



PSC Insurance Group Limited

ANNUAL REPORT 2017





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CHAIRMAN'S LETTER

To my fellow shareholders, I am very pleased to report that the financial year 2017 has been another successful year for PSC Insurance Group Limited, with statutory revenue up 25% to \$84.5 million, statutory EBITDA up 64% to \$30.3 million and statutory NPAT attributable to members up 98% to \$19.7 million.

The Managing Director's Report will elaborate in more detail on the financial results.

Our long term vision is simple and unchanged:

- Customers and customer experience is paramount in all we do, striving to deliver exceptional service at the most competitive prices. We continue to 'Make It Personal'.
- We are driven to continually improve and refine all existing businesses.
- We look for sensible investments and business start up opportunities where we can improve the performance over the medium term.

The Board is very pleased the results this year show alignment to our vision, with sound growth from the existing investments and good contributions from all the acquired investments announced since our IPO in December 2015. The results show the strength and diversity of the Group; by type of business, by level of maturity and growth profile and by geography.

In financial year 2017 we have:

- Successfully integrated the acquisitions of financial year 2016 into our Group, with sound contributions from all and an expectation of improvement in the coming years.
- Acquired a headquarters in East Melbourne, which we believe will be a very good asset for the shareholders over time. Additionally it provides an opportunity for our Melbourne based employees to enjoy a consolidated and interactive work environment and a permanent Group headquarters.
- Continued to work on the pipeline of future growth opportunities and announced a number of new acquisitions, the main of which were Online Insurance Brokers and an investment in BCS Broking. We expect to make more announcements shortly.
- Increased our investments in existing and new businesses with an on-line presence. Our industry like all others has and will feel the impact of technology, and the Group is looking to be well positioned for change.
- Refinanced into a new long term syndicated funding arrangement with Commonwealth Bank and Macquarie Bank.

The Board, executive, staff and business partners remain highly invested and motivated to ensure the sustained strong performance of the Group over the medium and long term. I believe there are few investments on the ASX with better alignment between its owners and management.

I am pleased to announce an increase in the fully franked final dividend to 4.0 cents per share. Total dividends for the period were up 62% to 6.0 cents per share.

I would like to thank my fellow Directors for the time, enthusiasm and dedication they have committed to the Group's performance. Importantly, on behalf of the Board, we thank all the PSC staff and business partners for their continuing efforts and for making 2017 such a success. Unquestionably, they are the greatest asset of the Group.

To my fellow shareholders, thank you for the support and confidence you have placed in your Board. The Board, executive and staff assure you of our intention to strongly grow our business in a measured and disciplined manner.

Yours sincerely,



Brian Austin
Non-Executive Chairman

MANAGING DIRECTOR'S REPORT

Key financial highlights in 2017 for PSC Insurance Group Limited were:

- Underlying revenue was up 20% on the prior corresponding period (pcp) to \$81.3 million.
- Underlying¹ earnings before interest, tax, depreciation and amortisation (EBITDA) up 34.4% on the pcp to \$28.5 million.
- Underlying EBITDA margin up from 31.4% to 35.0%.
- Underlying net profit after tax and before amortisation (NPATA) up 28% on the pcp to \$18.4 million.

The Chairman's Letter touched on our longer term strategy and vision, that of improvement of existing operations, acquisition and start up opportunities. Improvement over time is the key, along with alignment between management and shareholders to ensure decisions are made in the best interests of customers.

Strategy and Vision at work:

- The Group now has over 30 investments, all managed by specific senior executives whose core function is to satisfy customers, manage their staff and grow their business segments. These businesses are supported by central support functions which include finance, IT and compliance.
- These investments are diversified in three ways.
- Firstly by category of insurance service delivery. Commercial insurance broking, underwriting agencies (no underwriting risk), broking networks, life insurance broking, wholesale Lloyd's broking and reinsurance broking all form distinct and measurable business segments that in unison, represent almost all facets of a truly universal insurance delivery model.
- Secondly, by maturity position. I discussed in our 2016 AGM the various phases each of our businesses were navigating at the time, these being categorised as early stage, emerging and mature. We look to balance the portfolio between these categories to best ensure the mix between those businesses able to provide future growth, and those that are mature and proven where the future growth is more limited but immediate term performance more certain. We will continue to update our view with reference to these respective positions at future AGM's.
- Thirdly, by geography, with operations in Australia, the UK and New Zealand.
- These considerations are an active guide on where we choose to deploy the Group's capital.
- The resources of the Group are fully deployed to manage these insurance services assets and partner with management to grow and improve the businesses.

Financial year 2017 has been a year where we have been able to provide sound financial returns, consolidate and integrate the acquisition activity of 2016, and establish a pipeline of future activity.

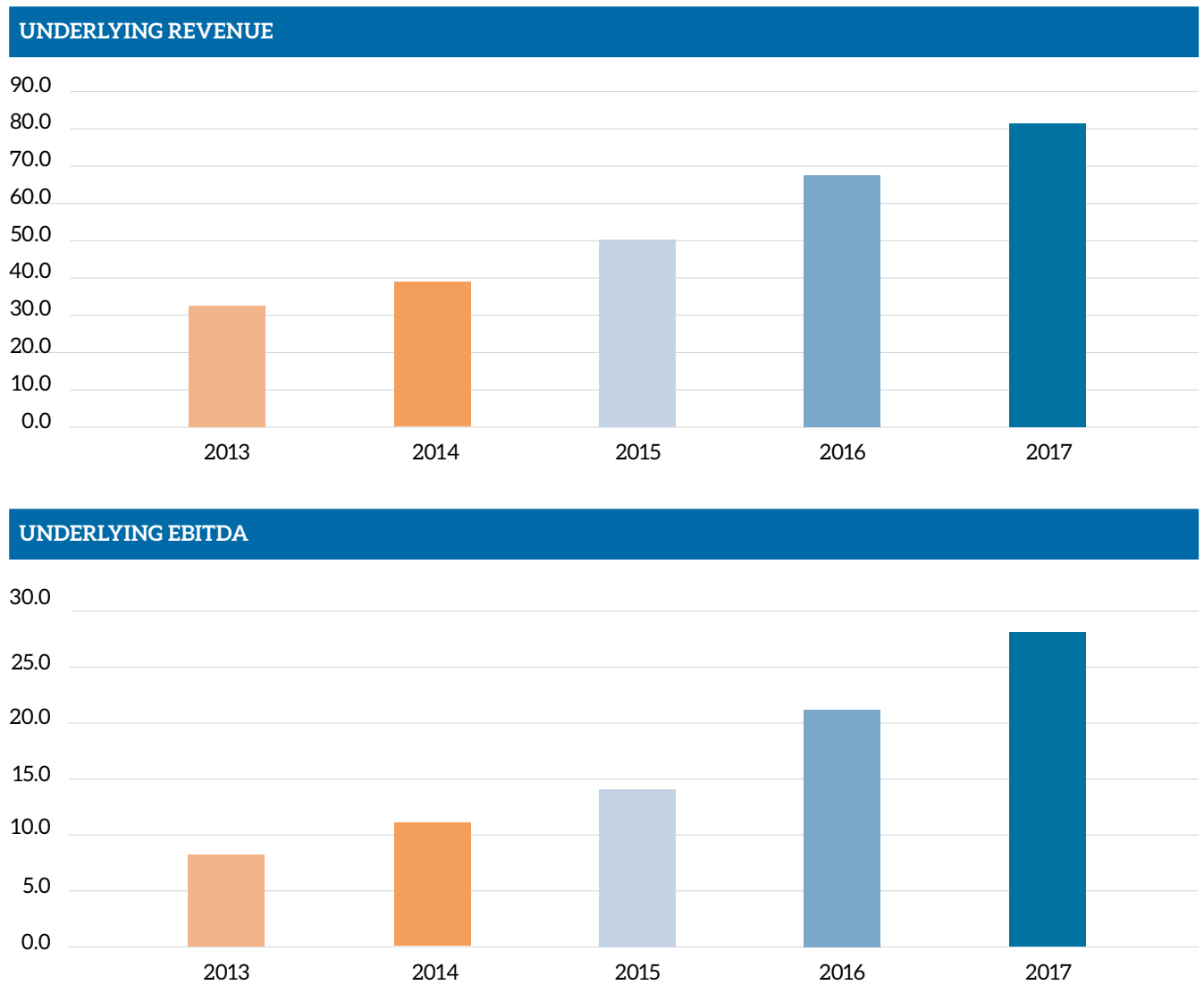
A number of acquisitions were announced in the latter part of financial year 2017 and since balance date. Of particular note are those investments we have made in businesses with a proven on-line presence in the insurance and financial services sector.

As with all businesses, technology is changing and will continue to influence the way business is done globally. PSC Direct is a new start up business within the Group, which has developed an end to end insurance solution for small business operators. PSC Direct, coupled with these new investments, will ensure the Group is well positioned for change as technological innovation drives future insurance consumer behaviour in certain product categories.

¹ Underlying EBITDA adjusts for deferred consideration payment adjustments taken to revenue of \$3.2 million and \$1.3 million of one off costs, relating principally to acquisition related restructure costs, advisor fees relating to acquisitions, one off NED option cost and non-recurring and final IPO performance remuneration.

