9m to $40.4m. Underlying operating revenue increased 17% from $176.7m to $207.2m, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 25% from $57.7m to $72.0m and underlying net profit after tax before amortisation (NPATA), increased 22% from $37.4m to $45.8m.

The Group remains well capitalised with a sound balance sheet position. The Board maintains a positive view and outlook on the prospects of the business.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

After balance date events

The Group has completed one acquisition and entered into a binding agreement to complete another since the balance date. Please refer to Note 39: Subsequent Events for full details.

Likely developments

The Group will continue to focus on creating, acquiring and enhancing its operations to create shareholder value over the medium term to ensure our clients get the best possible service and value.

DIRECTORS' REPORT (continued)

Environmental regulation

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

Details of dividends paid, declared or recommended are as follows:

	2021 $	2020 $
(a) Dividends paid or declared by PSC Insurance Group Limited		
Dividends paid fully franked	28,313,765	23,195,566
(b) Dividends paid to non-controlling interests		
Dividends paid partially franked	181,332	445,546
(c) Dividend declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends of 6.5 cents per share (2020: 5.5 cents per share) franked to 70%	20,945,482	15,786,064
Since the end of the reporting period the directors have recommended / declared dividends to non-controlling interests	-	-

Shares under option

Unissued ordinary shares of PSC Insurance Group Limited under option at the date of this report as follows:

Name of option holder	Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
Antony Robinson*	16 May 2019	3,500,000	$3.00 per share	31 December 2022
Antony Robinson*	16 May 2019	1,500,000	$3.25 per share	31 December 2022
Antony Robinson*	16 May 2019	1,500,000	$3.50 per share	31 December 2022
Antony Robinson*	16 May 2019	1,500,000	$3.75 per share	31 December 2022

* Held through a related entity, Rowena House Pty Ltd

Shares issued on exercise of options

Melvyn Sims' options were exercised on 8 July 2021, by way of a cashless exercise as permitted by the Group's LTIP, at an exercise price of $1.66.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a director of PSC Insurance Group Limited at any time during or since 1 July 2020 is provided below, together with details of the company secretary as at the year end.

Director	Expertise, experience and qualifications
Brian Austin **Non-Executive Chairman** *Member of Remuneration and Nomination Committee*	Brian Austin, an Independent Non-Executive Chairman, was appointed to the Board on 10 December 2010. With over 35 years industry experience, Mr Austin has held senior executive positions in the insurance industry, including Chief Executive Officer of OAMPS Insurance Brokers Limited. Over that time Mr Austin has been instrumental in setting the strategy of capital raising and acquisitions. The executive positions Mr Austin has held has enabled him to develop a global network of key relationships that allow the future growth strategies of the entity to be pursued with much confidence.
Paul Dwyer **Non-Executive Director and Deputy Chairman** Dip Fin Serv (Ins) *Member of Audit and Risk Management Committee and Remuneration and Nomination Committee*	Paul Dwyer, an Independent Non-Executive Director and Deputy Chairman, was appointed to the Board on 10 December 2010. Prior to founding PSC Insurance Group, Mr Dwyer held a senior executive position with OAMPS Insurance Brokers Limited and previous to that role was a Regional Underwriter with CGU. Mr Dwyer's focus is the strategic direction of the entity, exploring acquisition and organic growth opportunities and to manage and work with the executive and staff within the entity to continually improve business operations.
Antony Robinson **Managing Director** B Com (Melb), ASA, MBA (Melb) *Member of Audit and Risk Management Committee*	Antony Robinson, the Managing Director, was appointed to the Board on 13 July 2015. Mr Robinson has significant experience in wealth management and insurance, including Managing Director of Centrepoint Alliance Limited, Chief Executive Officer and Executive Director of IOOF Holdings Ltd and OAMPS Limited, joint Managing Director of Falkiners Stockbroking, Managing Director of WealthPoint, and senior executive positions at Link Telecommunications and Mayne Nickless. Mr Robinson's appointment carries with it the responsibility to ensure that finances and decision-making are robust and the business is aligned to the growth strategy of the Board. Mr Robinson is a Director of ASX listed entities Bendigo and Adelaide Bank Limited and Pacific Current Group Limited.
John Dwyer **Executive Director** Dip Fin Serv (Ins)	John Dwyer, an Executive Director, was appointed to the Board on 10 December 2010. Mr Dwyer has over 30 years experience in the insurance industry, spending time with QBE as a Regional Underwriting Manager, commencing a joint venture with OAMPS Insurance Brokers Limited and eventually becoming Eastern Region Manager (NSW & ACT). As Director of Broking across the PSC Insurance Group, Mr Dwyer brings specialist business integration and practical operational skills pivotal to a growing business. Mr Dwyer has not held directorships of other listed companies in the last three years.
Melvyn Sims **Non-Executive Director** LLB (Hons) Nottm.	Mel Sims, an Independent Non-Executive Director, was appointed to the Board on 8 August 2016. Mr Sims is a highly regarded London based corporate lawyer with extensive experience in the insurance industry gained during his 29 years as a partner in the international law firm DLA Piper and since July 2015 as a partner in the international law firm DWF Group PLC which is listed on the London Stock Exchange. Over the course of Mr Sims' career he has held senior management roles, including managing DLA Piper Offices and practice groups in the Middle East and advised businesses in commercial and transactional matters often with an international perspective and in diverse markets ranging from general retail, aviation, sport and leisure through to regulated financial services businesses. Mr Sims has extensive board experience, having served as a board member of the UK listed Towergate Insurance Limited for over 15 years. Mr Sims has not held directorships of other listed companies in the last three years.

DIRECTORS' REPORT (continued)

Director	Expertise, experience and qualifications
Tara Falk **Executive Director**	Tara Falk was appointed to the Board on 8 October 2019. Ms Falk has over 30 years in the insurance industry and is co-founder and co-CEO of Paragon International Insurance Brokers Ltd. Ms Falk has extensive experience in all operations of running a specialist Lloyd's insurance broker, working with leading insurers in Lloyd's, Europe, Bermuda and the United States. Ms Falk is involved with the placement of complex insurance programmes for many large professional service firms around the world and is also on the Board of LIIBA, London & International Insurance Brokers' Association.
James Kalbassi **Executive Director**	James Kalbassi was appointed to the Board on 15 June 2021. Mr Kalbassi has more than 30 years experience in the insurance industry and as co-Founder and co-CEO of Paragon International Insurance Brokers Ltd, leading and building a specialist Lloyd's and International insurance broker. Mr Kalbassi's strategic and operational experience has helped to drive the company's success, representing some of the world's largest professional service firms and listed corporate clients. Mr Kalbassi has recently served as a Board Member of the UNiBA Partners global independent broker network.
Jo Dawson **Non-Executive Director** *Member of Audit and Risk Management Committee*	Jo Dawson, an Independent Non-Executive Director and Chair of the Audit and Risk Management Committee, was appointed to the Board on 15 June 2021. She has deep experience in highly regulated customer facing service businesses. Her prior roles include senior positions at Deloitte and National Australia Bank, Chair of EL&C Baillieu Ltd (stockbrokers) and Non-Executive Director of Catholic Church Insurance Ltd. Her current Non-Executive Directorships include Vision Super, Bank First Ltd and Villa Maria Catholic Homes Ltd. Ms Dawson is also a Director of ASX listed company Templeton Global Growth Fund Ltd (TGG).
Company Secretary	**Expertise, experience and qualifications**
Stephen Abbott BBus, CA, CTA	Stephen Abbott was appointed Company Secretary on 18 May 2015, having joined the PSC Insurance Group in March 2012. Mr Abbott has over 35 years experience in accounting and finance both within industry and commerce and professional services firms with the last 14 years in insurance broking.

Directors' meetings

The number of meetings of the Board of Directors and of each Board Committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit & Risk Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian Austin	8	8	-	-	3	3
Paul Dwyer	8	8	5	5	3	3
Antony Robinson	8	8	5	5	-	-
John Dwyer	8	8	-	-	-	-
Melvyn Sims	8	7	-	-	-	-
Tara Falk	8	8	-	-	-	-
James Kalbassi	1	1	-	-	-	-
Jo Dawson	1	1	1	1	-	-

In addition to the scheduled Board Meetings, the Board has informal discussions on a regular basis to consider relevant issues. It also discusses strategic, operational and risk matters with senior management on an ongoing basis.

Director's interests in contracts

Directors' interests in contracts are disclosed in the Remuneration Report. Directors' relevant interests in shares of PSC Insurance Group Limited or options over shares in the company are detailed below.

Directors' relevant interests in:	Ordinary shares of PSC Insurance Group Limited	Options over shares in PSC Insurance Group Limited
Brian Austin	32,277,966	-
Paul Dwyer	57,174,852	-
Antony Robinson	802,565	8,000,000
John Dwyer	34,521,351	-
Melvyn Sims*	306,653	-
Tara Falk	7,286,200	-
James Kalbassi	6,162,587	-
Jo Dawson	10,000	-

* Melvyn Sims' options were exercised on 8 July 2021, by way of a cashless exercise as permitted by the Group's LTIP, at an exercise price of $1.66.

Auditor's independence declaration

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

Non-Audit Services

Non-audit services are approved by resolution of the Audit Committee to the Board. Non-audit services provided by the auditors of the Group, Ernst & Young (Melbourne), network firms of Ernst & Young, and other non-related audit firms, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by PSC Insurance Group Limited Ltd and have been reviewed and approved by the Audit and Risk Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for PSC Insurance Group Limited Ltd or any of its related entities, acting as an advocate for PSC Insurance Group Limited Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of PSC Insurance Group Limited Ltd or any of its related entities.

	2021 $	2020 $
Amounts paid/payable to Ernst & Young (Melbourne) for non-audit services:		
Consulting Services	53,185	50,000
Taxation Services	62,750	45,974
	115,935	95,974
Amounts paid/payable to non-related auditors of group entities for non-audit services:		
Taxation Services	-	10,745
Agreed upon procedures	63,584	-
	63,584	10,745
Total Amount Paid/Payable	**179,519**	**106,719**

DIRECTORS' REPORT (continued)

Indemnification and insurance of directors, officers and auditors

During or since the end of the year, the Group has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the Directors of the Group.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of PSC Insurance Group Limited or any of its subsidiaries.

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 statement have been rounded to the nearest one thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

The Directors present the Group's 2021 remuneration report which details the remuneration information for PSC Insurance Group Limited's Executive Directors, Non-Executive Directors and other key management personnel.

This remuneration report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

A. Details of the Key Management Personnel

Directors	Period of Responsibility	Position
Brian Austin	Full Year	Chairman, Independent Non-Executive Director
Paul Dwyer	Full Year	Deputy Chairman, Independent Non-Executive Director
Antony Robinson	Full Year	Managing Director
John Dwyer	Full Year	Executive Director
Melvyn Sims	Full Year	Independent Non-Executive Director
Tara Falk	Full Year	Executive Director
James Kalbassi	From 15 June 2021	Executive Director
Jo Dawson	From 15 June 2021	Independent Non-Executive Director

Other Key Management Personnel	Period of Responsibility	Position
Rohan Stewart*	Full Year	Group Chief Executive Officer
Joshua Reid	Full Year	Chief Financial Officer

* Rohan Stewart resigned from this position on July 16, 2021.

B. Remuneration Policies

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Board of Directors was established on 1 June 2015 and is responsible for making recommendations to the Board on the remuneration arrangements for all key management personnel. The current members of the Remuneration and Nomination Committee are Brian Austin and Paul Dwyer.

The Remuneration Committee assess the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of high quality, high performing directors and executive team. In determining the level and composition of executive remuneration, the Remuneration and Nomination Committee may also engage external consultants to provide independent advice.

The primary responsibility of the Remuneration and Nomination Committee is to review and recommend to the Board:

- Executive remuneration and incentive policies and practices;
- The Executive Director's total remuneration having regard to remuneration and incentive policies;
- The design and total proposed payments from any incentive plan and reviewing the performance hurdles for any equity based plan;
- The remuneration and related policies of Non-Executive Directors for serving on the board and any committee (both individually and in total). The total aggregate amount of remuneration of Non-Executive Directors is approved by holders of its ordinary securities; and
- Any other responsibilities as determined by the Remuneration and Nomination Committee or the Board from time to time.

Remuneration Strategy

The remuneration strategy of the Group is designed to attract, motivate and retain employees, Executives and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of Executives and employees to the continued growth and success of the Group.

To this end, the key objectives of the Group's reward framework are to:

- Align remuneration with the Group's business strategy;
- Offer an attractive mix of remuneration benchmarked against the applicable market's region;
- Provide strong linkage between individual and the Group's performance and rewards; and
- Support the corporate mission statement, values and policies through the approach to recruiting, organizing and managing people.

Remuneration Structure

In accordance with best practice corporate governance, the structure of the Non-Executive Directors and Executive remuneration is separate and distinct.

Non-Executive Director Remuneration Structure

The ASX Listing Rules specify that an entity must not increase the total aggregate amount of remuneration of Non-Executive Directors without the approval of holders of its ordinary securities.

The Board and the Remuneration Committee considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Group's Board. This remuneration is reviewed with regard to market practice and Directors' duties and accountability. From 1 December 2018, the Group set the following maximum annual Non-Executive Directors' fees:

- Chairman: $350,000 per annum inclusive of superannuation;
- Non-Executive Directors (Australia based): $110,000 per annum inclusive of superannuation; and
- Non-Executive Directors (United Kingdom based): £90,000 per annum.

The Group determines the maximum amount for remuneration, including thresholds for share-based remuneration for Executives, by resolution. The remuneration received by the Non-Executive Directors for the year ended 30 June 2021 is detailed in Table 1 of this section of the report.

DIRECTORS' REPORT (continued)

Executive Remuneration Structure

The contracts for service between the Group and executives are on a continuing basis, the terms of which are not expected to change in the immediate future.

Remuneration may consist of the following elements:

- Fixed remuneration (base salary and superannuation);
- Variable remuneration – short term incentives (STI) in the form of performance based incentives; and
- Long term incentive (LTI) (shares, options, performance rights and/or loan funded shares).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board / Remuneration and Nomination Committee. The process consists of a review of the Group and individual performance, relevant comparative remuneration from external and internal sources.

