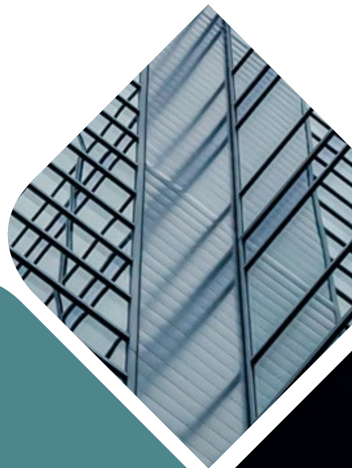
PSC INSURANCE GROUP

PSC Insurance Group Limited

ANNUAL REPORT 2016



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Chairman's Letter

We are very pleased to be presenting our inaugural Annual Report as a public Company and welcoming all our new shareholders.

Whilst welcoming our new shareholders we strive as a company to ensure our customers still remain a very clear focal point for all our staff and business partners, and it is imperative that customer experience in dealing with PSC remains top of mind for us all. We welcome many of our shareholders as customers to the group and look to the future in expanding our customer and shareholder base concurrently.

2016 has been a landmark year for PSC, with key highlights being:

- An Initial Public Offering of shares in PSC Insurance Group Ltd.
- Continued growth and improvement in our existing businesses.
- The completion of nine acquisitions, all of which contributed positively to financial results and we are confident will grow and strengthen the business over the medium term.

The Managing Director's Report will deal with our financial results in detail, however the Board is pleased that we were able to deliver results ahead of the expectations committed in our IPO forecasts, and that after the IPO the Group is increasingly well placed to continue to grow the business.

Our business strategy remains a simple one; to grow the business through continual improvement of our existing businesses and considered and sensible acquisitions where we see the ability for PSC to improve the underlying performance over the medium term.

We need to continue to offer our customers' a real reason for doing business with us, by delivering exceptional service at a competitive price and continuing to provide our mantra of "We make it Personal'.

The Board and senior management and all our dedicated staff and business partners remain highly invested and motivated to the sustained performance of the Group over the medium term, and look forward to enriching customers and shareholders alike.

We will continue to have a diversified range of Insurance intermediary businesses, predominantly in Australia, New Zealand and United Kingdom.

Finally, on behalf of the Board, we would particularly like to thank all the dedicated PSC staff and business partners for their huge efforts and very significant contribution to making 2016 the successful year it was. It has been a rewarding and exciting experience for all, and the Board sincerely thanks everyone for their valuable contribution in achieving the results to date.

Your sincerely,

Brian Austin
Non-Executive Chairman

Managing Director's Report

Key financial highlights in 2016 for PSC were:

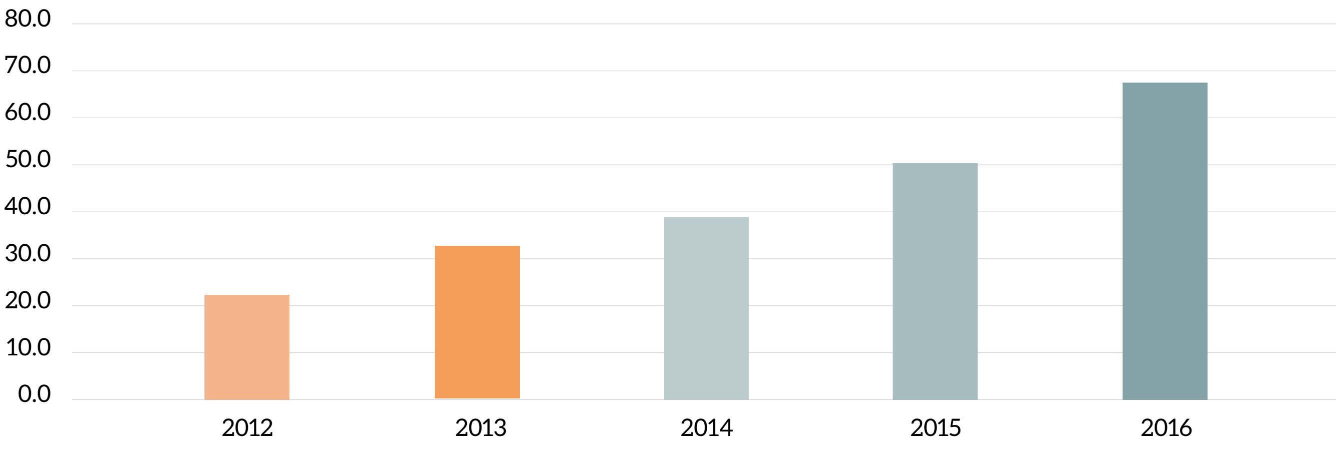
- Underlying revenue was up 34% on the prior corresponding period (pcp) to $67.5 million and ahead of prospectus expectations of $60.0 million. Statutory revenue was up 30% to $67.8 million.
- Underlying[1] earnings before interest, tax, depreciation and amortisation (EBITDA) up 51% on the pcp to $21.2 million and ahead of prospectus expectations of $17.8 million.
- Acquisitions completed after the IPO and not included in the prospectus forecasts contributed an underlying EBITDA of $1.7 million.
- Statutory NPAT of $10.8 million, after material one off staff share expenses, IPO related expenses, other non-recurring costs and an inflated average tax rate[2] of 32%, ahead of prospectus expectations of $10.0 million.
- Underlying net profit after tax and before amortisation (NPATA) up 70% on the pcp to $14.3 million and ahead of the prospectus forecast of $12.5 million.

Revenue:

Increased revenue was the result of a combination of both acquisitions and organic growth from existing businesses and this operational balance remains a key Executive priority.

The revenue performance over the last 5 years is represented below:

UNDERLYING REVENUE



1 Excluding the non-recurring costs associated with the expensed staff share allocation, other costs associated with the IPO which were not offset against paid up capital and other non-recurring acquisition costs.

2 FY16 average tax rate impacted by the one off impact of non-deductibility of staff share cost allocated in the IPO for nil consideration, other IPO costs and one off impacts upon entering into a tax consolidated group post IPO.

Over this period the adjustments between the statutory and underlying position were:

($m)	2013	2014	2015	2016
Statutory Revenue	**32.4**	**40.6**	**52.1**	**67.8**
Fair Value Adjustments/Capital Gains	0.0	(1.7)	(1.3)	0.0
Gain on net assets exceeding consideration	0.0	0.0	(0.5)	(0.3)
Underlying Revenue	**32.4**	**38.9**	**50.3**	**67.5**

Specifically regarding 2016, and following our half year result announcement, the Group completed a further six acquisitions up to 30 June 2016. The increased revenue in 2016 can be categorised as follows:

Category	$m
Full Year Impact of Prior Year Acquisitions	5.3
Current Year Impact of Current Year Acquisitions (pre IPO)	1.9
Current Year Impact of Current Year Acquisitions (post IPO)	6.2
Organic Growth	3.8
Underlying Revenue Growth	17.2

The prior year acquisitions relate to the Alsford Page & Gems Ltd (APG) business, and reflects both the full year impact of its first half FY16 contribution and pcp growth.

Additionally, the Group made nine acquisitions in the period and they contributed $8.1 million in revenue. The largest acquisitions were:

- Reliance Franchise Partners (Australian network broking business, where the Group holds a 50% shareholding in the businesses of our Partners).
- Australian Reliance Perth and Sydney (Australian broking businesses).
- John Holman & Sons (UK wholesale broking business).
- Hiscock Insurance Brokers (Australian broking business).
- T A Management (Life broking business).

These businesses have made a solid contribution to the Group in FY16 and we are confident will be valuable additions to the Group into the future.

As discussed in our half year announcement, the existing businesses have continued to grow at a sound level and organic growth continues to be a core focus of the Group. Australian broking has grown solidly excluding acquisitions. Australian network and underwriting agency business have grown strongly and the UK wholesale broking and underwriting agency business excluding APG, was flat, reflective of soft market conditions.

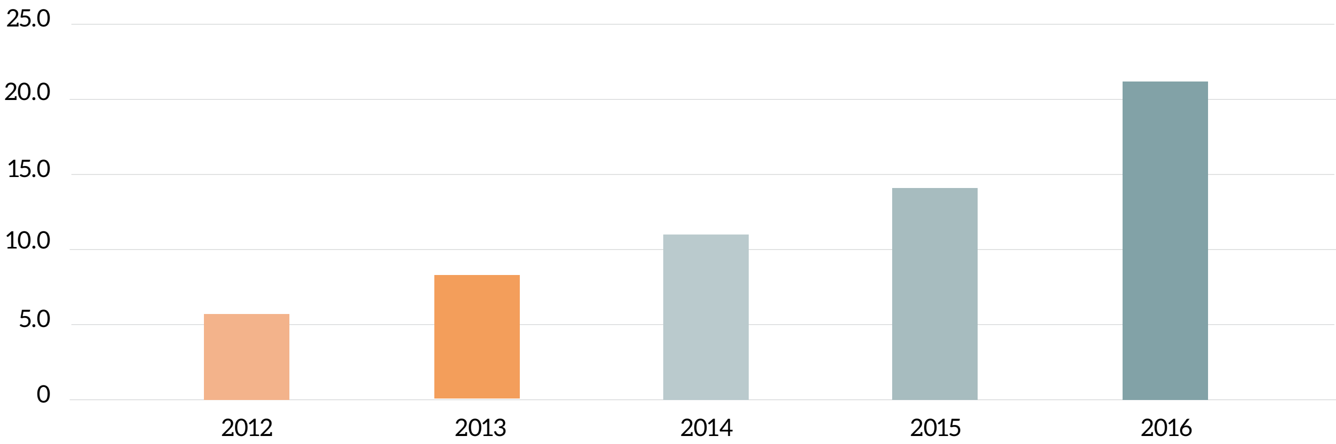
Managing Director's Report (continued)

Underlying EBITDA

Efficiency and integration have been a key operational focus in 2016.

The underlying EBITDA performance over the last 5 years is represented below:

UNDERLYING EBITDA



Over this period the adjustments between the statutory and underlying position were:

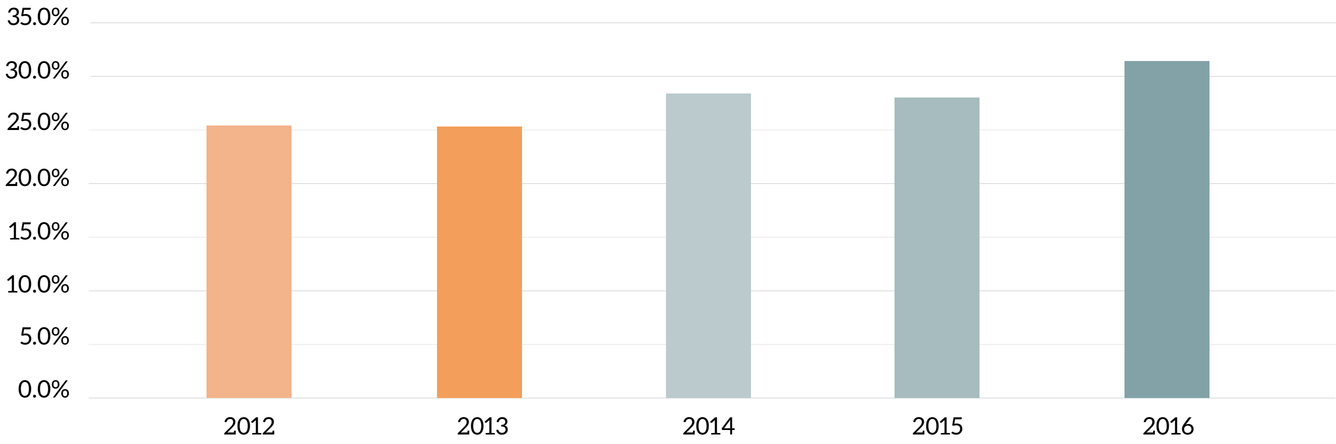
($m)	2013	2014	2015	2016
Statutory EBITDA	**5.1**	**12.4**	**14.7**	**18.5**
Non Recurring Revenue Adjustments	0.0	(1.7)	(1.8)	(0.3)
IPO, transaction and restructure costs	0.0	0.4	0.9	3.0
Non recurring legal costs	1.2	0.0	0.2	0.0
Subsidiary restructure costs	1.8	0.0	0.0	0.0
Underlying EBITDA	**8.1**	**11.1**	**14.0**	**21.2**

The increased underlying EBITDA in 2016 can be categorised as follows:

Category	$m
Full Year Impact of Prior Year Acquisitions	0.6
Current Year Impact of Current Year Acquisitions (pre IPO)	1.1
Current Year Impact of Current Year Acquisitions (post IPO)	1.7
Organic Growth	3.7
Underlying EBITDA Growth	7.1

Underlying EBITDA margins have improved from 28% in FY15 to over 31% in FY16, underlying EBITDA margin performance over the last 5 years is represented below:

UNDERLYING EBITDA MARGIN



A majority of the organic revenue growth in the existing businesses has translated to improved earnings growth. A key focus was on cost management and looking for efficiencies across the business and better use of the Group's increasing scale. Costs have been restrained in the Australian broking businesses and the UK wholesale businesses in particular.

The pre IPO acquisitions have quickly made a good contribution. The post IPO acquisitions have made a solid contribution but have less impact reflecting their inclusion for less than six months. We see good medium term potential for growth and margin improvement.

Underlying EBITDA is before one off corporate costs associated with the IPO process of approximately $1.9 million, the main part of which was a non-cash expense of approximately $1.5 million relating to the staff share allocation. The balance largely relates to legal and one off integration costs associated with the acquisitions.

Underlying NPATA and Statutory NPAT:

($m)	2013	2014	2015	2016
Statutory NPAT, incl NCI	1.9	6.7	8.7	10.8
Amortisation	0.2	0.2	0.2	0.5
Tax Adjusted Impact of Revenue and Expense Adjustments	2.8	(0.9)	(0.5)	2.4
IPO Interest Adjustment	0.0	0.0	0.0	0.6
Underlying NPATA	**4.9**	**6.0**	**8.4**	**14.3**

Underlying NPATA of $14.3 million adjusts the statutory NPAT of $10.8 million to reflect:

- The non-cash amortisation charge.
- The one off charges relating to the IPO and acquisitions.
- As highlighted in the prospectus, funds received from the IPO were used to repay the majority of the Group's debts[3]. It reflects an adjustment for the after tax interest cost on the pre IPO debt that was repaid.

The Group believes this underlying NPATA provides a better reflection of the future position.

Additionally, we expect the average tax rate of the Group to normalise[4] in FY17.