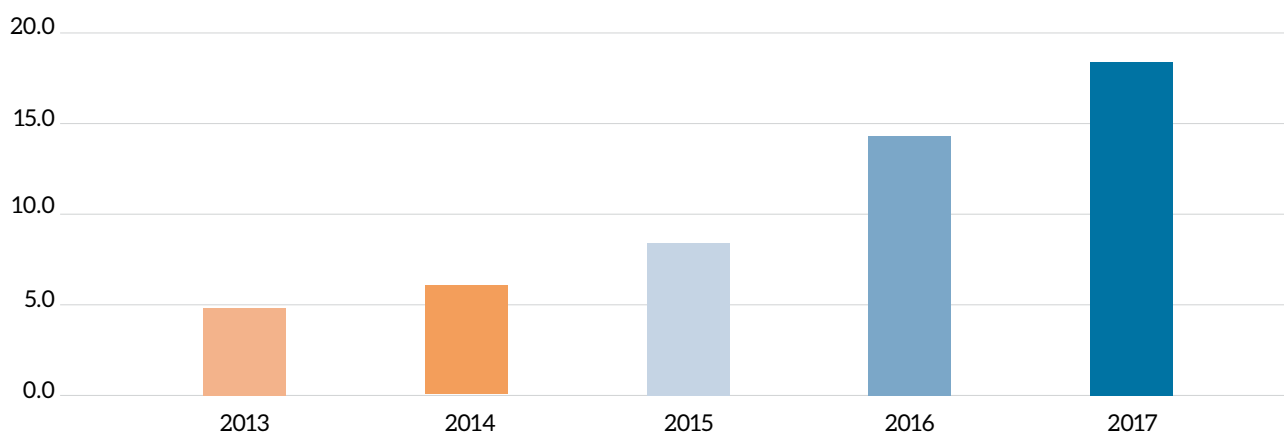
Financial Performance

The underlying financial performance of the Group over the last 5 years are summarised below:



MANAGING DIRECTOR'S REPORT (continued)

UNDERLYING NPATA

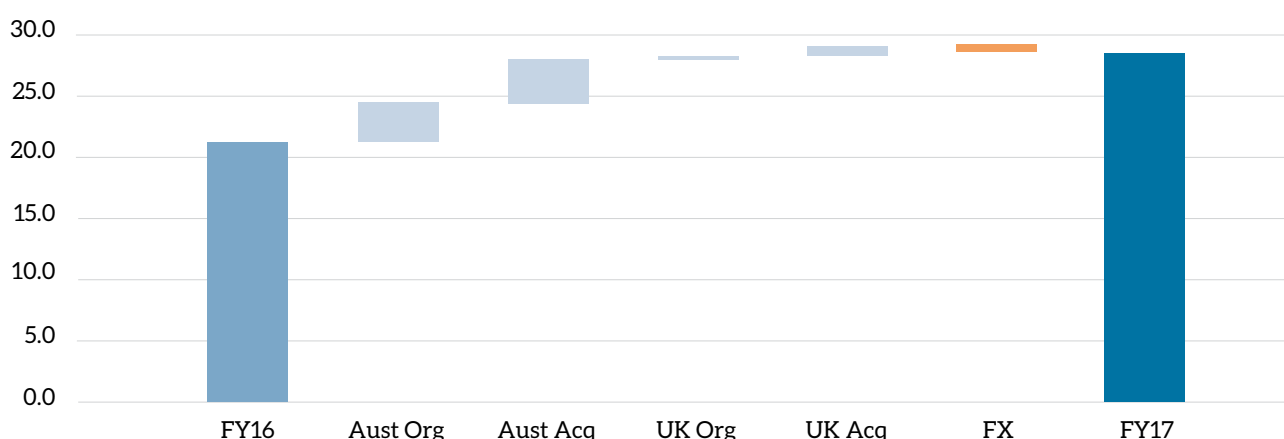


The underlying compound annual growth rates over this 5 year period have been:

- Revenue: 30%.
- EBITDA: 38%.
- NPATA: 43%.

We are pleased with the financial year 2017 results, which are outlined more closely below:

UNDERLYING EBITDA



Underlying EBITDA has increased from \$21.2 million to \$28.5 million. The components of these results are:

- Organic EBITDA growth in the Australian operations was \$3.9 million. The broking operations have performed solidly and the underwriting agency and network businesses have performed strongly. The Group has benefitted from its increasing scale, improving both revenue and margin.
- Incremental acquired EBITDA growth in the Australian operations was \$3.6 million. This reflects a full annualised contribution of the acquisitions completed in financial year 2016. The largest contributors were the Reliance related businesses, the first acquisition post listing. More generally, all are performing to expectation and we are confident will continue to improve over time.
- Overall UK EBITDA was down marginally (A\$0.3 million).
- The average UK sterling rate depreciated 21% over financial year 2017. This reduced revenue by \$4.6 million and EBITDA by \$1.1 million.

- The organic EBITDA growth of the UK Lloyd's broking and underwriting agency business (Carroll Holman and Breeze Underwriting UK) was \$0.3 million. Additionally, incremental acquired EBITDA was \$0.8 million. We have been pleased with the performance of the combined business.
- The reinsurance broking business (Alsford Page & Gems) contribution reduced \$0.3 million. This was a result of the loss of a large client and a conservative position taken on the future revenue on longer dated treaty and binder contracts.

Underlying NPATA and Statutory NPAT:

A reconciliation between underlying NPATA and statutory NPAT is as follows:

(\$m)	2013	2014	2015	2016	2017
Statutory NPAT, incl NCI	1.9	6.7	8.7	10.8	20.0
Amortisation	0.2	0.2	0.2	0.5	0.7
Tax Adjusted Impact of Revenue and Expense Adjustments	2.8	(0.9)	(0.5)	2.4	(2.3)
IPO Interest Adjustment	0.0	0.0	0.0	0.7	0.0
Underlying NPATA	4.8	6.0	8.4	14.4	18.4

Underlying NPATA of \$18.4 million adjusts the statutory NPAT of \$20.0 million to reflect:

- The non-cash amortisation charge.
- Non trading revenue recognised for lower net deferred consideration paid on acquisitions of \$3.2 million. This is required under current accounting standards. Any changes in deferred consideration in future periods will likewise be highlighted for adjustment.
- One off and non-recurring costs of \$1.3 million. These relate principally to a combination of acquisition related restructure costs, advisor fees relating to acquisitions, one off NED option cost and non-recurring and final IPO performance remuneration.

Balance Sheet:

The Group announced that it refinanced into a new 5 year syndicated funding agreement, led by Commonwealth Bank, and our long term funding partner Macquarie Bank. The Group remains prudently and conservatively geared, with headroom available for future growth.

At our IPO in December 2015, the Group raised \$43 million. The underlying EBITDA has risen from \$14.1 million for financial year 2015 to \$28.5 million in financial year 2017. We are pleased that we have been able to use funds in a sensible manner to grow the business and provide returns for all shareholders. Return on equity is currently 25% and earnings per share has increased strongly as acquisitions have been funded with debt facilities.

Dividends:

The Chairman announced an increased final, fully franked dividend to 4.0 cents per share, bringing total dividends for the financial period to 6.0 cents per share. This is an increase from 3.7 cents per share for the financial period 2016.

Summary and Outlook:

2017 was a good year. We took the opportunity to underpin several new investments to strengthen their future growth prospects, and the performance of existing assets have been pleasing overall.

We are well placed for financial year 2018 and are confident we can continue to grow the Group for all stakeholders.

Beyond this, 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; and
- 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 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; and
- 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.

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

- **Major donation grant** – providing grants 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. 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 \$2,000 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.

Our Beneficiaries this Year



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 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.

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	7 years
Mr Paul Dwyer, Managing Director	7 years
Mr John Dwyer - Non-executive	7 years
Mr Antony Robinson - Independent	2 years
Mr Melvyn Sims - Independent	1 year

Principal 2.4 and 2.5 of the ASX Corporate Governance Principles 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.

CORPORATE GOVERNANCE STATEMENT (continued)

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. 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 53%.

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. The Committee is chaired by Independent Non-executive Director, Mr Antony Robinson. Mr Paul Dwyer is the other member of this committee. Principal 4.1 of the ASX Corporate Governance Principles 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 two 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 company's 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, Company Secretary and chaired by the Group's in-house legal counsel. This committee provides a written report to each full Board Meeting. 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 Principles and Recommendations recommends that the Remuneration and Nominations Committee have at least three members all of whom are Non-executive Directors.

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 ("consolidated entity" or "Group"), for the financial year ended 30 June 2017 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 services 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 \$19,724,000 (2016: \$9,965,000).

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 \$67.8 million to \$84.5 million and statutory net profit after tax attributable to owners of PSC Insurance Group Limited increased from \$10.0 million to \$19.7 million. Underlying operating revenue from core operations increased 20% from \$67.5 million to \$81.2 million, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 34% from \$21.2 million to \$28.5 million and underlying net profit after tax before amortisation (NPATA), increased 28% from \$14.3 million to \$18.4 million.

These underlying results make adjustments for the one-off costs, largely the result of the deferred consideration adjustments and non-recurring costs related principally to acquisitions, a NED option cost and IPO related performance remuneration.

Underlying EBITDA margin has improved from 31.4% to 35.0%.

Gearing² as measured on a book value basis has increased from 28% to 37%, however the Group remains well capitalised. Return on equity was 25%.

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity.

After balance date events

The consolidated entity acquired the business of National Franchise Insurance Brokers on the 1st July 2017.

The consolidated entity committed to the purchase of the business of Riley & Associates Pty Ltd and the purchase of the entire share capital of Insurance Marketing Group of Australia Pty Ltd and Medisure Indemnity Australia Pty Ltd.

Refer to Note 33: Subsequent Events.

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:

	2017 \$	2016 \$
(a) Dividends paid by PSC Insurance Group Limited		
Dividends paid fully franked	10,148,015	6,505,295
(b) Dividends paid to non-controlling interests		
Dividends paid partially franked	-	1,130,748
(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 4.0 cents per share fully franked (2016: 2.5 cents)	9,039,957	5,634,453
Since the end of the reporting period the directors have recommended/declared dividends to non-controlling interests	-	-

Shares under option

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

Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
14 December 2015	300,000	\$1.00 per share	14 December 2020
8 July 2016	600,000	\$1.66 per share	8 July 2021

The options granted on 14 December 2015 were to Antony Robinson.

Options issued on 8 July 2016 were to Melvyn Sims.

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

DIRECTORS' REPORT (continued)

Shares issued on exercise of options

Mr Robinson exercised 300,000 options for the issue of 300,000 shares in the financial period.

These options had an exercise price of \$1.00 per share.

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 2016 is provided below, together with details of the company secretary as at the year end.

Director	Expertise, experience and qualifications
<p>Brian Austin Non-Executive Chairman</p> <p><i>Member of Remuneration and Nomination Committee</i></p>	<p>Brian Austin was appointed to the Board on 10 December 2010. With over 35 years industry experience, Mr Austin has held senior executive positions in the insurance industry, including 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.</p>
<p>Paul Dwyer Managing Director</p> <p>Dip Fin Serv (Ins)</p> <p><i>Member of Audit and Risk Management Committee</i></p>	<p>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.</p>
<p>John Dwyer Executive Director</p> <p>Dip Fin Serv (Ins)</p>	<p>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.</p>
<p>Antony Robinson Non-Executive Director</p> <p>B Com (Melb), ASA, MBA (Melb)</p> <p><i>Chair of Audit and Risk Management Committee and Remuneration and Nomination Committee</i></p>	<p>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 Centrepont 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.</p> <p>Mr Robinson is a Director of three ASX listed entities being TasFoods Limited, Bendigo and Adelaide Bank Limited, Primary Opinion Limited and Pacific Current Group Limited and holds a number of directorships of private companies, including River Capital Pty Limited.</p>

Director	Expertise, experience and qualifications
Melvyn Sims Non-Executive Director LLB (Hons) Nottm.	<p>Melvyn 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.</p> <p>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.</p>
Stephen Abbott BBus, CA, CTA	<p>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.</p>

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	6	6	2	2		
John Dwyer	6	6				
Brian Austin	6	6			1	1
Antony Robinson	6	6	2	2	1	1
Melvyn Sims	6	6				

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

Director's interests in contracts

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

DIRECTORS' REPORT (continued)

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	70,223,000	-
John Dwyer	35,150,522	-
Brian Austin	35,310,600	-
Antony Robinson	418,000	300,000
Melvyn 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*.