Variable Remuneration – short-term incentive (STI)

Objective

The key objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the Managing Director and other Key Management Personnel charged with meeting those targets.

Structure

Any STI payments granted depends on the extent to which specific targets set at the beginning of the financial year or on appointment are met. The Key Milestones or Key Performance Indicators (KPIs) can cover individual, divisional and organisational financial measures of performance.

On a financial year basis, after consideration of performance against the Key Milestones or KPIs, the Remuneration Committee, in line with their responsibilities determine the amount, if any, of STI to be paid to the Managing Director and other Key Management Personnel.

There have been no material STI payments to the Managing Director or other Key Management Personnel in the 2021 year (2020 : $nil).

Variable Remuneration – long-term incentive (LTI)

Objective

The objectives of providing long-term incentives are: to attract, motivate and retain key PSC Directors and staff through the acquisition of, or entitlements to, shares and options.

Structure

The Board offers LTIs to reward the performance of Directors and staff, which is in alignment with shareholders' interests and the long-term benefit of the Group. LTI awards are made under the PSC Insurance Group Limited Long Term Incentive Plan (Plan).

Rewards under the LTI Plan will only vest and be exercisable if the applicable performance hurdles to vesting conditions have been satisfied, waived by the Board or are deemed to have been satisfied under the Plan Rules. There are currently no performance hurdles or vesting conditions attached to outstanding options or loan funded shares.

Service Agreements

The Group has entered into Agreements with all Executives, including the Managing Director. The Group may terminate the Executive Director's Employment Agreements by providing at least six month's written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). The Group may terminate the contract at any time without notice if serious misconduct has occurred.

Managing Director's Remuneration

Under Antony Robinson's employment agreement his fixed remuneration is $600,000 per year inclusive of superannuation with 5 weeks annual leave. Mr Robinson is eligible to participate in the Long-term incentive arrangements operated by the Group in accordance with the terms and conditions governing those arrangements and as agreed to by the Board. On Mr Robinson's appointment as Managing Director he received 8 million options under LTI, full details of which are disclosed further down in this report.

C. Details of Remuneration of Key Management Personnel

(a) Directors' remuneration:
Table 1

	Short-term		Post-employment	Long-term	Total
	Salary fees (a)	Cash bonus	Superannuation (b)	Long service leave accruals (c)	
2021	$	$	$	$	$
Executive Directors					
Antony Robinson	578,000	-	11,169	8,910	598,079
John Dwyer (i)	350,000	-	-	-	350,000
Tara Falk	510,193	15,867	72,596	-	598,656
James Kalbassi	23,547	-	3,250	-	26,797
Non-Executive Directors					
Brian Austin (ii)	350,000	-	-	-	350,000
Paul Dwyer (iii)	100,000	-	-	-	100,000
Melvyn Sims	165,315	-	-	-	165,315
Jo Dawson	4,250	-	404	-	4,654
	2,081,305	**15,867**	**87,419**	**8,910**	**2,193,501**

a. Salary fees includes amounts paid in cash and annual leave accruals which are determined in accordance with AASB 119 Employee Benefits.
b. Tara Falk's and James Kalbassi's superannuation is employer's National Insurance at 13.8% of salary.
c. Long service leave accruals are determined in accordance with AASB 119 Employee Benefits.

i. John Dwyer provides his services via Glendale Dwyer Pty Ltd (ATF Dwyer Family Trust).
ii. Brian Austin provides his services via Melimar Estate Pty Ltd.
iii. Paul Dwyer provides his services via Crathre Pty Ltd.

	Short-term	Post-employment	Long-term	Total
	Salary fees (a)	Superannuation	Long service leave accruals (b)	
2020	$	$	$	$
Executive Directors				
Antony Robinson	504,638	19,208	9,652	533,498
John Dwyer (i)	350,000	-	-	350,000
Tara Falk	386,951	53,399	-	440,350
Non-Executive Directors				
Brian Austin (ii)	350,000	-	-	350,000
Paul Dwyer (iii)	94,343	-	-	94,343
Melvyn Sims	168,887	-	-	168,887
	1,854,819	**72,607**	**9,652**	**1,937,078**

DIRECTORS' REPORT (continued)

(b) Other Key Management Personnel remuneration:
Table 2

	Short-term	Post-employment	Long-term		Total
	Salary fees (a)	Superannuation	Long service leave accruals (b)	Loan funded Shares	
2021	$	$	$	$	$
Other Key Management Personnel					
Rohan Stewart (i)	450,000	-	-	33,527	483,527
Joshua Reid	377,472	25,000	9,660	53,911	466,043
	827,472	**25,000**	**9,660**	**87,438**	**949,570**

(a): Salary fees includes amounts paid in cash. Annual leave accruals are determined in accordance with AASB 119 Employee Benefits.
(b): Long service leave accruals are determined in accordance with AASB 119 Employee Benefits.

(i): Rohan Stewart provides his services via H&S Nominee Holdings Pty Ltd

	Short-term	Post-employment	Long-term		Total
	Salary fees (a)	Superannuation	Long service leave accruals (b)	Loan funded Shares	
2020	$	$	$	$	$
Other Key Management Personnel					
Rohan Stewart	450,000	-	-	33,527	483,527
Joshua Reid	363,231	34,703	6,100	64,207	468,241
	813,231	**34,703**	**6,100**	**97,734**	**951,768**

D. Relationship between remuneration and Group performance

(a) Remuneration not dependent on satisfaction of performance condition

Executives and Non-Executives remuneration policy is not directly related to the Group's performance. The Board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the Group for shareholders. During the year, no elements of remuneration paid to Key Management Personnel for the Group were subject to the satisfaction of a performance condition.

(b) Historical performance of the Group

The following table summarises the Group's performance and key performance indicators:

Table 3

	2021	2020	2019	2018	2017
Revenue and other income	224,587,706	169,043,569	126,236,558	118,685,706	84,475,859
% increase in revenue and other income	33%	34%	7%	40%	25%
Profit before tax	58,186,218	25,273,711	36,834,805	40,327,294	27,114,780
% (decrease)/increase in profit before tax	130%	(31%)	(9%)	49%	70%
Change in share price	$0.99	($0.05)	($0.27)	$0.60	$0.55
Dividend paid to shareholders	28,313,765	23,195,566	18,625,261	15,639,646	10,148,015

E. Key management personnel's share-based compensation

(a) Details of compensation Options

In 2021, no options were granted or exercised to Key Management Personnel.

(b) Details of Loan Funded Shares

In 2021,the following loan funded shares were granted to Key Management Personnel:

Joshua Reid was issued 400,000 loan funded shares on 1 June 2021 at a share price of $3.17, expiring in 4 years. The fair value at the date of issue was $246,941. There are no performance obligations attached aside from service. In addition, Joshua Reid's $1 million loan funded shares due to expire in December 2020 were rolled over in advance of maturity, for an additional 4 years as permitted by the Group's LTIP.

F. Key management personnel's equity holdings

(a) Number of options held by key management personnel

As at 30 June 2021 key management personnel hold options under PSC's Long-term Incentive Plan to purchase 8,600,000 ordinary shares of the Group.

Table 4

2021	Balance 1/07/20	Exercised	Balance 30/06/21
Key management personnel			
Antony Robinson	8,000,000	-	8,000,000
Melvyn Sims*	600,000	-	600,000
	8,600,000	**-**	**8,600,000**

* Melvyn Sims' options were exercised on 8 July 2021, by way of a cashless exercise as permitted by the Group's LTIP, at an exercise price of $1.66.

(b) Number of shares held by key management personnel (consolidated)

The relevant interest of each key management personnel in the share capital of the Group at 30 June 2021 is as follows:

Table 5

2021	Balance 1/07/20	Initial Directors interest	Net (sale) / purchase of shares	LTIP allocation	Balance 30/06/21
Directors					
Brian Austin	35,611,300	-	(3,333,334)	-	32,277,966
Paul Dwyer	67,174,852	-	(10,000,000)	-	57,174,852
Antony Robinson	802,565	-		-	802,565
John Dwyer	35,521,351	-	(1,000,000)	-	34,521,351
Melvyn Sims	-	-		-	-
Tara Falk	7,286,200	-		-	7,286,200
James Kalbassi	-	6,162,587		-	6,162,587
Jo Dawson	-	-	10,000	-	10,000
Other Key Management Personnel					
Rohan Stewart	2,812,778	-	-	-	2,812,778
Joshua Reid	1,170,299	-	-	400,000	1,570,299
	150,379,345	**6,162,587**	**(14,323,334)**	**400,000**	**142,618,598**

DIRECTORS' REPORT (continued)

G. Loans to and from key management personnel

(a) Aggregate of loans made

There have been no loans made, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries, in the financial year to a particular key management person, close members of the family of the key management person and entities related to them.

(b) Aggregate of loans received

There have been no loans received, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries, in the financial year to a particular key management person, close members of the family of the key management person and entities related to them.

H. Other transactions with Key Management Personnel

Fuse Recruitment Pty Ltd, ADD Aviation Services Pty Ltd and P Capital Pty Ltd are related parties as they are entities where John Dwyer, Paul Dwyer and Brian Austin or their closely related entities are shareholders. DWF LLP is a related party as Mel Sims is a Partner at the Company. During the year ended 30 June 2021 the following related entities provided services to the Group:

Related party	Service received	2021 $	2020 $
Fees Paid or Payable to associates (ex GST):			
Fuse Recruitment Pty Ltd	Recruitment Fees	204,087	141,492
Fuse Recruitment Pty Ltd	Contractor Fees	21,444	41,380
ADD Aviation Services Pty Ltd	Transportation service fees	-	12,860
DWF LLP	Legal service fees	271,127	292,398

All the above services received from identified related parties of key management personnel were in the normal course of business, on terms and conditions no more favourable than those that it is reasonable to expect the party would have adopted if dealing at arms-length with an unrelated person. The outstanding balance of the above services is $13,925 from Fuse Recruitment Pty Ltd (2020: $19,906), expected to be settled within 30 days.

The Group provided insurance services to related parties of a Director totalling $15,106 (2020: $96,959). The services supplied were in the normal course of business and on normal commercial terms and conditions. The fees outstanding for these services at balance date are $nil (2020 $nil).

The Group paid $963,576 to P Capital Pty Ltd during the year. The amount was the balance of the purchase price payments for Charter Gillman Insurance Holdings Limited and Globe transactions approved at the EGM held in 2020.

No other transactions occurred between key management personnel of the entity, their personally related entities or other related parties.

I. Use of remuneration consultants

No remuneration consultants were engaged during the course of the 2021 financial year.

Signed in accordance with a resolution of the directors

Brian Austin
Chairman
Melbourne
Date: 23 August 2021

Antony Robinson
Managing Director
Melbourne
Date: 23 August 2021

AUDITORS INDEPENDENCE DECLARATION

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Building a better working world

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

As lead auditor for the audit of the financial report of PSC Insurance Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

T M Dring
Partner
23 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2021

	Notes	30-Jun 2021 $'000	30-Jun 2020 $'000
Revenue and other income			
Fee and commission income	3	203,625	173,283
Other revenue	3	811	825
Interest income	3	352	1,037
Share of equity accounted results	3	805	98
Gain / (loss) on financial instruments	3	17,943	(6,723)
Investment income	3	1,052	524
	3	**224,588**	**169,044**
Expenses			
Administration and other expenses	4	(24,735)	(26,366)
Depreciation expense - property, plant and equipment	4	(2,021)	(1,985)
Depreciation expense - right-of-use assets	4	(4,000)	(2,856)
Amortisation expense	4	(8,968)	(6,477)
Employee benefits expense	4	(102,259)	(87,302)
Finance costs	4	(8,947)	(6,086)
Finance costs - lease liabilities	4	(1,207)	(721)
Expected credit losses	4	(2,501)	(1,613)
Employee contractors		(3,022)	(3,292)
Information technology costs		(4,474)	(4,134)
Professional fees		(4,267)	(2,938)
		(166,401)	**(143,770)**
Profit before income tax expense		**58,187**	**25,274**
Income tax expense	5	(17,463)	(6,552)
Net profit from continuing operations		**40,724**	**18,722**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		343	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		5,696	(4,029)
Other comprehensive income for the year		**6,039**	**(4,029)**
Total comprehensive income		**46,763**	**14,693**
Profit is attributable to:			
• Owners of PSC Insurance Group Limited		40,447	17,887
• Non-controlling interests		277	835
		40,724	**18,722**
Total comprehensive income is attributable to:			
• Owners of PSC Insurance Group Limited		46,486	13,858
• Non-controlling interests		277	835
		46,763	**14,693**
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic earnings per share	32	13.3 cents	6.7 cents
Diluted earnings per share	32	12.9 cents	6.5 cents

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30-Jun 2021 $'000	30-Jun 2020 $'000
Current assets			
Cash and cash equivalents	7	47,824	25,973
Financial assets - trust cash	8	244,464	167,904
Receivables	9	8,446	11,612
Contract assets - broking	10	57,714	49,552
Financial assets - derivatives	11	519	-
Other assets	12	9,012	9,046
Total current assets		**367,979**	**264,087**
Non-current assets			
Receivables	9	1,461	3,400
Financial assets - investments in shares and unit trusts	13	50,567	34,453
Equity accounted investments	14	9,131	8,512
Property, plant and equipment	15	18,330	16,763
Intangible assets	16	420,880	316,372
Right of use assets	17	20,516	14,754
Total non-current assets		**520,885**	**394,254**
Total assets		**888,864**	**658,341**
Current liabilities			
Payables	18	263,620	183,021
Provisions	20	4,600	4,542
Current tax liabilities	5	5,081	3,991
Financial liabilities - derivatives	21	-	1,127
Lease liabilities	22	3,962	2,341
Contract liabilities - deferred revenue	23	5,169	4,718
Amounts payable to vendors	24	19,680	19,503
Total current liabilities		**302,112**	**219,243**
Non-current liabilities			
Borrowings	19	176,679	158,505
Provisions	20	613	565
Deferred tax liabilities	5	27,232	16,213
Financial liabilities - derivatives	21	48	205
Lease liabilities	22	19,269	13,909
Contract liabilities - deferred revenue	23	354	608
Amounts payable to vendors	24	16,150	4,572
Total non-current liabilities		**240,345**	**194,577**
Total liabilities		**542,457**	**413,820**
Net assets		**346,407**	**244,521**
Equity			
Share capital	25	331,174	243,043
Reserves	26	(37,250)	(40,449)
Retained earnings	26	51,368	39,235
Equity attributable to owners of PSC Insurance Group Limited		**345,292**	**241,829**
Non-controlling interests	28	1,115	2,692
Total equity		**346,407**	**244,521**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2021