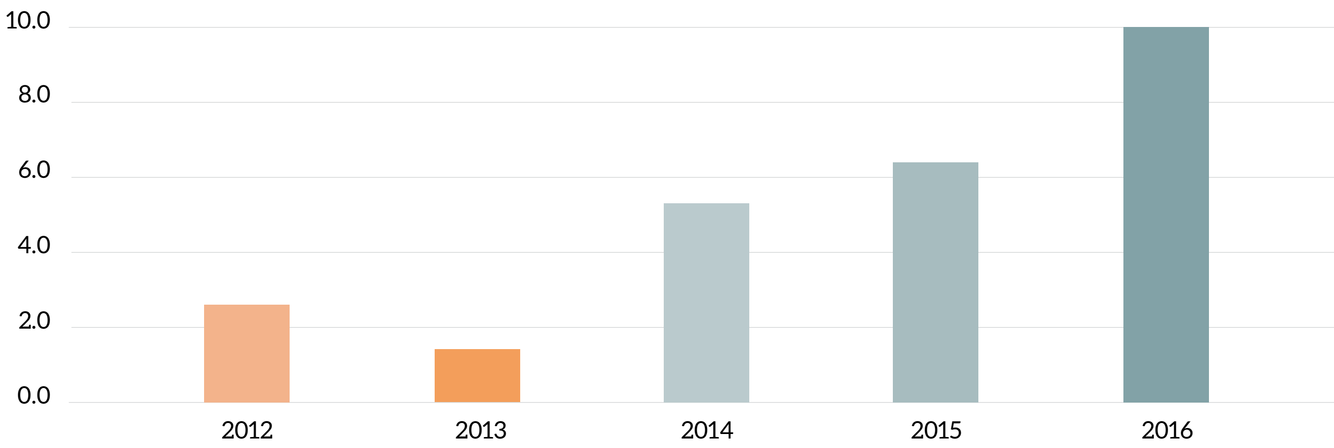
3 With the exception of an ongoing debt facility in the UK which was maintained post IPO.

4 Noting Australian corporate tax rate of 30% and UK corporate tax rate of 18% in FY17.

Managing Director's Report (continued)

Statutory NPAT performance attributable to members of the Group and excluding non-controlling interests (NCI) over the last 5 years is represented below:

STATUTORY NPAT TO MEMBERS



All factors being equal, the non-controlling interest share of NPAT in FY16 will reduce as the purchase of the great majority of the NCI occurred at IPO in December 2015.

Balance Sheet

The Group believes we are conservatively geared after the IPO and the subsequent acquisitions. We would expect that there is capacity for prudent increases in debt levels to increase earnings per share.

The Board and management are additionally focused on return on equity as a key performance metric. We note that earnings per share and dividend per share metrics this year are not especially instructive given the change in the number of shares on issue as part of the IPO.

Summary:

As stated by the Chairman, 2016 has been a landmark year for the Group, completing a successful IPO, completing a number of important acquisitions and growing and improving our businesses.

The Board and management remain highly invested in the future of the Group and are focused on continuing to grow the business in an efficient manner and are confident the business will continue to improve over the medium term.

PSC Foundation

PSC Foundation

About the PSC Foundation

The PSC Foundation was set up as a way to support the endeavours of the people in the PSC group of companies in their charitable and community endeavours Australia wide. Our primary purpose is to build upon the amazing contributions our people make in the different communities where they live, work and support.

Over the years, our people have contributed in significant donations and countless hours of time volunteering for a range of community organisations. The PSC Foundation has been established to consolidate and actively support their community involvement so that our team's passions for the community can be fully realised. This provides benefits for both our team and community organisations and encourages individual involvement at a grassroots level.

It is our aim to help anyone from within our group to be able to give back to the community and to society. We are fortunate enough to have passionate and committed individuals making significant contributions to their community in order to benefit others. The PSC Foundation enables them to contribute even more than on their own.

Our Objectives

Our activities are driven by the endeavours of our people and as such our key objectives are:

- To support and encourage our people to support the communities they live and work within
- To contribute in skilled and sustainable ways to help community organisations succeed or overcome problems
- To raise the profile of the organisations and causes we support.
- To encourage good corporate citizenship by highlighting the depth and breadth of our community involvement across the group

We seek to achieve these objectives by:

- Providing grants of up to $25,000 to a charity or charitable cause where our people are involved through significant volunteering, fundraising, pro bono work or board/management committee involvement.
- Supporting team-led community activities and matching PSC team fundraising efforts
- Recognising leadership and community commitment through internal and external communications.

Our Funding Approach

The PSC Foundation supports organisations that have the existing involvement of our people through significant volunteering, fundraising, pro bono work or board/management committee involvement. PSC Group team involvement is a pre-requisite for all of the Foundation's activities

There are two ways the PSC Foundation can contribute to a charity or community endeavour:

- Major donation grant – providing grants of up to $25,000 to a charity or charitable cause sponsored by a PSC Group team member.
- PSC team matching program – gives our team the ability to direct funding towards the issues and commitments that are important to them. This year a total of $20,000 (in six monthly lots of $10,000) will be available to match team fundraising efforts dollar for dollar for fundraising activities in your community. (Note each contribution is capped at $500 for individuals and $2000 for team activities so more people across the group have the chance to participate).

The PSC Foundation is committed to transparency in all its actions. The criteria for grant applications is determined by the PSC Foundation Board. The Board will also conduct a comprehensive approval process choosing the application/s that they feel best meets this criteria and can benefit the community the most.

PSC Foundation (continued)

Our Benefactors this Year

Cerebral Palsy Alliance

90 years 1924 2014 caring for country kids royal far west

Cancer Council

hbf run for a reason Presented by The West Australian

Oxfam

Whitelion courage to grow

Children's Cancer Center helping children & families cope

Starlight Children's Foundation Australia

mnd Victoria

Corporate Governance Statement

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.

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;
- appoint the Chair of the Board and, where appropriate, any deputy chair or senior 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;
- 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;
- approve and oversee the integrity of the accounting, financial and other corporate reporting systems and monitor the operation of these systems;

Corporate Governance Statement (continued)

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;
- approve the appointment of directors to committees established by the Board and oversee the conduct of each committee;

The Group Secretary, Stephen Abbott, reports directly to the Chairman of the Board. The role of the Group 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 employment.

Principle 2 – Structure the Board to add value

The Board currently comprises three Non-Executive Directors and two Executive Directors. Of these five Directors, two are independent Non-Executive Directors; Mr Antony Robinson and Mr Melvyn Sims (appointed after year end).

Whilst the Chairman is not independent, 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, directly and indirectly controlling in excess of 60% of the shares.

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
Mr Brian Austin – Chairman, Non-executive	6 years
Mr Paul Dwyer, Managing Director	6 years
Mr John Dwyer – Non-executive	6 years
Mr Antony Robinson - Independent	1 year
Mr Melvyn Sims - Independent	Appointed 8/08/2016

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, and an independent Chairperson. The Board as currently composed does not comply with those recommendations. 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 – Promote ethical and responsible decision making

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. As stated in the Group's 2015 prospectus, 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 females employees across the Group is 52%.

Corporate Governance Statement (continued)

Principle 4 – Safeguard integrity in financial reporting

The Group has established an Audit & Risk Management Committee to oversee the management of financial and internal risks. Given the size and composition of the Board, all the members of the Group's Audit & Risk Management Committee are not non-executive Directors and the majority are not Independent Directors. The Committee is chaired by Independent Non-executive Director, Mr Robinson. Mr Paul Dwyer is the other member 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.

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.
- The Audit and Risk Committee met three times during the year and each member attended all meetings.

Prior to the approval of the financial statements, the Board received a declaration from the Managing Director 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 companys' auditor, Pitcher Partners, 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 Shareholders

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 annual meeting, either in person or by representative. The Board regards the annual meeting as an excellent forum in which to discuss issues relevant to the Group and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Group's auditor.

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 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.
- 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, finance staff, Managing Director and chaired by the Group's in-house legal counsel. The 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 regularly 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 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 non-executive Directors:

- Mr Antony Robinson – Independent (Chairman)
- Mr Brian Austin

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 Board will consider the appointment of one further Independent Director during the course of this financial period.

Directors' Report

The directors present their report together with the financial report of the consolidated entity consisting of PSC Insurance Group Limited and the entities it controlled, for the financial year ended 30 June 2016 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 year are:

Brian Austin (appointed 10 December 2010)
John Dwyer (appointed 10 December 2010)
Paul Dwyer (appointed 10 December 2010)
Antony Robinson (appointed 13 July 2015)
Melvyn Sims (appointed 8 August 2016)

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 (appointed 18 May 2015).

Principal activities

The principal activity of the consolidated entity during the course of the financial year remained unchanged, namely operating a diverse range of insurance intermediation businesses across Australia, the UK and New Zealand, the results of which are disclosed in the attached financial statements.

Results

The consolidated profit after income tax and eliminating non-controlling interest attributable to the members of PSC Insurance Group Limited was $9,964,768 (2015: $6,412,230).

Review of operations

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

Statutory revenue increased from $52.1 million to $67.8 million and statutory net profit after tax attributable to owners of PSC Insurance Group Limited increased from $6.4 million to $10.0 million.

Underlying operating revenue from core operations increased 34% from $50.3 million to $67.5 million, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 51% from $14.1 million to $21.2 million and Underlying net profit after tax before amortisation (NPATA), increased 70% from $8.4 million to $14.3 million.

These underlying results make adjustments for the one-off costs principally the result of the IPO of the Group's shares and one off transaction and integration costs from the acquisitions undertaken.

Over the course of the year the Group completed nine acquisitions. These acquisitions, as well as improvements in the existing businesses, were the drivers of the increased performance.

Underlying EBITDA margin has improved from 28.0% to 31.4% and underlying NPATA margin has improved from 16.7% to 21.2%.

The balance sheet has improved over the course of the year, with the capital raised from the IPO reducing the debt balances. Gearing[5] as measured on a book value basis has reduced from 59% to 28%.

The Board maintains a positive view and outlook on the prospects of the business.

5 Gross debt/(Gross debt=Equity)

Significant changes in the state of affairs

During the year the consolidated entity undertook an Initial Public Offering of its shares on the ASX and undertook nine acquisitions. The main acquisitions were:

- Reliance Franchise Partners (Australian network broking business, where the Group holds a 50% shareholding in the businesses of our Partners).
- Australian Reliance Perth and Sydney (Australian broking businesses).
- John Holman & Sons (UK wholesale broking business).
- Hiscock Insurance Brokers (Australian broking business).
- T A Management (Life broking business).

Apart from the above there were no other significant changes in the state of affairs of the consolidated entity.

After balance date events

The consolidated entity acquired the business of Assured Cover Pty Ltd on the 2nd August 2016 and have integrated this business into its Sydney operations.

Likely developments

The consolidated entity 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.

Environmental regulation

The consolidated entity'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:

	2016 $	2015 $
(a) Dividends paid or declared by PSC Insurance Group Limited		
Dividends paid fully franked	6,505,295	1,550,000
(b) Dividends paid to non-controlling interests		
Dividends paid partially franked	1,130,748	1,164,358
(c) Dividend declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended/declared dividends in PSC Insurance Group Limited at 2.5 cents per share fully franked	5,634,453	3,613,650
Since the end of the reporting period the directors have recommended/declared dividends to non-controlling interests	–	721,447

Directors' Report (continued)

Shares under option

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

Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
14 December 2015	600,000	$1.00/share	13 December 2020
8 August 2016	600,000	$1.66/share	7 August 2021

The options granted on 14 December 2015 were to Antony Robinson and the options issued on 8 August 2016 were to Melvyn Sims.

No option has any right under the option to participate in any other share issue of the company.

Shares issued on exercise of options

No shares were issued during the reporting period up to the date of this report on exercise of options.

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 2015 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 was appointed to the Board on 10 December 2010. With over 30 years industry experience, Mr Austin has held senior executive positions in the insurance industry, including CEO 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. Mr Austin is a Director of the ASX listed AMA Group Limited.
Paul Dwyer **Managing Director** Dip Fin Serv (Ins) *Member of Audit and Risk Management Committee*	Paul Dwyer was appointed to the Board on 10 December 2010. Prior to being the Founder of 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. As Group Managing Director and Founder of the PSC Insurance Group, Mr Dwyer's focus remains 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. Mr Dwyer continues to drive the business ensuring that the finances and decision-making are robust, in order to deliver the financial outcomes of the Company. Mr Dwyer has not held directorships of other listed companies in the last three years.
John Dwyer **Executive Director** Dip Fin Serv (Ins)	John Dwyer 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.

Director	Expertise, experience and qualifications
Antony Robinson **Non-Executive Director** B Com (Melb), ASA, MBA (Melb) *Chair of Audit and Risk Management Committee and Remuneration and Nomination Committee*	Antony Robinson 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 is a Director of three ASX listed entities being TasFoods Limited, Bendigo and Adelaide Bank Limited and Pacific Current Group Limited and holds a number of directorships of private companies, including River Capital Pty Limited.
Melvyn Sims **Non-Executive Director** LLB (Hons) Nottm.	Mel Sims 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 27 years as a partner in the international law firm DLA Piper. Over the course of Mr Sims' career he has held senior management roles 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.
Stephen Abbott **Company Secretary** BBus, CA, CTA	Stephen Abbott was appointed Company Secretary 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 10 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
Paul Dwyer	5	5	2	2		
John Dwyer	5	5				
Brian Austin	5	5			2	2
Antony Robinson	5	5	2	2	2	2

In addition to the above Board Meetings there were a number of meetings of Directors to deal with ASIC administration matters pre IPO. At these meetings only a quorum was required.

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.

Mr Mel Sims became a Director after the end of the financial year and therefore was not required to attend any of the above meetings.

Directors' Report (continued)

Director's interests in contracts

Directors' interests in contracts are disclosed in the remuneration report.

Directors' interests in shares or options

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
Paul Dwyer	69,406,294	–
John Dwyer	34,800,522	–
Brian Austin	34,903,032	–
Antony Robinson	118,000	600,000
Mel Sims	–	600,000

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 consolidated entity, Pitcher Partners (Melbourne), network firms of Pitcher Partners, 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.

	2016 $	2015 $
Amounts paid/payable to Pitcher Partners (Melbourne) for non-audit services:		
Taxation Services	81,830	90,813
Other Services	4,050	11,257
	85,880	102,070
Amounts paid/payable to network firms of Pitcher Partners for non-audit services:		
Corporate secretarial services	1,371	889
	1,371	889
Amounts paid/payable to non-related auditors of group entities for non-audit services:		
Taxation services	56,250	34,910
Other services	10,379	–
	66,629	34,910
Total Amount Paid/Payable	**153,880**	**137,869**

Indemnification and insurance of directors, officers and auditors

During or since the end of the year, the consolidated entity 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 consolidated entity.