	2017 \$	2016 \$
Amounts paid/payable to Pitcher Partners (Melbourne) for non-audit services:		
Taxation Services	29,550	81,830
Other Services	4,743	4,050
	34,293	85,880
Amounts paid/payable to network firms of Pitcher Partners for non-audit services:		
Corporate secretarial services	-	1,371
	-	1,371
Amounts paid/payable to non-related auditors of group entities for non-audit services:		
Taxation services	14,115	56,250
Other services	8,402	10,379
	22,517	66,629
Total Amount Paid/Payable	56,810	153,880

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 one thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

The Directors present the consolidated entity's 2017 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	Full Year	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.

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 Director's total remuneration having regard to remuneration and incentive policies;
- The design and total proposed payments from any incentive plan and reviewing the performance hurdles for any equity based plan;
- The remuneration and related policies of Non-Executive Directors for serving on the board and any committee (both individually and in total); 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, organizing and managing people.

Remuneration Structure

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

Non-Executive Director Remuneration Structure

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

The Board and the Remuneration Committee, considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the 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 2017 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 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.

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 (KPIs) 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.

An STI bonus payment was granted under the Plan during the year to Paul Dwyer. See Table 3.

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 or 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 2017 Financial Year to Melvyn Sims. See Table 5.

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. 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

2017	Short-Term			
	Salary fees \$	Cash bonus \$	Non-monetary \$	Other \$
Non-Executive Directors				
Brian Austin (i)	300,000	-	-	-
Antony Robinson	54,795	-	-	-
Melvyn Sims (ii)	75,272	-	-	58,814
	430,067	-	-	58,814
2016				
Non-Executive Directors				
Brian Austin	300,000	-	-	-
Antony Robinson (iii)	54,162	-	-	-
	354,162	-	-	-

(i): Brian Austin provides his services via Melimar Estate Pty Ltd.

(ii): Appointed 8 August 2016. Melvyn Sims provided consultancy services to Insurance Holdings Limited in relation to the acquisition of John Holman & Sons Holdings Limited, resulting in Other remuneration.

(iii): Appointed 13 July 2015.

(b) Executives' remuneration:

Table 2

2017	Short-Term			
	Salary fees \$	Cash bonus \$	Non-monetary \$	Other \$
Executive Directors				
Paul Dwyer (i)	300,000	200,000	-	-
John Dwyer (ii)	300,000	-	-	-
	600,000	200,000	-	-
2016				
Executive Directors				
Paul Dwyer	300,000	-	-	-
John Dwyer	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).

	Post employment			Long-term Incentive plans \$	Share-based payments Options \$	TOTAL \$	Total performance related %	Options as % of total %
	Superannu- ation \$	Retirement benefits \$	Termination benefits \$					
	-	-	-	-	-	300,000	-	-
	5,205	-	-	-	-	60,000	-	-
	-	-	-	-	152,785	286,871	-	53%
	5,205	-	-	-	152,785	646,871	-	24%
2020								
	-	-	-	-	-	300,000	-	-
	5,145	-	-	-	92,039	151,346	-	61%
	5,145	-	-	-	92,039	451,346	-	20%

	Post employment			Long-term Incentive plans \$	Share-based payments Options \$	TOTAL \$	Total performance related %	Options as % of total %
	Superannu- ation \$	Retirement benefits \$	Termination benefits \$					
	-	-	-	-	-	500,000	40%	-
	-	-	-	-	-	300,000	-	-
	-	-	-	-	-	800,000	25%	-
2019								
	-	-	-	-	-	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 was based on attainment of IPO prospectus forecasts. This performance-based remuneration was granted to the Managing Director.

Table 3

Year	Executive Director	Amount included in Remuneration \$	Awarded/ Guaranteed %	Forfeited %	Estimated Maximum total value of Bonus
2018	Paul Dwyer	N/a	N/a	N/a	-
2017	Paul Dwyer	200,000	100%	0%	200,000
2016	Paul Dwyer	-	0%	100%	-

(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 4

	2017	2016	2015	2014
Revenue	84,475,859	67,766,163	52,071,674	40,560,513
% increase in revenue	25%	30%	28%	25%
Profit before tax	27,114,780	15,973,533	11,778,678	9,502,485
% increase in profit before tax	70%	36%	24%	242%
Change in share price	\$0.55	N/a	N/a	N/a
Dividend paid to shareholders	10,148,015	6,505,295	1,550,000	-
Return of capital	12%	16%	35%	39%
Total remuneration of KMP	1,446,871	1,051,346	900,000	900,000
Total performance based remuneration	200,000	-	-	-

E. Key management personnel's share-based compensation

(a) Details of compensation Options

In 2017 the consolidated entity agreed to grant Melvyn Sims 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 \$1.66. The option grant will be exercisable during the five-year period following the date of grant.

Table 5

2017	Grant Date	Number Granted	Fair Value per option at grant date \$	Number vested during the Year	Year in which option may be vested	Vest %	Value Exercised During the year	Number lapsed during the year	Forfeited %	Exercise Price %	Terms and conditions for each grant		
											Expiry Date	First Exercise Date	Last Exercise Date
Melvyn Sims	8 July 2016	600,000	0.255	600,000	-	100	-	-	-	\$1.66	8 July 2021	-	-
		600,000	-	600,000	-	100	-	-	-	-	-	-	-

(b) Shares issued on exercise of compensation options

In 2017 Antony Robinson exercised 300,000 options previously issued under the consolidated entity's Long Term Incentive Plan.

Table 6

2017	Number of Shares	Amount Paid per share \$	Value of options at grant date \$	Value of options exercised in year \$
Antony Robinson	300,000	1.00	46,020	270,000

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the financial year.

F. Key management personnel's equity holdings

(a) Number of options held by key management personnel

As at 30 June 2017, key management personnel hold options under PSC's Long Term Incentive Plan to purchase 900,000 ordinary shares of the consolidated entity.

Table 7

2017	Balance 1/07/16	Granted as remuneration	Exercise of options	Net change Other	Balance 30/06/17
Directors					
Antony Robinson	600,000	-	300,000	-	300,000
Melvyn Sims	-	600,000	-	-	600,000
	600,000	600,000	300,000	-	900,000

DIRECTORS' REPORT (continued)

(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 2017 is as follows:

Table 8

2017	Balance 1/07/16	ESOP Allocation	Received as Remuneration	Exercise of options	Net change Other	Balance 30/06/17
Directors						
Brian Austin	34,930,032	-	-	-	380,568	35,310,600
Antony Robinson	118,000	-	-	300,000	-	418,000
Melvyn Sims	-	-	-	-	-	-
Executive Directors						
Paul Dwyer	69,406,294	-	-	-	816,706	70,223,000
John Dwyer	34,800,522	-	-	-	350,000	35,150,522
	139,254,848	-	-	300,000	1,547,274	141,102,122

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 9

2017	Balance 1/07/2016	Interest paid and payable	Interest not charged	Balance 30/06/2017	Number in group 30/6/2017
	\$22,767	-	N/a	-	1

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

There have been no loans made, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries, in the financial year to a particular key management person, close members of the family of the key management person and entities related to them greater than \$100,000.

(c) Aggregate of loans received

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

H. Other transactions with key management personnel

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 2017 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 \$338,073 (2016: \$295,254).
- Fuse Recruitment were paid for the provision of recruitment services and the provision of temporary staff. Total value of these goods and services was \$106,575 (2016: \$202,104).
- P Capital Pty Ltd were paid for the provision of transport services. Total value of these goods and services was \$66,368 (2016: \$102,300).
- The consolidated entity provided Fuse Recruitment with office accommodation. Total value of these goods and services was \$139,181 (2016: \$59,175).

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 \$258,262 (2016: \$154,643). The services supplied were in the normal course of business and on normal commercial terms and conditions.

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 2017 financial year.

Signed in accordance with a resolution of the directors



Brian Austin
Chairman

Melbourne
Date: 22 August 2017



Paul Dwyer
Managing Director

Melbourne
Date: 22 August 2017

AUDITOR'S INDEPENDENCE DECLARATION



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 2017, 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 APES 110 *Code of Ethics for Professional Accountants*.

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

A handwritten signature in black ink, appearing to read "F Russo".

F V RUSSO
Partner
22 August 2017

A handwritten signature in black ink that reads "Pitcher Partners".

PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue and other income			
Fee and commission income	3	77,554	64,750
Other revenue	3	3,674	2,745
Other income	3	3,247	271
	3	84,475	67,766
Less: expenses			
Administration and other expenses	4	(7,443)	(8,540)
Depreciation and amortisation expense	4	(1,515)	(1,017)
Employee benefits expense	4	(36,717)	(31,732)
Occupancy expense		(2,902)	(2,694)
Finance costs	4	(1,761)	(1,518)
Employee contractors		(2,282)	(2,267)
Information technology costs		(3,287)	(2,794)
Professional fees		(1,453)	(1,230)
		(57,360)	(51,792)
Profit before income tax expense		27,115	15,974
Income tax expense	5	(7,144)	(5,135)
Net profit from continuing operations		19,971	10,839
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		(622)	(1,686)
Other comprehensive income for the year		(622)	(1,686)
Total comprehensive income		19,349	9,153
Profit is attributable to:			
- Owners of PSC Insurance Group Limited		19,724	9,965
- Non-controlling interests		247	874
		19,971	10,839
Total comprehensive income is attributable to:			
- Owners of PSC Insurance Group Limited		19,102	8,279
- Non-controlling interests		247	874
		19,349	9,153
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic earnings per share	25	8.8 cents	5.2 cents
Diluted earnings per share	25	8.7 cents	5.2 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	7	80,124	87,252
Receivables	8	328,805	339,385
Other current assets	9	2,167	1,812
Total current assets		411,096	428,449
Non-current assets			
Receivables	8	3,747	5,245
Other financial assets	10	5,863	1,955
Equity accounted investments	11	8,123	7,515
Property, plant and equipment	13	11,963	1,750
Intangible assets	14	73,078	67,377
Total non-current assets		102,774	83,842
Total assets		513,870	512,291
Current liabilities			
Payables	15	375,437	397,678
Borrowings	16	635	566
Provisions	17	2,031	2,109
Current tax liabilities	5	3,239	551
Other liabilities	18	6,755	10,700
Total current liabilities		388,097	411,604
Non-current liabilities			
Borrowings	16	43,478	26,154
Provisions	17	337	304
Deferred tax liabilities	5	2,942	1,381
Other liabilities	18	774	5,045
Total non-current liabilities		47,531	32,884
Total liabilities		435,898	444,488
Net assets		77,972	67,803
Equity			
Share capital	19	85,994	85,194
Reserves	20	(38,194)	(37,740)
Retained earnings	20	28,496	18,920
Equity attributable to owners of PSC Insurance Group Limited		76,296	66,374
Non-controlling interests	21	1,676	1,429
Total equity		77,972	67,803

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

Consolidated	Share capital \$'000	Reserves \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total Equity \$'000
Balance as at 1 July 2015	3,599	1,172	15,305	4,370	24,446
Profit for the year	-	-	9,965	874	10,839
Exchange differences on translation of foreign operations, net of tax	-	(1,686)	-	-	(1,686)
Total comprehensive income for year	-	(1,686)	9,965	874	9,153
Transactions with owners in their capacity as owners:					
Reduction in non-controlling interests	-	-	-	(4,034)	(4,034)
Non-controlling interest arising from business combination	-	-	-	1,350	1,350
Movement in interests in controlled entities	39,863	(37,351)	-	-	2,512
In specie distributions	(1,813)	-	155	-	(1,658)
Retail Share Capital Raised	43,000	-	-	-	43,000
Share Capital Issue Costs	(2,066)	-	-	-	(2,066)
Other share issues	1,144	-	-	-	1,144
Employee share issues	1,467	125	-	-	1,592
Dividends paid	-	-	(6,505)	(1,131)	(7,636)
Total transactions with owners	81,595	(37,226)	(6,350)	(3,815)	34,204
Balance as at 30 June 2016	85,194	(37,740)	18,920	1,429	67,803

Consolidated Entity	Share capital \$'000	Reserves \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total Equity \$'000
Balance as at 1 July 2016	85,194	(37,740)	18,920	1,429	67,803
Profit for the year	-	-	19,724	247	19,971
Exchange differences on translation of foreign operations, net of tax	-	(622)	-	-	(622)
Total comprehensive income for the year	-	(622)	19,724	247	19,349
Transactions with owners in their capacity as owners:					
Shares in lieu of cash for acquisition of subsidiary undertaking	500	-	-	-	500
Converted Share Options	300	-	-	-	300
Employee share issues	-	168	-	-	168
Available for sale reserve	-	-	-	-	-
Dividends paid	-	-	(10,148)	-	(10,148)
Total transactions with owners	800	168	(10,148)	-	(9,180)
Balance as at 30 June 2017	85,994	(38,194)	28,496	1,676	77,972

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash flow from Operating activities			
Receipts from customers		80,472	64,584
Payments to suppliers and employees		(61,191)	(48,776)
Dividends and distributions received		1,100	238
Interest received		1,110	982
Interest paid		(1,761)	(1,518)
Income tax paid		(3,676)	(5,260)
Operating cash before movement in customer trust accounts		16,054	10,250
Net movement in customer trust accounts		(8,608)	27,915
Net cash provided by operating activities	22(b)	7,446	38,165
Cash flow from investing activities			
Payment for property, plant and equipment		(10,030)	(930)
Deposits for property		-	(953)
Payment for intangibles		(8,785)	(16,880)
Payment for other investments		(2,854)	(7,515)
Payment for other financial assets		(1,400)	(1,330)
Net cash flow provided by (used in) investing activities		(23,069)	(27,608)
Cash flow from financing activities			
Proceeds from borrowings		36,445	31,127
Repayments of borrowings		(18,782)	(39,551)
Share Issues: Market		300	43,000
Capital raising costs		-	(2,779)
Dividends paid		(10,148)	(7,636)
Increase/(Decrease) in loans to related entities		2,618	(3,666)
Net cash provided by (used in) financing activities		10,433	20,495
Reconciliation of cash			
Cash at beginning of the financial year		87,252	57,900
Net increase in cash		(5,190)	31,052
Effect of exchange rate fluctuation on cash held		(1,938)	(1,700)
Cash at end of financial year	22(a)	80,124	87,252

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2017

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 address of PSC Insurance Group Limited's registered office and principal place of business is 96 Wellington Parade, East Melbourne, Victoria, 3002.

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.

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.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

Significant accounting estimates

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

(b) Going concern

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies (continued)

(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 are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

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

Details of the 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

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

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

The useful lives for each class of assets are:

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

(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 life of the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies (continued)

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

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.

(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) Provisions

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies (continued)

(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 defined contribution 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 consolidated entity'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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies (continued)

(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 consolidated 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 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 decision maker 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 decision maker 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) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the Director's Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(y) Accounting standards issued but not yet effective at 30 June 2017

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;

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies (continued)

(y) Accounting standards issued but not yet effective at 30 June 2017 (continued)

- 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.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the consolidated entity's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 2014-10 amends AASB 10: Consolidated Financial Statements and AASB 128: Investments in Associates and Joint Ventures to clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture by requiring:

- a full gain or loss to be recognised when a transaction involves a business, whether it is housed in a subsidiary or not; and
- a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

These Standards are not expected to significantly impact the consolidated entity's financial statements.

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 112: Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

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

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this objective, entities will be required to disclose the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

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

AASB 2016-5: Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (applicable for annual reporting periods commencing on or after 1 January 2018).

This Amending Standard amends AASB 2: Share-based Payment to address:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

AASB 4: Insurance Contracts to permit issuers of insurance contracts to:

- choose to apply the 'overlay approach' that involves applying AASB 9 and also applying AASB 139: Financial Instruments: Recognition and Measurement to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or
- choose to be temporarily exempt from AASB 9 when those issuer's activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 1: Statement of Significant Accounting Policies (continued)

(y) Accounting standards issued but not yet effective at 30 June 2017 (continued)

AASB 2017-1: Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments (applicable to for-profit entities for annual reporting periods commencing on or after 1 January 2018 and to not-for-profit entities for annual reporting periods beginning on or after 1 January 2019).

This Amending Standard amends AASB 140: Investment Property to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred. AASB 2017-1 also amends:

- AASB 1: First-time Adoption of Australian Accounting Standards to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration; and
- AASB 128: Investments in Associates and Joint Ventures to clarify that:
 - venture capital organisations, mutual funds, unit trusts and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and
 - an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture.

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

AASB 2017-2: Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle (applicable to annual reporting periods commencing on or after 1 January 2017).

This Amending Standard clarifies the scope of AASB 12: Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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

AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration (applicable for annual reporting periods commencing on or after 1 January 2018).

Interpretation 22 clarifies that, in applying AASB 121: The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, if there are multiple payments or receipts in advance, the entity is required to determine a date of the transaction for each payment or receipt of advance consideration.

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

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% (2016: 5%) for cash flows in year two to five and which is based on the historical average and a terminal value growth rate of 2% (2016: 2%) a pre-tax discount rate of 16.67% (2016: 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 2017

Note 3: Revenue and Other Income

	2017 \$'000	2016 \$'000
Fee and commission income		
Commission income	47,422	42,798
Fees income	23,473	18,358
Other fees	6,659	3,594
	77,554	64,750
Other revenue		
Dividend income and trust distributions	1,517	238
Interest income	1,110	982
Other revenue	1,047	1,525
	3,674	2,745
Other Income		
Share of equity accounted results	37	18
Gain on net assets exceeding consideration paid	-	253
Gain on deferred consideration	3,210	-
	3,247	271
	84,475	67,766

Note 4: Operating Profit

	2017 \$'000	2016 \$'000
Profit before income tax has been determined after:		
Finance costs	1,761	1,518
<i>Depreciation:</i>		
- Leasehold Improvements	94	106
- Investment Property	136	-
- Motor Vehicles	3	1
- Office Equipment	194	132
- Computer Equipment	362	320
	789	559
Amortisation of non-current assets		
- Identifiable intangibles	726	458
Bad and doubtful debts	314	59
Rental expense on operating leases	2,317	2,339
Foreign currency translation losses/(gains)	88	(200)
Employee benefits		
- Share-based payments	168	125
- Superannuation	2,430	2,531
- Other Employee benefits	34,119	29,076
	36,717	31,732
Administration and other expenses includes:		
IPO Costs: Staff Share allocations	-	1,467
Listing fees	-	185
Legal and professional fees	-	46
Other	200	181
Bank Refinance Costs	120	-
Acquisition Legal and professional fees	106	274
Acquisition Restructure Costs	261	155
Non recurring Professional Fees - Non Acquisition	118	-
Transaction costs relating to business combinations	-	345
Share based payments	168	125
Other	242	216
Other income includes		
Deferred consideration gains relating to business combinations	3,210	-

Other costs comprise, amongst others, office move costs and foreign exchange movements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 5: Income Tax

(a) Components of tax expense

	2017 \$'000	2016 \$'000
Current tax	6,398	3,634
Deferred tax	723	1,563
Under/(over) provision in prior years	23	(62)
	7,144	5,135

(b) Prima facie tax payable

	2017 \$'000	2016 \$'000
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (2016: 30.0%)	8,135	4,792
Add tax effect of:		
- Non-allowable IPO expenses	-	447
- Non allowable adjustments on formation of tax consolidated group	120	174
- Elimination of intercompany dividends	-	1,356
- Other non-allowable items	281	383
- Gross up of franking credits	-	575
- Amortisation	215	-
- Under provision for income tax in prior years	23	-
	639	2,935
Less tax effect of:		
- Overseas tax rate differential	512	467
- Non assessable gain/nondeductible loss on business acquisition rise and fall	984	-
- Income tax losses not recognised	30	28
- Over provision for income tax in prior years	-	62
- Franking credit offset	-	1,918
- Other non-assessable items	104	117
	1,630	2,592
Income tax expense attributable to profit	7,144	5,135