	Share capital $'000	Reserves $'000	Retained Earnings $'000	Non-controlling Interest $'000	Total Equity $'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 year	-	-	17,887	835	18,722
Exchange differences on translation of foreign operations, net of tax	-	(4,029)	-	-	(4,029)
Total comprehensive income for the year	**-**	**(4,029)**	**17,887**	**835**	**14,693**
Transactions with owners in their capacity as owners:					
Capital issued	35,000	-	-	-	35,000
Capital issuing costs	(577)	-	-	-	(577)
Shares in lieu of cash for acquisition of subsidiary	66,035	-	-	-	66,035
Converted share options	300	-	-	-	300
Dividend reinvestment	1,076	-	-	-	1,076
Non-controlling interest arising from business combination	-	-	-	245	245
Put option reserve revaluation	-	(246)	-	(87)	(333)
Employee share issues	637	299	-	-	936
Dividends paid	-	-	(23,196)	(446)	(23,642)
Total transactions with owners	**102,471**	**53**	**(23,196)**	**(288)**	**79,040**
Balance as at 30 June 2020	**243,043**	**(40,449)**	**39,235**	**2,692**	**244,521**

	Share capital $'000	Reserves $'000	Retained Earnings $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 1 July 2020	**243,043**	**(40,449)**	**39,235**	**2,692**	**244,521**
Profit for the year	-	-	40,447	277	40,724
Revaluation of property, plant and equipment, net of tax	-	343	-	-	343
Exchange differences on translation of foreign operations, net of tax	-	5,696	-	-	5,696
Total comprehensive income for the year	**-**	**6,039**	**40,447**	**277**	**46,763**
Transactions with owners in their capacity as owners:					
Capital issued	60,000	-	-	-	60,000
Capital issuing costs	(746)	-	-	-	(746)
Shares in lieu of cash for acquisition of subsidiary	17,875	-	-	-	17,875
Dividend reinvestment	852	-	-	-	852
Underwritten dividend reinvestment	10,000	-	-	-	10,000
Non-controlling interest arising from business combination	-	(5,732)	-	(2,632)	(8,364)
Employee share issues	150	394	-	-	544
Put option exercised	-	2,498	-	959	3,457
Dividends paid	-	-	(28,314)	(181)	(28,495)
Total transactions with owners	**88,131**	**(2,840)**	**(28,314)**	**(1,854)**	**55,123**
Balance as at 30 June 2021	**331,174**	**(37,250)**	**51,368**	**1,115**	**346,407**

The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2021

	Notes	30-Jun 2021 $'000	30-Jun 2020 $'000
Cash flow from operating activities			
Receipts from customers		209,096	181,137
Payments to suppliers and employees		(146,301)	(140,305)
Trust distributions / dividends received		767	990
Interest received		293	1,037
Interest paid		(7,740)	(4,290)
Income tax paid		(12,106)	(10,608)
Operating cash before movement in customer trust accounts		**44,009**	**27,961**
Net movement in customer trust accounts		632	(3,388)
Net cash provided by operating activities	29 (b)	**44,641**	**24,573**
Cash flow from investing activities			
Payment for property, plant and equipment		(2,695)	(2,138)
Proceeds from sale of financial assets		401	5,706
Payment for financial assets		(373)	(539)
Payment for other investments		(468)	(721)
Payment for equity investments		(938)	(960)
Proceeds from sale of equity investments		-	633
Net proceeds / payments from derivatives		406	(666)
Net cash flow (used in) / provided by investing activities		**(3,667)**	**1,315**
Cash flow from financing activities			
Payments for deferred consideration/business acquisitions		(74,119)	(129,863)
Proceeds from borrowings		15,481	108,149
Repayments of borrowings		-	(7,513)
Capital issued		60,000	35,000
Capital issuing costs		(1,313)	(825)
Underwritten dividend reinvestment		10,000	-
Proceeds from converted share options		150	300
Payment of lease liabilities		(4,627)	(3,290)
Dividends paid		(27,643)	(22,565)
Repayments of related parties loans and receivables		(123)	(1,794)
Proceeds from related parties loans and receivables		3,169	506
Net cash provided by / (used in) financing activities		**(19,025)**	**(21,895)**
Reconciliation of cash			
Cash at beginning of the year		25,973	21,475
Net increase in cash held		21,949	3,993
Effect of exchange rate fluctuation on cash held		(98)	505
Cash at end of the year	29 (a)	**47,824**	**25,973**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers PSC Insurance Group Limited and controlled entities as a Group. 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 96 Wellington Parade, East Melbourne, Victoria, 3002.

PSC Insurance Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the Group comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/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
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Deferred tax balances are classified as non-current.

Historical cost convention
The 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.

Fair value measurement
For financial reporting purposes, '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 (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. "
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. "
- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting estimates
The preparation of the financial report requires the use of certain estimates and judgements in applying the Group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

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

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 consolidated financial statements of the Group.

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 consolidated financial statements of the Group.

Refer to Note 1 (z) for accounting standards issued but not yet effective at 30 June 2021.

(c) Going concern

The financial report has been prepared on a going concern basis.

(d) Principles of consolidation

The consolidated financial statements are those of the Group, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable directly or indirectly to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and other Comprehensive Income and consolidated Statement of Financial Position respectively.

Details of the Group's controlling and non-controlling interests are detailed in Note 28.

(e) Revenue

The Group derives revenue from the provision of insurance services. Revenue is recognised as, or when, services are transferred to the customer, and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services.

Provision of insurance services
Commission, brokerage and fees are recognised when the Group has satisfied its performance obligations, which occurs at the point in time that control of the services are transferred to the customer.

The performance obligation relating to commission, brokerage and fee income relates to the provision of insurance broking services. Commission, brokerage and fees are recognised when the Group has satisfied its performance obligations, which occurs at the point in time that control of the services are transferred to the customer. Revenue is constrained to reflect potential lapses and cancellations based on based on past experiences and future expectations.

Where there is a future performance obligation to provide claims handling services, a portion of revenue relating to these services is deferred and recognised over time as the performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

Interest income
Interest income is recognised in accordance with the effective interest method.

Investment income
Dividend income is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

Other revenue
Other revenue is recognised when the right to receive payment is established.

Gain / (loss) on financial instruments
Financial assets and liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Profit on sale of financial assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, net of disposal costs. This is recognised as an item of revenue in the year in which the significant risks and rewards of ownership transfer to the buyer.

All revenue is stated net of the amount of goods and services tax (GST).

Receivables from contracts with customers
A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

Contract liabilities
A contract liability represents the Group's obligation to transfer services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers the contracted services to the customer.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated Statement of Cash Flows, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

Cash held on trust is held for insurance premiums received from policyholders which will ultimately be paid to underwriters, is separately disclosed in the Statement of Financial Position as "Other Financial Assets – trust cash". Cash held on trust cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policyholders.

(g) Property, plant and equipment

Each class of property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment
Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Property
Land and buildings are measured using the revaluation mode, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and any accumulated impairment losses. At each reporting date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit or loss.

Depreciation
Land is not depreciated. The depreciable amounts of all property, plant and equipment are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	Depreciation Rate	Depreciation Basis
Leasehold improvements at cost	2.5% - 30%	Straight line and diminishing Value
Buildings	2.5%	Straight line
Office equipment at cost	2%-67%	Straight line and diminishing value
Computer equipment at cost	10% - 67%	Straight line and diminishing value
Motor Vehicles at cost	12.50%	Straight line

(h) Leases Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The determination of the lease term and the incremental borrowing rate requires the use of judgement.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The lease term determined by the Group comprises non-cancellable period of leases and periods covered by options to extend the lease, if the Group is reasonably certain to exercise that option.

(j) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquired. Deferred consideration payable is measured at its acquisition date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition date fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.
If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the gain is immediately recognised in the profit or loss.

Acquisition related costs are expensed as incurred.

(k) Intangibles

Goodwill
Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(j) for a description of how goodwill arising from a business combination is initially measured.

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Identifiable intangible assets
Identifiable intangible assets acquired separately from a business combination are initially measured at fair value.

The cost of an intangible asset acquired in a business combination is its fair value as at acquisition date. The useful lives of these intangible assets are assessed on acquisition.

Following initial recognition, intangible assets are adjusted for any accumulated amortisation and impairment losses.

Intangible assets with finite lives are amortised over the useful lives, currently estimated to be up to 10 years. Useful lives are reviewed annually.

(l) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 2 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(m) Income tax

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances
Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets and liabilities are shown on a net basis in the statement of financial position.

Tax consolidation
The parent entity and its 100% Australian controlled entities formed an income tax consolidated group under the tax consolidation legislation on 8 December 2015. This replaced the three pre-existing tax consolidated groups on that date.

For details of members of the respective tax consolidated groups and other changes to those groups please refer to Note 28.

The parent entity in each tax consolidated group is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated groups have also entered into a tax funding agreement with their members whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Each tax consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system in the event of default by the parent entity to meet its payment obligations.

(n) Payables on broking, reinsurance and underwriting agency operations

These amounts represent insurance premium payable to the insurance companies for broking, reinsurance and underwriting agency operations on invoiced amounts to customers and liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(p) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the Consolidated Statement of Financial Position.

(ii) Other Long-term employee benefit obligation

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Employee benefit obligations are presented as current liabilities in the Consolidated Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The Group makes contributions to the employee's defined contribution superannuation plans of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Consolidated Statement of Financial Position.

(iv) Share-based payments

The Group operates share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

(v) Bonus plan

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(vi) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(q) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred.

(r) Financial instruments

Classification
Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income.

Financial assets not irrevocably designated on initial recognition at fair value through other comprehensive income are classified at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

a. the Group 's business model for managing the financial assets; and
b. the contractual cash flow characteristics of the financial asset.

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Trade and other receivables
Receivables from broking, reinsurance and underwriting agency operations are initially recognised based on the invoiced amount to customers and are generally due for settlement within 14 to 60 days. After initial recognition, provision is made for lapses or cancellations of insurance policies or other matters that may lead to cancellation.

Receivables from reinsurance broking are initially recognised based on contract value. Following fulfilment of the contract, amounts are then invoiced to customers.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Held for trading equity instruments
Held for trading equity instruments comprise those ordinary shares and options in listed entities that have been acquired by the Group principally for the purpose of sale in the near term. Held for trading investments are classified (and measured) at fair value through profit or loss. Fair values of listed entities are based on closing bid prices at the reporting date.

A financial asset meets the criteria for held for trading if:

a. it has been acquired principally for the purpose of sale in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative other than a designated and effective hedging instrument.

Other shares and units held
Other shares and units held comprise of equity investments in non-listed entities. Other shares and units held are classified (and measured) at fair value through profit or loss. For investments where there is no quoted market price, fair value is determined by reference to expected future cash flows and valuations of the underlying net asset base of the investment.

Loans and receivables
Loans and receivables are debt instruments, and are classified (and measured) at amortised cost using the effective interest rate method on the basis that:

a. they are held within a business model whose objective is achieved by the Group holding the financial asset to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets
The following financial assets are tested for impairment at each financial year end:

a. debt instruments measured at amortised cost;
b. receivables from contracts with customers and contract assets.

The Group provides for allowances for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9, the Group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

Where there is a trade receivables balance, assessment is given to establish whether credit risk against this balance is mitigated in full as a result of the allowance for expected revenue losses on policy lapses and cancellations.

The gross carrying amount of a financial asset is written off when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the financial asset.

Financial liabilities
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the Groups' consolidated statement of financial position if there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(s) Investments in associates

An associate is an entity over which the Group is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits and losses of the associate are recognised in Group's profit or loss and the Group's share of the associate's other comprehensive income items are recognised in the Group's other comprehensive income. Details relating to associates are set out in Note 14.

Unrealised gains and losses on transactions between the Group and an associate are eliminated to the extent of the Group's share in an associate.

(t) Interests in joint ventures

Joint venture entities
The Group's interest in joint venture entities are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture entity is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. Details relating to the joint venture entity are set out in Note 14.

(u) Foreign currency translations and balances

Functional and presentation currency
The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

Transactions and Balances
Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Foreign subsidiaries
Subsidiaries that have a functional currency different from the presentation currency of the Group are translated as follows:
a. Assets and liabilities are translated at the closing rate on reporting date.
b. Items of revenue and expense translated at average rate.
a. All resulting exchange differences are recognised in other comprehensive income.

(v) Segment reporting

Determination and presentation of operating segments
The Group determines and presents operating segments based on information that is internally provided to the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's components. All operating segment results are regularly reviewed by the Group's chief financial decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Refer to Note 38 for details on how management determine the operating segments.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment, as well as these that can be allocated on a reasonable basis.

(w) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(x) Comparatives and Rounding of amounts

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures. The parent entity and the Group have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(y) Restatement of comparative balances:

Summary
The Group has made some disclosure changes on the statement of profit or loss and other comprehensive income and the statement of financial position to further enhance information presented to users of the financial statements.

The Group has determined that other income should be split between share of equity accounted results and gain / (loss) on financial instruments, that deferred tax balances should be shown net and that the other liabilities should be split between contract assets and amounts payable to vendors.

