PSC INSURANCE GROUP

PSC Insurance Group Limited

ANNUAL REPORT 2020

PSC Insurance Group Limited
& Controlled Entities

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www.pscinsurancegroup.com.au

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CHAIRMAN'S LETTER

My Fellow Shareholders,

It is a pleasure to be able to write to you post release of another record underlying earnings result for the financial year ending June 2020.

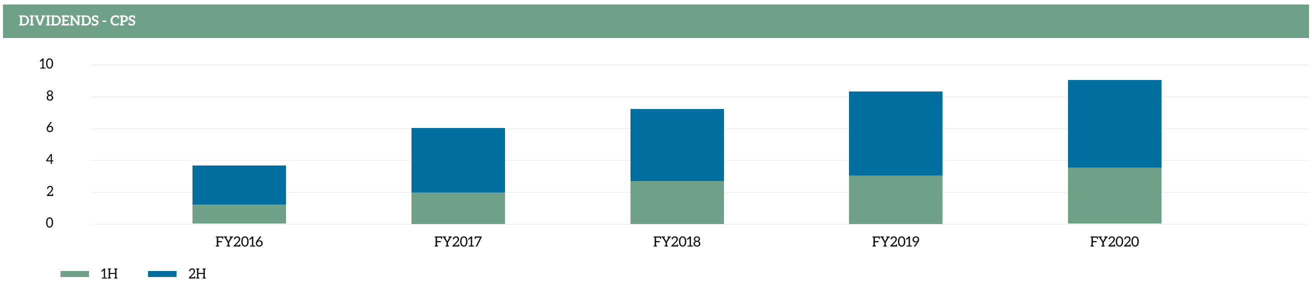
To have grown underlying earnings by 34% and, as importantly, grown underlying earnings per share by 23% is a fantastic achievement, particularly in this environment and the conditions we have all been enduring particularly with COVID-19. Our Managing Director's Report will provide detail on the financial and operating results for 2020.

An important contributor to that growth has been the mergers that occurred this year, the largest of which was Paragon.
The two principal shareholders of Paragon prior to the merger were James Kalbassi and Tara Falk. Both continue to play pivotal roles in Paragon and are having a positive impact across the Group, including via the expansion of Tara Falk's responsibilities in joining the PSC Group Board. Tara is already making a significant contribution to the Board and we thank her for taking on that additional responsibility.

The success of the year is a product of the efforts of everyone in PSC. Everyone has faced challenges in 2020 and to have delivered the result notwithstanding those difficulties is a tribute to all involved in the Group. It has been a year that has shown our strength in diversity and our ability to continue to grow, despite the challenges in the external environment. What a great business, industry and team of people.

Our business has been able to adapt to the challenging work constraints very quickly and is a credit to all involved in allowing the continued delivery of services to all our customers and suppliers, together with those within the PSC Group. It has been challenging as travel has become restricted with our offices around the globe, yet our people have grasped the challenge and excelled. The gratitude to all within PSC and all business units from the Board cannot be overstated.

As I have stated previously, at PSC we believe the best businesses can grow organically, grow via acquisitions and be strong dividend payers. I am pleased to announce an increase in the fully franked final dividend to 5.5 cents per share, for total dividends for the year of 9.0 cents per share. Please also note that the Group has not received any government assistance via JobKeeper. Dividends have grown at a compound rate of 25% over the last 4 years since listing. Our strong dividend history is shown below:



We are now advanced in our plans as to what can be achieved in the new financial year and we are confident that we can continue to achieve material earnings and earnings per share growth.

Thanks again to my fellow Directors for their continued commitment and support and together we thank all the PSC staff for their continued and passionate support allowing our Group to make 2020 such a success. Unquestionably, they continue to be the greatest strength of the Group. We do look forward to being able to revisit many of our staff and customers throughout our numerous offices in the future, which has been constrained recently. In a personal business we will endeavour to maintain this contact as soon as possible.

To my fellow Shareholders, thank you for your continued support and confidence you have placed in your Board. This year's AGM is almost certainly going to be conducted online. I will miss the opportunity to meet with you personally, however look forward to connecting further at that time.

Yours sincerely,

....

Brian Austin
Chairman

MANAGING DIRECTOR'S REPORT

Key financial highlights in 2020 were:

- **UNDERLYING REVENUE UP 49% TO $176.7M.**
- **UNDERLYING EBITDA UP 33% TO $57.7M[1].**
- **UNDERLYING NPATA UP 34% TO $37.4M.**
- **EPS GROWTH OF 23% TO 13.9 CPS.**

Year in Review:

What an exceptional year. Exceptional in so many ways:
a. Our two largest mergers, Paragon and Griffiths Goodall.
b. One of the most difficult years for placing risks.
c. An extraordinary social and business environment.

Any one of these alone would make it an exciting and challenging year. All three together have stretched our people and our business.

Perhaps that is the most exceptional part of the year. Just how well our people and our businesses have adapted, adjusted and responded to all of the above while continuing to focus on servicing our customers and driving themselves and the business forward. The outstanding financial results are the final record of those efforts by our people and the businesses.

It is worth talking about some of these in a little more detail given their significance to us and also due to most of these challenges are continuing into this financial year.

Firstly, the Paragon and Griffiths Goodall mergers.

While all transactions see us acquire the right to future profit from historic shareholders, in every other way these are mergers. We combine businesses into PSC with the goal being for PSC to end up a more diversified and smarter Group. The outcome from these two mergers is that we are definitely a better business.

Paragon is enormously well regarded in the insurance industry both in the UK and the USA and has been rated by its peers as the most capable broker in many of its professional and financial lines specialties. Its inclusion into PSC has increased the depth and capability in these areas and that has already helped us retain and gain clients in Australia.

It has also allowed us to bring a person of significant insurance and commercial experience on to the PSC Board. Tara Falk has already made a great contribution in her new role as a PSC Director.

Griffiths Goodall has also a made a difference to the Group. While its centre of gravity is regional Australia, its client base is Australia-wide and its expertise in a number of areas has been of value across the Group.

It would be remiss to not mention the successful other transactions we have completed during the financial year 2020 ("FY20") period. While smaller they are important as they have also brought great people into the Group. The size difference is more about the number of people joining the Group through an individual transaction than the importance of that transaction.

The people who are joining the Group as part of any merger are the key factor in assessing the value of the opportunity and so our interest. With the acquisition of the Walker Insurance and Australian Unity GI broking businesses in Australia and the Carroll Insurance business in the UK, we have recruited some wonderful people to the Group.

No report this year would be complete without mentioning the impact of COVID-19 on the business and social environment. The demands on people from this have been significant. It has made the underwriting market harder to access and it has been more difficult to place risks.

Underwriters in Australia and the UK have all spent long periods of time working from home and so accessing them and selling them on the risks we are wanting to insure has been difficult. This is on top of a hardening market that has seen key global capacity being actively reduced, particularly in Lloyds.

Dealing with those challenges has increased the demands on our people. That, coupled with the impact from COVID-19 on our clients and restrictions we have faced in physically visiting with many clients through this period has made it a very challenging period for the people and our business.

1. Adjusted for AASB16 impact of ~ -$0.3m to ensure like for like comparison.

Those difficulties need to be recognised. Schools have been closed, placing demands on families to step up to additional roles, some families have dependents needing more support, and all people have lost interactions at work and with the social networks.

Yet we have achieved a terrific result. For our clients, ourselves and for our shareholders. We have solved problems, made good decisions and benefitted from the foundations that have been laid in the Group over the preceding years. As we look forward, the changes we have made to adapt to this new environment, the continuing tailwinds of recent acquisitions, the calibre of the people in the Group and the commitment they have to their clients makes us confident that we will also achieve great results in FY21 and beyond.

The FY21 year will be a year where we return our focus to achieving strong organic profit growth. We are well placed to do that given the abilities of our people and their resilience and also the recent efforts to reset the costs in a number of areas of the Group. That, coupled with the benefit of full year contributions from some of the acquisitions we made during FY20, makes us confident that we will see significant profit and EPS growth in the FY21 period.

Thank you to everyone involved in the Group and mostly thank you to people at the front of our businesses working with our clients to achieve great outcomes for them.

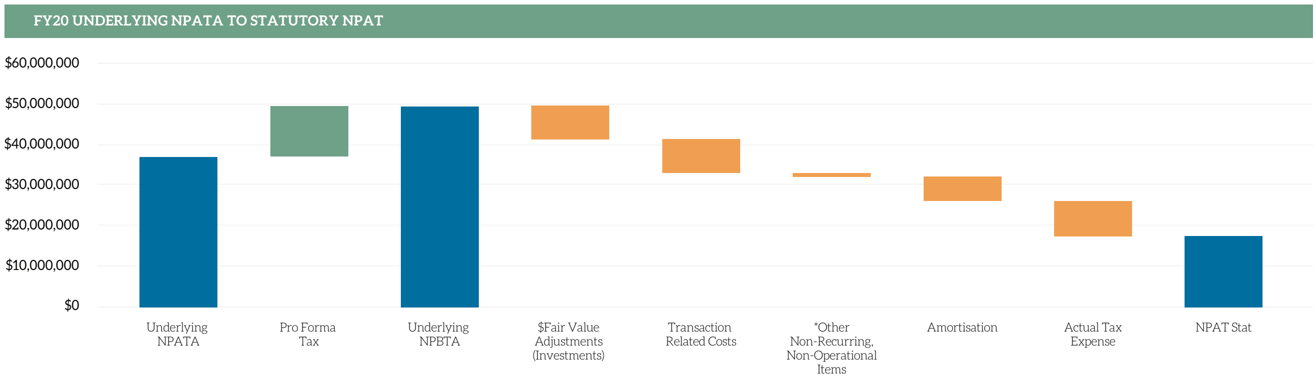
Year in Review (Financial Commentary):