(c) Current tax

	2017 \$'000	2016 \$'000
Current tax relates to the following:		
Opening balance	551	3,424
Income tax	6,398	3,634
Tax payments	(3,676)	(5,260)
Utilisation of losses against current period liability	(171)	(1,053)
Under/(Over) provisions	23	(62)
Exchange translation difference	114	(132)
Current tax liabilities	3,239	551

(d) Deferred tax

	2017 \$'000	2016 \$'000
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	492	751
Employee benefits	686	649
Provision for doubtful debts	-	29
Accrued expenses	254	120
Listing costs deductible over time	461	614
Capital allowances	-	51
	1,893	2,214
Deferred tax liabilities		
The balance comprises:		
Customer Lists	735	-
Deferred income	3,979	3,582
Deferred expense	97	-
Utilisation of tax losses	24	13
	4,835	3,595
Net deferred tax assets/(liabilities)	(2,942)	(1,381)

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 5: Income Tax (continued)

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

	2017 \$'000	2016 \$'000
Decrease/(increase) in deferred tax assets	321	(673)
(Decrease)/increase in deferred tax liabilities	401	2,236
(Increase) in deferred tax assets on purchase of business and assumption of employee benefit liabilities	839	47
	1,561	1,610

Note 6: Dividends

(a) Dividends paid

	2017 \$'000	2016 \$'000
Dividends paid at 4.5 cents per share by PSC Insurance Group fully franked	10,148	6,505
Dividends paid to non-controlling interests	-	1,131
	10,148	7,636

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

	2017 \$'000	2016 \$'000
Since the end of the reporting period the directors have recommended/declared dividends of 4.0 cents per share (2016: 2.5 cents per share) fully franked	9,040	5,634
	9,040	5,634

(c) Franking account

	2017 \$'000	2016 \$'000
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	3,738	4,687

Note 7: Cash and Cash Equivalents

	2017 \$'000	2016 \$'000
Cash on hand	1	14
Cash at bank	4,907	6,298
Cash on deposit	3,902	1,683
Cash held on trust	71,314	79,257
	80,124	87,252

Note 8: Receivables

	2017 \$'000	2016 \$'000
Current		
Receivables from broking, reinsurance and underwriting agency operations	326,352	337,713
Impairment loss	(286)	(381)
	326,066	337,332
Other receivables	2,967	933
Provision for other receivables	(228)	-
Loans to related parties	-	1,120
	328,805	339,385
Non-Current		
Loans to related parties	3,747	5,245

(a) Provision for impairment and other receivables**(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 from when they become due and payable. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 8: Receivables (continued)

(a) Provision for impairment and other receivables (continued)

	2017 \$'000	2016 \$'000
Movements in the provision for impairment were:		
Opening balance 1 July	381	287
Charge for the year	314	59
Amounts written off	(181)	(29)
Provision acquired through business combination	-	96
Foreign exchange translation	-	(32)
Closing balance at 30 June	514	381

(b) Ageing of Receivables

	2017 \$'000	2016 \$'000
- 0-30 Days	108,651	129,471
- 30-60 Days	18,011	22,257
- 60-90 Days	28,987	32,968
- Over 90 Days	170,703	153,017
	326,352	337,713

Note 9: Other Current Assets

	2017 \$'000	2016 \$'000
Current		
Prepayments	1,561	600
Bonds and deposits	41	971
Accrued income	565	241
	2,167	1,812

Note 10: Other Financial Assets

	2017 \$'000	2016 \$'000
Non Current		
<i>Financial assets</i>		
Shares in other corporations	-	80
Other shares and Units held	5,613	1,875
Shares in listed corporations	250	-
Total financial assets	5,863	1,955

Note 11: Equity Accounted Investments

	2017 \$'000	2016 \$'000
Non-current		
Equity accounted associates	8,123	7,515

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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:

Associated Companies	Nature of Relationship	Principal place of business	Ownership Interest	
			2017	2016
AB Risk Solutions Ltd	(i)	United Kingdom	0.00%	50.00%
Easy Broking Online Ltd	(i)	United Kingdom	23.00%	23.00%
BCS Broking Pty Ltd	(ii)	Australia	25.00%	0.00%
RP-Baulkham Hills Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Caboolture Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Canning Vale Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Cannington Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Carlton Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Construction Risk Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-CPRS Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Edwardstown Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Fremantle Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Horsham Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Hoxton Park Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Joondalup Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Malaga Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Mona Vale Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Morayfield Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Nerang Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-North Perth Pty Ltd	(ii)	Australia	50.00%	50.00%
PSC Property Lync Insurance Brokers Pty Ltd (previously RP Oakleigh Pty Ltd)	(iii)	Australia	50.00%	50.00%
RP-Rockingham Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-South Perth Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Success Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Tullamarine Pty Ltd	(ii)	Australia	50.00%	10.00%
RP-Wanneroo Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Warragul Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Yanchep Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Yarrawonga Pty Ltd	(ii)	Australia	50.00%	50.00%
RP-Penrith Pty Ltd	(ii)	Australia	50.00%	-
RP-Parramatta Pty Ltd	(ii)	Australia	50.00%	-
PSC Insurennet JV Pty Ltd	(iii)	Australia	50.00%	-

Associated Companies		
Nature of relationship	2017 \$'000	2016 \$'000
(i) Non-controlling interests in UK broking businesses	27	27
(ii) Investments in entities holding client lists	8,096	7,488
(iii) Share in Joint Venture	-	-
	8,123	7,515

Note 13: Property, Plant and Equipment

	2017 \$'000	2016 \$'000
Leasehold improvements		
Leasehold improvements at cost	1,315	1,305
Accumulated depreciation	(946)	(880)
	369	425
Investment Property at cost		
Investment Property at cost	10,107	-
Accumulated depreciation	(136)	-
	9,971	-
Plant and equipment		
Motor vehicles at cost	22	22
Accumulated depreciation	(14)	(11)
	8	11
Office equipment at cost	2,290	1,947
Accumulated depreciation	(1,528)	(1,249)
	762	698
Computer equipment at cost	2,397	1,792
Accumulated depreciation	(1,544)	(1,176)
	853	616
Total plant and equipment	1,623	1,325
Total property, plant and equipment	11,963	1,750

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 13: Property, Plant and Equipment (continued)

(b) Reconciliations

	2017 \$'000	2016 \$'000
<i>Leasehold improvements</i>		
Carrying amount at beginning of year	425	219
Additions	24	294
Additions through acquisition of entities/operations	14	-
Depreciation expense	(94)	(106)
Net foreign currency movements arising from foreign operation	-	18
Carrying amount end of year	369	425
<i>Investment Property at Cost</i>		
Carrying amount at beginning of year	-	-
Additions	10,107	-
Depreciation expense	(136)	-
Carrying amount end of year	9,971	-
<i>Plant and equipment</i>		
<i>Motor vehicles</i>		
Carrying amount at beginning of year	11	-
Additions through acquisition of entities/operations	-	12
Depreciation expense	(3)	(1)
Carrying amount end of year	8	11
<i>Office equipment</i>		
Carrying amount at beginning of year	698	377
Additions	232	338
Disposals	-	(25)
Additions through acquisition of entities/operations	5	143
Depreciation expense	(194)	(132)
Net foreign currency movements arising from foreign operation	21	(3)
Carrying amount end of year	762	698

	2017 \$'000	2016 \$'000
Computer equipment		
Carrying amount at beginning of year	616	495
Additions	578	298
Additions through acquisition of entities/operations	-	86
Depreciation expense	(362)	(320)
Net foreign currency movements arising from foreign operation	21	57
Carrying amount end of year	853	616
Total plant and equipment	1,623	1,325
Total property, plant and equipment	11,963	1,750

Additions through acquisitions represent assets acquired through acquisition of Online Insurance Brokers Pty Ltd.

Note 14: Intangible Assets

	2017 \$'000	2016 \$'000
Goodwill at cost	53,306	52,770
Goodwill on consolidation at cost	13,206	8,955
Identifiable intangible assets at cost	8,729	7,089
Accumulated amortisation and impairment	(2,163)	(1,437)
	6,566	5,652
Total intangible assets	73,078	67,377

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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

	2017 \$'000	2016 \$'000
<i>Goodwill at cost</i>		
Opening balance	52,770	32,964
Additions (a)	966	20,303
Net foreign currency movement arising from foreign operations	(430)	(497)
Closing balance	53,306	52,770
<i>Goodwill on consolidation at cost</i>		
Opening balance	8,955	4,391
Additions (b)	4,251	4,564
Closing balance	13,206	8,955
<i>Identifiable Intangible assets at cost</i>		
Opening balance	5,652	1,154
Additions (c)	1,640	4,956
Additions through acquisition of entities/operations	-	-
Amortisation expense	(726)	(458)
Closing balance	6,566	5,652
Total intangible assets	73,078	67,377

(a) Additional goodwill recognised for the acquisitions over the year, includes Assured Cover Pty Ltd.

(b) Additional goodwill on consolidation recognised on the acquisition of Online Insurance Brokers Pty Ltd.

(c) Additional identifiable intangible assets represent the acquisition of Assured Cover Pty Ltd, Online Insurance Brokers Pty Ltd and RP Hoxton Park.

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 for the year ended 30 June 2017 (2016: 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.

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

	2017 %	2016 %
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

	2017 \$'000	2016 \$'000
Current		
<i>Unsecured liabilities</i>		
Trade creditors	1,203	3,421
Payables from broking, reinsurance and underwriting agency operations	370,818	391,524
Sundry creditors and accruals	3,416	2,733
	375,437	397,678

Note 16: Borrowings

	2017 \$'000	2016 \$'000
Current		
<i>Secured liabilities</i>		
Bank loans	635	566
Non Current		
<i>Secured liabilities</i>		
Bank loans	43,748	26,154

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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 – Syndicated Facility Agreement (SFA) – Limit \$58,200,000
- Insurance Holdings Ltd – Loan Facility (Clydesdale Bank) – Limit \$3,191,801

There are also two standalone funding facilities to RP-Newcastle Pty Ltd and RP-Windsor Pty Ltd, totalling \$622,982. There is a funding facility to PSC Property Holdings Pty Ltd, totalling \$7,624,000.

The key terms and conditions are as follows:

Syndicated Facility Agreement

The syndication is led by Commonwealth Bank of Australia, and Macquarie Bank are a participant in the syndicate.

Security was granted in favour of a security trustee, including a registered first ranking security over all assets and undertakings of the parent entity and certain subsidiaries of the parent entity.