Amounts have been restated to ensure comparability between reporting periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

Impact:
The impact of the change on the 30 June 2020 statement of profit or loss and other comprehensive income comparative balances was as follows:

	Year ended 30 June 2020 $'000	Change $'000	As restated for the year ended 30 June 2020 $'000
Revenue			
Other income	(6,625)	6,625	-
Share of equity accounted results	-	98	98
Gain / (loss) on financial instruments	-	(6,723)	(6,723)
Total Revenue	**(6,625)**	**-**	**(6,625)**
Net Profit	**-**	**-**	**-**

The impact of the change on the 30 June 2020 statement of financial position comparative balances was as follows:

	Year ended 30 June 2020 $'000	Change $'000	As restated for the year ended 30 June 2020 $'000
Non-current assets			
Deferred tax assets	3,941	(3,941)	-
Total Non-Current Assets	**3,941**	**(3,941)**	**-**
Current liabilities			
Other liabilities	24,829	(24,829)	-
Contract liabilities - deferred revenue	-	4,718	4,718
Amounts payable to vendors	-	19,503	19,503
Total Current liabilities	**24,829**	**(608)**	**24,221**
Non-Current liabilities			
Deferred tax liabilities	20,154	(3,941)	16,213
Other liabilities	4,572	(4,572)	-
Contract liabilities - deferred revenue	-	608	608
Amounts payable to vendors	-	4,572	4,572
Total Non-Current liabilities	**24,726**	**(3,333)**	**21,393**
Net Assets	**-**	**-**	**-**

(z) Accounting standards issued but not yet effective at 30 June 2021

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Title	Effective date	Financial year mandatory	Note
Reference to the Conceptual Framework – Amendments to AASB equivalent 3	1 January 2022	30 June 2023	(i)
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to AASB equivalent 16	1 January 2022	30 June 2023	(i)
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to AASB equivalent 37	1 January 2022	30 June 2023	(i)
AASB equivalent 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022	30 June 2023	(i)
AASB equivalent 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022	30 June 2023	(i)

(i) The Group does not expect the impact of the new and amended standards to a have a significant impact on the financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Business combinations and goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the income statement. Allocation of the purchase price between finite life assets and indefinite life assets such as goodwill affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised.

(b) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations or fair value assessments. Fair value calculations are based on estimates of sustainable revenue for each CGU multiplied by a revenue multiple appropriate for similar businesses, less costs to sell. Value in use calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections are based on past performance and its expectation for the future, including any potential impacts from COVID-19. The present value of future cash flows has been calculated using an average revenue growth rate of 2.5% (2020: 3%) and expense growth rate of 2.5% (2020: 2%) for cash flows in year two to five and a terminal value growth rate of 2% (2020: 2%). A post-tax discount rate of 7%-10% (2020: 7%-10%) to determine value-in-use has been used. The post-tax discount rate used is dependent on specific attributes of the segments and determined by the Board.

(c) Income Tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Deferred consideration

The Group has made a best estimate of consideration payable for the acquisitions where there is a variable purchase price (generally a multiple of revenue). Should the final revenue vary from estimates, the Group will be required to vary the consideration payable and recognise the difference as an expense or income.

(e) Intangible assets

The carrying value of intangible assets with finite lives are assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated on the same basis as goodwill above. An impairment loss is recognised if the carrying value of the intangible assets exceed their recoverable amount.

(f) Employee benefits

The determination of employee benefit provisions required is dependent on a number of forward estimate assumptions including expected wage increases, length of employee service and bond rates.

(g) Share-based payment transactions

The Group measures the cost of equity-settled transactions with the employees by reference to the fair value of the options at the date at which they are granted. The fair value of options has been valued taking into account the vesting period, expected dividend payout and the share price at the date the options were granted.

(h) Other shares and units held

The Group measures the fair value for other shares and units held where there is no quoted market price, by reference to expected future cash flows and valuations of the underlying net asset base of the investment. The inputs into the valuations are based on the best information available about assumptions that market participants would use when pricing the assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 3: REVENUE AND OTHER INCOME

	2021 $'000	2020 $'000
Fee and commission income		
Commission income	149,873	126,044
Fees income	42,660	36,061
Other fees	11,092	11,178
	203,625	**173,283**
Other revenue	**811**	**825**
Interest income	**352**	**1,037**
Share of equity accounted results	**805**	**98**
Gain / (loss) on financial instruments:		
Gain / (loss) on fair value adjustments	15,946	(16,623)
Gain / (loss) on derivatives	1,802	1,249
Profit on sales of shares	195	8,651
	17,943	**(6,723)**
Investment Income		
Dividend income and trust distributions	1,052	524
	224,588	**169,044**

Amounts that relate to performance obligations that have not been satisfied (or partially satisfied) by the Group are included in Note 23 as a contract liability. The current contract liability balance at 30 June 2020 has been recognised in fee and commission income during the year ended 30 June 2021.

The Group has disaggregated revenue recognised from contracts with customers (Fee and commission income) into categories that depict how the uncertainty of revenue and cash flows are affected by economic factors. Disaggregated revenue information has also been included in Note 38 Segment Information.

NOTE 4: OPERATING PROFIT

	2021 $'000	2020 $'000
Profit before income tax has been determined after:		
Finance costs	8,947	6,086
Finance costs - lease liabilities	1,207	721
Total finance costs	**10,154**	**6,807**
Depreciation:		
• Leasehold Improvements	607	762
• Building	195	197
• Motor Vehicles	12	11
• Office Equipment	310	261
• Computer Equipment	897	754
	2,021	**1,985**
• Right of use assets	4,000	2,856
Total depreciation	**6,021**	**4,841**
Amortisation of non-current assets		
• Identifiable intangibles	8,968	6,477
Total of depreciation and amortisation expense	**14,989**	**11,318**
Rental expense on operating leases	903	4,188
Foreign currency translation losses / (gains)	70	(67)
Employee benefits		
• Superannuation	5,805	5,325
• Other Employee benefits	96,454	81,977
Total Employee benefits	**102,259**	**87,302**
Administration and other expenses includes:		
Acquisition legal and professional fees	252	1,143
Other acquisition and transactions related costs	1,332	1,112
Non-recurring employment costs	570	1,463
Unrealised loss/(gain) on foreign exchange	2,733	(1,024)
Realised loss/(gain) on foreign exchange	70	(67)
Net loss on deferred consideration	241	4,626
Share-based payment expense	375	264
Other	3,184	1,598
Expected credit losses:	2,501	1,613
(Gain) / loss on financial instruments includes (Note 3):		
(Gain) / loss on fair value adjustments	(15,946)	16,623
(Gain) / loss on derivatives	(1,802)	(1,121)
(Profit) / loss on sales of shares	(195)	(8,651)
Total	**(6,685)**	**17,579**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 5: INCOME TAX

(a) Components of tax expense

	2021 $'000	2020 $'000
Current tax	12,446	10,147
Deferred tax	4,303	(4,264)
Adjustment to tax expense on recognition of prior year losses	26	71
Under/(over) provision in prior years	688	598
	17,463	**6,552**

(b) Prima facie tax payable

	2021 $'000	2020 $'000
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (2020: 30.0%)	17,456	7,582
• Add tax effect of:		
• Other non-allowable items	367	261
• Gross up of franking credits	16	125
• Non-assessable gain / non-deductible loss on business acquisition rise and fall	157	1,072
• Amortisation	901	773
• Share-based payments	113	-
• Inter-entity dividends	-	30
• Income tax losses not recognised	214	71
• Overprovision for income tax in prior years	688	598
	2,456	**2,930**
• Less tax effect of:		
• Overseas tax rate differential	878	1,368
• Franking credit offset	-	418
• Capitalised costs deductible for tax	-	2,077
• Net trust distributions	670	-
• Net equity accounted results	419	-
• Other non-assessable items	482	-
• Net capital loss	-	97
	2,449	**3,960**
Income tax expense attributable to profit	**17,463**	**6,552**

(c) Current tax

	2021 $'000	2020 $'000
Current tax relates to the following:		
• Opening balance	3,991	8,004
• Income tax	12,446	10,147
• Tax payments	(12,106)	(14,883)
• Under provisions	688	109
• Exchange translation difference	138	(157)
• Transfer to/(from) deferred tax	(76)	771
Current tax liabilities	**5,081**	**3,991**

(d) Deferred tax

	2021 $'000	2020 $'000
Deferred tax relates to the following:		
Deferred tax balance		
Tax losses carried forward	(12)	(388)
Employee benefits	(1,512)	(1,324)
Allowance for expected credit losses	(256)	(83)
Income provisions	(989)	(954)
Other	(78)	-
Accrued expenses	(69)	(114)
Listing and share issue expenses	(1,242)	(526)
Fair value adjustments	2,863	(552)
Customer Lists	20,129	12,745
Accrued income	7,266	6,712
Unrealised foreign exchange gain	686	-
Capital allowances	446	453
Right of use asset	-	244
Net deferred tax liabilities	**27,232**	**16,213**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 6: DIVIDENDS

(a) Dividends paid or declared

	2021 $'000	2020 $'000
Dividends paid at 9.5 cents per share (2020: 8.7 cents per share) by PSC Insurance Group fully franked	28,314	23,196
Dividends paid to non-controlling interests	181	446
	28,495	**23,642**

(b) Dividends declared after the reporting period and not recognised

	2021 $'000	2020 $'000
Since the end of the reporting period the directors have recommended / declared dividends of 6.5 cents per share (2020: 5.5 cents per share) franked to 70%	20,945	15,786
	20,945	**15,786**

(c) Franking account

	2021 $'000	2020 $'000
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	460	4,807

NOTE 7: CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash on hand	10	13
Cash at bank	25,814	20,371
Cash on deposit	22,000	5,589
	47,824	**25,973**

NOTE 8: FINANCIAL ASSETS - TRUST CASH

	2021 $'000	2020 $'000
Cash held on trust	244,464	167,904
	244,464	**167,904**

NOTE 9: RECEIVABLES

	2021 $'000	2020 $'000
Current		
Other receivables (a)	7,306	9,204
Related parties loans and receivables	1,140	2,408
	8,446	**11,612**
Non Current		
Related parties loans and receivables	**1,461**	**3,400**

(a) Other receivables include amounts due from insurers for commercial services fees and sundry receivables.

	2021 $'000	2020 $'000
(b) Ageing of Receivables		
- 0-30 Days	6,196	8,142
- 30-60 Days	470	17
- 60-90 Days	270	201
- Over 90 Days	370	844
	7,306	**9,204**

NOTE 10: CONTRACT ASSETS - BROKING

	2021 $'000	2020 $'000
Current		
Contract assets	57,714	49,552
	57,714	**49,552**

Contract assets represent the amounts due from policyholders in respect of insurances arranged by controlled entities. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's credit risk exposure in relation to these amounts is limited to commissions and fees charged. Commission and fee income is recognised after taking into account an allowance for expected losses (on policy lapses and cancellations) based on past experiences and future expectations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 11: FINANCIAL ASSETS - DERIVATIVES

	2021 $'000	2020 $'000
Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	519	-
Total derivatives	**519**	**-**

NOTE 12: OTHER ASSETS

	2021 $'000	2020 $'000
Current		
Prepayments	8,067	8,989
Bonds and deposits	945	57
Total other assets	**9,012**	**9,046**

NOTE 13: FINANCIAL ASSETS - INVESTMENTS IN SHARES AND UNIT TRUSTS

	2021 $'000	2020 $'000
Non Current		
Financial assets		
Other shares and units held	4,768	1,966
Shares in listed corporations	45,799	32,487
Total financial assets	**50,567**	**34,453**

NOTE 14: EQUITY ACCOUNTED INVESTMENTS

	2021 $'000	2020 $'000
Non Current		
Equity accounted associates	**9,131**	**8,512**

(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. Interests are held in the following associated companies:

Associated Companies		Ownership Interest	
Associates	Principal place of business	2021	2020
BCS Broking Pty Ltd	Australia	50.00%	30.00%
Just Motorsport Limited	United Kingdom	35.03%	35.03%
Just Business Cover Ltd (UK)	United Kingdom	42.50%	42.50%
PSC Bloodstock Services Pty Ltd	Australia	50.00%	50.00%
PSC Insurenet JV Pty Ltd	Australia	50.00%	50.00%
PSC Property Lync Insurance Brokers Pty Ltd	Australia	50.00%	50.00%
RP-Baulkham Hills Pty Ltd	Australia	50.00%	50.00%
RP-Broadbeach Pty Ltd	Australia	50.00%	50.00%
RP-Bundoora Pty Ltd	Australia	50.00%	50.00%
RP-Cannington Pty Ltd	Australia	50.00%	50.00%
RP-Carlton Pty Ltd	Australia	50.00%	50.00%
RP-Exchange Insurance Pty Ltd	Australia	50.00%	50.00%
RP-Edwardstown Pty Ltd	Australia	50.00%	50.00%
RP-Fremantle Pty Ltd	Australia	50.00%	50.00%
RP Hoppers Crossing Pty Ltd	Australia	50.00%	50.00%
RP-My Insurance Kit Pty Ltd	Australia	50.00%	50.00%
RP-Ipswich Pty Ltd	Australia	50.00%	50.00%
RP-Melbourne Pty Ltd	Australia	50.00%	50.00%
RP-Mona Vale Pty Ltd	Australia	25.00%	25.00%
RP-Nerang Pty Ltd	Australia	50.00%	50.00%
RP-Newcastle Pty Ltd	Australia	50.00%	50.00%
RP-Penrith Pty Ltd	Australia	50.00%	50.00%
RP Professional Risk Pty Ltd	Australia	50.00%	50.00%
RP Randwick Pty Ltd	Australia	50.00%	50.00%
RP-Rockingham Pty Ltd	Australia	50.00%	50.00%
RP-South Perth Pty Ltd	Australia	50.00%	50.00%
RP-Southport Pty Ltd	Australia	50.00%	50.00%
RP-Tullamarine Pty Ltd	Australia	50.00%	50.00%
RP-Tweed Heads Pty Ltd	Australia	50.00%	50.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	2021 $'000	2020 $'000
Leasehold improvements		
Leasehold improvements at cost	6,369	4,888
Accumulated depreciation	(3,727)	(3,180)
	2,642	**1,708**
Land and Buildings		
Land and buildings	12,000	12,000
Accumulated depreciation	-	(295)
	12,000	**11,705**
Artwork		
Artwork	123	92
Accumulated depreciation	-	-
	123	**92**
Plant and equipment		
Motor vehicles at cost	50	58
Accumulated depreciation	(35)	(29)
	15	**29**
Office equipment at cost	4,931	4,320
Accumulated depreciation	(3,540)	(3,046)
	1,391	**1,274**
Computer equipment at cost	7,832	6,534
Accumulated depreciation	(5,673)	(4,579)
	2,159	**1,955**
Total plant and equipment	**3,565**	**3,258**
Total property, plant and equipment	**18,330**	**16,763**

(a) Reconciliations

	2021 $'000	2020 $'000
Leasehold improvements		
Carrying amount at beginning of year	1,708	764
Additions	1,226	1,477
Additions through acquisition of entities/operations	132	227
Depreciation expense	(607)	(762)
Net foreign currency movements arising from foreign operation	183	2
Carrying amount end of year	**2,642**	**1,708**
Land and buildings		
Carrying amount at beginning of year	11,705	11,902
Revaluation (b)	490	-
Depreciation expense	(195)	(197)
Carrying amount end of year	**12,000**	**11,705**
Artwork		
Carrying amount at beginning of year	92	-
Additions	29	-
Additions through acquisition of entities/operations	-	96
Net foreign currency movements arising from foreign operation	2	(4)
Carrying amount end of year	**123**	**92**
Plant and equipment		
Motor vehicles		
Carrying amount at beginning of year	29	40
Disposals	(2)	-
Depreciation expense	(12)	(11)
Carrying amount end of year	**15**	**29**
Office equipment		
Carrying amount at beginning of year	1,274	829
Additions	390	437
Additions through acquisition of entities/operations	29	275
Depreciation expense	(310)	(261)
Net foreign currency movements arising from foreign operation	8	(6)
Carrying amount end of year	**1,391**	**1,274**
Computer equipment		
Carrying amount at beginning of year	1,955	1,726
Additions	1,052	805
Additions through acquisition of entities/operations	29	163
Depreciation expense	(897)	(754)
Net foreign currency movements arising from foreign operation	20	15
Carrying amount end of year	**2,159**	**1,955**
Total plant and equipment	**3,565**	**3,258**
Total property, plant and equipment	**18,330**	**16,763**

Additions through acquisitions represent assets acquired through acquisitions per Note 30.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuation of land and buildings
The fair values of land and buildings have been based on independent valuations. Such valuations are performed on a fair value basis, being the amounts for which the assets could be exchanged between market participants in an arm's length transaction at the valuation date. This is deemed to be a Level 2 fair valuation per the fair value hierarchy disclosed in Note 1.