We summarise the components of our 2020 growth below:

Comments:

- The acquisitions of Paragon and Griffiths Goodall were the key driver of earnings growth, contributing $17.4m. The Paragon result of ~ $12m was the largest contributor and represented a 9 month contribution. All acquisitions have performed well.
- There have been three businesses that have adversely impacted the organic growth by ~ $2.4m compared to the prior period. These were Breeze Underwriting Australia, Online Travel and Reliance Partners. We have and are actively making changes to all these units so they remain viable businesses in the Group.
- Organic revenue growth across the Group was $6.2m (5.6%), and this was broadly based across the 3 operating segments. In Distribution, the Broking businesses performed well, aided by the hardening premium cycle and customer and Authorised Rep (AR) growth. In Agency, Chase Underwriting performed strongly with revenue growth of 11%. In the UK, Carrolls, Breeze Underwriting UK and Chase UK all performed strongly.
- Organic cost growth across the Group was $6.4m (8.9%). Prior to COVID-19, the Group invested in additional capability to underpin the medium term prospects for the Group. Given the change in economic environment and outlook in Q4 the Group has reduced its cost base commensurately and these changes will be evident in FY21.
- The overall result was adversely impacted by ~ $1.1m in lower dividends from non-operating investments held by the Group, largely BP Marsh and after the sale of our JLG investment.
- The incremental contribution from bolt-in acquisitions was ~ $0.7m and the negative impact of AASB16 where the P&L impact exceeded the rental cash costs by ~ $0.3m.
- Interest costs have increased over the period as a result of increased debt to fund the Paragon and Griffiths Goodall acquisitions. All debt facilities have remaining maturities greater than 4 years and covenants are comfortably covered. Leverage Ratio for the Group is ~ 2.5 times on a pro-forma historical basis.
- The normalised tax adjusts for the impact of fair-value change in our investments and other non-recurring items. The normalised tax charge of $11.9m equates to an average tax rate of 24.2%, with the increased contribution from UK operations impacting this result. We expect this to be in the range of 26-27% in FY21.

Key adjustments to reconcile underlying to statutory results are below:



Comments:

- Fair Value (Investments) – adjustment of ~ -$8.0m relates to changes in market value of the Group's on balance sheet investments. On a net basis, this was the movement in the market value of our BP Marsh investment, which was impacted by the COVID-19 induced market correction.
- Transaction Related Costs – adjustment of ~ -$8.3m relate to 2 separate amounts, 1) ~ $3.7m in transaction related costs, principally from Paragon, Griffiths Goodall and Carroll Insurance Group and 2) ~ $4.6m in the fair value adjustments in the deferred consideration liabilities, and in turn these largely relate to the higher payments for both Paragon and Turner Insurance, which were ahead of expectation.
- Other Non-Recurring Costs – of ~ $1.2m on a net basis relate to non-recurring costs from restructures to various businesses, as well as movements in unrealised FX balances and FX hedge fair values.
- Amortisation – of ~ $6.5m, which has increased materially over FY19, given the amortisation of acquired intangible assets as a result of the acquisitions.
- The actual tax expense is ~ $5.3m lower than the pro-forma tax position of ~ $11.9m given the impact of these non-operating balances as well as deductions related to prior year acquisitions of client lists.

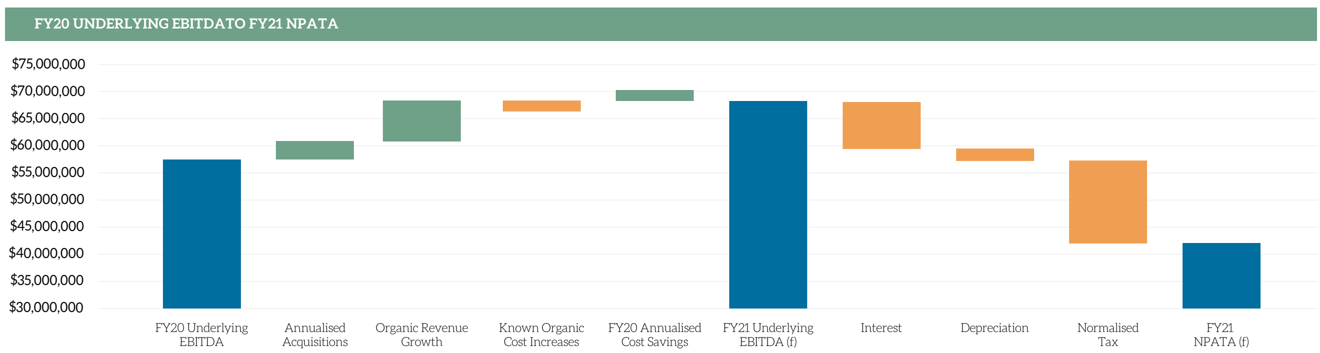
Dividend and Outlook:

The Chairman announced an increased final, fully franked dividend to 5.5 cents per share, bringing total dividends for the financial period to 9.0 cents per share.

This represents a payout ratio of approximately 68%, based on underlying NPATA. Despite the uncertain economic conditions, we remain confident in the outlook of the Group for FY21, noting as follows:

- The result will have a full annualised contribution from Paragon (Q1 FY21), plus the contribution from Carroll Insurance Group and other bolt-in acquisitions.
- The annualised impact of reduced costs implemented in Q4 FY20.
- An expectation for continued hard market conditions, which is expected to outweigh any potential volume reductions from potentially weak economic conditions in our key Australian and UK markets.

On this basis we expect an underlying EBITDA range of $65-70m and underlying NPATA range of $40-43m. This is represented below at slightly ahead of the mid-point:



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.

CORPORATE GOVERNANCE STATEMENT (continued)

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 three Executive Directors. Of these six Directors, two are independent Non-Executive Directors; Mr Brian Austin and Mr Melvyn Sims.

The Board are highly invested in the Group and believe this is in the best interests of all shareholders to drive the performance and add value. Mr Brian Austin, Mr Paul Dwyer and Mr John Dwyer are all substantial shareholders in the Group.

While Mr Austin's direct and indirect shareholding in the Group may be an indicator that he may not be an independent Director under ASX guidelines, the Board believes he continues to act independently of management and in the best interests of all shareholders and consequently the Board has deemed that he is independent.

The experience and expertise relevant to the position of Director held by each Director at the date of this report is included in the Directors' Report.

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

Name	Term in office
Brian Austin – Chairman, Independent Non-Executive Director	10 years
Paul Dwyer – Deputy Chairman, Non-Executive Director	10 years
Antony Robinson – Managing Director	5 years
John Dwyer – Executive Director	10 years
Tara Falk – Executive Director	1 year
Melvyn Sims – Independent Non-Executive Director	4 years

Principal 2.4 and 2.5 of the ASX Corporate Governance Principals and Recommendations recommends that the Board comprise a majority of Directors who are independent. The Board as currently composed does not comply with those recommendations.

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

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

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

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

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

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

To enable performance of their duties, all Directors:

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

Principle 3 – Promote ethical and responsible decision making

The Group is committed to operating honestly and ethically in all its business dealings and to embody this commitment has adopted a Code of Conduct which applies to all Directors, officers, employees, contractors or consultants of the Group as well as a Securities Trading Policy. Each of these has been prepared having regard to the ASX Corporate Governance Principles and Recommendations and is available on the Group's website at www.pscinsurancegroup.com.au.

The Group has adopted a Diversity Policy, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. Where candidates for Board and Executive positions have commensurate experience and expertise, the Group will have a preference for appointments that enhance our diversity. Presently, the proportion of female employees across the Group is 46%.

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 Non-Executive Director, Mr Paul Dwyer. Mr Antony Robinson is the other member of this committee. Principal 4.1 of the ASX Corporate Governance Principals and Recommendations recommends that the audit committee have at least three members all of whom are Non-Executive Directors.

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

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

Prior to the approval of the financial statements, the Board received a declaration from the Managing Director, Group Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records have been properly maintained, are in accordance with Australian Accounting Standards and give a true and fair view of the financial performance and financial position of the Group.

The company's auditor, Ernst & Young, has indicated they will be attending the Annual General Meeting.

Principle 5 – Make timely and balanced disclosure

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

Principle 6 – Respect the rights of 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.

CORPORATE GOVERNANCE STATEMENT (continued)

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 Audit & Risk Management Committee is supported by the Group Manager Governance and Compliance who has a direct line of report into this committee.

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

- Regulatory risk – as a Group of regulated financial services businesses, changes in regulation or actions by regulators could impact the Group;
- Personnel risk – competent employees and management are very important to the ongoing success of the Group;
- Financial risk – sound risk management of the financial controls around client monies and financial reporting are very important;
- 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 Manager Governance and Compliance. This committee provides a written report to each full Board Meeting via the Group Manager Governance and Compliance. The Group Manager Governance and Compliance attends each full Board Meeting. Compliance managers are responsible for monitoring and auditing insurance related operational functions to ensure continuing compliance with respective jurisdictional licensing requirements.

Regular internal communication between the Group's management and Board supplements the Group's Risk Management Policy.

The Group at least annually evaluates the effectiveness of its risk management framework to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. Under the Audit & Risk Management Committee Charter, the Audit & Risk Management Committee is responsible for providing an independent and objective assessment to the Board regarding the adequacy, effectiveness and efficiency of the Group's risk management and internal control process. A copy of the Group's Risk Management policy is available on the Group's website at www.pscinsurancegroup.com.au.