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

The SFA is interest only with a 5 year term, current maturity date is March 2022.

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 related trading subsidiaries as security.

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 has a remaining 6 year term, maturing May 2023, repayment terms of the Clydesdale Facility are £314,287 per annum.

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

Commonwealth Bank of Australia (Property Loan)

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

The loan is interest only with a 5 year term, current maturity date is March 2022.

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

Hunter Premium Finance Facilities

Hunter have provided a facility to each of RP Newcastle Pty Ltd and RP Windsor Pty Ltd. These are secured by a first registered charge over those companies.

Each of the Hunter Facilities were an 8 year facility, current maturity is in 2023, each 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

	2017 \$'000	2016 \$'000
Current		
Employee benefits provision	2,031	2,109
Non Current		
Employee benefits	337	304
Total employee benefits liability	2,368	2,413

Note 18: Other Liabilities

	2017 \$'000	2016 \$'000
Current		
Deferred income	320	394
Amounts payable to vendors (a)	6,435	10,306
	6,755	10,700
Non Current		
Amounts payable to vendors (a)	774	5,045

(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**

	2017 \$'000	2016 \$'000
225,912,026 Ordinary shares fully paid (2016: 225,378,110)	85,994	85,194

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 2017

Note 19: Share Capital (continued)

(b) Movements in shares on issue

	Parent Entity	
	No of shares	\$'000
2017		
Beginning of financial year	225,378,110	85,194
Shares in lieu of cash for acquisition of subsidiary undertaking	233,916	500
Option holders conversion	300,000	300
End of financial year	225,912,026	85,994
2016		
Beginning of financial year	153,243,334	3,599
Share Split#	(14,106,486)	-
Retail offer and Chairman's List	43,000,000	43,000
In Specie sale of Demerged entities	-	(1,813)
In Specie share-issue for acquisition of former non-controlling interests	39,276,065	39,276
Share in lieu of cash for acquisition of non-controlling interests	353,326	587
Employees share issues	1,467,393	1,467
Other Share Options	1,000,000	-
Option holders conversion	1,144,478	1,144
Share Capital Issue Costs	-	(2,066)
End of financial year	225,378,110	85,194

(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 2017, management paid dividends of:

- Dividends paid by PSC Insurance Group Limited \$10,148,015 (2016: \$6,505,295)
- Dividends paid to non-controlling interests \$nil (2016: \$1,130,748)

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

	2017 \$'000	2016 \$'000
Share-based payment reserve	323	155
Foreign currency translation reserve	(1,166)	(544)
Non-controlling interest reserve	(37,351)	(37,351)
	(38,194)	(37,740)
Retained Earnings	28,496	18,920

(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

	2017 \$'000	2016 \$'000
Opening balance	155	30
Share based payments	168	125
Closing balance	323	155

Employee share options and loan funded shares issued in FY17 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 \$1.66 exercise price and expire after 5 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 20: Reserves And Retained Earnings (continued)

(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

	2017 \$'000	2016 \$'000
Opening balance	(544)	1,142
Exchange differences on translation of foreign operations	(622)	(1,686)
Closing balance	(1,166)	(544)

(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 reserve

	2017 \$'000	2016 \$'000
- Opening Balance	(37,351)	-
- Fair Value of NCI purchased	-	(37,351)
	(37,351)	(37,351)

(d) Retained Earnings

	2017 \$'000	2016 \$'000
Retained earnings at beginning of year	18,920	15,305
Other movement in retained earnings	-	155
Net profit	19,724	9,965
Dividends provided for or paid	(10,148)	(6,505)
	28,496	18,920

Note 21: Interests In Subsidiaries**(a) Subsidiaries**

Subsidiaries of the group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2017	2016	2017	2016
Alsford Page & Gems (Holdings) Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Alsford Page & Gems Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
AR (WA) Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
Breeze Underwriting (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting Pty Ltd (PSC Insurance Pty Ltd)	Australia	100.00%	100.00%	0.00%	0.00%
Carroll & Partners Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Certus Life Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Melbourne Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Chase Surety Pty Ltd	Australia	80.00%	80.00%	20.00%	20.00%
Chase Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Connect Life	Australia	100.00%	100.00%	0.00%	0.00%
Deskhaven Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Fenchurch Insurance Risk Management Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Insurance Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
John Holman & Sons (Holdings) Ltd (UK)	United Kingdom	100.00%	100.00%	0.00%	0.00%
Just Equestrian Insurance Services Limited	United Kingdom	35.03%	35.03%	64.97%	64.97%
Just Leisure Insurance Services Limited	United Kingdom	35.03%	35.03%	64.97%	64.97%
Just Motorsport Limited	United Kingdom	35.03%	35.03%	64.97%	64.97%
McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Online Insurance Brokers Pty Ltd	*** Australia	100.00%	0.00%	0.00%	100.00%
Professional Services Corporation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 21: Interests In Subsidiaries (continued)

(a) Subsidiaries (continued)

Subsidiaries of the group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2017	2016	2017	2016
PSC Coastwide Insurance Services Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Coastwide Newcastle Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Connect NZ Ltd	New Zealand	100.00%	100.00%	0.00%	0.00%
PSC Connect Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Direct Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Foundation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Group Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Holdings (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Brisbane) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Darwin) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Melbourne) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Wagga) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Services Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC International Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC JLG Investment Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC National Franchise Insurance Brokers Pty Ltd (previously ACN 151 774 668 Pty Ltd)	Australia	100.00%	100.00%	0.00%	0.00%
PSC Nominees Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Property Holdings Pty Ltd	** Australia	100.00%	0.00%	0.00%	100.00%
PSC Reliance Franchise Partners Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC UK Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%

Subsidiaries of the group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2017	2016	2017	2016
PSC Workers Compensation and Consulting Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%
PSC Wright Fahey Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Reliance Workplace Solutions Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
RP Newcastle Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP Windsor Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
UK Facilities Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Upper Hillwood Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%

1 - ** Entity entered Group during the 2017 financial year.

2 - *** Entity acquired during the 2017 financial year.

(b) Reconciliation of the non-controlling interest

	2017 \$'000	2016 \$'000
Accumulated NCI at the beginning of the year	1,429	4,370
Profit or loss allocated to NCI during the year	247	874
Reduction in non-controlling interest	-	(4,034)
Non-controlling interest arising from business combination	-	1,350
Dividends paid to NCI	-	(1,131)
Accumulated NCI at the end of the year	1,676	1,429

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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:

	2017 \$'000	2016 \$'000
Cash on hand	1	14
Cash at bank	4,907	6,298
Cash on deposit	3,902	1,683
Cash held on trust	71,314	79,257
	80,124	87,252

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

	2017 \$'000	2016 \$'000
Profit from ordinary activities after income tax	19,971	10,839
Add/(Less) items classified as investing/financing activities		
Gain on fair value of deferred consideration	(3,210)	-
Adjustments and non cash items		
(Gain) on net assets exceeding consideration paid	-	(253)
Equity accounted result	-	(18)
Unrealised (profit) on sale of investments	-	(13)
<i>Non-cash items</i>		
Depreciation and amortisation	1,515	1,016
Bad and doubtful debts	-	59
Foreign currency (gains)/losses and translation	(622)	(200)
Staff Share Allocations	-	1,467
Share-based payment expense	168	125
Net cash flows from operations before change in assets and liabilities	17,822	13,022

	2017 \$'000	2016 \$'000
Change in assets and liabilities		
(Increase)/decrease in receivables	9,232	(40,066)
(Increase)/decrease in other assets	(355)	464
Increase/(decrease) in payables	(22,050)	64,226
Increase/(decrease) in provisions	183	828
(Decrease)/Increase in other liabilities	(74)	241
Increase/(Decrease) in current tax liability	2,688	(550)
Net cash flow from operating activities	7,446	38,165

(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:

	2017 \$'000	2016 \$'000
Cash	1,004	2,030
Property, plant and equipment	19	240
Goodwill	-	2,839
Identifiable Intangibles	1,118	3,881
Trade receivables	878	9,039
Other shares and units held	-	7,487
Other assets	1	1,421
Other financial assets	-	2,358
Trade and other creditors	(956)	(10,691)
Income tax payable	-	(46)
Provisions	-	(690)
Deferred tax balances	(139)	141
Net Identifiable assets acquired	1,925	18,009
Net assets exceeding consideration paid	1,754	5,770
Consideration paid in cash	(3,679)	(23,779)
Cash acquired	1,004	2,030
Net cash (dispensed)/acquired	(2,675)	(21,749)

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 22: Cash Flow Information (continued)

(d) Loan facilities

	2017 \$'000	2016 \$'000
Loan facilities	69,639	36,677
Amount utilised	45,288	26,721
Unused loan facility	24,351	9,956

Note 23: Business Combinations

	2017 \$'000	2016 \$'000
Consideration paid	4,083	23,780
Deferred (contingent) consideration	2,360	14,654
Total purchase consideration	6,443	38,434
Fair value of non-controlling interests	-	1,350

Acquisitions for the Year ended 30 June 2017

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

2017	Assured Cover Pty Ltd \$'000	RP Hoxton Park \$'000	OIB \$'000	Total Group \$'000
Cash consideration paid	221	338	3,024	3,583
Equity Consideration	-	-	500	500
Deferred consideration	-	-	-	-
Contingent consideration	147	182	2,031	2,360
Total purchase consideration	368	520	5,555	6,443
Ownership share	100%	100%	100%	
Acquisition vehicle	(ii)	(iii)	(i)	

(b) Identifiable assets and liabilities acquired

2017	Assured Cover Pty Ltd \$'000	RP Hoxton Park \$'000	OIB \$'000	Total Group \$'000
- Cash and Cash equivalents	-	-	1,004	1,004
- Property, plant and equipment	-	-	19	19
- Identifiable intangibles	100	520	498	1,118
- Trade and other receivables	-	-	878	878
- Other assets	-	-	1	1
- Trade and other payables	-	-	(956)	(956)
- Deferred Tax Liabilities	-	-	(139)	(139)
	100	520	1,305	1,925

(c) Goodwill on acquisition

2017	Assured Cover Pty Ltd \$'000	RP Hoxton Park \$'000	OIB \$'000	Total Group \$'000
Total consideration paid/payable	368	520	5,555	6,443
Total net identifiable (assets)/liabilities acquired	100	520	1,305	1,925
Goodwill on acquisition (Excess over consideration paid/payable)	268	-	4,250	4,518

(d) Financial performance since acquisition date

2017	Assured Cover Pty Ltd \$'000	RP Hoxton Park \$'000	OIB \$'000	Total Group \$'000
Revenue	244	78	132	453
Profit after tax	124	55	96	275
<i>Financial performance if held for 12 months</i>				
Revenue	266	524	1,044	1,834
Profit after tax	136	223	455	814
Goodwill on acquisition	268	-	4,250	4,518
Customer Lists	100	520	463	1,803
	368	520	4,713	5,601

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 23: Business Combinations (continued)

(e) Acquisition-related Costs

The consolidated entity incurred transaction costs of \$0.02 million (2016: \$0.34m) in respect of Assured Cover Pty Ltd, RP-Hoxton Park and Online Insurance Brokers Pty 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

	2017 \$'000	2016 \$'000
- Not later than one year	2,901	2,676
- Later than one year and not later than five years	4,109	3,562
Aggregate lease expenditure contracted for at reporting date	7,010	6,238

(b) Capital expenditure commitments

	2017 \$'000	2016 \$'000
Land and Buildings payable	305	9,101
Computer Software payable	-	149
Plant and equipment payable	58	-
Total capital expenditure commitments	363	9,250

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

	2017 \$'000	2016 \$'000
National Franchise Insurance Brokers Pty Ltd (purchase of business)	1,155	-
Assured Cover Pty Ltd (purchase of business)	-	368
	1,155	368

*Refer to Note 34: Subsequent Events

(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 \$810,836 (2016: \$965,000).