NOTE 16: INTANGIBLE ASSETS

	2021 $'000	2020 $'000
Goodwill at cost	333,254	257,040
Identifiable intangible assets at cost	108,709	71,229
Accumulated amortisation and impairment	(21,083)	(11,897)
	87,626	**59,332**
Total intangible assets	**420,880**	**316,372**

(a) Reconciliations
Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	2021 $'000	2020 $'000
Goodwill at cost		
Opening balance	257,040	94,952
Additions (a)	71,477	166,878
Net foreign currency movement arising from foreign operations	4,737	(4,790)
Closing balance	**333,254**	**257,040**
Identifiable Intangible assets at cost		
Opening balance	59,332	13,123
Additions through business combination (a)	32,029	50,659
Acquired through business combination	5	1,627
Other additions	3,823	895
Amortisation expense	(8,968)	(6,477)
Net foreign currency movement arising from foreign operations	1,405	(495)
Closing balance	**87,626**	**59,332**
Total intangible assets	**420,880**	**316,372**

a. Additional goodwill and identifiable intangible assets include the business acquisitions of Charter Gilman Holdings Group, Globe Group, Trans-Pacific Insurance Brokers Ltd, Absolute Insurance Brokers Ltd, JHR Corporate Risk Services Pty Ltd, Trust Insurance Services Limited and Abaco Insurance Brokers Limited.

The Group performs, on an annual basis, impairment testing for goodwill and any identifiable intangible assets (customer relationships) which have impairment indicators. There was no impairment for the year ended 30 June 2021 (2020: nil).

In performing impairment testing, each subsidiary acquired or portfolio of businesses acquired is considered a separate cash generating unit (CGU) or grouped into one CGU where operations are linked. The methodologies used in the impairment testing are:

- Value in use - a discounted cash flow model, based on a five year projection commencing with the year one approved budget of the tested CGUs plus a terminal value: and
- Fair value - based on the Group's estimates of sustainable revenue for each CGU multiplied by a revenue multiple appropriate for similar businesses less costs to sell.

The Group performed its annual impairment test in June 2021 and June 2020. As a quick reference test, the Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2021, the market capitalisation of the Group was far in excess of the book value of its equity, indicating there was no evidence of goodwill impairment of the assets of the operating segments. Notwithstanding, the Goodwill of each CGU was tested for impairment.

Distribution CGU

The recoverable amount of the distribution CGU of $414m as at 30 June 2021 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. Total goodwill allocated to this CGU is $107.63m. The post-tax discount rate applied to cash flow projections is 8.5% (2020: 8.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. It was concluded that the fair value less costs exceeded the value in use. As a result of this analysis, Management did not identify an impairment for this CGU.

Agency CGU

The recoverable amount of the agency CGU of $71m as at 30 June 2021 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. Total goodwill allocated to this CGU is $9.87m. The post-tax discount rate applied to cash flow projections is 8.5% (2020: 8.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. It was concluded that the fair value less costs exceeded the value in use. As a result of this analysis, Management did not identify an impairment for this CGU.

United Kingdom (UK) CGU

The recoverable amount of the UK CGU of $438m as at 30 June 2021 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. Total goodwill allocated to this CGU is $215.76m. The post-tax discount rate applied to cash flow projections is 8.5% (2020: 8.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. It was concluded that the fair value less costs exceeded the value in use. As a result of this analysis, Management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

EBITDA margins – EBITDA margins (after allocation of central costs) are based on average values achieved in twelve months preceding the beginning of the forecast period. These are increased over the budget period for anticipated efficiency improvements, in line with the respective revenue and expense growth drivers.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets, including any potential impacts of COVID-19 on the CGUs. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Sensitivity analysis has been conducted and no reasonable change in the key assumptions of the value in use calculations would result in impairment. The discount rate used is dependent on specific attributes of the transactions and determined by the Board.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 16: INTANGIBLE ASSETS (continued)

The following table sets out the key assumptions for the value in use model:

	2021 %	2020 %
Revenue growth	2.5% pa for first 5 years	3% pa for first 5 years
Cost growth	2.5% pa for first 5 years	2% pa for first 5 years
Terminal growth rate (EBITDA)	2.00%	2.00%
Discount rate (pre tax)	9% to 14%	10% to 14%
Discount rate (post tax)	7% to 10%	7% to 10%

NOTE 17: RIGHT OF USE ASSETS

	2021 $'000	2020 $'000
Non-Current		
Right of use assets	20,516	14,754
	20,516	**14,754**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2021 $'000	2020 $'000
Opening balance 1 July	14,754	-
Adjustment due to adoption of AASB 16	-	6,097
Additions	9,762	11,513
Depreciation expense	(4,000)	(2,856)
Closing balance at 30 June	**20,516**	**14,754**

The following are the amounts recognised in profit or loss:

	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	(4,000)	(2,856)
Interest expense on lease liabilities	(1,207)	(721)
Expense relating to short-term leases or low-value assets (included in Administration and other expenses)	(903)	(898)
Total amount recognised in profit or loss	**(6,110)**	**(4,475)**

The Group had total cash outflows for leases of $4.6m in 2021 (2020: $3.3m). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 31.

NOTE 18: PAYABLES

	2021 $'000	2020 $'000
Current		
Unsecured liabilities		
Trade creditors	1,986	3,427
Payables from broking, reinsurance and underwriting agency operations	244,848	166,948
Sundry creditors and accruals	16,786	12,646
	263,620	**183,021**

NOTE 19: BORROWINGS

	2021 $'000	2020 $'000
Non Current		
Secured liabilities		
Bank loans	**176,679**	**158,505**

(a) Terms and conditions and assets pledging as security relating to the above financial instruments

The Group has two primary funding facilities:

- PSC Insurance Group Limited – Syndicated Facility Agreement - Limit $100,000,000 plus a further $3,000,000 revolving Overdraft / Bank Guarantee Facility
- PSC UK Pty Ltd - Loan Note Syndication Agreement - Limit £50,000,000 ($92,199,889)

There is also a funding facility to PSC Property Holdings Pty Ltd, totalling $7,624,000.

The key terms and conditions are as follows:

Syndicated Facility Agreement (SFA)

The syndication is led by Commonwealth Bank of Australia, and Macquarie Bank Limited are a participant in the syndicate.
Security was granted in favour of a security trustee, including a registered first ranking security over all assets and undertakings of the parent entity and certain subsidiaries of the parent entity.

The SFA contains a number of representations, warranties and undertakings (including financial covenants and reporting obligations) from the parent entity and each guarantor that are customary for a facility of this nature, including covenants ensuring the parent entity maintains a debt to EBITDA ratio below agreed levels and a debt service cover ratio above agreed levels. These covenants have been met during the year.

The SFA is interest only with a maturity date of December 2024. The interest rate is a variable interest rate based on BBSY plus a margin.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 19: BORROWINGS (continued)

Loan Note Syndication Agreement (LNSA)

The debt facility with Baring Asset Management is a UK debt facility to support the Group's growth in the UK markets.

The LNSA contains a number of representations, warranties and undertakings, including financial covenants and reporting obligations. The financial covenants cover part of the Group's UK assets and include debt to EBITDA being below agreed levels and a debt service cover ratio being above agreed levels. These covenants are measured quarterly and have been met during the year.

The LNSA is interest only with a maturity date of November 2024. The interest rate is a variable interest rate based on LIBOR plus a margin.

Commonwealth Bank of Australia (Property Loan)

The facility provided to fund the property at 96 Wellington Parade, East Melbourne, which the parent entity and its subsidiaries occupy. The facility is secured by a first registered mortgage over the property and supporting guarantees from the parent entity and various subsidiaries.

The loan is interest only with a maturity date of December 2024. The interest rate is a variable interest rate based BBSY plus a margin.

NOTE 20: PROVISIONS

	2021 $'000	2020 $'000
Current		
Employee benefits	4,600	4,542
Non Current		
Employee benefits	613	565
Total employee benefits liability	**5,213**	**5,107**

NOTE 21: FINANCIAL LIABILITIES - DERIVATIVES

	2021 $'000	2020 $'000
Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	1,127
Non Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	48	205
Total derivatives	**48**	**1,332**

Derivatives not designated as hedging instruments reflect the negative change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk.

NOTE 22: LEASE LIABILITIES

	2021 $'000	2020 $'000
Current		
Lease liabilities	3,962	2,341
Non Current		
Lease liabilities	19,269	13,909
Total lease liabilities	**23,231**	**16,250**

NOTE 23: CONTRACT LIABILITIES - DEFERRED REVENUE

	2021 $'000	2020 $'000
Current		
Contract liabilities	5,169	4,718
Non Current		
Contract liabilities	354	608
Total contract liabilities	**5,523**	**5,326**

Contract liabilities represent the Group's obligation to transfer services to the customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Amounts recorded as contract liabilities are subsequently recognised as revenue when the Group transfers the contracted services to the customer. A contract liability arises in relation to claims handling income when consideration is received from the customer in advance of the claims handling service being performed.

NOTE 24: AMOUNTS PAYABLE TO VENDORS

	2021 $'000	2020 $'000
Current		
Amounts payable to vendors	19,680	19,503
Non Current		
Amounts payable to vendors	16,150	4,572
Total amounts payable to vendors	**35,830**	**24,075**

Amounts payable to vendors represents deferred and contingent consideration expected to be made to vendors for acquisitions. The contingent consideration payable is calculated based on a multiple of revenue as defined in the various sale and purchase agreements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 25: SHARE CAPITAL

(a) Issued and paid-up capital

	2021 $'000	2020 $'000
321,181,525 Ordinary shares fully paid (2020: 287,019,337)	**331,174**	**243,043**

Fully paid ordinary shares carry one vote per share and have the right to dividends.

(b) Movements in shares on issue

	Parent Entity No of shares	$'000
2021		
Beginning of financial year	287,019,337	243,043
Capital issued	20,000,000	60,000
Capital issuing costs	-	(746)
Shares in lieu of cash for acquisition of subsidiary	5,818,270	17,875
Dividend reinvestment	305,611	852
Underwritten dividend reinvestment	3,660,322	10,000
Loan funded shares	4,377,985	150
End of financial year	**321,181,525**	**331,174**
2020		
Beginning of financial year	245,875,876	140,572
Shares in lieu of cash for acquisition of subsidiary	26,242,890	66,035
Capital issued	13,461,529	35,000
Capital issuing costs	-	(577)
Loan funded shares	524,463	-
Dividend reinvestment	407,088	1,076
Employee share issues	207,491	637
Converted share options	300,000	300
End of financial year	**287,019,337**	**243,043**

(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.

(d) Capital Management

When managing capital, management's objective is to ensure the Group continues to maintain optimal returns to shareholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

During 2021, management paid dividends of:

- Dividends paid by PSC Insurance Group Limited $28,313,765 (2020: $23,195,566)
- Dividends paid to non-controlling interests $181,332 (2020: $445,546)

Management manages capital by proactively assessing future funding needs and determining the best funding measures, principally through retained earnings and debt facilities. When considering prudent gearing levels, the Group considers its gross debt levels against the forecast levels of EBITDA and free cash flow. The Group also considers the gearing ratio being net debt / total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents (excluding cash held in trust) and total capital includes net debt and book equity.

NOTE 26: RESERVES AND RETAINED EARNINGS

	2021 $'000	2020 $'000
Share-based payment reserve	2,853	2,459
Foreign currency translation reserve	1,537	(4,159)
Revaluation surplus	1,443	1,100
Put option reserve	-	(2,498)
Non-controlling interest reserve	(43,083)	(37,351)
Reserves	**(37,250)**	**(40,449)**
Retained Earnings	**51,368**	**39,235**

(a) Share-based payment reserve

(i) Nature and purpose of reserve
The share-based payment reserve comprises the fair value of options and performance share rights recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital. The share-based payment reserve remains as a separate component of equity.

(ii) Movements in reserve

	2021 $'000	2020 $'000
Opening balance	2,459	2,160
Fair value of options and performance share rights issued during the year	394	299
Closing balance	**2,853**	**2,459**

(b) Foreign currency translation reserve

(i) Nature and purpose of reserve
The foreign currency translation reserve is used to record the unrealised exchange differences arising on translation of a foreign entity and is not distributable.