Principle 8 – Remunerate fairly and responsibly

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

The committee comprises two Directors:

- Brian Austin (Chairman)
- Paul Dwyer

Principal 8.1 of the ASX Corporate Governance Principals and Recommendations recommends that the Remuneration and Nominations Committee have at least three members all of whom are Non-Executive Directors.

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group consisting of PSC Insurance Group Limited and the entities it controlled, for the financial year ended 30 June 2020 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
Paul Dwyer
Antony Robinson
John Dwyer
Melvyn Sims
Tara Falk (appointed 8 October 2019)

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

Results

The consolidated profit after income tax and eliminating non-controlling interest attributable to the members of PSC Insurance Group Limited was $17,887,000 (2019: $24,693,000).

Review of operations

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

Statutory revenue increased from $126.2m to $169.0m and statutory net profit after tax attributable to owners of PSC Insurance Group Limited decreased from $24.7m to $17.9m. Underlying operating revenue increased 49% from $119.0m to $176.7m, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 33% from $43.3m to $57.4m and underlying net profit after tax before amortisation (NPATA), increased 34% from $27.8m to $37.4m.

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

Significant changes in the state of affairs

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

DIRECTORS' REPORT (continued)

After balance date events

The Group has completed one acquisition since balance date.

Please refer to Note 38: Subsequent Events for full details.

Likely developments

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

Environmental regulation

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

Dividend paid, recommended and declared

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

	2020 $	2019 $
(a) Dividends paid or declared by PSC Insurance Group Limited		
Dividends paid fully franked	23,195,566	18,625,261
(b) Dividends paid to non-controlling interests		
Dividends paid partially franked	445,546	464,797
(c) Dividend declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends of 5.5 cents per share (2019: 5.2 cents per share) fully franked	15,786,064	13,690,648
Since the end of the reporting period the directors have recommended / declared dividends to non-controlling interests	-	-

Shares under option

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

Name of option holder	Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
Melvyn Sims	8 August 2016	600,000	$1.66 per share	8 July 2021
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	3,500,000	$3.00 per share	31 December 2022
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	1,500,000	$3.25 per share	31 December 2022
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	1,500,000	$3.50 per share	31 December 2022
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	1,500,000	$3.75 per share	31 December 2022

Shares issued on exercise of options

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

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of PSC Insurance Group Limited at any time during or since 1 July 2019 is provided below, together with details of the company secretary as at the year end.

Director	Expertise, experience and qualifications
Brian Austin **Non-Executive Chairman** *Member of Remuneration and Nomination Committee*	Brian Austin, an Independent Director, 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 was a Director of the ASX listed AMA Group Limited until 21 February 2020.
Paul Dwyer **Non-Executive Director and Deputy Chairman** Dip Fin Serv (Ins) *Member of Audit and Risk Management Committee and Remuneration and Nomination Committee*	Paul Dwyer, a Non-Executive Director and Deputy Chairman, was appointed to the Board on 10 December 2010. Prior to founding PSC Insurance Group, Mr Dwyer held a senior executive position with OAMPS Insurance Brokers Limited and previous to that role was a Regional Underwriter with CGU. Mr Dwyer's focus is the strategic direction of the entity, exploring acquisition and organic growth opportunities and to manage and work with the executive and staff within the entity to continually improve business operations.
Antony Robinson **Managing Director** B Com (Melb), ASA, MBA (Melb) *Member of Audit and Risk Management Committee*	Antony Robinson, the Managing Director, was appointed to the Board on 13 July 2015. Mr Robinson has significant experience in wealth management and insurance, including Managing Director of Centrepoint Alliance Limited, Chief Executive Officer and Executive Director of IOOF Holdings Ltd and OAMPS Limited, joint Managing Director of Falkiners Stockbroking, Managing Director of WealthPoint, and senior executive positions at Link Telecommunications and Mayne Nickless. Mr Robinson's appointment carries with it the responsibility to ensure that finances and decision-making are robust and the business is aligned to the growth strategy of the Board. Mr Robinson is a Director of ASX listed entities Bendigo and Adelaide Bank Limited, Pacific Current Group Limited and Longtable Group Limited (resigned 29 November 2019).
John Dwyer **Executive Director** Dip Fin Serv (Ins)	John Dwyer, an Executive Director, was appointed to the Board on 10 December 2010. Mr Dwyer has over 30 years experience in the insurance industry, spending time with QBE as a Regional Underwriting Manager, commencing a joint venture with OAMPS Insurance Brokers Limited and eventually becoming Eastern Region Manager (NSW & ACT). As Director of Broking across the PSC Insurance Group, Mr Dwyer brings specialist business integration and practical operational skills pivotal to a growing business. Mr Dwyer has not held directorships of other listed companies in the last three years.

DIRECTORS' REPORT (continued)

Director	Expertise, experience and qualifications
Melvyn Sims **Non-Executive Director** LLB (Hons) Nottm.	Mel Sims, an Independent Director, was appointed to the Board on 8 August 2016. Mr Sims is a highly regarded London based corporate lawyer with extensive experience in the insurance industry gained during his 29 years as a partner in the international law firm DLA Piper and since July 2015 as a partner in the international law firm DWF Group PLC which is listed on the London Stock Exchange. Over the course of Mr Sims' career he has held senior management roles, including managing DLA Piper Offices and practice groups in the Middle East and advised businesses in commercial and transactional matters often with an international perspective and in diverse markets ranging from general retail, aviation, sport and leisure through to regulated financial services businesses. Mr Sims has extensive board experience, having served as a board member of the UK listed Towergate Insurance Limited for over 15 years. Mr Sims has not held directorships of other listed companies in the last three years.
Tara Falk **Executive Director**	Tara Falk was appointed to the Board on 8 October 2019. Ms Falk has over 30 years in the insurance industry and is co-founder and co-CEO of Paragon International Insurance Brokers Ltd. Ms Falk has extensive experience in all operations of running a specialist Lloyd's insurance broker, working with leading insurers in Lloyd's, Europe, Bermuda and the United States. Ms Falk is involved with the placement of complex insurance programmes for many large professional service firms around the world and is also on the Board of LIIBA, London & International Insurance Brokers' Association.
Stephen Abbott BBus, CA, CTA	Stephen Abbott was appointed Company Secretary on 18 May 2015, having joined the PSC Insurance Group in March 2012. Mr Abbott has over 35 years experience in accounting and finance both within industry and commerce and professional services firms with the last 13 years in insurance broking.

Directors' meetings

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

	Board of Directors		Audit & Risk Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian Austin	12	10	-	-	1	1
Paul Dwyer	12	12	3	3	1	1
Antony Robinson	12	12	3	3	-	-
John Dwyer	12	12	-	-	-	-
Melvyn Sims	12	12	-	-	-	-
Tara Falk	7	7	-	-	-	-

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' 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
Brian Austin	35,611,300	-
Paul Dwyer	67,174,852	-
Antony Robinson	802,565	8,000,000
John Dwyer	35,521,351	-
Melvyn Sims	-	600,000
Tara Falk	7,286,200	-

Auditor's independence declaration

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

Non-Audit Services

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

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

	2020 $	2019* $
Amounts paid/payable to Ernst & Young (Melbourne) for non-audit services:		
Consulting Services	50,000	14,324
Taxation Services	45,974	17,015
	95,974	31,339
Amounts paid/payable to non-related auditors of group entities for non-audit services:		
Taxation Services	10,745	18,524
Other Services	-	21,541
	10,745	40,065
Total Amount Paid/Payable	106,719	71,404

*Fees paid in 2019 were to Pitcher Partners (Melbourne), the previous auditor

DIRECTORS' REPORT (continued)

Indemnification and insurance of directors, officers and auditors

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

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.
No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of the Group

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

Rounding Amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and in the financial statement have been rounded to the nearest one thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

The Directors present the Group's 2020 remuneration report which details the remuneration information for PSC Insurance Group Limited's Executive Directors, Non-Executive Directors and other key management personnel.

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

A. Details of the Key Management Personnel

Directors	Period of Responsibility	Position
Brian Austin	Full Year	Chairman, Independent Non-Executive Director
Paul Dwyer	Full Year	Deputy Chairman, Non-Executive Director
Antony Robinson	Full Year	Managing Director
John Dwyer	Full Year	Executive Director
Melvyn Sims	Full Year	Independent, Non-Executive Director
Tara Falk	From 8 October 2019	Executive Director

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

B. Remuneration Policies

Remuneration and Nomination Committee

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

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

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

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

Remuneration Strategy

The remuneration strategy of the Group is designed to attract, motivate and retain employees, executives and non-executive directors by identifying and rewarding high performers and recognising the contribution of executives and employees to the continued growth and success of the Group.

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

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

Remuneration Structure

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

Non-Executive Director Remuneration Structure

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

The Board and the Remuneration Committee, considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Group's Board. This remuneration is reviewed with regard to market practice and Directors' duties and accountability.

The Group set the following annual Non-Executive Directors' fees:

- Chairman: $350,000 per annum inclusive of superannuation;
- Non-Executive Directors (Australia based): $100,000 per annum inclusive of superannuation; and
- Non-Executive Directors (United Kingdom based): £90,000 per annum.

DIRECTORS' REPORT (continued)

The Group determines the maximum amount for remuneration, including thresholds for share-based remuneration for Executives, by resolution. The remuneration received by the Non-Executive Directors for the year ended 30 June 2020 is detailed in Table 1 of this section of the report.

Executive Remuneration Structure

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

Remuneration may consist of the following elements:

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

Fixed Remuneration

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

Variable Remuneration – short-term incentive (STI)

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

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

The Group 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.

There have been no STI payments to either Managing Director or other Key Management Personnel in the 2020 year. (2019 : $nil) - 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 Group. LTI awards are made under the PSC Insurance Group Limited Long Term Incentive Plan (Plan).