Further disclosure required under section 300(9) of the Corporations Law 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 consolidated entity.

Proceedings on behalf of the consolidated entity

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 dollar.

Remuneration Report (Audited)

The Directors present the consolidated entity's 2016 Remuneration Report, which details the remuneration information for PSC Insurance Group Limited's (PSC) Non-Executive Directors and Executive Directors.

A. Details of the Key Management Personnel

Directors	Period of Responsibility	Position
Brian Austin	Full Year	Chairman, Non-Executive Director
Antony Robinson	Appointed 13 July 2015	Independent, Non-Executive Director
Melvyn Sims	Appointed 8 August 2016	Independent, Non-Executive Director

Executive Directors	Period of Responsibility	Position
Paul Dwyer	Full Year	Managing Director
John Dwyer	Full Year	Executive Director

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 each Non-Executive Directors (NED) and Executive Directors. The current members of the Remuneration and Nomination Committee are: Brian Austin and Antony Robinson. It was agreed by the Remuneration and Nomination Committee in May 2016 to appoint Mr. Melvyn Sims. This appointment did not take effect until 8 August 2016. Upon appointment 600,000 options in the consolidated entity were issued to Mr. Sims under the consolidated entity's Long Term Incentive Plan.

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.

Directors' Report (continued)

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 Directors' 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); 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 consolidated entity 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 consolidated entity.

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

- Align remuneration with the consolidated entity's business strategy;
- Offer an attractive mix of remuneration benchmarked against the applicable market's region;
- Provide strong linkage between individual and the consolidated entity's performance and rewards; and
- Support the corporate mission statement, values and policies through the approach to recruiting, organising 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 consolidated entity's Board. This remuneration is reviewed with regard to market practice and Directors' duties and accountability.

The consolidated entity set the following annual non-executive Directors' fees:

- Chairman: $300,000 per annum inclusive of superannuation;
- Non-Executive Directors (Australia based): $60,000 per annum inclusive of superannuation; and
- Non-Executive Directors (United Kingdom based) £50,000 per annum.

The consolidated entity 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 2016 is detailed in Table 1 of this section of the report.

Executive Remuneration Structure

The contracts for service between the consolidated entity 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 a 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 consolidated entity and individual performance, relevant comparative remuneration from external and internal sources and where appropriate, external advice on policies and practices.

Variable Remuneration – short-term incentive (STI)

Objective

The key objective of the STI program is to link the achievement of the consolidated entity's operational targets with the remuneration received by the Managing Director 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 (KPI's) cover individual and organisational financial measures of performance.

The consolidated entity has predetermined benchmarks that must be met in order to trigger bonus payments. 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 the STI to be paid to the Managing Director.

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 consolidated entity. 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 for vesting conditions have been satisfied, waived by the Board or are deemed to have been satisfied under the Plan Rules.

Options were granted under the Plan during the 2016 Financial Year to Antony Robinson. See Table 6.

Employment Agreements

The consolidated entity has entered into Employment Agreements with all Executives, including the Managing Director. The consolidated entity 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 consolidated entity may terminate the contract at any time without notice if serious misconduct has occurred.

Managing Director's Remuneration

Under Paul Dwyer's consultancy agreement his fixed remuneration is $25,000 per month inclusive of superannuation giving a total of $300,000 inclusive of superannuation per annum. In addition, Paul Dwyer is also eligible to receive a bonus of up to $200,000 per annum where certain financial forecasts are exceeded (as agreed with the consolidated entity). Mr. Dwyer may also be eligible to participate in the Long Term incentive arrangements operated by the consolidated entity in accordance with the terms and conditions governing those arrangements and as agreed to by the Board.

Directors' Report (continued)

C. Details of key management personnel remuneration

(a) Non-Executive Directors' remuneration:

Table 1

	Short-Term			
2016	Salary fees $	Cash bonus $	Non-monetary $	Other $
Non-Executive Directors				
Brian Austin (ii)	300,000	–	–	–
Antony Robinson (i)	54,162	–	–	–
	354,162	–	–	–

(i): Appointed 13 July 2015.
(ii): Brian Austin provides his services via Melimar Estate Pty Ltd

	Short-Term			
2015	Salary fees $	Cash bonus $	Non-monetary $	Other $
Non-Executive Directors				
Brian Austin	300,000	–	–	–
	300,000	–	–	–

(b) Executives' remuneration:

Table 2

	Short-Term			
2016	Salary fees $	Cash bonus $	Non-monetary $	Other $
Executive Directors				
Paul Dwyer (i)	300,000	–	–	–
John Dwyer (ii)	300,000	–	–	–
	600,000	–	–	–

(i): Paul Dwyer provides his services via Paul Dwyer Holdings Pty Ltd
(ii): John Dwyer provides his services via Glendale Dwyer Pty Ltd (ATF Dwyer Family Trust).

	Short-Term			
2015	Salary fees $	Cash bonus $	Non-monetary $	Other $
Executive Directors				
Paul Dwyer	300,000	–	–	–
John Dwyer	300,000	–	–	–
	600,000	–	–	–

Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related	Options as % of total
Superannu-ation $	Retirement benefits $	Termination benefits $	Incentive plans $	Options $	$	%	%
–	–	–	–	–	300,000	–	–
5,145	–	–	–	92,039	151,346	–	61%
5,145	**–**	**–**	**–**	**92,039**	**451,346**	**–**	**20%**

Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related	Options as % of total
Superannu-ation $	Retirement benefits $	Termination benefits $	Incentive plans $	Options $	$	%	%
–	–	–	–	–	300,000	–	–
–	**–**	**–**	**–**	**–**	**300,000**	**–**	**–**

Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related	Options as % of total
Superannu-ation $	Retirement benefits $	Termination benefits $	Incentive plans $	Options $	$	%	%
–	–	–	–	–	300,000	–	–
–	–	–	–	–	300,000	–	–
–	**–**	**–**	**–**	**–**	**600,000**	**–**	**–**

Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related	Options as % of total
Superannu-ation $	Retirement benefits $	Termination benefits $	Incentive plans $	Options $	$	%	%
–	–	–	–	–	300,000	–	–
–	–	–	–	–	300,000	–	–
–	**–**	**–**	**–**	**–**	**600,000**	**–**	**–**

Directors' Report (continued)

D. Relationship between remuneration and consolidated entity performance

(a) Remuneration not dependent on satisfaction of performance condition

The non-executives remuneration policy is not directly related to the consolidated entity'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 consolidated entity for shareholders.

(b) Remuneration dependent on satisfaction of performance condition

A portion of the Managing Director's Remuneration is based on attainment of performance conditions. This performance-based remuneration is granted to the Managing Director and has regard to consolidated entity's performance during each financial year.

The following table summarises the performance conditions for performance-linked bonus:

Table 3

KMP	Performance conditions
Paul Dwyer	Certain financial forecasts which are determined by and at the discretion of the Board are exceeded

These performance conditions were selected to promote the creation of shareholder wealth during the period.

The following table sets out the terms and conditions of each grant of the performance-linked bonus affecting compensation in current and future years:

Table 4

Year	Executive Director	Amount included in Remun-eration $	Awarded/ Guaranteed %	Forfeited %	Estimated Maximum total value of Bonus
2017	Paul Dwyer	200,000	N/a	N/a	200,000
2016	Paul Dwyer	200,000	0%	100%	200,000

(c) Consequences of the consolidated entity's performance on shareholder wealth

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

Table 5

	2016	2015	2014	2013
Revenue	$67,766,163	$52,071,674	$40,560,513	$32,395,266
% increase in revenue	30%	28%	25%	N/a
Profit before tax	$15,973,533	$11,778,678	$9,502,485	$2,780,508
% increase in profit before tax	36%	24%	242%	N/a
Change in share price	N/a	N/a	N/a	N/a
Dividend paid to shareholders	$6,505,295	$1,550,000	–	$770,000
Return on equity capital	16%	35%	39%	16%
Total remuneration of KMP	$1,051,346	$900,000	$900,000	$900,000
Total performance based remuneration	–	–	–	–

2012 comparatives are not available as a consolidated audit was not completed in that financial period. Change in share price is not applicable as PSC Insurance Group Ltd listed in December 2015 at $1.00 per share.

E. Key management personnel's share-based compensation

(a) Details of compensation Options

In 2016 the consolidated entity agreed to grant Antony Robinson an Option under the consolidated entity's Long Term Incentive Plan to purchase 600,000 ordinary shares of the consolidated entity without a vesting condition.

The exercise price of the options is $1.00. The option grant will be exercisable during the five-year period following the date of grant.

Table 6

										Terms and conditions for each grant			
2016	Grant Date	Granted Number	Value per option at grant date $	Vest Number During the Year	Year in which option may be vested	Vest %	Value Exer-cised During the year	Value Lapsed during the year	Forfeited %	Exercise Price $	Expiry Date	First Exercise Date	Last Exercise Date
Executives													
Antony Robinson	14 Dec 2015	600,000	0.153	–			–	–	–	$1.00	13 Dec 2020	–	–
		600,000		–	–	–	–	–	–	–	–	–	–

As at 30 June 2016, no options have been exercised, and accordingly no shares have been issued as a result of options previously issued.

No grant of options was provided to any KMP for the financial year 2015.

F. Key management personnel's equity holdings

(a) Number of options held by key management personnel

As at 30 June 2016 Antony Robinson holds an option under PSC's Long Term Incentive Plan to purchase 600,000 ordinary shares of the consolidated entity.

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

The relevant interest of each key management personnel in the share capital of the consolidated entity as notified the ASX as at 30 June 2016 is as follows:

Table 7

2016	Balance 1/07/15	ESOP Allocation	Received as Remuneration	Exercise of options	Net change Other	Balance 30/06/16
Directors						
Brian Austin	38,471,438				(3,541,406) (ii)	34,930,032
Antony Robinson	–				118,000 (i)	118,000
Executive Directors						
Paul Dwyer	76,443,099				(7,036,805) (ii)	69,406,294
John Dwyer	38,328,797				(3,528,275) (ii)	34,800,522
	153,243,334				**(13,988,486)**	**139,254,848**

(i): Shares purchased during the Initial Public Offer at listing price of $1 and held through Rowena House Pty Ltd.

(ii): The reduction relates to a share consolidation undertaken in preparation for the initial public offering. No KMP has sold shares during the financial year.

Directors' Report (continued)

G. Loans to and from key management personnel

(a) Aggregate of loans made

The following table sets out the details of the aggregate of loans made, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries, in the financial year to all key management personnel, their close family members and entities related to them:

Table 8

	Balance 1/7/2015	Interest paid and payable	Interest not charged	Balance 30/6/2016	Number in group 30/6/2016
2016	$1,545,291	–	N/a	$22,767	3

(b) Aggregate of loans made is greater than $100,000

The following table sets out the details of the aggregate of 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 is greater than $100,000:

Table 9

2016	Balance 1/7/2015 $	Interest paid and payable $	Interest not charged $	Balance 30/6/2016 $	Highest indebtedness during the year $
Brian Austin (Austin Superannuation Fund)	405,027	–	N/a	–	405,027
Paul Dwyer (Paul Dwyer Family Trust)	759,549	–	N/a	22,767	759,549
John Dwyer (Dwyer Family Trust)	380,715	–	N/a	–	380,715
	1,545,291	–	N/a	**22,767**	**1,545,291**

(c) Aggregate of loans received

The following table sets out the details of the aggregate of loans received, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries, in the financial year from all key management personnel, their close family members and entities related to them:

Table 10

	Balance 1/7/2015	Interest paid and payable	Interest not charged	Balance 30/6/2016	Number in group 30/6/2016
2016	**$493,629**	**$6,591**	N/a	$0	3

(d) Aggregate of loans received is greater than $100,000

The following table sets out the details of the aggregate of loans received, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries, in the financial year from a particular key management person, close members of the family of the key management person and entities related to them is greater than $100,000:

Table 11

2016	Balance 1/7/2015 $	Interest paid and payable $	Interest not charged $	Balance 30/6/2016 (i) $	Highest balance during the year $
Brian Austin	204,731	2,098	N/a	–	204,731
Paul Dwyer	115,346	1,999	N/a	–	115,346
John Dwyer	173,552	2,494	N/a	–	173,552
	493,629	**6,591**	N/a	**–**	**493,629**

(i): All amounts owing to KMPs were paid on 24 September 2015.

H. Other transactions with key management personnel

The Lead Agency Pty Ltd, Fuse Recruitment 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.

During the year ended 30 June 2016 the following related entities provided or received services to/from the consolidated entity:

- The Lead Agency were paid for marketing services provided. Total value of these goods and services was $295,254 (2015: $nil).
- Fuse Recruitment were paid for the provision of recruitment services and the provision of temporary staff. Total value of these goods and services was $202,104 (2015: $259,518).
- Fuse Recruitment were paid for the provision of office accommodation. Total value of these goods and services was $46,761 (2015: $50,679)
- P Capital Pty Ltd were paid for the provision of transport services. Total value of these goods and services was $102,300 (2015: $nil).
- The consolidated entity provided Fuse Recruitment with office accommodation. Total value of these goods and services was $59,175 (2015: $nil)
- The consolidated entity provided Fuse Recruitment with marketing services. Total value of these goods and services was $6,678 (2015: $nil).

All the above services supplied were in the normal course of business and on normal terms and conditions. Additionally, during the year the PSC Insurance Group Limited provided insurance services to related parties of a Director totalling $154,643 (2015: $119,849). 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 $20,009 (2015: $9,655).

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 2016 financial year.