(ii) Movements in reserve

	2021 $'000	2020 $'000
Opening balance	(4,159)	(130)
Exchange differences on translation of foreign operations	5,696	(4,029)
Closing balance	**1,537**	**(4,159)**

(c) Revaluation surplus

(i) Nature and purpose of reserve
Land and buildings held by the Group are regularly revalued by an independent valuer. The net of tax adjustment from the carrying amount to the revalued amount has been accounted for in the revaluation surplus.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 26: RESERVES AND RETAINED EARNINGS (continued)

(ii) Movements in reserve

	2021 $'000	2020 $'000
Opening balance	1,100	1,100
Revaluation of property, plant and equipment	343	-
	1,443	**1,100**

(d) Non-controlling interest reserve

(i) Nature and purpose of reserve
The non-controlling interest reserve is used to record the fair value of shares issued to buyout non-controlling interests.

	2021 $'000	2020 $'000
Opening balance	(37,351)	(37,351)
Non-controlling interest arising from business combination	(5,732)	-
	(43,083)	**(37,351)**

(e) Retained Earnings

	2021 $'000	2020 $'000
Retained earnings at beginning of year	39,235	44,807
Adjustment due to change of accounting policy, net of tax	-	(263)
Net profit	40,447	17,887
Dividends provided for or paid	(28,314)	(23,196)
	51,368	**39,235**

NOTE 27: SHARE-BASED PAYMENTS

The Group has adopted the long term incentive plan (LTIP) to assist in the reward, retention and motivation of certain employees and Directors of the Group. The Group may grant shares, loan funded shares, options and/or performance rights (awards) to eligible participants under its LTIP.

Share options
Under the Group's LTIP, share options of PSC Insurance Group Limited have been granted to certain Directors. The share options vest immediately. The fair value of the share options is estimated at the grant date using a Black Scholes option pricing model taking into account the terms and conditions on which the share options were granted.

The movement in the number of options and the weighted average exercise price during the year are:

	2021	2020
Opening balance 1 July	8,600,000	8,900,000
Granted during the year	-	-
Exercised during the year (a)	-	(300,000)
Outstanding at 30 June	**8,600,000**	**8,600,000**
Exercisable at 30 June	8,600,000	8,600,000

(a) The weighted average share price at the date of exercise of the options in 2020 was $2.92. The issue price of the shares was $1.00.
The range of exercise prices for options outstanding at the end of the year was $1.66 to $3.75 (2020: $1.66 to $3.75)
No expense was recognised during the year for the above options (2020: $nil).

Unissued ordinary shares of PSC Insurance Group Limited under option at 30 June 2021 are:

Name of option holder	Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
Melvyn Sims*	8 August 2016	600,000	$1.66 per share	8 July 2021
Antony Robinson**	16 May 2019	3,500,000	$3.00 per share	31 December 2022
Antony Robinson**	16 May 2019	1,500,000	$3.25 per share	31 December 2022
Antony Robinson**	16 May 2019	1,500,000	$3.50 per share	31 December 2022
Antony Robinson**	16 May 2019	1,500,000	$3.75 per share	31 December 2022

* Melvyn Sims' options were exercised on 8 July 2021, by way of a cashless exercise as permitted by the Group's LTIP, at an exercise price of $1.66.

** Held through a related entity, Rowena House Pty Ltd.

Loan Funded Shares

Under the Group's LTIP, loan funded shares have been granted to certain employees of the Group. The shares were issued immediately. The fair value of the loan funded shares is estimated at the grant date using a Black Scholes option pricing model taking into account the terms and conditions on which the loan funded shares were issued.

The expense recognised during the year for loan funded shares was as follows:

	2021 $'000	2020 $'000
Expense arising from equity-settled share-based payment transactions	394	264
Total expense arising from loan funded share-based transactions	**394**	**264**

The movement in the number of loan funded shares during the year was as follows:

	2021	2020
Opening balance 1 July	2,886,845	2,362,382
Issued during the year (a)	4,377,985	794,629
Forfeited during the year	-	(270,166)
Loan repaid (b)	(51,089)	-
Loan funded shares at 30 June	**7,213,741**	**2,886,845**

(a) Issued during the year

- 213,363 fully paid shares were issued on 2 November 2020 at a share price of $2.82, expiring in 5 years.
- 289,622 fully paid shares were issued on 3 May 2021 at a share price of $3.17, expiring in 5 years.
- 375,000 fully paid shares were issued on 1 June 2021 at a share price of $2.49, expiring in 4 years.
- 3,500,000 fully paid shares were issued on 1 June 2021 at a share price of $3.17, expiring in 4 years.

Expected volatility of 33.05%, dividend yield of 3.35% and a risk free interest rate of 0.74% were used in the calculation of shares issued.

(b) Loan repaid

- 51,089 loan funded shares were repaid for $150,000 on 29 April 2021.

$1 million loan funded shares due to expire in December 2020 were rolled over in advance of maturity, for an additional 4 years as permitted by the Group's LTIP. There was no additional cost in relation the extension, due to the value of the call price being greater than the in the money value of the existing shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 28: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2021	2020	2021	2020
AB Risk Solutions Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Abaco Insurance Brokers Limited**	United Kingdom	100.00%	0.00%	0.00%	0.00%
Absolute Insurance Brokers Limited**	United Kingdom	100.00%	0.00%	0.00%	0.00%
Agency Holding Corporation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Alsford Page & Gems (Holdings) Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Alsford Page & Gems Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
AR (WA) Pty Ltd	Australia	100.00%	70.00%	0.00%	30.00%
Bonwick International Ltd**	Hong Kong	100.00%	0.00%	0.00%	0.00%
Breeze Underwriting (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting Limited	United Kingdom	100.00%	95.00%	0.00%	5.00%
Breeze Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Capital Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Carroll & Partners Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Holman Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Harvery Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll London Markets Holdings Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll London Markets Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Insurance Brokers Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Insurance Group Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carvan Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Melbourne Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Charter Gilman Insurance Holdings Limited**	Hong Kong	100.00%	50.00%	0.00%	50.00%
Charter Gilman Insurance Brokers Pty Ltd**	Hong Kong	100.00%	0.00%	0.00%	0.00%
Charter Gilman Insurance Agencies Limited**	Hong Kong	100.00%	0.00%	0.00%	0.00%
Charter Gilman Insurance Consultants Limited **	Hong Kong	100.00%	0.00%	0.00%	0.00%
Charter Gilman Insurance Services Limited**	Hong Kong	100.00%	0.00%	0.00%	0.00%
Chase Global UK Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Chase Surety Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Chase UK Holdings Pty Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Chase Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Connect Life Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Deskhaven Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Easy Broking Online Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Eden Software Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%
Fenchurch Insurance Risk Management Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Globe Insurance Consultants Ltd**	Hong Kong	100.00%	0.00%	0.00%	0.00%
Globe Limited **	Hong Kong	100.00%	0.00%	0.00%	0.00%
Insurance Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Insurance Marketing Group of Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
JHR Corporate Risk Pty Ltd**	Australia	100.00%	0.00%	0.00%	0.00%

(a) Subsidiaries (continued)

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2021	2020	2021	2020
Jolimont Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Medisure Indemnity Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Online Insurance Solutions Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Paragon Brokers (Bermuda) Ltd	Bermuda	100.00%	100.00%	0.00%	0.00%
Paragon International Holdings Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Paragon International Insurance Brokers Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Professional Services Corporation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Coast Wide Newcastle Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Coastwide Insurance Services Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Connect Life NZ Ltd	New Zealand	80.00%	80.00%	20.00%	20.00%
PSC Connect NZ Ltd	New Zealand	100.00%	100.00%	0.00%	0.00%
PSC Connect Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Direct Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Foundation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Group Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Holdings (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance (Europe) Ltd	Ireland	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Brisbane) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Darwin) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Melbourne) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Victoria) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Wagga) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Western) Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
PSC Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Services Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC International Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC JLG Investment Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC National Franchise Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC NFIB Markets Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Nominees Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
96 Wellington Parade Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Rainbow Holdings Ltd (UK)	United Kingdom	100.00%	100.00%	0.00%	0.00%
PSC Reliance Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Safex Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
PSC UK Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
PSC UK Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Workers Compensation and Consulting Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 28: INTERESTS IN SUBSIDIARIES (continued)

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2021	2020	2021	2020
PSC Workers Compensation Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Wright Fahey Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Reliance Workplace Solutions Pty Ltd	Australia	100.00%	70.00%	0.00%	30.00%
RP-Canning Vale Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Maroochydore Pty Ltd	Australia	100.00%	80.00%	0.00%	20.00%
RP-Morayfield Pty Ltd*	Australia	100.00%	50.00%	0.00%	50.00%
RP-Parramatta Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Windsor Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Trans Pacific Insurance Brokers Limited**	Hong Kong	100.00%	0.00%	0.00%	0.00%
Trust Insurance Services Limited**	United Kingdom	100.00%	0.00%	0.00%	0.00%
Turner Financial Services Limited	United Kingdom	100.00%	70.00%	0.00%	30.00%
Turner Insurance Services Limited	United Kingdom	100.00%	70.00%	0.00%	30.00%
UK Facilities Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Upper Hillwood Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%

1 - * Entity entered Group during the 2021 financial year
2 - ** Entity acquired during the 2021 financial year

(b) Reconciliation of the non-controlling interest

	2021 $'000	2020 $'000
Accumulated NCI at the beginning of the year	2,692	2,145
Profit or loss allocated to NCI during the year	277	835
Put option reserve revaluation	959	(87)
(Decrease) / Increase in non-controlling interest	(2,632)	245
Dividends paid to NCI	(181)	(446)
Accumulated NCI at the end of the year	**1,115**	**2,692**

NOTE 29: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2021 $'000	2020 $'000
Cash on hand	10	13
Cash at bank	25,814	20,371
Cash on deposit	22,000	5,589
	47,824	**25,973**

(b) Reconciliation of net profit after tax to net cash flows from operations

	2021 $'000	2020 $'000
Profit from ordinary activities after income tax	40,724	18,722
Add/(Less) items classified as investing/financing activities		
(Loss)/gain on deferred consideration	241	4,626
Adjustments and non cash items		
Non-cash items		
Depreciation and amortisation	14,989	8,462
Expected credit loss	2,501	1,613
Foreign currency translation (gains)/losses	2,733	(1,024)
Fair value adjustment of shares	(15,894)	16,623
Share-based payment expense	375	264
Equity accounted result	(805)	(98)
Derivative (gains)/losses	(1,802)	(1,121)
(Profit) on sales of shares	-	(8,650)
Loans forgiven	66	-
Disposal of investment in associates	(195)	-
Net cash flows from operations before change in assets and liabilities	**42,933**	**39,417**
Change in assets and liabilities		
(Increase)/decrease in receivables	1,728	(3,027)
(Increase)/decrease in contract / other assets	(4,840)	(10,017)
Increase/(decrease) in payables	1,139	3,260
Increase/(decrease) in provisions	(364)	804
Increase/(decrease) in other liabilities	367	3,056
Increase/(decrease) in income taxes payable	27	(4,014)
Increase/(decrease) in deferred tax balances	3,651	(4,906)
Net cash flow from operating activities	**44,641**	**24,573**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 29: CASH FLOW INFORMATION (continued)

(c) Acquisitions

During the year the Group made a number of acquisitions. The fair value of assets acquired and liabilities assumed were as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	17,500	14,698
Financial assets - trust cash	11,452	59,302
Contract assets - broking	4,070	10,558
Property, plant and equipment	190	665
Identifiable Intangibles	32,029	50,659
Acquired intangibles	5	1,627
Receivables	1,694	2,996
Right of use assets	789	2,327
Lease Liabilities	(555)	(2,327)
Payables	(14,182)	(76,645)
Financial liabilities - derivatives	-	(2,466)
Income tax payable	(1,061)	(34)
Provisions	(465)	(375)
Deferred tax balances	(7,369)	(11,223)
Net Identifiable assets acquired	**44,097**	**49,762**
Net assets exceeding consideration paid	**24,877**	**40,227**
Consideration paid in cash	(68,974)	(89,989)
Cash acquired	17,500	14,698
Net cash (dispensed) / acquired	**(51,474)**	**(75,291)**

(d) Loan facilities

	2021 $'000	2020 $'000
Loan facilities	202,824	188,435
Amount utilised	176,679	158,505
Unused loan facility	**26,145**	**29,930**

(e) Reconciliation of liabilities arising from financing activities

	2021 $'000	2020 $'000
Balance at the beginning of the year	158,505	57,023
Payments made	-	(7,513)
Foreign currency movements	2,693	846
Other changes	15,481	108,149
Balance at the end of the year	**176,679**	**158,505**

NOTE 30: BUSINESS COMBINATIONS

	2021 $'000	2020 $'000
Consideration	68,974	89,989
Equity Consideration	15,782	27,509
Deferred consideration	8,889	-
Contingent consideration	20,666	98,445
Total purchase consideration	**114,311**	**215,943**
Fair value of non-controlling interests	**-**	**245**

Acquisitions for the year ended 30 June 2021

In accordance with Group strategy, a series of acquisitions were completed during the year. These included the following acquisition vehicle:

i Company and its subsidiary entity/(ies)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 30: BUSINESS COMBINATIONS (continued)

(a) Consideration paid/payable

2021	Charter Gilman Insurance Holdings $'000	Globe Group $'000	Trans Pacific Insurance Brokers Ltd $'000
Cash consideration paid	1,105	937	770
Equity Consideration	-	-	-
Deferred consideration	-	-	-
Contingent consideration	152	-	1,656
Total purchase consideration	**1,257**	**937**	**2,426**
Ownership share	100%	100%	100%
Acquisition vehicle	(i)	(i)	(i)
Date of acquisition	31/7/20	31/7/20	31/7/20
Fair value of non-controlling interest	**-**	**-**	**-**
Total non-controlling interest	**-**	**-**	**-**

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.