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

Service Agreements

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

Managing Director's Remuneration

Under Antony Robinson's employment agreement his fixed remuneration is $600,000 per year inclusive of superannuation with 5 weeks annual leave. Mr Robinson is eligible to participate in the Long-term incentive arrangements operated by the Group in accordance with the terms and conditions governing those arrangements and as agreed to by the Board. On Mr Robinson's appointment as Managing Director he received 8 million options under LTI, full details of which are disclosed further down in this report. Mr Robinson volunteered a one off pay cut in Financial year 2020 to support cost saving initiatives.

C. Details of Remuneration of Key Management Personnel

(a) Directors' remuneration:
Table 1

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

(a): Salary fees include amounts paid in cash and annual leave accruals which are determined in accordance with AASB 119 Employee Benefits.
(b): Antony Robinson receives superannuation of $22,000 per year. Tara Falk's superannuation is employers national insurance at 13.8% of salary.
(c): Long service leave accruals are determined in accordance with AASB 119 Employee Benefits.

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

DIRECTORS' REPORT (continued)

	Short-term	Post-employment		Long-term		TOTAL	Options as % of total
	Salary fees (a)	Superannuation	LSL accruals (b)	Loan funded Shares	Options		
2019	$	$	$	$	$	$	%
Executive Directors							
Paul Dwyer	285,655	-	-	-	-	285,655	-
Antony Robinson	45,253	1,692	279	-	1,558,956	1,606,180	97%
John Dwyer	325,000	-	-	-	-	325,000	-
Non-Executive Directors							
Brian Austin	325,000	-	-	-	-	325,000	-
Paul Dwyer	8,431	-	-	-	-	8,431	-
Antony Robinson	68,303	6,236	-	-	-	74,539	-
Melvyn Sims	134,062	-	-	-	-	134,062	-
	1,191,704	**7,928**	**279**	**-**	**1,558,956**	**2,758,867**	**57%**

(b) Other Key Management Personnel remuneration:
Table 2

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

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

i. Rohan Stewart provides his services via H&S Nominee Holdings Pty Ltd

	Short-term	Post-employment		Long-term		TOTAL	Options as % of total
	Salary fees (a)	Superannuation	LSL accruals (b)	Loan funded Shares	Options		
2019	$	$	$	$	$	$	%
Other Key Management Personnel							
Rohan Stewart	450,000	-	-	25,145	-	475,145	-
Joshua Reid	374,540	34,703	10,990	55,825	-	476,058	-
	824,540	**34,703**	**10,990**	**80,970**	**-**	**951,203**	**-**

D. Relationship between remuneration and Group performance

(a) Remuneration not dependent on satisfaction of performance condition

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

(b) Historical performance of the Group

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

Table 3

	2020	2019	2018	2017	2016
Revenue and other income	169,043,569	126,236,558	118,685,706	84,475,859	67,766,163
% increase in revenue and other income	34%	7%	40%	25%	30%
Profit before tax	25,273,711	36,834,805	40,327,294	27,114,780	15,973,533
% (decrease)/increase in profit before tax	(31%)	(9%)	49%	70%	36%
Change in share price	($0.05)	($0.27)	$0.60	$0.55	N/a
Dividend paid to shareholders	23,195,566	18,625,261	15,639,646	10,148,015	6,505,295
Return of capital	10%	13%	11%	12%	16%

E. Key management personnel's share-based compensation

(a) Details of compensation Options

In 2020, no options were granted to Key Management Personnel.

In 2020, Antony Robinson exercised 300,000 options at $1 per share.

(b) Details of Loan Funded Shares

In 2020, no loan funded shares were granted to Key Management Personnel.

F. Key management personnel's equity holdings

(a) Number of options held by key management personnel

As at 30 June 2020 key management personnel hold options under PSC's Long-term Incentive Plan to purchase 8,600,000 ordinary shares of the Group.

Table 4

2020	Balance 1/07/19	Exercised	Balance 30/06/20
Key management personnel			
Antony Robinson	8,300,000	(300,000)	8,000,000
Melvyn Sims	600,000	-	600,000
	8,900,000	**(300,000)**	**8,600,000**

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 Group at 30 June 2020 is as follows:

Table 5

2020	Balance 1/07/19	Shares issued from sale of Paragon	(Net sale) / purchase of shares	Exercise of options	Balance 30/06/20
Directors					
Brian Austin	35,440,600	-	170,700	-	35,611,300
Paul Dwyer	66,303,000	-	871,852	-	67,174,852
Antony Robinson	418,000	-	84,565	300,000	802,565
John Dwyer	35,390,522	-	130,829	-	35,521,351
Melvyn Sims	-	-	-	-	-
Tara Falk	-	6,786,200	500,000	-	7,286,200
Other Key Management Personnel					
Rohan Stewart	3,312,778	-	(500,000)	-	2,812,778
Joshua Reid	1,170,299	-	-	-	1,170,299
	142,035,199	**6,786,200**	**1,257,946**	**300,000**	**150,379,345**

G. Loans to and from key management personnel

(a) Aggregate of loans made

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

(b) Aggregate of loans received

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

H. Other transactions with Key Management Personnel

Fuse Recruitment Pty Ltd, ADD Aviation Services Pty Ltd, P Capital Pty Ltd and The Lead Agency Pty Ltd (until 31 December 2018) are related parties as they are entities where John Dwyer, Paul Dwyer and Brian Austin or their closely related entities are shareholders. DWF LLP is a related party as Mel Sims is a Partner at the Company.

During the year ended 30 June 2020 the following related entities provided services to the Group:

Related party	Service received	2020 $	2019 $
Fees Paid or Payable to associates (ex GST):			
Fuse Recruitment Pty Ltd	Recruitment Fees	141,492	208,065
Fuse Recruitment Pty Ltd	Contractor Fees	41,380	217,418
The Lead Agency Pty Ltd	Marketing service fees	-	94,371
ADD Aviation Services Pty Ltd	Transportation service fees	12,860	131,394
DWF LLP	Legal service fees	292,398	372,377

All the above services received from identified related parties of key management personnel were in the normal course of business, on terms and conditions no more favourable than those that it is reasonable to expect the party would have adopted if dealing at arms-length with an unrelated person. The outstanding balance of the above services is $19,906 from Fuse Recruitment Pty Ltd (2019: $21,249), which is expected to be settled within 30 days.

The Group provided insurance services to related parties of a Director totalling $96,959 (2019: $206,061). The services supplied were in the normal course of business and on normal commercial terms and conditions. The fees outstanding for these services at balance date are $nil (2019 $5,766).

The Group received trust distributions from a related party of a Director totalling $nil (2019: $289,432). The entity ceased to be a related party on 7 December 2018.

The Group paid $700,000 to P Capital Pty Ltd during the year. The amount made relates to part payment of the purchase price for Charter Gilman Insurance Holdings Limited and Globe transactions approved at the EGM held during the year. The payment allowed PSC to take operational control earlier than otherwise. The balance of the purchase price payments were made post balance date when regulatory filings were completed as disclosed in Note 38.

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 2020 financial year.

Signed in accordance with a resolution of the directors

Brian Austin	**Antony Robinson**
Chairman	**Managing Director**
Melbourne	Melbourne
Date: 24 August 2020	Date: 24 August 2020

AUDITORS INDEPENDENCE DECLARATION

Ernst & Young
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Building a better working world

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

As lead auditor for the audit of the financial report of PSC Insurance Group Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

T M Dring
Partner
24 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2020

	Notes	30-Jun 2020 $'000	30-Jun 2019 $'000
Revenue and other income			
Fee and commission income	3	173,283	113,680
Other revenue	3	825	460
Interest income	3	1,037	1,461
Other income	3	(6,625)	8,998
Investment income	3	524	1,637
	3	**169,044**	**126,236**
Less: expenses			
Administration and other expenses	4	(27,979)	(21,818)
Depreciation and amortisation expense	4	(11,318)	(2,947)
Employee benefits expense	4	(87,302)	(52,755)
Finance costs	4	(6,807)	(3,449)
Employee contractors		(3,292)	(3,145)
Information technology costs		(4,134)	(3,663)
Professional fees		(2,938)	(1,624)
		(143,770)	**(89,401)**
Profit before income tax expense		**25,274**	**36,835**
Income tax expense	5	(6,552)	(11,478)
Net profit from continuing operations		**18,722**	**25,357**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		-	1,100
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(4,029)	210
Other comprehensive income for the year		**(4,029)**	**1,310**
Total comprehensive income		**14,693**	**26,667**
Profit is attributable to:			
- Owners of PSC Insurance Group Limited		17,887	24,693
- Non-controlling interests		835	664
		18,722	**25,357**
Total comprehensive income is attributable to:			
- Owners of PSC Insurance Group Limited		13,858	26,003
- Non-controlling interests		835	664
		14,693	**26,667**
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic earnings per share	31	6.7 cents	10.1 cents
Diluted earnings per share	31	6.5 cents	10.0 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 Jun 2020