Directors' Report (continued)

Signed in accordance with a resolution of the directors

Brian Austin
Chairman
Melbourne
Date: 2 September 2016

Paul Dwyer
Managing Director
Melbourne
Date: 2 September 2016

Auditor's Independence Declaration

PITCHER PARTNERS

PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PSC INSURANCE GROUP LIMITED

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

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

FRANK RUSSO
Partner

2 September 2016

PITCHER PARTNERS
Melbourne

An independent Victorian Partnership ABN 27 975 255 196
Level 19, 15 William Street, Melbourne VIC 3000
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle
An independent member of Baker Tilly International

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue and other income			
Fee and commission income	3	64,750,162	48,772,021
Other revenue	3	2,745,499	1,674,132
Other income	3	270,502	1,625,521
	3	**67,766,163**	**52,071,674**
Less: expenses			
Administration and other expenses	4	(8,541,611)	(6,204,264)
Depreciation and amortisation expense	4	(1,016,406)	(633,251)
Employee benefits expense	4	(31,731,782)	(23,829,728)
Occupancy expense		(2,693,821)	(2,182,556)
Finance costs	4	(1,517,960)	(2,333,348)
Employee contractors		(2,267,183)	(2,144,530)
Information technology costs		(2,793,778)	(1,888,137)
Professional fees		(1,230,089)	(1,029,812)
Share of Net Loss in Associate	12	–	(47,370)
		(51,792,630)	**(40,292,996)**
Profit before income tax expense		**15,973,533**	**11,778,678**
Income tax expense	5	(5,135,117)	(3,119,797)
Net profit from continuing operations		**10,838,416**	**8,658,881**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(1,685,742)	886,077
Other comprehensive income for the year		**(1,685,742)**	**886,077**
Total comprehensive income		**9,152,674**	**9,544,958**
Profit is attributable to:			
Owners of PSC Insurance Group Limited		9,964,768	6,412,230
Non controlling interests		873,648	2,246,651
		10,838,416	**8,658,881**
Total comprehensive income is attributable to:			
Owners of PSC Insurance Group Limited		8,279,026	7,298,307
Non controlling interests		873,648	2,246,651
		9,152,674	**9,544,958**
Earnings per share for profit attributable to the equity holders of the parent entity:			
Diluted earnings per share	25	5.2 cents	17.6 cents
Basic earnings per share	25	5.2 cents	17.6 cents

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

Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	2016 $	2015 $
Current assets			
Cash and cash equivalents	7	87,252,295	57,900,371
Receivables	8	339,384,363	301,127,985
Other current assets	9	1,813,219	1,781,255
Total current assets		**428,449,877**	**360,809,611**
Non current assets			
Receivables	8	5,244,707	475,131
Other financial assets	10	1,955,444	625,000
Equity accounted investments	11	7,514,636	13,188
Property, plant and equipment	13	1,748,921	1,090,832
Deferred tax assets	5	–	229,187
Intangible assets	14	67,376,706	38,508,388
Total non current assets		**83,840,414**	**40,941,726**
Total assets		**512,290,291**	**401,751,337**
Current liabilities			
Payables	15	397,678,074	336,107,858
Borrowings	16	566,383	5,580,703
Provisions	17	2,108,883	1,431,275
Current tax liabilities	5	551,417	3,424,070
Other liabilities	18	10,697,622	1,043,600
Total current liabilities		**411,602,379**	**347,587,506**
Non current liabilities			
Borrowings	16	26,154,302	29,563,895
Provisions	17	304,208	153,696
Deferred tax liabilities	5	1,381,102	–
Other liabilities	18	5,044,699	–
Total non current liabilities		**32,884,311**	**29,717,591**
Total liabilities		**444,486,690**	**377,305,097**
Net assets		**67,803,601**	**24,446,240**
Equity			
Share capital	19	85,194,112	3,599,216
Reserves	20	(37,740,353)	1,171,558
Retained earnings	20	18,920,361	15,304,926
Equity attributable to owners of PSC Insurance Group Limited		**66,374,120**	**20,075,700**
Non controlling interests	21	1,429,481	4,370,540
Total equity		**67,803,601**	**24,446,240**

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

Consolidated Statement of Changes in Equity

for the Year ended 30 June 2016

Consolidated Entity	Share capital	Reserves	Retained Earnings	Non-controlling Interest	Total Equity
Balance as at 1 July 2014	3,599,216	255,847	10,770,136	2,733,170	17,358,369
Profit for the year	–	–	6,412,230	2,246,651	8,658,881
Exchange differences on translation of foreign operations, net of tax	–	886,077	–	–	886,077
Total comprehensive income for the year	**–**	**886,077**	**6,412,230**	**2,246,651**	**9,544,958**
Transactions with owners in their capacity as owners:					
Non-controlling interest arising from business combination	–	–	–	555,077	555,077
Movement in interests in controlled entities	–	–	(327,440)	–	(327,440)
Employee share scheme	–	29,634	–	–	29,634
Dividends paid	–	–	(1,550,000)	(1,164,358)	(2,714,358)
Total transactions with owners	–	29,634	(1,877,440)	(609,281)	(2,457,087)
Balance as at 30 June 2015	**3,599,216**	**1,171,558**	**15,304,926**	**4,370,540**	**24,446,240**

Consolidated Entity	Share capital	Reserves	Retained Earnings	Non-controlling Interest	Total Equity
Balance as at 1 July 2015	3,599,216	1,171,558	15,304,926	4,370,540	24,446,240
Profit for the year	–	–	9,964,768	873,648	10,838,416
Exchange differences on translation of foreign operations, net of tax	–	(1,685,742)	–	–	(1,685,742)
Total comprehensive income for the year	**–**	**(1,685,742)**	**9,964,768**	**873,648**	**9,152,674**
Transactions with owners in their capacity as owners:					
Reduction in non-controlling interests	–	–	–	(4,033,959)	(4,033,959)
Non-controlling interest arising from business combination	–	–	–	1,350,000	1,350,000
Movement in interests in controlled entities	39,862,586	(37,350,922)	–	–	2,511,664
In specie distributions	(1,813,314)	–	155,962	–	(1,657,352)
Retail Share Capital Raised	43,000,000	–	–	–	43,000,000
Share Capital Issue Costs	(2,066,247)	–	–	–	(2,066,247)
Other share issues	1,144,478	–	–	–	1,144,478
Employee share issues	1,467,393	124,753	–	–	1,592,146
Dividends paid	–	–	(6,505,295)	(1,130,748)	(7,636,043)
Total transactions with owners	81,594,896	(37,226,169)	(6,349,333)	(3,814,707)	34,204,687
Balance as at 30 June 2016	**85,194,112**	**(37,740,353)**	**18,920,361**	**1,429,481**	**67,803,601**

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

Consolidated Statement of Cash Flows

for the Year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flow from Operating activities			
Receipts from customers		64,583,454	54,821,427
Payments to suppliers and employees		(48,775,887)	(45,096,133)
Dividends received		238,376	129,246
Interest received		982,162	957,164
Interest paid		(1,517,960)	(2,333,348)
Income tax paid		(5,260,078)	(2,058,620)
Operating cash before movement in customer trust accounts		10,250,067	6,419,737
Net movement in customer trust accounts		27,914,994	(429,788)
Net cash provided by operating activities	22(b)	38,165,061	5,989,949
Cash flow from investing activities			
Payment for property, plant and equipment		(930,065)	(396,439)
Deposits for property		(953,000)	–
Acquisition of APG Ltd		–	9,705,942
Payment for intangibles		(16,880,035)	(496,634)
Payment for other investments		(7,514,636)	(1,916,327)
Payment for other financial assets		(1,330,444)	(1,094,515)
Proceeds from sale of shares held for resale		–	5,553,413
Net cash flow provided by (used in) investing activities		(27,608,180)	11,355,439
Cash flow from financing activities			
Proceeds from borrowings		31,126,807	8,227,608
Repayments of borrowings		(39,550,720)	(5,677,841)
Share Issues: Market		43,000,000	–
Capital raising costs		(2,778,679)	–
Dividends paid		(7,636,043)	(2,714,358)
Loans to shareholders and director related entities		(3,666,095)	(745,419)
Net cash provided by (used in) financing activities		20,495,270	(910,010)
Reconciliation of cash			
Cash at beginning of the financial year		57,900,371	39,563,641
Net increase in cash		31,052,151	16,435,378
Effect of exchange rate fluctuation on cash held		(1,700,227)	1,901,352
Cash at end of financial year	22(a)	**87,252,295**	**57,900,371**

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

Notes to the Financial Statements

Year ended 30 June 2016

Note 1: Statement of Significant Accounting Policies

The following is a summary of significant accounting policies adopted by the consolidated entity 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 Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers PSC Insurance Group Limited and controlled entities as a consolidated entity. PSC Insurance Group Limited is a company limited by shares, incorporated and domiciled in Australia. PSC Insurance Group Limited is a for-profit entity for the purpose of preparing the financial statements. The financial report was authorised for issue by the directors as at the date of the directors report.

Compliance with IFRS

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

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.

Significant accounting estimates

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

(b) Going concern

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

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The consolidated entity 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 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 consolidated entity's controlling and non-controlling interests are detailed in Note 21.

(d) Revenue

Commission, brokerage and fees are recognised when the related service has been provided and it is probable that the group will be compensated for services rendered and the amount of consideration for such services can be reliably measured. An allowance is made for anticipated lapses and cancellations.

Interest income is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

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.

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.

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

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

(e) Cash and cash equivalents

Cash and cash equivalents, and cash held on trust, 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.

Cash held on trust is held for insurance premiums received from policyholders which will ultimately be paid to underwriters.

Cash held on trust cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policyholders.

For the purposes of the Statement of Cash Flows, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(f) Receivables from broking, reinsurance and underwriting agency operations

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

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

Invoices are generally due for settlement within 14 to 60 days. Collectability of trade receivables is reviewed on an ongoing basis.

(g) Property, plant and equipment

Each class of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

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
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	12.5%	Straight line

Notes to the Financial Statements (continued)
Year ended 30 June 2016

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(i) 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 acquiree. 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.

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.

(j) 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(i) 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 consolidated entity'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 or in a business combination (mainly customer lists) are initially measured at cost.

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

Following initial recognition, intangible assets are carried at cost less 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, and their useful lives are reviewed annually.

(k) 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.

(l) Income tax

Current income tax expense or revenue 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 it's 100% Australian controlled entities formed an income tax consolidated group under the tax consolidation legislation on 8 December 2016. This replaced the three pre-existing tax consolidated groups on that date.

Within the consolidated group there is an additional tax consolidated group with AR (WA) Pty Ltd as the head entity.

For details of members of the respective tax consolidated groups and other changes to those groups please refer to Note 21.

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.

Notes to the Financial Statements (continued)

Year ended 30 June 2016

(m) 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 consolidated entity 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.

(n) Provision

Provisions are recognised when the consolidated entity 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.

(o) 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 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 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 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 consolidated entity 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 Statement of Financial Position.

(iv) Share-based payments

The consolidated entity 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 consolidated entity 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 before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity 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.

(p) 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.

(q) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit or loss of the current period. Fair values of listed investments are based on closing bid prices at the reporting date.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

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 consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

Notes to the Financial Statements (continued)

Year ended 30 June 2016

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

(r) Investments in associates

An associate is an entity over which the consolidated entity 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 consolidated entity'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 consolidated entity's profit or loss and the consolidated entity's share of the associate's other comprehensive income items are recognised in the consolidated entity's other comprehensive income. Details relating to associates are set out in Note 12.

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

(s) Interests in joint ventures

Joint venture entities

The consolidated entity'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 12.

(t) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the consolidated entity 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 consolidated entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated entity 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 consolidated entity 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.

c) All resulting exchange differences are recognised in other comprehensive income.

(u) Segment reporting

Determination and presentation of operating segments

The consolidated entity determines and presents operating segments based on information that is internally provided to the Chief Financial Officer, who is the consolidated entity's Chief Financial decision maker.

An operating segment is a component of the consolidated entity 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 consolidated entity's components. All operating segment results are regularly reviewed by the consolidated entity's Chief Financial Officer to make decisions about resources to be allocated to the segment and to assess its performance. Refer to note 32 for details on how management determine the operating segments.

Segment results that are reported to the consolidated entity's Chief Financial Officer include items directly attributable to a segment, as well as these that can be allocated on a reasonable basis.

(v) 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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the 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.

(w) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(x) Accounting standards issued but not yet effective at 30 June 2016

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the consolidated entity. The consolidated entity has decided not to early adopt any of these new and amended pronouncements. The consolidated entity's assessment of the new and amended pronouncements that are relevant to the consolidated entity but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*, AASB 2014-8: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).*

These Standards will replace AASB 139: *Financial Instruments: Recognition and Measurement*. The key changes that may affect the consolidated entity on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

This Standard is not expected to significantly impact the consolidated entity's financial statements.

Notes to the Financial Statements (continued)

Year ended 30 June 2016

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the consolidated entity's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: *Investment Property* to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the consolidated entity's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

(y) 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 statements have been rounded to the nearest dollar.

Note 2: Critical 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 consolidated entity 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. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 5% (2015: 5%) for cash flows in year two to five and which is based on the historical average and a terminal value growth rate on revenue and 3% on costs (2015: 3%) of 2% (2015: 2%) a pre-tax discount rate of 16.67% (2015: 16.67%) to determine value-in-use.

(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 consolidated entity 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.

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 3: Revenue and Other Income

	2016 $	2015 $
Fee and commission income		
Commission income	42,798,311	33,486,103
Fees income	18,357,848	12,157,580
Other fees	3,594,003	3,128,338
	64,750,162	48,772,021
Other revenue		
Dividend income	238,376	129,246
Interest income	982,162	957,164
Other revenue	1,524,961	587,722
	2,745,499	1,674,132
Other Income		
Profit on sale of shares	–	1,148,545
Share of equity accounted results	17,649	–
Gain on net assets exceeding consideration paid	252,853	476,976
	270,502	1,625,521
	67,766,163	52,071,674

Note 4: Operating Profit

	Note	2016 $	2015 $
Profit before income tax has been determined after:			
Finance costs		1,517,960	2,333,348
Depreciation:			
Leasehold Improvements		105,935	63,849
Motor Vehicles		591	–
Office Equipment		131,911	108,738
Computer Equipment		320,251	234,931
		558,688	407,518
Amortisation of non current assets			
– Client lists		457,718	225,733
Bad and doubtful debts		59,149	(1,992)
Rental expense on operating leases		2,338,581	1,962,887
Foreign currency translation losses/(gains)		(199,696)	76,450
Employee benefits			–
– Share-based payments		124,753	29,634
– Superannuation		2,531,153	1,464,052
– Other Employee benefits		29,075,876	22,336,042
		31,731,782	23,829,728

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 4: Operating Profit (continued)

	Note		2016 $	2015 $
Administration and other expenses includes:				
IPO Costs: Staff Share allocations	(a)	i	1,467,393	–
Listing fees		ii	185,012	–
Legal and professional fees		iii	46,052	486,052
Other		iv	180,813	45,393
Legal costs	(b)		273,605	219,777
Employee termination costs	(c)		155,019	–
Transaction costs relating to business combinations	(d)		344,768	290,170
Share based payments	(e)		92,039	–
Other	(f)		216,194	–

(a) Costs relating to preparation for the Initial Public Offering, other than as separately detailed above, include staff costs, and advisor fees.

(b) Legal costs relate to non-recurring exceptional legal fees which arose during the financial year.

(c) Employee termination costs represent costs associated with the termination of employees during the year.

(d) Transaction costs represent amounts incurred in relation to business combinations (Note 23).

(e) Share based payment to a Director.