(b) Identifiable assets and liabilities acquired

2021	Charter Gilman Insurance Holdings $'000	Globe Group $'000	Trans Pacific Insurance Brokers Ltd $'000
• Cash and Cash equivalents	338	273	248
• Other financial assets - trust cash	1,064	249	2,863
• Contract assets	(24)	82	1,704
• Property, plant and equipment	132	11	-
• Identifiable intangibles	539	91	347
• Acquired intangibles	-	-	-
• Trade and other receivables	274	186	33
• Deferred tax assets	11	-	1
• Right of use assets	-	-	-
• Lease Liabilities	-	-	-
• Deferred tax Liabilities	(89)	(15)	(57)
• Trade and other payables	(1,440)	(618)	(4,275)
• Income tax payable	45	-	(1)
• Provisions	-	-	-
	850	**259**	**863**

Absolute Insurance Brokers Limited $'000	JHR Corporate Risk Services Pty Ltd $'000	Trust Insurance Services Limited $'000	Abaco Insurance Brokers Limited $'000	Total Group $'000
12,581	1,188	24,406	27,987	68,974
2,301	-	5,609	7,872	15,782
-	-	4,207	4,682	8,889
5,273	1,119	4,753	7,713	20,666
20,155	**2,307**	**38,975**	**48,254**	**114,311**
100%	100%	100%	100%	
(i)	(i)	(i)	(i)	
16/10/20	28/1/21	31/3/21	31/3/21	
-	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**

Absolute Insurance Brokers Limited $'000	JHR Corporate Risk Services Pty Ltd $'000	Trust Insurance Services Limited $'000	Abaco Insurance Brokers Limited $'000	Total Group $'000
4,785	106	9,484	2,266	17,500
1,931	546	1,585	3,214	11,452
-	-	400	1,908	4,070
27	-	4	16	190
4,792	872	12,495	12,893	32,029
5	-	-	-	5
187	-	972	42	1,694
(6)	-	-	-	6
217	-	-	572	789
(217)	-	-	(338)	(555)
(910)	(262)	(2,974)	(3,068)	(7,375)
(2,146)	(591)	(1,840)	(3,272)	(14,182)
(518)	2	(221)	(368)	(1,061)
(418)	(47)	-	-	(465)
7,729	**626**	**19,905**	**13,865**	**44,097**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 30: BUSINESS COMBINATIONS (continued)

(c) Goodwill on acquisition

2021	Charter Gilman Insurance Holdings $'000	Globe Group $'000	Trans Pacific Insurance Brokers Ltd $'000
Total consideration paid / payable	1,257	937	2,426
Total net identifiable (assets)/liabilities acquired	850	259	863
Fair value of previously held equity interest	1,263	-	-
Goodwill on acquisition	**1,670**	**678**	**1,563**

(d) Financial performance since acquisition date

2021	Charter Gilman Insurance Holdings $'000	Globe Group $'000	Trans Pacific Insurance Brokers Ltd $'000
Revenue	1,430	497	1,123
EBITDA	(124)	(69)	348
Profit after tax	12	(21)	299
Financial performance if held for 12 months			
Revenue	1,559	542	1,225
EBITDA	(135)	(76)	379
Profit after tax	13	(22)	326
Goodwill on acquisition	1,670	678	1,563
• Identifiable intangibles	539	91	347
	2,209	**769**	**1,910**

The value of goodwill represents the future benefit arising from the future earnings and synergies expected from the acquisitions. 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 24 for contingent liability amounts recognised for business combinations in the current and prior periods.

(e) Acquisition related costs

The Group incurred transaction costs of $0.49m (2020: $2.30m) 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.

Absolute Insurance Brokers Limited $'000	JHR Corporate Risk Services Pty Ltd $'000	Trust Insurance Services Limited $'000	Abaco Insurance Brokers Limited $'000	Total Group $'000
20,155	2,307	38,975	48,254	114,311
7,729	626	19,905	13,865	44,097
-	-	-	-	1,263
12,426	**1,681**	**19,070**	**34,389**	**71,477**

Absolute Insurance Brokers Limited $'000	JHR Corporate Risk Services Pty Ltd $'000	Trust Insurance Services Limited $'000	Abaco Insurance Brokers Limited $'000	Total Group $'000
3,403	549	1,463	2,300	10,765
1,651	316	1,179	1,502	4,803
1,316	376	597	946	3,525
4,465	1,317	5,826	7,663	22,597
2,047	759	4,507	3,966	11,447
1,515	903	2,364	2,026	7,125
12,426	1,681	19,070	34,389	71,477
4,792	872	12,495	12,893	32,029
17,218	**2,553**	**31,565**	**47,282**	**103,506**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 31: COMMITMENTS

(a) Lease expenditure commitments

(i) Nature of leases
Leases comprise lease for premises from which the Group operates and several novated leases of motor vehicles that form part of the salary packages of employees.

(ii) Minimum lease payments

	2021 $'000	2020 $'000
• Not later than one year	5,684	2,558
• Later than one year and not later than five years	14,392	9,010
• Greater than five years	3,654	7,111
Aggregate lease expenditure contracted for at reporting date	**23,730**	**18,679**

(b) Bank guarantee commitments
The Group has provided bank guarantees in relation to a number of rental premises from which various businesses operate. Total bank guarantees outstanding $1,189,993 (2020: $985,779).

(c) Contingent liabilities
The Group has no contingent liabilities.

NOTE 32: EARNINGS PER SHARE

	2021 $'000	2020 $'000
Reconciliation of earnings used in calculating earnings per share:		
Profit from continuing operations attributable to owners of PSC Insurance Group Limited attributable to owners of PSC Insurance Group Limited	40,447	17,887
Profit used in calculating basic earnings per share	40,447	17,887
Profit used in calculating diluted earnings per share	40,447	17,887
Earnings used in calculating diluted earnings per share	40,447	17,887

	2021 No of Shares	2020 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	303,952,533	268,477,272
Effect of dilutive securities:		
Share options	8,600,000	8,600,000
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	312,552,533	277,077,272

NOTE 33: FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:

- Market price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for identifying and managing operational and financial risks.

The Group holds the following financial instruments:

	2021 $'000	2020 $'000
Financial assets		
Amortised cost:		
Cash and cash equivalents	47,824	25,973
Bonds and deposits	945	57
Financial assets - trust cash	244,464	167,904
Other receivables	7,306	9,204
Loans to related parties	2,601	5,808
Fair value through profit or loss (mandatory classification):		
Derivatives	519	-
Financial assets - investments in shares and unit trusts	50,567	34,453
	354,226	**243,399**
Financial liabilities		
Amortised cost:		
Trade creditors	1,986	3,427
Payables from broking, reinsurance and underwriting agency operations	244,848	166,948
Sundry creditors and accruals	16,786	12,646
Lease liabilities	23,231	16,250
Borrowings	176,679	158,505
Fair value through profit or loss (mandatory classification):		
Derivatives	48	1,332
Amounts payable to vendors - contingent consideration	35,830	24,075
	499,408	**383,183**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

(a) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Sensitivity

The Group holds two market securities at fair value.

Price sensitivity at 30 June 2021 at +/- 10% represents exposure of $4,580,000 (2020: $3,249,000).

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has significant exposure to GBP.

Sensitivity

If GBP foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2021 $'000	2020 $'000
+ / - 10%		
Impact on profit after tax	517	607
Impact on equity	77	1,786

(c) Fair value of Financial Instruments

The Group's financial assets and contingent consideration 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)

There has been no transfers between levels during the year.

Reconciliation of recurring level 3 fair value movements

Other shares and units held	2021 $'000	2020 $'000
Opening Balance	1,966	3,516
Additional holdings	400	-
Fair value adjustments - realised	-	(1,550)
Fair value adjustments - unrealised	2,402	-
Closing balance	**4,768**	**1,966**

Contingent consideration	2021 $'000	2020 $'000
Opening balance	24,075	10,292
Additions from acquisitions	29,301	100,697
Deferred payments / revaluations	(17,214)	(50,248)
Deferred share issues	(1,176)	(38,526)
Net foreign currency movement arising from foreign operations	844	1,860
Closing balance	**35,830**	**24,075**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial Instruments	Interest-bearing $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate %
2021				
(i) Financial assets (variable)				
Cash	47,824	-	47,824	0.70%
Bonds and deposits	-	945	945	
Cash held on trust	244,464	-	244,464	0.70%
Other receivables	-	7,306	7,306	
Derivatives	-	519	519	
Loans to related entities	2,601	-	2,601	2.63%
Financial assets - investments in shares and unit trusts	-	50,567	50,567	
Total financial assets	**294,889**	**59,337**	**354,226**	
(ii) Financial liabilities (variable)			-	
Trade creditors	-	1,986	1,986	
Payables from broking, reinsurance and underwriting agency operations	-	244,848	244,848	
Sundry creditors and accruals	-	16,786	16,786	
Lease Liabilities	23,231	-	23,231	
Borrowings	176,679	-	176,679	4.79%
Derivatives	-	48	48	
Amounts payable to vendors - contingent consideration	16,150	19,680	35,830	
Total financial liabilities	**216,060**	**283,348**	**499,408**	
2020				
(i) Financial assets (variable)				
Cash	25,973	-	25,973	0.70%
Bonds and deposits	-	57	57	
Cash held on trust	167,904	-	167,904	0.70%
Other receivables	-	9,204	9,204	
Loans to related entities	5,808	-	5,808	2.63%
Financial assets - investments in shares and unit trusts	-	34,453	34,453	
Total financial assets	**199,685**	**43,714**	**243,399**	

Financial Instruments	Interest-bearing $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate %
(ii) Financial liabilities (variable)				
Trade creditors	-	3,437	3,437	
Payables from broking, reinsurance and underwriting agency operations	-	166,948	166,948	
Sundry creditors and accruals	-	12,646	12,646	
Lease Liabilities	16,250	-	16,250	
Borrowings	158,505	-	158,505	4.79%
Derivatives	-	1,332	1,332	
Amounts payable to vendors - contingent consideration	4,572	19,503	24,075	
Total financial liabilities	**179,327**	**203,856**	**383,183**	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity
If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

+ / - 100 basis points	2021 $'000	2020 $'000
Impact on profit after tax	(552)	(143)
Impact on equity	**(552)**	**(143)**

(e) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral. Credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables, loan to shareholders and loan to a joint venture.

Although there is a concentration of cash and cash equivalents held with a major bank, credit risk is not considered significant. The Group's exposure to credit risk is concentrated in the financial services industry with parties which are considered to be of sufficiently high credit quality to minimise credit risk losses. Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers and underwriting agencies have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged. Commission revenue is recognised after taking into account an allowance for expected revenue losses on policy lapses and cancellations, based on past experiences.

(f) Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
The Group's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities as disclosed in note 19.

(g) 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 consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

(h) Maturity analysis

The tables below represent the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

	< 6 Months $'000	6-12 Months $'000	1-5 years $'000	Carrying amount $'000
2021				
Cash and cash equivalents	47,824	-	-	47,824
Financial assets - trust cash	244,464	-	-	244,464
Receivables	7,121	185	-	7,306
Financial assets - investments in shares and unit trusts	-	-	50,567	50,567
Derivatives	260	260	-	519
Payables	(115,079)	(129,769)	-	(244,848)
Borrowings	-	-	(176,679)	(176,679)
Lease Liabilities	(1,981)	(1,981)	(19,269)	(23,231)
Amounts payable to vendors	(7,716)	(11,964)	(16,150)	(35,830)
Net maturities	**174,892**	**(143,269)**	**(161,531)**	**(129,908)**

	< 6 Months $'000	6-12 Months $'000	1-5 years $'000	Carrying amount $'000
2020				
Cash and cash equivalents	25,973	-	-	25,973
Financial assets - trust cash	167,904	-	-	167,904
Receivables	8,782	422	-	9,204
Financial assets - investments in shares and unit trusts	-	-	34,453	34,453
Payables	(78,466)	(88,482)	-	(166,948)
Borrowings	-	-	(158,505)	(158,505)
Lease Liabilities	(1,171)	(1,171)	(13,909)	(16,250)
Derivatives	(897)	(230)	(205)	(1,332)
Amounts payable to vendors	(5,037)	(14,466)	(4,572)	(24,075)
Net maturities	**117,089**	**(103,927)**	**(142,738)**	**(129,576)**

NOTE 34: DIRECTORS' AND EXECUTIVES' COMPENSATION

Key management personnel during the year are the Directors, Group Chief Executive Officer and Chief Financial Officer.

The names of directors who have held office during the year are:

Name	Appointment Date
Brian Austin	10 December 2010
Paul Dwyer	10 December 2010
John Dwyer	10 December 2010
Antony Robinson	13 July 2015
Melvyn Sims	8 August 2016
Tara Falk	8 October 2019
James Kalbassi	15 June 2021
Jo Dawson	15 June 2021

Other key management personnel during the year are:

Name	Appointment Date
Rohan Stewart (Group Chief Executive Officer)	2 May 2018
Joshua Reid (Chief Financial Officer)	15 December 2015

* Rohan Stewart resigned from this position on July 16, 2021.

	2021	2020
	$	$
Compensation by category		
Short-term employment benefits	2,924,644	2,668,050
Post-employment benefits	112,419	107,310
Other long-term employment benefits	18,570	15,752
Long-term incentive plans	87,438	97,734
	3,143,071	**2,888,846**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 35: RELATED PARTY DISCLOSURES

(a) Ownership interests in related parties
Details of interests in controlled entities are set out in Note 28.

(b) Related party transactions
The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

(i) Transactions with subsidiaries
All transactions that have occurred among the subsidiaries within the Group have been eliminated for consolidation purposes.

(ii) Transactions with entities with director related entities
Fuse Recruitment Pty Ltd, ADD Aviation Services Pty Ltd and P Capital Pty Ltd are owned by some Directors of the Group and are therefore considered related entities. DWF LLP is a related party as a Director of the Group is a Partner at the Company.

Related party	Service received	2021	2020
		$	$
Fees Paid or Payable to associates (ex GST):			
Fuse Recruitment Pty Ltd	Recruitment Fees	204,087	141,492
Fuse Recruitment Pty Ltd	Contractor Fees	21,444	41,380
ADD Aviation Services Pty Ltd	Transportation service fees	-	12,860
DWF LLP	Legal service fees	271,127	292,398

All the above services received from identified related parties of key management personnel were in the normal course of business, on terms and conditions no more favourable than those that it is reasonable to expect the party would have adopted if dealing at arms-length with an unrelated person. The outstanding balance of the above services is $13,925 from Fuse Recruitment Pty Ltd (2020: $19,906), expected to be settled within 30 days.