	Notes	30-Jun 2020 $'000	30-Jun 2019* $'000
Current assets			
Cash and cash equivalents	7	25,973	21,475
Other financial assets - trust cash	8	167,904	111,480
Receivables	9	11,612	8,454
Contract assets - broking	10	49,552	33,158
Other assets	11	9,046	2,446
Total current assets		**264,087**	**177,013**
Non-current assets			
Receivables	9	3,400	3,373
Other financial assets	12	34,453	51,498
Equity accounted investments	13	8,512	7,571
Property, plant and equipment	15	16,763	15,261
Intangible assets	16	316,372	108,075
Right of use asset	17	14,754	-
Deferred tax assets	5	3,941	3,359
Total non-current assets		**398,195**	**189,137**
Total assets		**662,282**	**366,150**
Current liabilities			
Payables	18	183,021	118,054
Borrowings	19	-	1,192
Provisions	20	4,542	3,183
Current tax liabilities	5	3,991	8,004
Financial liabilities	22	1,127	-
Lease liabilities	23	2,341	-
Other liabilities	21	24,829	10,152
Total current liabilities		**219,851**	**140,585**
Non-current liabilities			
Borrowings	19	158,505	55,831
Provisions	20	565	455
Deferred tax liabilities	5	20,154	13,255
Financial liabilities	22	205	-
Lease Liabilities	23	13,909	-
Other liabilities	21	4,572	4,973
Total non-current liabilities		**197,910**	**74,514**
Total liabilities		**417,761**	**215,099**
Net assets		**244,521**	**151,051**
Equity			
Share capital	24	243,043	140,572
Reserves	25	(40,449)	(36,473)
Retained earnings	25	39,235	44,807
Equity attributable to owners of PSC Insurance Group Limited		**241,829**	**148,906**
Non-controlling interests	27	2,692	2,145
Total equity		**244,521**	**151,051**

* Prior period comparatives have been revised. Refer to note 1 (y) for details.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2020

	Share capital $'000	Reserves* $'000	Retained Earnings $'000	Non-controlling Interest* $'000	Total Equity $'000
Balance as at 1 July 2018	140,395	(37,368)	40,429	1,964	145,420
Adjustment due to change of accounting policy, net of tax	-	-	(1,245)	(28)	(1,273)
Restated opening balance	**140,395**	**(37,368)**	**39,184**	**1,936**	**144,147**
Profit for the year	-	-	24,693	664	25,357
Revaluation of property, plant and equipment, net of tax	-	1,100	-	-	1,100
Exchange differences on translation of foreign operations, net of tax	-	210	-	-	210
Total comprehensive income for the year	**-**	**1,310**	**24,693**	**664**	**26,667**
Transactions with owners in their capacity as owners:					
Non-controlling interest arising from business combination	-	-	-	1,219	1,219
Decrease in non-controlling interests	-	-	-	(339)	(339)
In specie distributions	-	-	(445)	-	(445)
Put option	-	(2,252)	-	(870)	(3,122)
Employee share issues	177	1,837	-	-	2,014
Dividends paid	-	-	(18,625)	(465)	(19,090)
Total transactions with owners	**177**	**(415)**	**(19,070)**	**(455)**	**(19,763)**
Balance as at 30 June 2019	**140,572**	**(36,473)**	**44,807**	**2,145**	**151,051**

	Share capital $'000	Reserves* $'000	Retained Earnings $'000	Non-controlling Interest* $'000	Total Equity $'000
Balance as at 1 July 2019	140,572	(36,473)	44,807	2,145	151,051
Adjustment due to change of accounting policy, net of tax	-	-	(263)	-	(263)
Restated opening balance	**140,572**	**(36,473)**	**44,544**	**2,145**	**150,788**
Profit for the year	-	-	17,887	835	18,722
Exchange differences on translation of foreign operations, net of tax	-	(4,029)	-	-	(4,029)
Total comprehensive income for the year	**-**	**(4,029)**	**17,887**	**835**	**14,693**
Transactions with owners in their capacity as owners:					
Capital issued	35,000	-	-	-	35,000
Capital issuing costs	(577)	-	-	-	(577)
Shares in lieu of cash for acquisition of subsidiary	66,035	-	-	-	66,035
Converted share options	300	-	-	-	300
Dividend reinvestment	1,076	-	-	-	1,076
Non-controlling interest arising from business combination	-	-	-	245	245
Put option reserve revaluation	-	(246)	-	(87)	(333)
Employee share issues	637	299	-	-	936
Dividends paid	-	-	(23,196)	(446)	(23,642)
Total transactions with owners	**102,471**	**53**	**(23,196)**	**(288)**	**79,040**
Balance as at 30 June 2020	**243,043**	**(40,449)**	**39,235**	**2,692**	**244,521**

* Prior period comparatives have been revised. Refer to note 1 (y) for details.
The above statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2020

	Notes	30-Jun 2020 $'000	30-Jun 2019 $'000
Cash flow from operating activities			
Receipts from customers		181,137	117,416
Payments to suppliers and employees		(140,971)	(88,047)
Trust distributions / dividends received		990	997
Interest received		1,037	1,461
Interest paid		(4,290)	(3,449)
Income tax paid		(10,608)	(7,814)
Operating cash before movement in customer trust accounts		**27,295**	**20,564**
Net movement in customer trust accounts		(3,388)	(2,892)
Net cash provided by operating activities	28 (b)	**23,907**	**17,672**
Cash flow from investing activities			
Payment for property, plant and equipment		(2,138)	(1,883)
Proceeds from sale of financial assets		5,706	13,927
Payment for financial assets		(539)	(33,876)
Payment for other investments		(721)	-
Payment for equity investments		(960)	(647)
Proceeds from sale of equity investments		633	2,511
Net cash flow (used in) investing activities		**1,981**	**(19,968)**
Cash flow from financing activities			
Payments for deferred consideration/business acquisitions		(129,863)	(10,824)
Proceeds from borrowings		108,149	3,547
Repayments of borrowings		(7,513)	(971)
Capital issued		35,000	-
Capital issuing costs		(825)	-
Proceeds from converted share options		300	-
Payment of lease liabilities		(3,290)	-
Dividends paid		(22,565)	(19,090)
Loans to related parties		(1,288)	(192)
Net cash provided by / (used in) financing activities		**(21,895)**	**(27,530)**
Reconciliation of cash			
Cash at beginning of the year		21,475	51,170
Net (decrease) / increase in cash held		3,993	(29,826)
Effect of exchange rate fluctuation on cash held		505	131
Cash at end of the year	28 (a)	**25,973**	**21,475**

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2020

Note 1: Statement Of Significant Accounting Policies

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

(a) Basis of preparation of the financial report

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

The financial report covers PSC Insurance Group Limited and controlled entities as a Group. PSC Insurance Group Limited is a company limited by shares, incorporated and domiciled in Australia.

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

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

Compliance with IFRS
The consolidated financial statements of the Group 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

(b) New and revised accounting standards effective at 30 June 2020

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019.

AASB 16: Leases
AASB 16 has replaced AASB 117. AASB 16 requires a lessee to recognise most leases on balance sheet as lease liabilities, with corresponding right of use assets. Lessees are not required to recognise short term leases with a term of less than 12 months and leases of low value assets. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis.

As a result of the adoption of AASB 16, the nature of expenses relating to leases has changed. The Group has recognised depreciation expense for right of use assets and interest expense for lease liabilities. Previously lease costs were recognised as occupancy expenses.

The Group has adopted the standard on 1 July 2019 by applying the modified retrospective approach on transition. Under this approach the cumulative effect of adoption has been recognised as an adjustment to opening retained earnings at 1 July 2019, with no restatement of comparative information.

The Group applied the following available practical expedients:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application and leases of low value.

Impact
The impact on transition at 1 July 2019 to the consolidated statement of financial position was as follows:

	2019 $'000
Assets	
Increase in right of use assets	6,097
Increase in deferred tax asset	96
Liabilities	
Increase in lease liabilities	(6,456)
Equity	
Decrease in retained earnings	263

The table below is a reconciliation of the operating lease commitments disclosed in the Group's 30 June 2019 financial statements, to the lease liabilities recognised on the transition date:

	2019 $'000
Operating lease commitments disclosed at 30 June 2019	9,338
(less) impact of discounting the future lease cash flows at the incremental borrowing rate of each lease	(512)
(Less) leases with a remaining term of less than one year and low value leases	(330)
(Less) leases committed to but with a start date after 1 July 2019	(2,040)
Lease Liabilities recognised at 1 July 2019	(6,456)

The Group applied a range of incremental borrowing rates between 4.60% and 6.50% (weighted average discount rate of 4.97%). The consolidated statement of profit and loss and other comprehensive income for the half year was lower by $0.3m due to application of the new standard being lease interest of $0.7m and lease depreciation of $2.9m, compared to rent expense of $3.3m on an equivalent basis.

Further details of the Group's accounting policies in relation to accounting for leases under AASB 16 are contained in note 1 (H).

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments and how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Impact
The new interpretation has not had a significant material impact on the financial statements the Group.

(c) Going concern

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

(d) Principles of consolidation

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

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

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

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

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

Details of the Group's controlling and non-controlling interests are detailed in Note 27.

(e) Revenue

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

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

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

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

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

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

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

The useful lives for each class of assets are:

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

(h) Leases Liabilities

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

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

(i) Right-of-use assets

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

(j) Business combinations

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

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

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 the case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

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

Acquisition related costs are expensed as incurred.

(k) Intangibles

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

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

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

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

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

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

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

(l) Impairment of non-financial assets

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

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

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

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

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

(m) Income tax

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

Deferred tax balances

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Tax consolidation

The parent entity and it's 100% Australian controlled entities formed an income tax consolidated group under the tax consolidation legislation on 8 December 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 27.

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

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

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

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

(o) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

(p) Employee benefits

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

ii. *Other Long-term employee benefit obligation*
The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

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

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

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

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

vi. *Termination benefits*
Termination benefits are payable when employment of an employee or group of employees is terminated 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 Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(q) Borrowing costs

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

Borrowing costs are expensed as incurred.

(r) Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

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

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

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

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

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

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

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

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

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

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

(s) Investments in associates

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

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

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

(t) Interests in joint ventures

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

(u) Foreign currency translations and balances

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

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

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

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

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

(v) Segment reporting

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's components. All operating segment results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Refer to Note 37 for details on how management determine the operating segments.