(e) Contingent liabilities

The consolidated entity has provided guarantees on indebtedness of some of its investments. The total amount is limited to \$6,066,486 (2016: \$2,731,270). The amount of \$2,161,836 (2016: \$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

	2017 \$'000	2016 \$'000
Reconciliation of earnings used in calculating earnings per share:		
Profit from continuing operations attributable to owners of PSC Insurance Group Limited attributable to owners of PSC Insurance Group Limited	19,724	9,965
Profit used in calculating basic earnings per share	19,724	9,965
Profit used in calculating diluted earnings per share	19,724	9,965
Earnings used in calculating diluted earnings per share	19,724	9,965

	2017 No of Shares	2016 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	225,486,400	192,013,202
Effect of dilutive securities:		
Share options	1,098,626	327,123
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	226,585,026	192,340,325

Note 26: Share Based Payments**(a) Employee option plan**

Details of the options granted are provided below:

2017 Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Exercisable at the end of the year
8/7/16	7/7/21	1.66	-	600,000	-	600,000	600,000

2016 Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Exercised 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 2017

Note 26: Share Based Payments (continued)

Fair value of options granted:

The fair value of the options at grant date was \$152,785. Fair value was determined using the Black Scholes Model. The following inputs were utilised:

Expected price volatility of the company's shares: 25% (2016 - 25%)

Expected dividend yield: 2.2% (2016 - 3.5%)

Risk-free interest rate: 1.5% (2016 - 1.5%)

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:

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	80,124	87,252
Bonds and Deposits	41	971
Receivables from broking, reinsurance and underwriting agency operations	326,066	337,332
Other receivables	2,739	933
Loans to related parties	3,747	6,365
Financial assets at cost	5,863	1,955
	418,580	434,808
Financial liabilities		
Trade creditors	1,203	3,421
Payables from broking, reinsurance and underwriting agency operations	370,818	391,524
Sundry creditors & accruals	3,416	2,733
Borrowings	44,383	26,720
Amounts payable to vendors	7,209	15,351
	427,029	439,749

(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 holds one market security, currently held at fair value.

Price sensitivity at 30th June 2017 at +/- 10% represents exposure of \$25,000.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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:

	2017 \$'000	2016 \$'000
+/- 10%		
Impact on profit after tax	29	108
Impact on equity	242	1,233

(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 (Level 3)
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: <ul style="list-style-type: none"> The forecast fees and commissions were higher/(lower)

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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 \$'000	Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average effective interest rate %
2017				
(i) Financial assets (variable)				
Cash	80,124	-	80,124	1.33%
Bonds and Deposits	-	41	41	
Receivables from broking, reinsurance and underwriting agency operations	-	326,066	326,066	
Other receivables	-	2,739	2,739	
Loans to related parties	3,747	-	3,747	5.25%
Financial Assets at cost	-	5,863	5,863	
Total financial assets	83,871	324,709	418,580	
(ii) Financial liabilities (variable)				
Trade creditors	-	1,203	1,203	
Payables from broking, reinsurance and underwriting agency operations	-	370,818	370,818	
Sundry creditors & accruals	-	3,416	3,416	
Borrowings	44,383	-	44,383	4.95%
Amounts payable to vendors	-	7,209	7,209	
Total financial liabilities	44,383	382,646	427,029	

Financial Instruments	Interest-bearing \$'000	Non-interest bearing \$'000	Total carrying amount \$'000	Weighted average effective interest rate %
2016	\$'000	\$'000	\$'000	%
(i) Financial assets (variable)				
Cash	87,252	-	87,252	1.35%
Bonds and Deposits	-	971	971	
Receivables from broking, reinsurance and underwriting agency operations	-	337,332	337,332	
Other receivables	-	933	933	
Loans to related entities	6,365	-	6,365	5.65%
Financial Assets at cost	-	1,955	1,955	
Total financial assets	93,617	341,191	434,808	
(ii) Financial liabilities (variable)				
Trade creditors	-	3,421	3,421	
Payables from broking, reinsurance and underwriting agency operations	-	391,524	391,524	
Sundry creditors & accruals	-	2,733	2,733	
Borrowings	26,720	-	26,720	4.91%
Amounts payable to vendors	-	15,351	15,351	
Total financial liabilities	26,720	413,029	439,749	

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	2017 \$'000	2016 \$'000
Impact on profit after tax	(250)	(424)
Impact on equity	(250)	(424)

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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 \$'000	6-12 Months \$'000	1-5 years \$'000	Carrying amount \$'000
Year ended 30 June 2017				
Cash and cash equivalents	80,124	-	-	80,124
Receivables	158,102	170,703	3,747	332,552
Other financial assets	41	-	5,863	5,904
Payables	(178,491)	(192,716)	(4,230)	(375,437)
Borrowings	(318)	(317)	(43,748)	(44,383)
Other financial liabilities	-	(6,435)	(774)	(7,209)
Net maturities	59,458	(28,765)	(39,142)	(8,449)

	< 6 Months \$'000	6-12 Months \$'000	1-5 years \$'000	Carrying amount \$'000
Year ended 30 June 2016				
Cash and cash equivalents	87,252	-	-	87,252
Receivables	181,882	157,502	5,246	344,630
Other financial assets	971	-	1,955	2,926
Payables	(209,880)	(181,746)	(6,052)	(397,678)
Borrowings	(283)	(283)	(26,154)	(26,720)
Other financial liabilities	-	(10,306)	(5,045)	(15,351)
Net maturities	59,942	(34,833)	(30,050)	(4,941)

Note 28: Directors' And Executives' Compensation

	2017 \$'000	2016 \$'000
<i>Compensation by category</i>		
Short-term employment benefits	1,289	954
Post-employment benefits	5	5
Share-based payments	153	92
	1,447	1,051

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

Name

Paul Dwyer

John Dwyer

Brian Austin

Antony Robinson

Melvyn Sims

Key management personnel during the year are the directors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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 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:

	2017 \$	2016 \$
Fees Paid or Payable to associates on normal commercial terms:		
Recruitment/ contractor fees	106,575	202,104
Marketing service fees	338,073	295,254
Transportation service fees	66,368	102,300

Fuse Recruitment Pty Ltd and The Lead Agency Pty Ltd are no longer in the Group. No disclosure is required in this financial year for arms length transactions between the entities:

	2017 \$	2016 \$
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 \$258,262 (2016: \$156,643). 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 \$33k.

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

	2017 \$	2016 \$
Rent paid or payable to associates on normal commercial terms	-	46,761
Estimated rent receivable from associates on normal commercial terms	139,181	59,175

(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.

	2017 \$	2016 \$
Current receivables		
Directors loans	-	22,767
Loans to related parties	-	132,861
Loans to associates	-	964,408
Non-Current receivables		
Loans to related parties	3,581,974	1,995,569
Loans to associates	165,000	3,249,138

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**

	2017 \$	2016 \$
An audit or review of the financial report of the entity and any other entity in the consolidated entity	322,000	610,738
Other assurance services		
- Due diligence	-	94,725
Total remuneration for audit and other assurance services	322,000	705,463

(ii) Other non-audit services

	2017 \$	2016 \$
Corporate secretarial services	4,743	4,050
Taxation services	29,550	81,830
Total remuneration for non-audit services	34,293	85,880
Total remuneration of Pitcher Partners Melbourne	356,293	791,343

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 30: Auditor's Remuneration (continued)

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

(i) Audit and other assurance services

	2017 \$	2016 \$
An audit or review of the financial report of the entity and any other entity in the consolidated entity	-	5,078
Total remuneration for audit and other assurance services	-	5,078

(ii) Other non-audit services

	2017 \$	2016 \$
Corporate secretarial services	-	1,371
Total remuneration for non-audit services	-	1,371
Total remuneration of network firms of Pitcher Partners	-	6,449

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

(i) Audit and other assurance services

	2017 \$	2016 \$
An audit or review of the financial report of the entity and any other entity in the consolidated entity	110,576	155,053
Total remuneration for audit and other assurance services	110,576	155,053

(ii) Other non-audit services

	2017 \$	2016 \$
Taxation services	14,115	56,250
Other services	8,402	10,379
Total remuneration for non-audit services	22,517	66,629
Total remuneration of non-related auditors of group entities	133,093	221,682
Total auditors' remuneration	489,386	1,019,474

Note 31: Parent Entity Information**(a) Summarised statement of financial position**

	2017 \$'000	2016 \$'000
Assets		
Current assets	85,780	82,806
Non-current assets	41,856	34,101
Total assets	127,636	116,907
Liabilities		
Current liabilities	462	2,896
Non-current liabilities	34,280	22,045
Total liabilities	34,742	24,941
Net assets	92,894	91,966
Equity		
Share capital	92,470	91,670
Reserves	278	110
Retained earnings	146	186
Total equity	92,894	91,966

(b) Summarised statement of comprehensive income

	2017 \$'000	2016 \$'000
Profit for the year	10,108	3,796
Total comprehensive income for the year	10,108	3,796

(c) Parent entity guarantees

The amount of \$2,161,876 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.