The Group provided insurance services to related parties of a Director totalling $15,106 (2020: $96,959). The services supplied were in the normal course of business and on normal commercial terms and conditions. The fees outstanding for these services at balance date are $nil (2020 $nil).

The Group paid $963,576 to P Capital Pty Ltd during the year. The amount was the balance of the purchase price payments for Charter Gillman Insurance Holdings Limited and Globe transactions approved at the EGM held in 2020.

Remuneration paid to the Directors for services provided are paid to their respective companies, as disclosed in the Remuneration Report.

The following balances are outstanding at the reporting date in relation to loans and receivables with related parties.

	2021	2020
	$	$
Current receivables		
Related parties loans and receivables	**1,139,560**	**2,408,376**
Non-Current receivables		
Related parties loans and receivables	**1,460,911**	**3,400,453**

All loans with related parties are granted at arms length commercial terms for repayment. All pre-listing related party loans met the minimum requirements of the Income Tax Assessment Act 1936 Division 7A in relation to interest rates and repayment terms. All post-listing related party loans are interest bearing at a minimum rate of the Fringe Benefit Tax benchmark interest rate. The maximum loan term is 7 years.

(ii) Transactions with joint ventures in which the Group is a venturer
There were no transactions with joint ventures in this financial year.

NOTE 36: AUDITOR'S REMUNERATION

(a) Amounts paid and payable to Ernst & Young (Australia):

(i) Fees to Ernst & Young (Australia)

	2021 $	2020 $
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	460,500	327,700
Fees for assurance services that are required by legislation to be provided by the auditor	171,500	125,000
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	26,964	50,000
Fees for other services		
• Tax compliance	62,750	45,974
• Other	26,221	-
Total fees to Ernst & Young (Australia)	**747,935**	**548,674**

(ii) Fees to other overseas member firms of Ernst & Young (Australia)

	2021 $	2020 $
Fees for auditing the financial report of any controlled entities	510,745	335,250
Fees for other services		
• Tax compliance	-	10,745
• Agreed upon procedures	63,584	-
Total fees to other overseas member firms of Ernst & Young (Australia)	**574,329**	**345,995**

Total auditor's remuneration to Ernst & Young (Australia)	**1,322,264**	**894,669**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 37: PARENT ENTITY INFORMATION

(a) Summarised statement of financial position

	2021 $'000	2020 $'000
Assets		
Current assets	368,473	281,710
Non-current assets	59,061	54,492
Total assets	**427,534**	**336,202**
Liabilities		
Current liabilities	1,158	1,190
Non-current liabilities	83,965	77,990
Total liabilities	**85,123**	**79,180**
Net assets	**342,411**	**257,022**
Equity		
Share capital	337,650	249,519
Reserves	3,134	2,349
Retained earnings	1,627	5,154
Total equity	**342,411**	**257,022**

(b) Summarised statement of comprehensive income

	2021 $'000	2020 $'000
Profit for the year	24,275	25,255
Total comprehensive income for the year	**24,275**	**25,255**

(c) Parent entity guarantees
There are no Parent entity guarantees currently in place.

(d) Parent entity contractual commitments

	2021 $'000	2020 $'000
• Bank guarantee commitments	1,190	986
Total parent entity contractual commitments	**1,190**	**986**

NOTE 38: 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:** Businesses including Paragon International Insurance Brokers, Paragon Bermuda, Carolls, Breeze Underwriting (UK), Turner, Chase Underwriting (UK), Trust Insurance Services Limited, Abaco Insurance Brokers Limited 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.

2021	Distribution $'000	Agency $'000	UK $'000	Group $'000	Total $'000
Segment revenue					
Commission income	44,533	12,837	92,503	-	149,873
Fees income	36,403	2,593	3,664	-	42,660
Other fees	8,461	1,054	1,577	-	11,092
Other revenue	60	-	747	4	811
Interest income	274	25	5	48	352
Share of equity accounted results	-	-	79	726	805
Gain / (loss) on financial instruments	-	-	1,802	16,141	17,943
Investment income	-	-	-	1,052	1,052
Total segment revenue	**89,731**	**16,509**	**100,377**	**17,971**	**224,588**
Segment revenue from external source	**89,731**	**16,509**	**100,377**	**17,971**	**224,588**
Segment result					
Total segment result	24,170	4,542	14,510	(2,498)	40,724
Segment result from external source	**24,170**	**4,542**	**14,510**	**(2,498)**	**40,724**
Items included within the segment result:					
Depreciation expense - property, plant and equipment	(668)	(193)	(720)	(440)	(2,021)
Depreciation expense - right-of-use assets	(1,706)	(300)	(1,994)	-	(4,000)
Amortisation expense	(3,106)	(191)	(5,671)	-	(8,968)
Interest expense	(186)	(11)	(27)	(8,723)	(8,947)
Interest expense - lease liabilities	(302)	(42)	(863)	-	(1,207)
Income tax expense	(10,326)	(1,647)	(1,862)	(3,628)	(17,463)
Total segment assets	**175,969**	**26,441**	**216,395**	**470,059**	**888,864**
Total segment liabilities	**143,896**	**22,562**	**203,470**	**172,529**	**542,457**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2021

NOTE 38: SEGMENT INFORMATION (continued)

2020	Distribution $'000	Agency $'000	UK $'000	Group $'000	Total $'000
Segment revenue					
Commission income	38,965	12,470	74,609	-	126,044
Fees income	33,430	2,493	138	-	36,061
Other fees	10,635	705	(162)	-	11,178
Other revenue	25	-	800	-	825
Interest income	666	78	102	191	1,037
Share of equity accounted results	-	-	-	98	98
Gain / (loss) on financial instruments	113	-	1,250	(8,086)	(6,723)
Investment income	-	-	-	524	524
Total segment revenue	**83,834**	**15,746**	**76,737**	**(7,273)**	**169,044**
Segment revenue from external source	**83,834**	**15,746**	**76,737**	**(7,273)**	**169,044**
Segment result					
Total segment result	22,753	3,398	7,100	(14,529)	18,722
Segment result from external source	**22,753**	**3,398**	**7,100**	**(14,529)**	**18,722**
Items included within the segment result:					
Depreciation expense - property, plant and equipment	(678)	(226)	(618)	(463)	(1,985)
Depreciation expense - right-of-use assets	(1,626)	(298)	(932)	-	(2,856)
Amortisation expense	(2,726)	(65)	(3,686)	-	(6,477)
Interest expense	(157)	-	(112)	(5,817)	(6,086)
Interest expense - lease liabilities	(351)	(31)	(339)	-	(721)
Income tax expense	(6,706)	(1,160)	(2,931)	4,245	(6,552)
Total segment assets	**135,509**	**13,964**	**138,623**	**370,245**	**658,341**
Total segment liabilities	**123,085**	**13,795**	**121,276**	**155,664**	**413,820**

NOTE 39: SUBSEQUENT EVENTS

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

(a) Business Combinations
In July 2021, the Group acquired an 80% share in the General Insurance book of Montage General Insurance Ltd, a broking business in New Zealand. Details of the purchase will be disclosed in the next reporting date.

Consideration paid/payable	$'000
Consideration and costs paid/payable	1,587
Contingent consideration	680
Total Consideration*	**2,267**

* Approximate

In August 2021, the Group entered a binding agreement to purchase the insurance broking portfolio and other key business assets of the broking business trading as Alliance Insurance (Alliance), from Alliance Insurance Broking Services Pty Ltd, a broking business in Victoria, Australia. Details of the purchase will be disclosed in the next reporting date.

Consideration paid/payable	$'000
Consideration and costs paid/payable	18,375
Contingent consideration	6,125
Total Consideration*	**24,500**

* Approximate

(b) Final dividend
On 23 August 2021, the Board declared an interim dividend for 2021 of 6.5 cents per share, 70% franked.

NOTE 40: ENTITY DETAILS

The registered office and principal place of business of the Group is:

PSC Insurance Group Limited
96 Wellington Parade
East Melbourne
Victoria, 3002

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 28 to 87 are in accordance with the *Corporations Act 2001*, including:

Comply with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

a. As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
b. Give a true and fair view of the financial position of the Group as at 30 June 2021 and of its performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that PSC Insurance Group Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

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

Antony Robinson
Director

Melbourne
Date: 23 August 2021

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Independent Auditor's Report to the Members of PSC Insurance Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PSC Insurance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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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.

Impairment Assessment of Goodwill and other Intangibles

Why significant	How our audit addressed the key audit matter
The Group has recognised $334 million of goodwill and other intangibles, which collectively represent 47%of its total assets. These assets are the result of acquisitions undertaken in the current and previous periods. In assessing the valuation of goodwill and other intangibles, the Group performs an annual impairment assessment, or more frequently, if impairment indicators are present. The Group has used a discounted cash flow model to estimate the recoverable amount of the assets. The impairment assessment involves subjective estimates and assumptions including: ▶ determination of Cash Generating Units (CGUs) ▶ forecast cash flows, including assumptions on revenue and expense growth ▶ terminal growth rates ▶ discount rates 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. The Group has disclosed in Note 1(k) and Note 16 the methodology and significant assumptions used in the impairment assessment of goodwill and the results of the impairment assessment.	Our audit procedures included the following: ▶ Assessed the group's determination of CGUs based on internal management reporting; ▶ Tested the mathematical accuracy of the impairment testing model; ▶ Assessed whether the forecast cash flows were consistent with the most recent Board approved cash flow forecasts; ▶ We involved our valuation specialists to assist in assessing the appropriateness of key assumptions utilised in the model, including discount and terminal growth rates; ▶ We assessed the appropriateness of the implied EBIT multiples with reference to other comparable companies; ▶ We performed our own sensitivity analyses around key assumptions; and ▶ Assessed the precision of prior year forecasts by performing a comparison to actual results. We also assessed the adequacy of the disclosures associated with the goodwill impairment assessment.

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Business Combinations

Why significant	How our audit addressed the key audit matter
The Group undertook a number of business combinations through the year. The accounting for business combinations is complex and requires significant judgment in determining: ▶ the value of identifiable intangible assets ▶ fair value of other net assets acquired ▶ goodwill acquired ▶ total consideration payable, including estimating components of deferred consideration. Accordingly, we considered this to be a key audit matter. The Group has disclosed the accounting policy relating to business combinations in Note 1(j) and the significance of the acquisitions in Note 30.	Our audit procedures included the following: ▶ Reviewing the sale and purchase agreements relating to each business acquisition; ▶ Involving our internal valuation and business modelling team to assess the methodology and appropriateness of key assumptions used to calculate the fair value of identifiable intangible assets, i.e. brand name, customer lists; ▶ Testing the mechanical accuracy of management's models; and ▶ Testing the calculation of total consideration payable as at acquisition date; We also assessed the adequacy of the disclosures associated with business combinations.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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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 to 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 26 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of PSC Insurance Group Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

T M Dring
Partner
23 August 2021

SHAREHOLDER INFORMATION

As required under the ASX Listing Rules, the Directors provide the following information.

Shareholding Analysis

(a) Distribution of Shareholders
At 16 August 2021, the distribution of shareholdings was as follows:

Range	Securities	%	No. of holders	%
100,001 and Over	308,941,526	95.87	145	12.49
10,001 to 100,000	10,913,700	3.39	344	29.63
5,001 to 10,000	1,449,698	0.45	182	15.68
1,001 to 5,000	866,271	0.27	296	25.50
1 to 1,000	66,983	0.02	194	16.71
Total	**322,238,178**	**100.00**	**1,161**	**100.00**

(b) Substantial Shareholders
The number of shares held by the substantial shareholders listed in the Company's register of substantial shareholders as at 16 August 2021 were:

Name	Number of Shares
McHalem No 2 Pty Ltd, Crathre Pty Ltd, P & M Dwyer Pty Ltd	57,174,852
Glendale Dwyer Pty Ltd, Cumnock Dwyer Pty Ltd	34,521,351
Austin Superannuation Pty Ltd	32,277,966
Ethical Partners Funds Management Pty Ltd (held through nominees)	17,764,444

(c) Class of shares and voting rights
At 16 August 2021, there were 1,161 holders of ordinary shares in the Company. All of the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share.

SHAREHOLDER INFORMATION (continued)

(d) Twenty Largest Shareholders (At 16 August 2021):

Rank	Shareholder	Number of Shares
1	MCHALEM NO 2 PTY LTD	57,174,852
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	51,685,478
3	GLENDALE DWYER PTY LTD	34,521,351
4	AUSTIN SUPERANNUATION PTY LTD	32,277,966
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	22,210,181
6	CITICORP NOMINEES PTY LIMITED	12,626,847
7	NATIONAL NOMINEES LIMITED	9,209,568
8	IVM INTERSURER B V	5,810,022
9	BNP PARIBAS NOMS PTY LTD	4,798,710
10	NAMARONG INVESTMENTS PTY LTD	4,500,000
11	WALKER INSURANCE & FINANCIAL SERVICES PTY LTD	4,451,168
12	RUBI HOLDINGS PTY LTD	4,100,000
13	LOCUST FUND PTY LTD	4,006,539
14	MR MICHAEL DAVID GUNNION & MRS DEBRA LEE GUNNION	3,957,679
15	EQUITAS NOMINEES PTY LIMITED	2,498,148
16	UYB COM PTY LTD	2,142,479
17	UBS NOMINEES PTY LTD	1,961,016
18	ANGUS MCPHIE	1,917,463
19	CHRIS LONDON	1,804,573
20	BNG FAMILY PTY LTD	1,800,206

CORPORATE INFORMATION

Directors

Brian Austin (Independent Non-Executive Chairman)
Paul Dwyer (Independent Non-Executive Director, Deputy Chairman)
Antony Robinson (Managing Director)
John Dwyer (Executive Director)
Tara Falk (Executive Director)
James Kalbassi (Executive Director)
Melvyn Sims (Independent Non-Executive Director)
Jo Dawson (Independent Non-Executive Director)

Group Secretary

Stephen Abbott

Registered Office

96 Wellington Parade
East Melbourne, Victoria, 3002
www.pscinsurancegroup.com.au

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria, 3000

Share Registry

Link Market Services Ltd
Tower 4, 727 Collins Street
Melbourne, Victoria, 3008

Stock Exchange Listing

PSC Insurance Group Ltd shares are listed on the Australian Securities Exchange with ASX Code: PSI