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

(w) Goods and services tax (GST)

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

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

(x) Comparatives and Rounding of amounts

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

(y) Restatement of comparative balances:

1. Broker receivables and payables

Summary
The Group has reassessed its accounting policy in relation to recognition of insurance premium receivables owed by policy holders upon entering into a policy and the corresponding premium payable to underwriters. The Group has determined that the premium receivable should no longer be recognised on the basis that the company's role is an insurance intermediary and it is not performing the role or assuming liability as principals. The Group has determined that a more appropriate policy is to recognise premiums payable to the underwriter when the cash has been received from the policy holder, creating a liability to remit these monies to the underwriter. This change is aligned to emerging global practises. Amounts have been restated to ensure comparability between reporting periods.

Impact:
The impact of the change on the 30 June 2019 statement of financial position comparative balances was as follows:

	Year ended 30 June 2019 $'000	Change $'000	As restated for the year ended 30 June 2019 $'000
Current Assets			
Cash and cash equivalents	132,955	(111,480)	21,475
Other financial assets - trust cash	-	111,480	111,480
Receivables	438,169	(429,715)	8,454
Contract assets - broking	-	33,158	33,158
Other assets	6,206	(3,760)	2,446
Total Current Assets	**577,330**	**(400,317)**	**177,013**
Current liabilities			
Payables	518,371	(400,317)	118,054
Total Current liabilities	**540,902**	**(400,317)**	**140,585**

There was no impact on the consolidated statement of profit and loss and other comprehensive income.

2. Put Option

Summary
A financial liability has been recognised for the value the Group could be required to pay on the future exercise by holders of a put option in relation to the acquisition of Turners Financial Services Pty Ltd. After initial recognition, the fair value of the put option is reassessed at each reporting period with reference to profitability of the underlying entity. Amounts have been restated to ensure comparability between reporting periods.

Impact:
The impact of the change on the 30 June 2019 statement of financial position comparative balances was as follows:

	Year ended 30 June 2019 $'000	Change $'000	As restated for the year ended 30 June 2019 $'000
Non-Current Liabilities			
Other liabilities	1,851	3,122	4,973
Total Non-Current Liabilities	71,392	3,122	74,514
Equity			
Put option reserve	-	(2,252)	(2,252)
Non-controlling interests	3,015	(870)	2,145
Total Equity	**154,173**	**(3,122)**	**151,051**

There was no impact on the consolidated statement of profit and loss and other comprehensive income.

(z) Accounting standards issued but not yet effective at 30 June 2020

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

Title	Effective date	Financial year mandatory	Note
AASB 2018-6 - Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021	(i)
AASB 2019-1 - Conceptual Framework	1 January 2020	30 June 2021	(ii)
AASB 2018-7 - Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021	(ii)
AASB 2019-5 - Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021	(ii)
AASB 2014-10 - Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022	30 June 2023	(ii)

(i) In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 2: Significant Accounting Estimates And Judgements

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

(a) Business combinations and goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the income statement.

Allocation of the purchase price between finite life assets and indefinite life assets such as goodwill affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised.

(b) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations or fair value assessments. Fair value calculations are based on estimates of sustainable revenue for each CGU multiplied by a revenue multiple appropriate for similar businesses, less costs to sell. Value in use calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections are based on past performance and its expectation for the future, including any potential impacts from COVID-19. The present value of future cash flows has been calculated using an average revenue growth rate of 3% (2019: 5%) and expense growth rate of 2% (2019: 3%) for cash flows in year two to five and a terminal value growth rate of 2% (2019: 2%). A pre-tax discount rate of 10%-14% (2019: 16.67%) to determine value-in-use has been used. The pre-tax discount rate used is dependent on specific attributes of the segments and determined by the Board.

(c) Income Tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Deferred consideration

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

(e) Intangible assets

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

(f) Employee benefits

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

(g) Share based payment transactions

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

(h) Other shares and units held

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

Note 3: Revenue And Other Income

	2020 $'000	2019 $'000
Fee and commission income		
Commission income	126,044	72,610
Fees income	36,061	31,039
Other fees	11,178	10,031
	173,283	**113,680**
Other revenue	**825**	**460**
Interest income	**1,037**	**1,461**
Other Income		
Share of equity accounted results	98	154
Gain / (loss) on fair value adjustments	(16,623)	7,879
Gain / (loss) on derivatives	1,249	-
Profit on sales of shares	8,651	-
Profit on sale of subsidiary	-	965
	(6,625)	**8,998**
Investment Income		
Dividend income and trust distributions	**524**	**1,637**
	169,044	**126,236**

Amounts that relate to performance obligations that have not been satisfied (or partially satisfied) by the Group are included in Note 21 as a contract liability. The contract liability balance at 30 June 2019 of $2.4m has been recognised in fee and commission income during the year ended 30 June 2020.

The Group has disaggregated revenue recognised from contracts with customers (Fee and commission income) into categories that depict how the uncertainty of revenue and cash flows are affected by economic factors. Disaggregated revenue information has also been included in Note 37 Information.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 4: Operating Profit

	2020 $'000	2019 $'000
Profit before income tax has been determined after:		
Finance costs	6,086	3,449
Finance costs - lease liabilities	721	-
Total finance costs	**6,807**	**3,449**
Depreciation		
- Leasehold Improvements	762	129
- Building	197	178
- Motor Vehicles	11	13
- Office Equipment	261	237
- Computer Equipment	754	797
	1,985	**1,354**
- Right of use assets	2,856	-
Total depreciation	**4,841**	**1,354**
Amortisation of non-current assets		
- Identifiable intangibles	6,477	1,593
Depreciation and amortisation expense	**11,318**	**2,947**
Rental expense on operating leases	898	2,933
Foreign currency translation losses / (gains)	(67)	15
Employee benefits		
- Share-based payments	264	2,014
- Superannuation	5,325	3,529
- Other Employee benefits	81,713	47,212
	87,302	**52,755**
Administration and other expenses includes:		
Acquisition legal and professional fees	1,143	742
Other acquisition and transactions related costs	1,112	719
Non-recurring employment costs	1,463	2,971
Foreign Exchange (gains)/losses	(1,091)	196
Expected credit loss	1,613	3
Net deferred consideration loss relating to business combinations	4,626	1,127
Share-based payment expense	264	2,014
Other	1,598	143
Other income includes:		
Fair value revaluation of assets	16,623	(7,879)
(Gain) / loss on Derivatives	(1,121)	-
(Profit) on sale of shares	(8,651)	-
Total	**17,579**	**36**

Note 5: Income Tax

(a) Components of tax expense

	2020 $'000	2019 $'000
Current tax	10,147	13,029
Deferred tax	(4,264)	(1,368)
Adjustment to tax expense on recognition of prior year losses	71	-
Under/(over) provision in prior years	598	(183)
	6,552	**11,478**

(b) Prima facie tax payable

	2020 $'000	2019 $'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% (2019: 30.0%)	7,582	11,051
Add tax effect of:		
• Other non-allowable items	261	1,108
• Gross up of franking credits	125	129
• Non assessable gain / non deductible loss on business acquisition rise and fall	1,072	349
• Amortisation	773	223
• Interentity dividends	30	-
• Income tax losses not recognised	71	(146)
• Over provision for income tax in prior years	598	(183)
	2,930	**1,480**
Less tax effect of:		
• Overseas tax rate differential		
• Over provision for income tax in prior years	1,368	470
• Franking credit offset	418	429
• Capitalised costs deductible for tax	2,077	-
• Net capital loss	97	-
• Other non-assessable items	-	154
	3,960	**1,053**
Income tax expense attributable to profit	**6,552**	**11,478**

(c) Current tax

	2020 $'000	2019 $'000
Current tax relates to the following:		
• Opening balance	8,004	3,279
• Income tax	10,147	13,029
• Tax payments	(14,883)	(7,814)
• Utilisation of losses against current period liability	-	(172)
• Under provisions	109	(183)
• Exchange translation difference	(157)	11
• Transfer to/(from) deferred tax	771	(146)
Current tax liabilities	**3,991**	**8,004**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 5: Income Tax (continued)

(d) Deferred tax

	2020 $'000	2019 $'000
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
• Tax losses carried forward	388	747
• Employee benefits	1,324	1,091
• Allowance for expected credit losses	83	-
• Income provisions	954	206
• Contract liabilities	-	565
• Accrued expenses	114	233
• Listing and share issue expenses	526	517
• Fair value adjustments	552	-
	3,941	**3,359**
Deferred tax liabilities		
The balance comprises:		
• Customer Lists	12,745	2,614
• Accrued income	6,712	6,204
• Prepayments	-	79
• Financial assets at fair value through profit and loss	-	3,869
• Capital allowances	453	489
• Right of use asset	244	-
	20,154	**13,255**
Net deferred tax assets/(liabilities)	**(16,213)**	**(9,896)**

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

	2020 $'000	2019 $'000
Decrease / (increase) in deferred tax assets	(428)	67
(Decrease) / increase in deferred tax liabilities	(3,836)	(1,435)
	(4,264)	**(1,368)**

Note 6: Dividends

(a) Dividends paid or declared

	2020 $'000	2019 $'000
Dividends paid at 8.7 cents per share (2019: 7.6 cents per share) by PSC Insurance Group fully franked	23,196	18,625
Dividends paid to non-controlling interests	446	465
	23,642	**19,090**

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

	2020 $'000	2019 $'000
Since the end of the reporting period the directors have recommended / declared dividends of 5.5 cents per share (2019: 5.2 cents per share) fully franked	15,786	13,691
	15,786	**13,691**

(c) Franking account

	2020 $'000	2019 $'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	4,807	4,085