(f) Other costs comprise other expenses including, among others, office move costs.

Note 5: Income Tax

(a) Components of tax expense

	2016 $	2015 $
Current tax	3,634,263	4,041,006
Deferred tax	1,563,024	(742,913)
Under/(over) provision in prior years	(62,170)	(178,296)
	5,135,117	3,119,797

Note 5: Income Tax (continued)

(b) Prima facie tax payable

	2016 $	2015 $
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% (2015: 30.0%)		
	4,792,060	3,533,606
Add tax effect of:		
– Non-allowable IPO expenses	447,042	–
– Capital Gain on formation of tax consolidated Group	174,399	–
– Elimination of intercompany dividends	1,356,093	1,172,652
– Other non-allowable items	382,515	208,479
– Gross up of franking credits	575,457	519,182
	2,935,506	1,900,313
Less tax effect of:		
– Overseas tax rate differential	467,543	373,172
– Under provision for income tax in prior years	62,170	178,296
– Franking credit offset	1,918,191	1,730,609
– Other non-assessable items	144,545	32,045
	2,592,449	2,314,122
Income tax expense attributable to profit	5,135,117	3,119,797

(c) Current tax

	2016 $	2015 $
Current tax relates to the following:		
Opening balance	3,424,070	1,500,608
Income tax	3,634,263	4,041,006
Tax payments	(5,260,078)	(2,058,620)
Utilisation of losses against current period liability	(1,053,250)	–
(Over) provisions	(62,170)	(178,296)
Exchange translation difference	(131,418)	–
Net balance transferred on purchase/sale of business	–	119,372
Current tax liabilities	551,417	3,424,070

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 5: Income Tax (continued)

(d) Deferred tax

	2016 $	2015 $
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	751,333	876,997
Employee benefits	648,510	377,083
Provision for doubtful debts	28,748	66,488
Accrued expenses	119,716	267,935
Listing costs deductible over time	614,349	–
Capital allowances	51,326	–
	2,213,982	1,588,503
Deferred tax liabilities		
The balance comprises:		
Deferred income	3,581,707	1,345,572
Other	13,377	13,744
	3,595,084	1,359,316
Net deferred tax assets/(liabilities)	(1,381,102)	229,187

(e) Deferred income tax (revenue)/expense included in income tax expense comprises

	2016 $	2015 $
Decrease/(increase) in deferred tax assets	(672,744)	(495,135)
(Decrease)/increase in deferred tax liabilities	2,235,768	(247,778)
(Increase) in deferred tax assets on purchase of business and assumption of employee benefit liabilities	47,265	(447,384)
	1,610,289	(1,190,297)

Note 6: Dividends

(a) Dividends paid or declared

	2016 $	2015 $
Dividends paid at 3.7 cents per share by PSC Insurance Group fully franked	6,505,295	1,550,000
Dividends paid to non-controlling interests	1,130,748	1,164,358
	7,636,043	2,714,358

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

	2016 $	2015 $
Since the end of the reporting period the directors have recommended/declared dividends of 2.5 cents per share (2015: 2.36 cents per share) fully franked	5,634,453	3,613,650
Since the end of the reporting period the directors have recommended/declared dividends to non-controlling interests	–	721,447
	5,634,453	4,335,097

(c) Franking account

	2016 $	2015 $
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	4,687,440	3,661,901

Note 7: Cash and Cash Equivalents

	2016 $	2015 $
Cash on hand	13,629	15,152
Cash at bank	6,298,387	5,495,321
Cash on deposit	1,683,192	922,000
Cash held on trust	79,257,087	51,467,898
	87,252,295	57,900,371

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 8: Receivables

	2016 $	2015 $
Current		
Receivables from broking, reinsurance and underwriting agency operations	337,712,869	297,705,532
Impairment loss	(381,268)	(286,906)
	337,331,601	297,418,626
Other receivables	932,726	347,947
Loans to related parties	1,120,036	3,361,412
	339,384,363	301,127,985
Non-Current		
Loans to related parties	5,244,707	475,131

(a) Provision for impairment

(i) Receivables from broking and underwriting agency operations

Trade receivables are non-interest bearing with 14-60 day terms. An impairment loss is recognised when there is objective evidence that an amount being carried as receivable is impaired. The impairment losses have been included within administration and other expenses in the consolidated Statement of Profit or Loss and other Comprehensive Income. All trade receivables that are not impaired are expected to be received within trading terms.

(ii) Receivables from reinsurance operations

Trade receivables are non-interest bearing with 30-60 day terms. An impairment loss is recognised when the actual profit is quantifiable or when there is objective evidence that an amount being carried as receivable is impaired.

(iii) Other receivables and loans receivables

An impairment loss is recognised when there is objective evidence that an individual receivable is impaired. The impairment losses have been included within administration and other expenses in the consolidated Statement of Profit or Loss and other Comprehensive Income. All advances and loan receivables that are not impaired are expected to be received within payment terms.

	2016 $	2015 $
Movements in the provision for impairment were:		
Opening balance 1 July	286,905	100,412
Charge for the year	59,149	(1,992)
Amounts written off	(29,046)	(32,420)
Provision acquired through business combination	95,825	215,930
Foreign exchange translation	(31,565)	4,976
Closing balance at 30 June	381,268	286,906

Note 8: Receivables (continued)

(b) Ageing of Receivables

	2016 $	2015 $
– 0-30 Days	129,470,001	99,114,195
– 30-60 Days	22,257,348	16,430,085
– 60-90 Days	32,968,189	26,442,420
– Over 90 Days	153,017,331	155,718,832
	337,712,869	297,705,532

Note 9: Other Current Assets

	2016 $	2015 $
Current		
Prepayments	240,980	541,033
Bonds and deposits	970,694	361,062
Accrued income	601,545	228,752
Share issue costs **	–	650,408
	1,813,219	1,781,255

** Share issue costs were capitalised against equity following successful listing in December 2015.

Note 10: Other Financial Assets

	2016 $	2015 $
Non-Current		
Financial assets held at cost		
Shares in other corporations	80,444	–
Other shares and Units held	1,875,000	625,000
Total financial assets held at cost	1,955,444	625,000

Note 11: Equity Accounted Investments

	2016 $	2015 $
Non-Current		
Equity accounted associates	7,514,636	13,188

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 12: Interests in Associates and Joint Ventures

(a) Associates and joint ventures

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

Interests are held in the following associated companies:

Joint Ventures	Equity instrument	Ownership interest	
		2016	2015
Trump Aviation Unit Trust ('TAUT')			
Balance date: 30 June 2016	Trust units	0%	50%
Trump Aviation Pty Ltd (Trustee for TAUT)			
Balance date: 30 June 2016	Ordinary shares	0%	50%

Share in Joint Venture was de-grouped before Initial Public Offering.

The consolidated entity recognised a share of loss from the above joint venture at 30 June 2015 equal to $47,370.

Associated Companies

			Ownership interest	
Associates	Nature of Relationship	Principal place of business	2016	2015
AB Risk Solutions Ltd *	(i)	United Kingdom	50.00%	50.00%
Easy Broking Online Ltd *	(i)	United Kingdom	23.00%	23.00%
Shares – RP Baulkham Hills	(ii)	Australia	50.00%	0%
Shares – RP Caboolture	(ii)	Australia	50.00%	0%
Shares – RP Canning Vale	(ii)	Australia	50.00%	0%
Shares – RP Cannington	(ii)	Australia	50.00%	0%
Shares – RP Carlton	(ii)	Australia	50.00%	0%
Shares – RP Construction Risk	(ii)	Australia	50.00%	0%
Shares – RP CPRS	(ii)	Australia	50.00%	0%
Shares – RP Edwardstown	(ii)	Australia	50.00%	0%
Shares – RP Fremantle	(ii)	Australia	50.00%	0%
Shares – RP Horsham	(ii)	Australia	50.00%	0%
Shares – RP Hoxton Park	(ii)	Australia	50.00%	0%
Shares – RP Joondalup	(ii)	Australia	50.00%	0%
Shares – RP Malaga	(ii)	Australia	50.00%	0%
Shares – RP Mona Vale	(ii)	Australia	50.00%	0%
Shares – RP Morayfield	(ii)	Australia	50.00%	0%
Shares – RP Nerang	(ii)	Australia	50.00%	0%

Note 12: Interests in Associates and Joint Ventures (continued)

			Ownership interest	
Associates	Nature of Relationship	Principal place of business	2016	2015
Shares – RP North Perth	(ii)	Australia	50.00%	0%
Shares – RP Oakleigh	(ii)	Australia	50.00%	0%
Shares – RP Rockingham	(ii)	Australia	50.00%	0%
Shares – RP South Perth	(ii)	Australia	50.00%	0%
Shares – RP Success	(ii)	Australia	50.00%	0%
Shares – RP Tullamarine	(ii)	Australia	10.00%	0%
Shares – RP Wanneroo	(ii)	Australia	50.00%	0%
Shares – RP Warragul	(ii)	Australia	50.00%	0%
Shares – RP Yanchep	(ii)	Australia	50.00%	0%
Shares – RP Yarrawonga	(ii)	Australia	50.00%	0%

	Nature of relationship	Balance Date	Total Value	
			2016 $	2015 $
(i)	Non-controlling interests in UK broking businesses	28 February 2015	27,202	13,188
(ii)	Investments in entities holding client lists	30 June 2016	7,487,434	–
			7,514,636	13,188

*The consolidated entity recognised an equity share of profit from the UK equity investments at 30 June 2016 equal to $17,649 (GBP 8,672) (2015: $NIL).

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 13: Property, Plant and Equipment

	2016 $	2015 $
Leasehold improvements		
Leasehold improvements at cost	1,305,014	1,085,157
Accumulated depreciation	(880,060)	(866,050)
	424,954	219,107
Plant and equipment		
Motor vehicles at cost	21,795	–
Accumulated depreciation	(11,189)	–
	10,606	–
Office equipment at cost	1,946,886	1,515,568
Accumulated depreciation	(1,249,496)	(1,138,697)
	697,390	376,871
Computer equipment at cost	1,791,738	1,415,847
Accumulated depreciation	(1,175,767)	(920,993)
	615,971	494,854
Total plant and equipment	1,323,967	871,725
Total property, plant and equipment	1,748,921	1,090,832

(b) Reconciliations

	2016 $	2015 $
Leasehold improvements		
Carrying amount at beginning of year	219,107	225,975
Additions	294,057	56,349
Depreciation expense	(105,935)	(63,849)
Net foreign currency movements arising from foreign operation	17,725	632
Carrying amount end of year	424,954	219,107

Note 13: Property, Plant and Equipment (continued)

	2016 $	2015 $
Plant and equipment		
Motor vehicles		
Carrying amount at beginning of year	–	–
Additions through acquisition of entities/operations	11,197	–
Depreciation expense	(591)	–
Carrying amount end of year	10,606	–
Office equipment		
Carrying amount at beginning of year	376,871	390,159
Additions	337,585	78,951
Disposals	(25,453)	–
Additions through acquisition of entities/operations	142,743	–
Depreciation expense	(131,911)	(108,738)
Net foreign currency movements arising from foreign operation	(2,445)	16,499
Carrying amount end of year	697,390	376,871
Computer equipment		
Carrying amount at beginning of year	494,854	417,886
Additions	297,832	261,139
Additions through acquisition of entities/operations	86,011	37,311
Depreciation expense	(320,251)	(234,931)
Net foreign currency movements arising from foreign operation	57,525	13,449
Carrying amount end of year	615,971	494,854
Total plant and equipment	1,323,967	871,725
Total property, plant and equipment	**1,748,921**	**1,090,832**

Note 14: Intangible Assets

	2016 $	2015 $
Goodwill at cost	52,769,681	32,963,827
Goodwill on consolidation at cost	8,954,575	4,390,465
Client lists at cost	7,089,085	2,133,013
Accumulated amortisation and impairment	(1,436,635)	(978,917)
	5,652,450	1,154,096
Total intangible assets	67,376,706	38,508,388

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 14: Intangible Assets (continued)

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	2016 $	2015 $
Goodwill at cost		
Opening balance	32,963,827	32,421,785
Additions (a)	20,302,534	60,635
Net foreign currency movement arising from foreign operations	(496,680)	481,407
Closing balance	52,769,681	32,963,827
Goodwill on consolidation at cost		
Opening balance	4,390,465	4,390,465
Additions (b)	4,564,110	–
Closing balance	8,954,575	4,390,465
Client lists at cost		
Opening balance	1,154,096	943,830
Additions (b)	4,956,072	435,999
Disposals	–	–
Amortisation expense	(457,718)	(225,733)
Closing balance	5,652,450	1,154,096
Total intangible assets	67,376,706	38,508,388

(a) Additional goodwill recognised for the acquisitions over the year, includes either the business assets or legal entity of Hamilton Brokers Pty Ltd, T A Management Pty Ltd, AR (WA) Pty Ltd, Australian Reliance (NSW) Pty Ltd, Reliance Franchise Partners Pty Ltd, EIB Insurance Brokers Pty Ltd, John Holman & Sons Holdings Ltd and Hiscock Insurance Brokers Pty Ltd.

(b) Additional customer lists represent the above acquisitions and David Denson Pty Ltd.

The consolidated entity performs, on an annual basis, impairment testing for goodwill and any identifiable intangible assets (customer relationships) which have impairment indicators. There was no impairment provision for the year ended 30 June 2016 (2015: no impairment provision).

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 consolidated entity's estimates of sustainable earnings before interest expense, tax and amortisation (EBITA) for each CGU multiplied by an earnings multiple appropriate for similar businesses less costs to sell.

Note 14: Intangible Assets (continued)

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

	2016 %	2015 %
Revenue growth	5% pa for first 5 years	5% pa for first 5 years
Cost growth	3% pa for first 5 years	3% pa for first 5 years
Terminal growth rate (EBITDA)	2%	2%
Discount rate (pre tax)	16.67%	16.67%

Sensitivity analysis has been conducted and no reasonable change in the key assumptions of the value in use calculations would result in impairment.

Note 15: Payables

	2016 $	2015 $
Current		
Unsecured liabilities		
Trade creditors	3,421,347	1,664,213
Payables from broking, reinsurance and underwriting agency operations	391,523,612	329,954,228
Sundry creditors and accruals	2,733,115	3,937,585
Loans from directors	–	551,832
	397,678,074	336,107,858

Note 16: Borrowings

	2016 $	2015 $
Current		
Secured liabilities		
Bank loans	566,383	5,580,703
Non-Current		
Secured liabilities		
Bank loans	26,154,302	29,563,895

Notes to the Financial Statements (continued)
Year ended 30 June 2016

Note 16: Borrowings (continued)

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

The consolidated entity has two primary funding facilities:

- PSC Insurance Group Limited – Revolving Funding Facility (Macquarie Bank Limited) – Limit $32,000,000
- Insurance Holdings Ltd – Loan Facility (Clydesdale Bank) – Limit £2,200,000

There are also two standalone funding facilities to RP Newcastle Pty Ltd and RP Windsor Pty Ltd, totalling $712,517.