(d) Parent entity contractual commitments

The parent entity has contractual commitments \$1,965,836 comprised as follows:

- Capital Expenditure Commitments \$nil
- Business Acquisition Commitments \$1,155,000
- Bank Guarantee Commitments \$810,836

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

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 decision maker 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 decision maker.

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.

2017	Segment 1 – Australia/ NZ/Asia \$'000	Segment 2 – UK \$'000	Total \$'000
Segment revenue			
Total segment revenue	62,838	21,637	84,475
Segment revenue from external source	62,838	21,637	84,475
<i>Segment result</i>			
Total segment result	16,107	3,864	19,971
Segment result from external source	16,107	3,864	19,971
<i>Items included within the segment result:</i>			
Interest income	1,093	17	1,110
Interest expense	(1,602)	(159)	(1,761)
Depreciation and amortisation expense	(1,400)	(116)	(1,516)
Income tax expense	(6,059)	(1,085)	(7,144)
Total segment assets	203,349	310,521	513,870
<i>Total segment assets include:</i>			
Investments in equity accounted associates and joint ventures	8,097	26	8,123
Additions to non-current assets other than financial instruments and deferred tax assets	17,764	189	17,953
Total segment liabilities	147,842	288,056	435,898

2016	Segment 1 - Australia/ NZ/Asia \$'000	Segment 2 - UK \$'000	Total \$'000
Segment revenue			
Total segment revenue	45,003	22,763	67,766
Segment revenue from external source	45,003	22,763	67,766
Segment result			
Total segment result	7,167	3,672	10,839
Segment result from external source	7,167	3,672	10,839
<i>Items included within the segment result:</i>			
Interest income	972	10	982
Interest expense	(1,492)	(26)	(1,518)
Depreciation and amortisation expense	(904)	(113)	(1,017)
Income tax expense	(4,175)	(960)	(5,135)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	18	18
Total segment assets	203,577	308,714	512,291
<i>Total segment assets include:</i>			
Investments in equity accounted associates and joint ventures	7,487	27	7,514
Additions to non-current assets other than financial instruments and deferred tax assets	25,831	4,544	30,375
Total segment liabilities	148,071	296,417	444,488

NOTES TO THE FINANCIAL STATEMENTS (continued)

year ended 30 June 2017

Note 33: Subsequent Events

Circumstances which have arisen since 30 June 2017 that affect the state of affairs of the consolidated entity are detailed as follows:

(a) Acquisitions

- 1. National Franchise Insurance Brokers** – On 1 July 2017, the consolidated entity acquired National Franchise Insurance Brokers, a Perth based insurance broking business, specialising in services to franchise groups and their franchisees.

Consideration paid/payable	\$'000
Consideration and costs paid	175
Deferred consideration	980
Total Consideration*	1,155

*Approximate.

- 2. Riley and Associates** – On 17 July 2017, the consolidated entity committed to a sale and purchase agreement for the business of Riley and Associates. The fair value of the client list is being determined and will be disclosed at the next reporting date.
- 3. Insurance Marketing Group of Australia & Medisure Indemnity Australia** – On 17 August 2017, the consolidated entity committed to a share sale agreement for the entire share capital in Insurance Marketing Group of Australia Pty Ltd and Medisure Indemnity Australia Pty Ltd. Details of the acquisition will be disclosed in the next reporting date. The calculation of the fair value of the assets is yet to be finalised and accordingly the carrying value of goodwill is yet to be determined.

(b) Issue of shares

On 3 July 2017 PSC Insurance Group Limited issued 86,894 fully paid ordinary shares at an issue price of \$2.25 per share. This issue is consideration for deferred consideration for the acquisition of the Hiscock Insurance Brokers business acquired April 2016.

(c) Final dividend

On 22 August 2017, the Board declared a final dividend for 2017 of 4.0 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
 96 Wellington Parade
 East Melbourne
 Victoria, 3002

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 27 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 2017 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 2017.

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



Paul Dwyer
Director

Melbourne
Date: 22 August 2017

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 Audit of the Financial Report

Opinion

We have audited the financial report of PSC Insurance Group Limited "the Company" and its controlled entities "the consolidated entity", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of intangible assets</p> <p><i>Refer to Note 14: Intangible Assets and Note 2: Critical accounting estimates and judgements</i></p> <p>Intangibles assets of \$73.1m (\$67.4m in FY16) are recorded on the consolidated balance sheet, which comprise:</p> <ul style="list-style-type: none"> - \$66.5m of goodwill (\$61.7m in FY16;) and - \$6.6m of client list assets (\$5.7m in FY16). <p>Client lists are amortised over a 10 year period.</p> <p>Valuation of intangible assets is deemed to be a key audit matter due to the following factors:</p> <ul style="list-style-type: none"> - Management prepare value-in-use calculations to support the carrying value of intangible assets. Significant judgement is involved in the preparation of these impairment assessment models and key assumptions used which could have a material impact on the impairment assessment include: forecast cashflows, growth rates and discount rates applied. 	<p>The following procedures were conducted in relation to the assessment of the goodwill impairment assessments performed by the client:</p> <ul style="list-style-type: none"> - evaluated the calculation of value-in-use to ensure it is consistent with prior period calculations and is based on the expected methodology (present value of 5 year period future cash flow expected to be derived from the cash generating unit 'CGU'); - obtained supporting evidence to determine if the value-in-use calculation inputs are reasonable, including assessment of accuracy of prior period budgets; - We assessed the historical accuracy of the consolidated entity's forecasted cashflows, relevant to the CGU. We checked the mathematical accuracy of the cashflow models. - Assessed growth rate against industry information and client data to ensure it does not exceed the long term average growth rate; - Reviewed the discount rate against industry standards and comparable organisations; - Performed sensitivity analysis around key assumptions, including forecast cashflows, growth rate and discount rate. <p>The following procedures were conducted in relation to the carrying value of Client list assets:</p> <ul style="list-style-type: none"> - Assessed the initial valuation and on-going performance of portfolio against budget to determine if there are any indications of impairment or indicators of changes to useful life of the asset.

INDEPENDENT AUDITOR'S REPORT (continued)



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

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Business acquisitions <i>Refer Note 23: Business Combinations</i></p> <p>During the year the PSC consolidated entity purchased an interest in three businesses with gross consideration totalling \$6.4m.</p> <p>These acquisitions are considered a key audit matter as accounting for these transactions is a complex and judgemental exercise, requiring management to determine:</p> <ul style="list-style-type: none"> - Key terms and conditions of the sale and purchase agreement; - whether control has been obtained of the entity and the transaction is a business acquisition, investment or asset purchase; - acquired assets and liabilities, including those which may not be recorded on the acquirers balance sheet, such as intangible assets, for example client lists or brands; - fair values of the identified assets and liabilities; - fair value of consideration including deferred payments which are subject to earn out calculations; - goodwill or gain on bargain purchase associated with the acquisition; - Impairment assessments regarding the carrying value of goodwill and intangible assets acquired at 30 June 2017, using a present value valuation model. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> - We read the sale and purchase agreement to understand key terms and conditions; - We assessed the accounting treatment for the acquisitions to ensure adherence with contract terms and relevant Australian Accounting standards, with specific focus on judgemental areas such as: <ul style="list-style-type: none"> o Assessment of whether AASB3 applies by ensuring the acquisition meets the definition of a business; o Consideration of similar businesses and previous acquisitions to determine if any additional assets or liabilities are being acquired which were not included in the calculation. o Assessment of assumptions and methodology in management's calculations of fair value of assets and liabilities acquired and impairment assessments at year end. Present value valuation model inputs were reviewed against previous performance for reasonableness and discount rates used were assessed against comparable industry rates; o Evaluation and re-calculation of goodwill and gain on bargain purchase calculations to ensure accuracy. - We considered deferred consideration clauses within the sale and purchase agreements subject to earn out and assessed current forecast models to ensure deferred consideration was materially correct at 30 June 2017; - We assessed the adequacy of the consolidated entity's disclosures in respect of business acquisitions.



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

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

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

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

INDEPENDENT AUDITOR'S REPORT (continued)



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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the consolidated entity audit. We remain solely responsible for our audit opinion.

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

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



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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 25 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of PSC Insurance Group Limited and controlled entities for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

F V RUSSO
 Partner

PITCHER PARTNERS
 Melbourne

22 August 2017

SHAREHOLDER INFORMATION

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

Shareholding Analysis

(a) Distribution of Shareholders

At 10 August 2017, the distribution of shareholdings was as follows:

Range	Securities	%	No. of holders	%
100,001 and Over	215,748,335	95.46	81	11.46
10,001 to 100,000	8,468,217	3.75	263	37.19
5,001 to 10,000	1,130,028	0.50	137	19.38
1,001 to 5,000	629,162	0.28	179	25.32
1 to 1,000	23,178	0.01	47	6.65
Total	225,998,920	100.00	707	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 10 August 2017 were:

Shareholder	Number of Shares
Mrs Melissa Jane Dwyer	69,500,000
Glendale Dwyer Pty Ltd	34,571,522
Austin Superannuation Pty Ltd	35,310,600

(c) Class of shares and voting rights

At 10 August 2017, there were 707 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 10 August 2017):

	Shareholder	Number of Shares
1	MRS MELISSA JANE DWYER	69,500,000
2	AUSTIN SUPERANNUATION PTY LTD	35,310,600
3	GLENDALE DWYER PTY LTD	34,571,522
4	CITICORP NOMINEES PTY LIMITED	10,689,428
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	9,276,637
6	LOCUST FUND PTY LTD	8,013,078
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,098,662
8	MR MICHAEL DAVID GUNNION & MRS DEBRA LEE GUNNION	4,778,403
9	WALKER INSURANCE & FINANCIAL SERVICES PTY LTD	4,451,168
10	UYB.COM PTY LTD	3,117,479
11	NAMARONG INVESTMENTS PTY LTD	2,718,333
12	UBS NOMINEES PTY LTD	2,321,181
13	NATIONAL NOMINEES LIMITED	1,958,499
14	SILVERVALE PASTORAL CO PTY LTD	1,529,769
15	MR NOEL CHRISTOPHER LENIHAN	1,450,570
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,307,136
17	MS TRACEY MCLAREN	1,053,291
18	MR JOSHUA MARTIN REID	1,000,000
19	RABBIT ROO TAS PTY LTD	927,560
20	BANDS SA PTY LTD	859,049

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

96 Wellington Parade

East Melbourne, Victoria, 3002

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

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