Note 7: Cash And Cash Equivalents

	2020 $'000	2019 $'000
Cash on hand	13	3
Cash at bank	20,371	5,643
Cash on deposit	5,589	15,829
	25,973	**21,475**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 8: Other Financial Assets - Trust Cash

	2020 $'000	2019 $'000
Cash held on trust	167,904	111,480
	167,904	**111,480**

Note 9: Receivables

	2020 $'000	2019 $'000
Current		
Other receivables (a)	9,204	7,070
Related parties loans and receivables	2,408	1,384
	11,612	**8,454**
Non Current		
Related parties loans and receivables	**3,400**	**3,373**

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

	2020 $'000	2019 $'000
(b) Ageing of Receivables		
- 0-30 Days	8,142	6,247
- 30-60 Days	17	13
- 60-90 Days	201	156
- Over 90 Days	844	654
	9,204	**7,070**

Note 10: Contract Assets - Broking

	2020 $'000	2019 $'000
Current		
Contract assets	49,552	33,158
	49,552	**33,158**

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

Note 11: Other Current Assets

	2020 $'000	2019 $'000
Current		
Prepayments	8,989	2,399
Bonds and deposits	57	47
	9,046	**2,446**

Note 12: Other Financial Assets

	2020 $'000	2019 $'000
Non Current		
Financial assets		
Other shares and units held	1,966	3,516
Shares in listed corporations	32,487	47,982
Total financial assets	**34,453**	**51,498**

Note 13: Equity Accounted Investments

	2020 $'000	2019 $'000
Non Current		
Equity accounted associates	**8,512**	**7,571**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 14: 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 Group and carried at cost in the parent entity. Interests are held in the following associated companies:

Associated Companies		Ownership Interest	
Associates	Principal place of business	2020	2019
BCS Broking Pty Ltd	Australia	30.00%	30.00%
Charter Gilman Ltd	Hong Kong	50.00%	0.00%
Just Motorsport Limited	United Kingdom	35.03%	35.03%
Just Business Cover Ltd (UK)	United Kingdom	42.50%	42.50%
PSC Bloodstock Services Pty Ltd	Australia	50.00%	50.00%
PSC Insurenet JV Pty Ltd	Australia	50.00%	50.00%
PSC Property Lync Insurance Brokers Pty Ltd	Australia	50.00%	50.00%
RP-Baulkham Hills Pty Ltd	Australia	50.00%	50.00%
RP-Broadbeach Pty Ltd	Australia	50.00%	0.00%
RP-Bundoora Pty Ltd	Australia	50.00%	50.00%
RP-Cannington Pty Ltd	Australia	50.00%	50.00%
RP-Carlton Pty Ltd	Australia	50.00%	50.00%
RP-Exchange Insurance Pty Ltd	Australia	50.00%	0.00%
RP-Edwardstown Pty Ltd	Australia	50.00%	50.00%
RP-Fremantle Pty Ltd	Australia	50.00%	50.00%
RP-Horsham Pty Ltd	Australia	0.00%	50.00%
RP Hoppers Crossing Pty Ltd	Australia	50.00%	50.00%
RP-My Insurance Kit Pty Ltd	Australia	50.00%	0.00%
RP-Ipswich Pty Ltd	Australia	50.00%	50.00%
RP-Melbourne Pty Ltd	Australia	50.00%	50.00%
RP-Mona Vale Pty Ltd	Australia	25.00%	25.00%
RP-Morayfield Pty Ltd	Australia	50.00%	50.00%
RP-Nerang Pty Ltd	Australia	50.00%	50.00%
RP-Newcastle Pty Ltd	Australia	50.00%	50.00%
RP-Penrith Pty Ltd	Australia	50.00%	50.00%
RP Professional Risk Pty Ltd	Australia	50.00%	0.00%
RP Randwick Pty Ltd	Australia	50.00%	50.00%
RP-Rockingham Pty Ltd	Australia	50.00%	50.00%
RP-South Perth Pty Ltd	Australia	50.00%	50.00%
RP-Southport Pty Ltd	Australia	50.00%	0.00%
RP-Tullamarine Pty Ltd	Australia	50.00%	50.00%
RP-Tweed Heads Pty Ltd	Australia	50.00%	50.00%
RP-Warragul Pty Ltd	Australia	0.00%	50.00%

Note 15: Property, Plant And Equipment

	2020 $'000	2019 $'000
Leasehold improvements		
Leasehold improvements at cost	4,888	1,953
Accumulated depreciation	(3,180)	(1,189)
	1,708	**764**
Land and Buildings		
Land and buildings	12,000	12,000
Accumulated depreciation	(295)	(98)
	11,705	**11,902**
Artwork		
Artwork	92	-
Accumulated depreciation	-	-
	92	**-**
Plant and equipment		
Motor vehicles at cost	58	58
Accumulated depreciation	(29)	(18)
	29	**40**
Office equipment at cost	4,320	2,770
Accumulated depreciation	(3,046)	(1,941)
	1,274	**829**
Computer equipment at cost	6,534	4,883
Accumulated depreciation	(4,579)	(3,157)
	1,955	**1,726**
Total plant and equipment	**3,258**	**2,595**
Total property, plant and equipment	**16,763**	**15,261**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 15: Property, Plant And Equipment (continued)

(a) Reconciliations

	2020 $'000	2019 $'000
Leasehold improvements		
Carrying amount at beginning of year	764	338
Additions	1,477	533
Additions through acquisition of entities/operations	227	22
Depreciation expense	(762)	(129)
Net foreign currency movements arising from foreign operation	2	-
Carrying amount end of year	**1,708**	**764**
Land and buildings		
Carrying amount at beginning of year	11,902	9,718
Additions	-	305
Reclassification from office equipment	-	486
Revaluation (b)	-	1,571
Depreciation expense	(197)	(178)
Carrying amount end of year	**11,705**	**11,902**
Artwork		
Carrying amount at beginning of year	-	-
Additions through acquisition of entities/operations	96	-
Net foreign currency movements arising from foreign operation	(4)	-
Carrying amount end of year	**92**	**-**
Plant and equipment		
Motor vehicles		
Carrying amount at beginning of year	40	55
Disposals	-	(2)
Depreciation expense	(11)	(13)
Carrying amount end of year	**29**	**40**
Office equipment		
Carrying amount at beginning of year	829	1,289
Additions	437	242
Additions through acquisition of entities/operations	275	18
Reclassification to land and buildings	-	(486)
Depreciation expense	(261)	(237)
Net foreign currency movements arising from foreign operation	(6)	3
Carrying amount end of year	**1,274**	**829**

(a) Reconciliations (continued)

	2020 $'000	2019 $'000
Computer equipment		
Carrying amount at beginning of year	1,726	1,567
Additions	805	803
Additions through acquisition of entities/operations	163	149
Depreciation expense	(754)	(797)
Net foreign currency movements arising from foreign operation	15	4
Carrying amount end of year	**1,955**	**1,726**
Total plant and equipment	**3,258**	**2,595**
Total property, plant and equipment	**16,763**	**15,261**

Additions through acquisitions represent assets acquired through acquisitions per Note 29.

(b) Valuation of land and buildings

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

Note 16: Intangible Assets

	2020 $'000	2019 $'000
Goodwill at cost	257,040	94,952
Identifiable intangible assets at cost	71,229	17,628
Accumulated amortisation and impairment	(11,897)	(4,505)
	59,332	**13,123**
Total intangible assets	**316,372**	**108,075**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 16: Intangible Assets (continued)

(a) Reconciliations

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

	2020 $'000	2019 $'000
Goodwill at cost		
Opening balance	94,952	85,033
Additions (a)	166,878	9,659
Net foreign currency movement arising from foreign operations	(4,790)	260
Closing balance	**257,040**	**94,952**
Identifiable Intangible assets at cost		
Opening balance	13,123	10,639
Additions through business combination (a)	50,659	3,135
Acquired through business combination (b)	1,627	-
Other additions	895	2,037
Amortisation expense	(6,477)	(1,593)
Movements on degrouped entities	-	(1,129)
Net foreign currency movement arising from foreign operations	(495)	34
Closing balance	**59,332**	**13,123**
Total intangible assets	**316,372**	**108,075**

a. Additional goodwill and customer lists include the business acquisitions of Griffiths Goodall Insurance Brokers Pty Ltd, Walker Insurance & Financial Services Pty Ltd, Paragon International Holdings Ltd, Carroll Insurance Group, Ultimate Safety Solutions Australia Pty Ltd, Eden Software Pty Ltd and also an increase in existing holdings in RP-Maroochydore Pty Ltd.

b. Acquired intangibles are from the Paragon International Holdings Ltd acquisition.

The Group performs, on an annual basis, impairment testing for goodwill and any identifiable intangible assets (customer relationships) which have impairment indicators. There was no impairment for the year ended 30 June 2020 (2019: 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 Group's estimates of sustainable revenue for each CGU multiplied by a revenue multiple appropriate for similar businesses less costs to sell.

The Group performed its annual impairment test in June 2020 and June 2019. As a quick reference test, the Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2020, the market capitalisation of the Group was far in excess of the book value of its equity, indicating there was no evidence of goodwill impairment of the assets of the operating segments. Notwithstanding, the Goodwill of each CGU was tested for impairment.

Distribution CGU
The recoverable amount of the distribution CGU of $422m as at 30 June 2020 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. Total goodwill allocated to this CGU is $106.68m. The pre-tax discount rate applied to cash flow projections is 11% (2019: 16.67%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. It was concluded that the fair value less costs exceeded the value in use. As a result of this analysis, Management did not identify an impairment for this CGU.

Agency CGU
The recoverable amount of the agency CGU of $38m as at 30 June 2020 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. Total goodwill allocated to this CGU is $9.89m. The pre-tax discount rate applied to cash flow projections is 13% (2019: 16.67%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. It was concluded that the fair value less costs exceeded the value in use. As a result of this analysis, Management did not identify an impairment for this CGU.