The key terms and conditions are as follows:

Macquarie Bank Limited (MBL) Revolving Fund Facility

Security was granted in favour of MBL in accordance with the requirements of the MBL Facility including a registered first ranking security over all assets and undertakings of the parent entity and certain subsidiaries of the parent entity.

The MBL Facility 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 drawn 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 MBL facility is interest only with a 5 year term from its inception date of December 2015.

The interest rate is a variable interest rate based on BBSY plus a margin.

Clydesdale Bank Facility

The agreement provides for a Cross Guarantee and Mortgage Debenture over the assets of IHL, and all trading subsidiaries as security. The loan was to refinance the existing indebtedness of IHL, to fund a share buy back from a retiring Director and to assist in funding the acquisition of John Holman & Sons (Holdings) Ltd.

The Clydesdale Facility contains a number of representations, warranties and undertakings, including financial covenants and reporting obligations. The financial covenants cover IHL's rolling EBITDA to loan value ratio, its interest ratio and cashflow cover. These covenants have to be met quarterly and have been met during the Facility term to date.

The Clydesdale Facility is a 7 year facility. Repayment terms of the Clydesdale Facility are £314,286 per annum.

The interest rate is a variable interest rate based on LIBOR plus a margin.

Hunter Premium Finance Facilities

Hunter have provided a facility of $356,258 to each of RP Newcastle Pty Ltd and RP Windsor Pty Ltd. These are secured by a first registered charge over those companies and a guarantee from the parent entity.

The Hunter Facilities are 8 year facilities with repayment terms of approximately $51,500 per annum. The interest rate is a variable interest rate based on BBSY plus a margin.

Note 17: Provisions

	2016 $	2015 $
Current		
Employee benefits provision	2,108,883	1,431,275
Non-Current		
Employee benefits	304,208	153,696
Total employee benefits liability	2,413,091	1,584,971
Movements in provisions		
Carrying amount at the beginning of the year	1,584,971	1,057,561
Additional provisions recognised	138,344	527,410
Provisions acquired through business acquisitions	689,776	–
Carrying amount at the end of the year	2,413,091	1,584,971

Note 18: Other Liabilities

	2016 $	2015 $
Current		
Deferred income	391,906	82,008
Amounts payable to vendors (a)	10,305,716	892,612
Dividends Payable	–	68,980
	10,697,622	1,043,600
Non-Current		
Amounts payable to vendors (a)	5,044,699	–

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

Note 19: Share Capital

(a) Issued and paid up capital

	2016 $	2015 $
225,378,110 Ordinary shares fully paid (2015: 153,243,334)	85,194,112	3,599,216

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

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 19: Share Capital (continued)

(b) Movements in shares on issue

	Parent Entity	
	No of shares	$
2016		
Beginning of financial year	153,243,334	3,599,216
Share Consolidation#	(14,106,486)	–
Retail offer and Chairman's List	43,000,000	43,000,000
In Specie sale of Demerged entities	–	(1,813,314)
In Specie share-issue for acquisition of former non-controlling interests	39,276,065	39,276,065
Share in lieu of cash for acquisition of non-controlling interests	353,326	586,521
Employees share issues	1,467,393	1,467,393
Other Share Options	1,000,000	–
Option holders conversion	1,144,478	1,144,478
Share Capital Issue Costs	–	(2,066,247)
End of financial year	225,378,110	85,194,112
2015		
Beginning of financial year	10,075,004	3,599,216
Share Split*	143,168,330	–
End of financial year	153,243,334	3,599,216

During the year the Board consolidated the number of shares in preparation for the Initial Public Offering (IPO).

* During the year, the Board issued a one for 14.21 share split in preparation for the IPO.

(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 consolidated entity continues to maintain optimal returns to shareholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

During 2016, management paid dividends of:

– Dividends paid by PSC Insurance Group Limited $6,505,295 (2015: $1,550,000)

– Dividends paid to non-controlling interests $1,130,748 (2015: $1,164,358)

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 consolidated entity considers its gross debt levels against the forecast levels of EBITDA and free cash flow. The consolidated entity 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 20: Reserves and Retained Earnings

	2016 $	2015 $
Share-based payment reserve	154,387	29,634
Foreign currency translation reserve	(543,818)	1,141,924
Non-controlling interest reserve	(37,350,922)	–
	(37,740,353)	1,171,558
Retained Earnings	18,920,361	15,304,926

(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

	2016 $	2015 $
Opening balance	29,634	–
Fair value of options and performance share rights issued during the year	124,753	29,634
Closing balance	154,387	29,634

Employee share options and loan funded shares issued in FY16 have been valued using a Black Scholes model with volatility of 25% and a risk free rate of 1.5%. Employee share options were granted at a $1 excise price and expire after 5 years. The loan funded shares of 1,000,000 have a 5-year term and implied option cost is expensed over the loan term.

(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

	2016 $	2015 $
Opening balance	1,141,924	255,847
Exchange differences on translation of foreign operations	(1,685,742)	886,077
Closing balance	(543,818)	1,141,924

Notes to the Financial Statements (continued)
Year ended 30 June 2016

Note 20: Reserves and Retained Earnings (continued)

(c) Non-controlling interest reserve

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

(ii) Movements in reserves

	2016 $	2015 $
– Opening Balance	–	–
– Fair Value of NCI purchased	(37,350,922)	–
	(37,350,922)	–

(d) Retained Earnings

	2016 $	2015 $
Retained earnings at beginning of year	15,304,926	10,770,136
Other movement in retained earnings	155,962	(327,440)
Net profit	9,964,768	6,412,230
Dividends provided for or paid	(6,505,295)	(1,550,000)
	18,920,361	15,304,926

Note 21: Interests in Subsidiaries

(a) Subsidiaries

Subsidiaries of the group		Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
			2016	2015	2016	2015
ACN 151 774 668 Pty Ltd	3	Australia	100.00%	75.00%	0.00%	25.00%
Alsford Page & Gems (Holdings) Limited		United Kingdom	100.00%	72.10%	0.00%	27.90%
Alsford Page & Gems Limited		United Kingdom	100.00%	72.10%	0.00%	27.90%
AR (WA) Pty Ltd	4	Australia	70.00%	0.00%	30.00%	0.00%
Austrans Pacific Pty Ltd	7	Australia	0.00%	100.00%	100.00%	0.00%
Breeze Reinsurance Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting (Aust) Pty Ltd	3, 5	Australia	100.00%	90.30%	0.00%	9.70%
Breeze Underwriting Limited		United Kingdom	100.00%	80.00%	0.00%	20.00%
Carroll & Partners Limited		United Kingdom	100.00%	84.20%	0.00%	15.80%
Certus Life Australia Pty Ltd	3, 6	Australia	100.00%	93.10%	0.00%	7.00%
Certus Life Melbourne Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Pty Ltd	3	Australia	100.00%	80.00%	0.00%	20.00%
Chase Surety Pty Ltd		Australia	80.00%	56.00%	20.00%	44.00%

Note 21: Interests in Subsidiaries (continued)

Subsidiaries of the group		Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
			2016	2015	2016	2015
Chase Underwriting Pty Ltd	3	Australia	100.00%	70.00%	0.00%	30.00%
Connect Life	1	Australia	100.00%	**	0.00%	**
Deskhaven Pty Ltd	3	Australia	100.00%	70.00%	0.00%	30.00%
Fenchurch Insurance Risk Management Limited		United Kingdom	100.00%	84.20%	0.00%	15.80%
Insurance Holdings Limited		United Kingdom	100.00%	84.20%	0.00%	15.80%
John Holman & Sons (Holdings) Ltd (UK)		United Kingdom	100.00%	0.00%	0.00%	0.00%
Just Equestrian Insurance Services Limited		United Kingdom	35.03%	29.50%	64.97%	70.50%
Just Leisure Insurance Services Limited		United Kingdom	35.03%	29.50%	64.97%	70.50%
Just Motorsport Limited		United Kingdom	35.03%	29.50%	64.97%	70.50%
McKenna Hampton Insurance Brokers Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
P Capital Pty Ltd	7	Australia	0.00%	100.00%	100.00%	0.00%
Professional Services Corporation Pty Ltd	3, 6	Australia	100.00%	93.00%	0.00%	7.00%
PSC Coastwide Insurance Services Pty Ltd	3	Australia	100.00%	70.00%	0.00%	30.00%
PSC Coastwide Newcastle Pty Ltd	3	Australia	100.00%	50.00%	0.00%	50.00%
PSC Connect NZ Ltd		New Zealand	100.00%	75.00%	0.00%	25.00%
PSC Connect Pty Ltd	3	Australia	100.00%	75.00%	0.00%	25.00%
PSC Foundation Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
PSC Group Holdings Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
PSC Holdings (Aust) Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Aust) Pty Ltd	3, 5	Australia	100.00%	90.30%	0.00%	9.70%
PSC Insurance Brokers (Brisbane) Pty Ltd	3	Australia	100.00%	75.00%	0.00%	25.00%
PSC Insurance Brokers (Darwin) Pty Ltd	3	Australia	100.00%	75.00%	0.00%	25.00%
PSC Insurance Brokers (Melbourne) Pty Ltd	3,5	Australia	100.00%	90.30%	0.00%	9.70%
PSC Insurance Brokers (Wagga) Pty Ltd	3	Australia	100.00%	77.80%	0.00%	22.20%

Notes to the Financial Statements (continued)
Year ended 30 June 2016

Note 21: Interests in Subsidiaries (continued)

Subsidiaries of the group		Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
			2016	2015	2016	2015
PSC Insurance Brokers Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting Pty Ltd (PSC Insurance Pty Ltd)	3, 5	Australia	100.00%	90.30%	0.00%	9.70%
PSC Insurance Services Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
PSC International Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
PSC JLG Investment Pty Ltd	3	Australia	100.00%	90.30%	0.00%	9.70%
PSC McKenna Hampton Insurance Brokers Pty Ltd	3	Australia	100.00%	86.50%	0.00%	13.50%
PSC Nominees Pty Ltd	3	Australia	100.00%	90.30%	0.00%	9.70%
PSC Risk Consultants Limited		Hong Kong	0.00%	65.00%	100.00%	35.00%
PSC Reliance Franchise Partners Pty Ltd (2015 – PSC Share Nominees Pty Ltd)	3, 6	Australia	100.00%	93.10%	0.00%	7.00%
PSC UK Pty Ltd	3	Australia	100.00%	100.00%	0.00%	0.00%
PSC Workers Compensation and Consulting Pty Ltd	1	Australia	75.00%	**	25.00%	**
PSC Wright Fahey Pty Ltd	3	Australia	100.00%	46.10%	0.00%	53.90%
Reliance Workplace Solutions Pty Ltd	4	Australia	70.00%	0.00%	30.00%	0.00%
RP Newcastle Pty Ltd	2,3	Australia	100.00%	***	0.00%	***
RP Windsor Pty Ltd	2	Australia	100.00%	***	0.00%	***
The Lead Agency Pty Ltd	7	Australia	0.00%	70.00%	100.00%	30.00%
UK Facilities Limited		United Kingdom	100.00%	84.20%	0.00%	15.80%
Upper Hillwood Holdings Limited		United Kingdom	100.00%	0.00%	0.00%	27.90%

1 – ** Entity incorporated during the 2016 financial year
2 – *** Entity acquired during the 2016 financial year
3 – Member of the PSC Insurance Group Limited tax consolidated group
4 – Member of the AR (WA) Pty Ltd tax consolidated group
5 – Member of the PSC Insurance Pty Ltd tax consolidated group to 8 December 2015
6 – Member of the Professional Services Corporation Pty Ltd tax consolidated group to 8 December 2015
7 – Exited the PSC Insurance Group Limited tax consolidated group 28 August 2015

Note 21: Interests in Subsidiaries (continued)

(b) Reconciliation of the non-controlling interest

	2016 $	2015 $
Accumulated NCI at the beginning of the year	4,370,540	2,733,170
Profit or loss allocated to NCI during the year	873,648	2,246,651
Contributions	–	555,077
Reduction in non-controlling interest	(4,033,959)	–
Non-controlling interest arising from business combination	1,350,000	–
Dividends paid to NCI	(1,130,748)	(1,164,358)
Accumulated NCI at the end of the year	1,429,481	4,370,540

Note 22: 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:

	2016 $	2015 $
Cash on hand	13,629	15,152
Cash at bank	6,298,387	5,495,321
Cash on deposit	1,683,192	922,000
Cash held on trust	79,257,087	51,467,898
	87,252,295	57,900,371

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

	2016 $	2015 $
Profit from ordinary activities after income tax	10,838,416	8,658,881
Items classified as investing activities		
(Gain) on net assets exceeding consideration paid	(252,853)	(476,976)
Equity accounted result	(17,649)	–
Unrealised (profit) on sale of investments	(13,187)	–
Non-cash items		
Depreciation and amortisation	1,016,406	633,251
Bad and doubtful debts	59,149	(1,992)
Foreign currency translation (gains)/losses	(199,696)	76,450
Staff Share Allocations	1,467,393	–
Share-based payment expense	124,753	29,634
(Gain) on sale of shares	–	(1,148,545)
Net cash flows from operations before change in assets and liabilities	**13,022,732**	**7,770,703**

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 22: Cash Flow Information (continued)

	2016 $	2015 $
Change in assets and liabilities		
(Increase)/decrease in receivables	(40,066,486)	(52,312,452)
(Increase)/decrease in other assets	464,137	(989,252)
Increase/(decrease) in payables	64,225,572	50,356,317
Increase/(decrease) in provisions	828,120	326,567
(Decrease)/Increase in other liabilities	240,918	(127,866)
Increase/(decrease) in income taxes payable	(2,872,653)	1,738,479
(Increase)/decrease in deferred tax liabilities	2,322,721	(742,913)
Net cash flow from operating activities	**38,165,061**	**5,989,949**

(c) Acquisitions

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

	2016 $	2015 $
Cash	2,030,261	11,285,297
Property, plant and equipment	239,951	–
Goodwill	2,839,396	–
Identifiable Intangibles	3,881,072	
Trade receivables	9,039,213	194,837,720
Other shares and units held	7,487,438	–
Other assets	1,421,255	270,632
Other financial assets	2,358,360	–
Trade and other creditors	(10,692,554)	(200,494,352)
Income tax payable	(46,457)	–
Provisions	(689,776)	(267,085)
Deferred tax balances	141,141	134,864
Bank loan	–	(1,902,841)
Other payables	–	(1,807,901)
Net Identifiable assets acquired	18,009,300	2,056,334
Net assets exceeding consideration paid	5,770,371	(476,976)
Consideration paid in cash	(23,779,671)	(1,579,358)
Cash acquired	2,030,261	11,285,297
Net cash (dispensed)/acquired	(21,749,410)	9,705,939

Note 22: Cash Flow Information (continued)

(d) Loan facilities

	2016 $	2015 $
Loan facilities	36,677,196	39,566,735
Amount utilised	26,720,685	35,144,598
Unused loan facility	9,956,511	4,422,137

Note 23: Business Combinations

	2016 $	2015 $
Consideration and costs paid	23,779,671	1,579,358
Deferred (contingent) consideration	14,654,021	–
Total purchase consideration	38,433,692	1,579,358
Fair value of non-controlling interests	1,350,000	555,077

Acquisitions for the Year ended 30 June 2016

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

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

(ii) Client list and employee benefits

(iii) Client list, employee benefits and other business assets

(a) Consideration paid/payable

2016	AR (WA) Pty Ltd $	Reliance Franchise Partners $	AR Portfolio (NSW) $	John Holman and Sons (Holdings) Ltd $	Hamilton Brokers $	TA Manage-ment $	EIB Ins Brokers $	Hiscock $	Total Group $
Cash consideration paid	6,355,000	7,399,146	2,677,933	2,703,190	714,696	1,350,414	644,083	1,935,209	23,779,671
Deferred consideration	–	–	–	197,824	–	–	335,000	–	532,824
Contingent consideration	2,695,000	2,800,000	1,540,000	3,305,045	1,021,842	1,400,000	335,000	1,024,310	14,121,197
Total purchase consideration	**9,050,000**	**10,199,146**	**4,217,933**	**6,206,059**	**1,736,538**	**2,750,414**	**1,314,083**	**2,959,519**	**38,433,692**
Ownership share	70%	100%	100%	100%	100%	100%	100%	100%	
Acquisition vehicle	(i)	(iii)	(ii)	(i)	(ii)	(iii)	(ii)	(iii)	

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 23: Business Combinations (continued)

(b) Identifiable assets and liabilities acquired

2016	AR (WA) Pty Ltd $	Reliance Franchise Partners $	AR Portfolio (NSW) $	John Holman and Sons (Holdings) Ltd $	Hamilton Brokers $	TA Management $	EIB Ins Brokers $	Hiscock $	Total Group $
– Cash and Cash equivalents	–	–	–	2,030,261	–	–	–	–	2,030,261
– Property, plant and equipment	138,804	–	–	73,893	–	12,254	–	15,000	239,951
– Goodwill	2,839,396	–	–	–	–	–	–	–	2,839,396
– Identifiable intangibles	1,577,118	1,411,628	–	–	138,371	322,036	77,321	354,598	3,881,072
– Trade and other receivables	–	–	–	9,039,213	–	–	–	–	9,039,213
– Other Shares and Units held	–	7,487,438	–	–	–	–	–	–	7,487,438
– Other assets	1,421,255	–	–	–	–	–	–	–	1,421,255
– Other financial Assets	–	2,358,360	–	–	–	–	–	–	2,358,360
– Deferred Tax Assets	69,483	71,658	–	–	–	–	–	–	141,141
– Trade and other payables	(16,816)	(734,048)	–	(9,941,690)	–	–	–	–	(10,692,554)
– Income tax payable	(46,457)	–	–	–	–	–	–	–	(46,457)
– Provisions	(146,785)	(143,036)	(182,067)	–	(60,304)	(49,586)	(25,917)	(82,081)	(689,776)
Total Net identifiable Assets/ (liabilities)	**5,835,998**	**10,452,000**	**(182,067)**	**1,201,677**	**78,067**	**284,704**	**51,404**	**287,517**	**18,009,300**

Note 23: Business Combinations (continued)

(c) Goodwill on acquisition

2016	AR (WA) Pty Ltd $	Reliance Franchise Partners $	AR Portfolio (NSW) $	John Holman and Sons (Holdings) Ltd $	Hamilton Brokers $	TA Manage-ment $	EIB Ins Brokers $	Hiscock $	Total Group $
Total consideration paid/payable	9,050,000	10,199,146	4,217,933	6,206,059	1,736,538	2,750,414	1,314,083	2,959,519	38,433,692
Total net identifiable (assets)/ liabilities acquired	(5,835,998)	(10,452,000)	182,067	(1,201,677)	(78,067)	(284,704)	(51,404)	(287,517)	(18,009,300)
Non-controlling interests acquired	1,350,000	–	–	–	–	–	–	–	1,350,000
Goodwill on acquisition/(Excess over consideration paid/payable)	**4,564,002**	**(252,854)**	**4,400,000**	**5,004,382**	**1,658,471**	**2,465,710**	**1,262,679**	**2,672,002**	**21,774,393**

(d) Financial performance since acquisition date

2016	AR (WA) Pty Ltd* $	Reliance Franchise Partners $	AR Portfolio (NSW) $	John Holman and Sons (Holdings) Ltd $	Hamilton Brokers $	TA Manage-ment $	EIB Ins Brokers $	Hiscock $	Total Group $
Revenue	1,957,000	1,416,000	959,000	1,300,000	857,800	764,000	264,000	299,000	7,816,800
Profit after tax	266,000	463,000	76,000	318,000	338,000	144,000	58,000	64,000	1,727,000

If the acquisitions had occurred on 1 July 2015, this would have given rise to an additional $11.3 million in revenue and $2.0 million in Profit after Tax, but before *non-controlling interest.

Therefore, the consolidated entity's total revenue and profit after income tax, attributable to the owners of the Group would have been $79.0 million, and $11.9 million respectively.

Financial performance if held for 12 months									
Revenue	4,790,000	3,421,000	2,030,000	4,500,000	857,800	1,300,000	670,000	1,500,000	19,068,800
Profit after tax	1,170,000	500,000	70,000	600,000	338,000	395,000	200,000	500,000	3,773,000
Goodwill on acquisition	2,839,396		4,400,000	5,004,382	1,411,629	2,465,709	1,262,679	2,672,002	15,655,797
Customer Lists	1,577,118	–	–	–	138,371	322,037	77,321	354,598	6,869,445
(Gain on excess of Net Assets over consideration paid)	–	(252,853)	–	–	–	–	–	–	(252,853)
	4,416,514	(252,853)	4,400,000	5,004,382	1,550,000	2,787,746	1,340,000	3,026,600	22,272,387

The value of goodwill represents the future benefit arising from the future earnings and synergies expected from the acquisitions.

In applying AASB3 the accounting for the acquisition of Reliance Franchise Partners resulted in an excess of net assets acquired over consideration paid for, giving rise to a gain on bargain purchase. This has given rise to a gain of $252,854 included in Other Revenue on the Statement of Profit or Loss and other Comprehensive Income.

Notes to the Financial Statements (continued)
Year ended 30 June 2016

Note 23: Business Combinations (continued)

(e) Acquisition-related Costs

The consolidated entity incurred transaction costs of $0.34 million in respect of these combinations. This includes $0.13 million for the acquisitions of AR (WA) Pty Ltd, AR (NSW) Pty Ltd and Reliance Franchise Partners Pty Ltd, and $0.11 million for the UK acquisition of John Holman and Sons (Holdings) Ltd. 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 Statement of Profit or Loss and other Comprehensive Income.

Note 24: Commitments

(a) Lease expenditure commitments

Operating leases (non cancellable):

(i) Nature of leases

Operating leases comprise lease for premises from which the consolidated entity operates and several novated leases of motor vehicles that form part of the salary packages of employees.

(ii) Minimum lease payments

	2016 $	2015 $
– Not later than one year	2,676,076	1,840,505
– Later than one year and not later than five years	3,562,187	2,194,089
Aggregate lease expenditure contracted for at reporting date	6,238,263	4,034,594

(b) Capital expenditure commitments

	2016 $	2015 $
Land and Buildings payable	9,101,150	–
Computer Software payable	148,800	–
Plant and equipment payable	–	15,285
Total capital expenditure commitments	9,249,950	15,285

(c) Business acquisition commitments for acquisitions completed post-balance date*

	2016 $	2015 $
Assured Cover Pty Ltd (purchase of business)	367,500	–
David Denson Pty Ltd (purchase of client list)	–	1,075,000
Hamilton Brokers Pty Ltd (purchase of client list)	–	1,550,000
Flagship Haven Insurance Consultants Limited (purchase of license and client list)	–	425,000
TA Asset Management Pty Ltd (purchase of client list, other business assets and assumption of employee benefits liabilities)	–	2,800,000
	367,500	5,850,000

*Refer to Note 34: Subsequent Events

Note 24: Commitments (continued)

(d) Bank guarantee commitments

The consolidated entity has provided bank guarantees in relation to a number rental premises from which various businesses operate. Total bank guarantees outstanding $965,000 (2015: $340,000).

(e) Contingent liabilities

The consolidated entity has provided guarantees on indebtedness of some of its investments. The total amount is limited to $2,731,270. The amount of $1,362,270 of this contingent liability relates to the guarantee of loans made to non-group interests in certain associate entities and is supported by Put Option agreements held by the lender over the non-group holdings in these associate entities.

Note 25: Earnings per Share

	2016 $	2015 $
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	9,964,768	6,412,230
Profit used in calculating basic earnings per share	9,964,768	6,412,230
Profit used in calculating diluted earnings per share	9,964,768	6,412,230
Earnings used in calculating diluted earnings per share	9,964,768	6,412,230

	2016 No of Shares	2015 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	192,013,202	36,427,416
Effect of dilutive securities:		
Share options	327,123	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	192,340,325	36,427,416

Note 26: Share Based Payments

(a) Employee option plan

Details of the options granted are provided below:

2016 Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
14/12/15	13/12/20	$1.00	–	1,000,000	–	–	1,000,000	1,000,000
14/12/15	13/12/20	$1.00	–	600,000	–	–	600,000	600,000
31/10/15	31/10/16	$175.50	–	1,112	1,112	–	–	–
31/10/15	31/10/16	$707.74	–	417	417	–	–	–

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 26: Share Based Payments (continued)

The weighted average share price for share options exercised during the period was $321.66. These options were granted and exercised prior to the IPO.

The weighted average remaining contractual life for share options outstanding at the end of the period was 4.5 years.

Fair value of options granted:

The fair value of the options at grant date was $245,427 (2015 – $44,962). Fair value was determined using the Black Scholes Model. The following inputs were utilised:

Expected price volatility of the company's shares: 25% (2015 – n/a)

Expected dividend yield: 3.5% (2015 – n/a)

Risk-free interest rate: 1.5% (2015 – n/a)

Note 27: Financial Risk Management

The consolidated entity 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 consolidated entity holds the following financial instruments:

	2016 $	2015 $
Financial assets		
Cash and cash equivalents	87,252,295	57,900,371
Bonds and Deposits	970,694	361,062
Receivables from broking, reinsurance and underwriting agency operations	337,712,869	297,705,532
Other receivables	932,726	347,947
Loans to related parties	6,364,743	3,836,543
Financial assets at cost	1,955,444	638,188
	433,188,771	360,789,644
Financial liabilities		
Trade creditors	3,421,347	1,664,213
Payables from broking, reinsurance and underwriting agency operations	391,523,612	329,954,228
Sundry creditors & accruals	2,733,115	3,937,585
Loans from directors	–	551,832
Borrowings	26,720,685	35,144,598
	424,398,759	371,252,456

Note 27: 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 consolidated entity does not hold market securities and no sensitivity analysis is required.

(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.

Sensitivity

If 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:

+/- 10%	2016 $	2015 $
Impact on profit after tax	108,489	42,273
Impact on equity	1,233,065	1,100,734

(c) Fair value of Financial Instruments

The consolidated entity's deferred consideration liability is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial liability is determined, including the valuation technique and inputs used.

Financial instrument	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Deferred consideration	The fair value is calculated based on an agreed multiple of fees and commissions	Forecast fees and commissions	The estimated fair value would increase/(decrease) if: – The forecast fees and commissions were higher/(lower)

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 27: 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 $	Non-interest bearing $	Total carrying amount $	Weighted average effective interest rate %
2016				
(i) Financial assets (variable)				
Cash	87,252,295	–	87,252,295	1.35%
Bonds and Deposits	–	970,694	970,694	
Receivables from broking, reinsurance and underwriting agency operations	–	337,712,869	337,712,869	
Other receivables	–	932,726	932,726	
Loans to director related entities	6,364,743	–	6,364,743	5.65%
Financial Assets at cost	–	1,955,444	1,955,444	
Total financial assets	93,617,038	341,571,733	435,188,771	
(ii) Financial liabilities (variable)				
Trade creditors	–	3,421,347	3,421,347	
Payables from broking, reinsurance and underwriting agency operations	–	391,523,612	391,523,612	
Sundry creditors & accruals	–	2,733,115	2,733,115	
Borrowings	26,720,685	–	26,720,685	4.91%
Total financial liabilities	26,720,685	397,678,074	424,398,759	

Note 27: Financial Risk Management (continued)

Financial Instruments	Interest-bearing $	Non-interest bearing $	Total carrying amount $	Weighted average effective interest rate %
2015				
(i) Financial assets (variable)				
Cash	57,900,371	–	57,900,371	1.97%
Bonds and Deposits	–	361,062	361,062	
Receivables from broking, reinsurance and underwriting agency operations	–	297,705,532	297,705,532	
Other receivables	–	347,947	347,947	
Loans to director related entities	3,836,544	–	3,836,544	6.95%
Financial Assets at cost	–	638,188	638,188	
Total financial assets	61,736,915	299,052,729	360,789,644	
(ii) Financial liabilities (variable)				
Trade creditors	–	1,664,213	1,664,213	
Payables from broking, reinsurance and underwriting agency operations	–	329,954,228	329,954,228	
Sundry creditors & accruals	–	3,937,585	3,937,585	
Loans from directors	551,832	–	551,832	6.20%
Borrowings	35,144,598	–	35,144,598	7.09%
Total financial liabilities	35,696,430	335,556,026	371,252,456	

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	2016 $	2015 $
Impact on profit after tax	(423,721)	(77,555)
Impact on equity	(423,721)	(77,555)

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 27: Financial Risk Management (continued)

(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 consolidated entity 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 consolidated entity does not hold any collateral.

Credit risk of the consolidated entity 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 consolidated entity'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 consolidated entity'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 consolidated entity's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities as disclosed in note 22.

(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.

(h) Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

	< 6 Months $	6-12 Months $	1-5 years $	Carrying amount $
Year ended 30 June 2016				
Cash and cash equivalents	87,252,295	–	–	87,252,295
Receivables	181,882,071	157,502,292	5,244,707	344,629,070
Other financial assets	1,813,219	–	1,955,444	3,768,663
Payables	(397,678,074)	–	–	(397,678,074)
Borrowings	(283,192)	(283,191)	(26,154,302)	(26,720,685)
Other financial liabilities	–	(11,249,039)	(6,425,802)	(17,674,841)
Net maturities	(127,013,681)	145,970,062	(25,379,953)	(6,423,572)

Note 27: Financial Risk Management (continued)

	< 6 Months $	6-12 Months $	1-5 years $	Carrying amount $
Year ended 30 June 2015				
Cash and cash equivalents	57,900,371	–	–	57,900,371
Receivables	145,014,588	156,113,396	475,132	301,603,116
Other financial assets	774,837	–	638,188	1,413,025
Payables	(336,107,858)	–	–	(336,107,858)
Borrowings	(2,790,352)	(2,790,351)	(29,563,895)	(35,144,598)
Other financial liabilities	–	(4,467,670)	–	(4,467,670)
Net maturities	(135,208,414)	148,855,375	(28,450,575)	(1,480,614)

Note 28: Directors' and Executives' Compensation

	2016 $	2015 $
Compensation by category		
Short-term employment benefits	954,162	900,000
Post-employment benefits	5,145	–
Share-based payments	92,039	–
	1,051,346	900,000

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

Name	Appointment Details
Paul Dwyer	Appointed 10 December 2010
John Dwyer	Appointed 10 December 2010
Brian Austin	Appointed 10 December 2010
Antony Robinson	Appointed 13 July 2015

Key management personnel during the year are the directors.

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 29: Related Party Disclosures

(a) Ownership interests in related parties

Details of interests in controlled entities are set out in Note 21.

(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 consolidated entity have been eliminated for consolidation purposes.

(ii) Transactions with entities with director related entities

Fuse Recruitment Pty Ltd, The Lead Agency Pty Ltd and P Capital Pty Ltd are owned by related entities of Directors of the consolidated entity and is therefore considered related entities. The Group engages Fuse Recruitment Pty Ltd for recruitment and contractor services, The Lead Agency Pty Ltd for marketing services, and P Capital Pty Ltd for transportation services. The following fees were paid on normal third party commercial terms:

	2016 $	2015 $
Fees Paid or Payable to associates on normal commercial terms:		
Recruitment/contractor fees	202,104	259,518
Marketing service fees	295,254	–
Transportation service fees	102,300	–

Transactions with The Lead Agency Pty Ltd and P Capital Pty Ltd were included within the consolidated result of the consolidated entity in the prior Financial Year, as they were both formerly subsidiaries of the consolidated entity.

Fuse Recruitment Pty Ltd also engaged the consolidated entity for marketing services. The following fees were received on normal third party commercial terms:

	2016 $	2015 $
Fees Received or Receivable from associates on normal commercial terms:		
Marketing service fees	6,678	–

Additionally, during the year the PSC Insurance Group Limited provided insurance services to related parties of a Director totalling $154,643 (2015: $119,849). 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 $20,009 (2015: $9,655).

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

For part of the year the consolidated entity paid subtenant rent to Fuse Recruitment Pty Ltd as lead tenant of shared office space. For the remainder of the year Fuse Recruitment Pty Ltd was subtenant of the consolidated entity.

	2016 $	2015 $
Rent paid or payable to associates on normal commercial terms	46,761	50,679
Estimated rent receivable from associates on normal commercial terms	59,175	–

Note 29: Related Party Disclosures

(iii) Transactions with directors, key management personnel and other related parties

From time to time, the consolidated entity issues loans to Directors, key management personnel and other related parties. The following balances are outstanding at the reporting date in relation to loans with related parties.

	2016 $	2015 $
Current receivables		
Directors loans	22,767	1,603,494
Loans to related parties	132,861	1,757,918
Loans to associates	964,408	–
Non-Current receivables		
Loans to related parties	1,995,569	475,131
Loans to associates	3,249,138	–
Current payables		
Director loans	–	551,832

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 Reference rate. The maximum loan term is 7 years.

(iv) Transactions with joint ventures in which the consolidated entity is a venturer

The consolidated entity is not engaged in any joint ventures in this financial year.

Note 30: Auditor's Remuneration

(a) Amounts paid and payable to Pitcher Partners (Melbourne) for:

(i) Audit and other assurance services

	2016 $	2015 $
An audit or review of the financial report of the entity and any other entity in the consolidated entity	610,738	508,738
Other assurance services		
– Due diligence	94,725	120,500
Total remuneration for audit and other assurance services	705,463	629,238

Notes to the Financial Statements (continued)
Year ended 30 June 2016

Note 30: Auditor's Remuneration
(ii) Other non-audit services

	2016 $	2015 $
Corporate secretarial services	4,050	11,257
Taxation services	81,830	90,813
Total remuneration for non-audit services	85,880	102,070
Total remuneration of Pitcher Partners Melbourne	791,343	731,308

(b) Amounts paid and payable to network firms of Pitcher Partners for:

(i) Audit and other assurance services

	2016 $	2015 $
An audit or review of the financial report of the entity and any other entity in the consolidated entity	5,078	9,093
Total remuneration for audit and other assurance services	5,078	9,093

(ii) Other non-audit services

	2016 $	2015 $
Corporate secretarial services	1,371	889
Total remuneration for non-audit services	1,371	889
Total remuneration of network firms of Pitcher Partners	6,449	9,982

(c) Amounts paid and payable to non-related auditors of group entities for:

(i) Audit and other assurance services

	2016 $	2015 $
An audit or review of the financial report of the entity and any other entity in the consolidated entity	155,053	96,228
Total remuneration for audit and other assurance services	155,053	96,228

(ii) Other non-audit services

	2016 $	2015 $
Taxation services	56,250	34,910
Other services	10,379	–
Total remuneration for non-audit services	66,629	34,910
Total remuneration of non-related auditors of group entities	221,682	131,138
Total auditors' remuneration	1,019,474	872,428

Note 31: Parent Entity Information

(a) Summarised statement of financial position

	2016 $	2015 $
Assets		
Current assets	82,805,990	1,931,415
Non-current assets	34,100,617	35,560,542
Total assets	116,906,607	37,491,957
Liabilities		
Current liabilities	2,895,930	5,404,912
Non-current liabilities	22,045,063	19,129,577
Total liabilities	24,940,993	24,534,489
Net assets	91,965,614	12,957,468
Equity		
Share capital	91,669,900	10,075,004
Reserves	109,935	–
Retained earnings	185,779	2,882,464
Total equity	91,965,614	12,957,468

(b) Summarised statement of comprehensive income

	2016 $	2015 $
Profit for the year	3,795,977	2,741,222
Total comprehensive income for the year	3,795,977	2,741,222

(c) Parent entity guarantees

An amount of $1,362,270 of the consolidated entity's total contingent liabilities relates to the guarantee of loans made to non-group interests in certain associate entities and is supported by Put Option agreements held by the lender over the non-group holdings in these associate entities.

(d) Parent entity contractual commitments

The parent entity has contractual commitments $10,582,450 comprised as follows:

- Capital Expenditure Commitments $9,101,150
- Bank Guarantee Commitments $965,000

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 32: Segment Information

(a) Description of segments

The consolidated entity's Chief Financial decision maker has identified the following reportable segments:

- **Australasia** The consolidated entity's Australasian operations represent insurance broking and underwriting agency operations present in Australia and New Zealand
- **UK** The consolidated entity's UK operations represent its insurance broking, reinsurance and underwriting agency operations present in the United Kingdom.

All these operating segments have been identified based on internal reports reviewed by the consolidated entity's Chief Financial Officer in order to allocate resources to the segment and assess its performance.

(b) Segment information

The consolidated entity's Chief Financial Officer 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 Financial officer.

Amounts of segment information are measured in the same way 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.

2016	Segment 1 – Australia/ NZ/Asia	Segment 2 – UK	Total
Segment revenue			
Total segment revenue	44,003,333	22,762,830	66,766,163
Segment revenue from external source	44,003,333	22,762,830	66,766,163
Segment result			
Total segment result	7,166,574	3,671,842	10,838,416
Segment result from external source	**7,166,574**	**3,671,842**	**10,838,416**
Items included within the segment result:			
Interest income	972,595	9,567	982,162
Interest expense	(1,491,469)	(26,491)	(1,517,960)
Depreciation and amortisation expense	(903,044)	(113,362)	(1,016,406)
Income tax expense	(4,174,833)	(960,284)	(5,135,117)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	–	17,649	17,649
Total segment assets	**203,576,701**	**308,713,590**	**512,290,291**
Total segment assets include:			
Investments in equity accounted associates and joint ventures	7,487,434	27,202	7,514,636
Additions to non-current assets other than financial instruments and deferred tax assets	25,830,686	4,544,210	30,374,896
Total segment liabilities	**148,069,945**	**296,416,745**	**444,486,690**

Note 32: Segment Information (continued)

2015	Segment 1 – Australia/ NZ/Asia	Segment 2 – UK	Total
Segment revenue			
Total segment revenue	35,527,933	16,543,741	52,071,674
Segment revenue from external source	35,527,933	16,543,741	52,071,674
Segment result			
Total segment result	5,431,476	3,227,405	8,658,881
Segment result from external source	**5,431,476**	**3,227,405**	**8,658,881**
Items included within the segment result:			
Interest income	945,478	11,686	957,164
Interest expense	(2,207,353)	(125,995)	(2,333,348)
Depreciation and amortisation expense	(539,503)	(93,748)	(633,251)
Income tax expense	(2,347,507)	(772,290)	(3,119,797)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	(47,370)	–	(47,370)
Total segment assets	**126,531,154**	**275,220,183**	**401,751,337**
Total segment assets include:			
Investments in equity accounted associates and joint ventures	–	13,188	13,188
Additions to non-current assets other than financial instruments and deferred tax assets	825,292	67,781	893,073
Total segment liabilities	**113,153,648**	**264,151,449**	**377,305,097**

Notes to the Financial Statements (continued)

Year ended 30 June 2016

Note 33: Subsequent Events

Circumstances which have arisen since 30 June 2016 that affect the state of affairs of the consolidated entity are detailed as follows:

(a) Acquisitions

1. Assured Cover Pty Ltd – On 2 August 2016, the consolidated entity acquired the business of Assured Cover Pty Ltd, an insurance consulting firm in Sydney. The fair value of the client list is being determined and will be disclosed at the next reporting date.

	$
Consideration paid/payable	
Consideration and costs paid	220,500
Contingent consideration	73,500
Deferred consideration	73,500
Total Consideration	367,500

(b) Final dividend

On 22 August 2016, the Board declared a final dividend for 2016 of 2.5 cents per share, 100% franked.

Note 34: Entity Details

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

PSC Insurance Group Limited
Suite 1, Ground Floor
90-94 Tram Road
Doncaster VIC3108

Directors Declaration

The directors declare that the financial statements and notes set out on pages 30 to 84 are in accordance with the *Corporations Act 2001*:

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

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2016 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 ending 30 June 2016.

This declaration is made in accordance with a resolution of the directors

Brian Austin
Director

Melbourne
Date: 2 September 2016

Paul Dwyer
Director

Melbourne
Date: 2 September 2016

Independent Auditor's Report

PSC INSURANCE GROUP LIMITED
ABN 81 147 812 164
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PSC INSURANCE GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of PSC Insurance Group Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

PSC INSURANCE GROUP LIMITED
ABN 81 147 812 164
AND CONTROLLED ENTITIES

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PSC INSURANCE GROUP LIMITED

Independence

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

Opinion

In our opinion:

(a) the financial report of PSC Insurance Group Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 27 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of PSC Insurance Group Limited and controlled entities for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

F V RUSSO
Partner

2 September 2016

PITCHER PARTNERS
Melbourne

Shareholder Information

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

Shareholding Analysis

(a) Distribution of Shareholders

At 24 August 2016, the distribution of shareholdings was as follows:

Range	Securities	%	No. of holders	%
100,001 and Over	214,928,608	95.36	66	9.05
10,001 to 100,000	8,374,790	3.72	277	38.00
5,001 to 10,000	1,375,018	0.61	166	22.77
1,001 to 5,000	681,195	0.30	188	25.79
1 to 1,000	18,499	0.01	32	4.39
Total	**225,378,110**	**100.00**	**729**	**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 24 August were:

Shareholder	Number of Shares
Mrs Melissa Jane Dwyer	69,406,294
Austin Superannuation Pty Ltd	34,930,032
Glendale Dwyer Pty Ltd	34,800,522

(c) Class of shares and voting rights

At 24 August 2016, there were 729 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.

(d) Twenty Largest Shareholders (At 24 August 2016)

	Shareholder	Number of Shares
1	Mrs Melissa Jane Dwyer	69,406,294
2	Austin Superannuation Pty Ltd	34,930,032
3	Glendale Dwyer Pty Ltd	34,800,522
4	RBC Investor Services Australia Pty Limited	8,891,859
5	Citicorp Nominees Pty Limited	8,585,646
6	Locust Fund Pty Ltd	8,013,078
7	Mr Michael David Gunnion & Mrs Debra Lee Gunnion	5,178,403
8	National Nominees Limited	5,138,756
9	Walker Insurance & Financial Services Pty Ltd	4,451,168
10	UBS Nominees Pty Ltd	4,020,000
11	J P Morgan Nominees Australia Limited	3,884,302
12	UYB.com Pty Ltd	3,117,479
13	Namarong Investments Pty Ltd	2,000,000
14	Silvervale Pastoral Co Pty Ltd	1,529,769
15	Sippchoice Trustees Limited	1,504,223
16	Mr Noel Christopher Lenihan	1,450,570
17	HSBC Custody Nominees (Australia) Limited	1,071,935
18	Ms Tracey Mclaren	1,053,291
19	Mr Joshua Martin Reid	1,000,000
20	Faith Walker Pty Ltd	952,195

Corporate Information

Directors

Brian M Austin (Non-Executive Chairman)
Paul R Dwyer (Managing Director)
John R Dwyer
Antony D Robinson
Melvyn S Sims

Group Secretary

Stephen G Abbott

Registered Office

Suite 1, 90-94 Tram Road
Doncaster, Victoria, 3108
Tel: (03) 9851 3200
W: www.pscinsurancegroup.com.au

Auditors

Pitcher Partners

Level 19, 15 William 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 Stock Exchange with ASX Code: PSI