United Kingdom (UK) CGU
The recoverable amount of the UK CGU of $250m as at 30 June 2020 has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management, and extrapolated forward covering a five-year period. Total goodwill allocated to this CGU is $140.48m. The pre-tax discount rate applied to cash flow projections is 12% (2019: 16.67%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. It was concluded that the fair value less costs exceeded the value in use. As a result of this analysis, Management did not identify an impairment for this CGU.

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

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

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

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

	2020 %	2019 %
Revenue growth	3% pa for first 5 years	5% pa for first 5 years
Cost growth	2% pa for first 5 years	3% pa for first 5 years
Terminal growth rate (EBITDA)	2.00%	2.00%
Discount rate (pre tax)	10% to 14%	16.67%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 17: Right Of Use Assets

	2020 $'000	2019 $'000
Non-Current		
Right of use assets	14,754	-
	14,754	**-**

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

	2020 $'000	2019 $'000
Opening balance 1 July	-	-
Adjustment due to adoption of AASB 16	6,097	-
Additions	11,513	-
Depreciation expense	(2,856)	-
Closing balance at 30 June	**14,754**	**-**

The following are the amounts recognised in profit or loss:

	2020 $'000	2019 $'000
Depreciation expense of right-of-use assets	(2,856)	-
Interest expense on lease liabilities	(721)	-
Expense relating to short-term leases or low-value assets (included in Administration and other expenses)	(898)	-
Total amount recognised in profit or loss	**(4,475)**	**-**

The Group had total cash outflows for leases of $3.3m in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities after initial application of AASB 16 of $11.5m in 2020. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 30.

Note 18: Payables

	2020 $'000	2019 $'000
Current		
Unsecured liabilities		
Trade creditors	3,427	1,818
Payables from broking, reinsurance and underwriting agency operations	166,948	112,088
Sundry creditors and accruals	12,646	4,148
	183,021	**118,054**

Note 19: Borrowings

	2020 $'000	2019 $'000
Current		
Secured liabilities		
Bank loans	-	1,192
Non-Current		
Secured liabilities		
Bank loans	158,505	55,831

(a) Terms and conditions and assets pledging as security relating to the above financial instruments
The Group has two primary funding facilities:

- PSC Insurance Group Limited – Syndicated Facility Agreement - Limit $100,000,000 plus a further $3,000,000 revolving Overdraft / Bank Guarantee Facility
- PSC UK Pty Ltd - Loan Note Syndication Agreement - Limit £44,000,000 ($78,796,562)

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

The key terms and conditions are as follows:

Syndicated Facility Agreement (SFA)

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

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

The SFA is interest only with a maturity date of December 2024.

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

Loan Note Syndication Agreement (LNSA)

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

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

The LNSA is interest only with a maturity date of November 2024.

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

Commonwealth Bank of Australia (Property Loan)

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 20: Provisions

	2020 $'000	2019 $'000
Current		
Employee benefits	4,542	3,183
Non Current		
Employee benefits	565	455
Total employee benefits liability	**5,107**	**3,638**

Note 21: Other Liabilities

	2020 $'000	2019 $'000
Current		
Contract liabilities (a)	5,326	2,421
Amounts payable to vendors (b)	19,503	7,731
	24,829	**10,152**
Non Current		
Amounts payable to vendors (b)	**4,572**	**4,973**

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

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

Note 22: Financial Liabilities

	2020 $'000	2019 $'000
Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	1,127	-
Non Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	205	-
Total derivatives	**1,332**	**-**

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

Note 23: Lease Liabilities

	2020 $'000	2019 $'000
Current		
Lease liabilities	2,341	-
Non Current		
Lease liabilities	13,909	-
Total lease liabilities	**16,250**	**-**

Note 24: Share Capital

(a) Issued and paid-up capital

	2020 $'000	2019 $'000
287,019,337 Ordinary shares fully paid (2019: 245,875,876)	**243,043**	**140,572**

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

(b) Movements in shares on issue

	Parent Entity No of shares	$'000
2020		
Beginning of financial year	245,875,876	140,572
Shares in lieu of cash for acquisition of subsidiary	26,242,890	66,035
Capital issued	13,461,529	35,000
Capital issuing costs	-	(577)
Loan funded shares	524,463	-
Dividend reinvestment	407,088	1,076
Employee share issues	207,491	637
Converted share options	300,000	300
End of financial year	287,019,337	243,043
2019		
Beginning of financial year	244,453,508	140,395
Employee share issues	59,986	177
Loan funded shares	1,362,382	-
End of financial year	245,875,876	140,572

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 24: Share Capital (continued)

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

During 2020, management paid dividends of:

- Dividends paid by PSC Insurance Group Limited $23,195,566 (2019: $18,625,261)
- Dividends paid to non-controlling interests $445,546 (2019: $464,797)

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

Note 25: Reserves And Retained Earnings

	2020 $'000	2019 $'000
Share-based payment reserve	2,459	2,160
Foreign currency translation reserve	(4,159)	(130)
Revaluation surplus	1,100	1,100
Put option reserve	(2,498)	(2,252)
Non-controlling interest reserve	(37,351)	(37,351)
Reserves	**(40,449)**	**(36,473)**
Retained Earnings	**39,235**	**44,807**

(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

	2020 $'000	2019 $'000
Opening balance	2,160	323
Fair value of options and performance share rights issued during the year	299	1,837
Closing balance	**2,459**	**2,160**

(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

	2020 $'000	2019 $'000
Opening balance	(130)	(340)
Exchange differences on translation of foreign operations	(4,029)	210
Closing balance	**(4,159)**	**(130)**

(c) Revaluation surplus

(i) Nature and purpose of reserve

In December 2018, an independent valuer undertook a valuation of land and buildings held by the Group. The net of tax adjustment from the carrying amount to the revalued amount has been accounted for in the revaluation surplus.

(ii) Movements in reserves

	2020 $'000	2019 $'000
Opening balance	1,100	-
Revaluation of property, plant and equipment	-	1,100
Closing balance	**1,100**	**1,100**

(d) Non-controlling interest reserve

(i) Nature and purpose of reserve

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

(ii) Movements in reserves

	2020 $'000	2019 $'000
Opening Balance	(37,351)	(37,351)
	(37,351)	**(37,351)**

(e) Retained Earnings

	2020 $'000	2019 $'000
Retained earnings at beginning of year	44,807	40,429
Adjustment due to change of accounting policy, net of tax	(263)	(1,245)
Net profit	17,887	24,693
In specie distributions	-	(445)
Dividends provided for or paid	(23,196)	(18,625)
	39,235	**44,807**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 26: Share Based Payments

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

Share Options

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

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

	2020	2019
Opening balance 1 July	8,900,000	900,000
Granted during the year	-	8,000,000
Exercised during the year (a)	(300,000)	-
Outstanding at 30 June	**8,600,000**	**8,900,000**
Exercisable at 30 June	8,600,000	8,900,000

a. The weighted average share price at the date of exercise of these options was $2.92. The issue price of the shares was $1.00.

The range of exercise prices for options outstanding at the end of the year was $1.66 to $3.75 (2019: $1.00 to $3.75)

No expense was recognised during the year for the above options (2019: $1,558,956).

Unissued ordinary shares of PSC Insurance Group Limited under option at 30 June 2020 are:

Name of option holder	Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
Melvyn Sims	8 August 2016	600,000	$1.66 per share	8 July 2021
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	3,500,000	$3.00 per share	31 December 2022
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	1,500,000	$3.25 per share	31 December 2022
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	1,500,000	$3.50 per share	31 December 2022
Antony Robinson (held through a related entity, Rowena House Pty Ltd)	16 May 2019	1,500,000	$3.75 per share	31 December 2022

Loan Funded Shares

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

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

	2020 $'000	2019 $'000
Expense arising from equity-settled share-based payment transactions	264	455
Total expense arising from loan funded share-based transactions	**264**	**455**

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

	2020	2019
Opening balance 1 July	2,362,382	1,000,000
Issued during the year (a)	794,629	1,362,382
Forfeited during the year (b)	(270,166)	-
Loan funded shares at 30 June	**2,886,845**	**2,362,382**

a. Issued during the year

- 559,960 fully paid shares were issued on 1 October 2019 at a share price of $2.71.
- 234,669 fully paid shares were issued on 28 February 2020 at a share price of $3.15.

b. Forfeited during the year

- 102,178 fully paid shares issued on 27 September 2018 were forfeited due to employees ceasing employment with the Group.
- 167,988 fully paid shares issued on 1 October 2019 were forfeited due to an employee ceasing employment with the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 27: Interests In Subsidiaries

(a) Subsidiaries

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2020	2019	2020	2019
AB Risk Solutions Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Agency Holding Corporation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Alsford Page & Gems (Holdings) Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Alsford Page & Gems Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
AR (WA) Pty Ltd	Australia	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	Australia	100.00%	100.00%	0.00%	0.00%
Capital Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Carroll & Partners Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Holman Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Harvey Limited ***	United Kingdom	100.00%	0.00%	0.00%	0.00%
Carroll London Markets Holdings Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll London Markets Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Insurance Brokers Ltd ***	United Kingdom	100.00%	0.00%	0.00%	0.00%
Carroll Insurance Group Ltd ***	United Kingdom	100.00%	0.00%	0.00%	0.00%
Carvan Pty Ltd	Australia	100.00%	51.00%	0.00%	49.00%
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 Global UK Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Chase Surety Pty Ltd	Australia	100.00%	80.00%	20.00%	20.00%
Chase UK Holdings Pty Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Chase Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Connect Life Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Deskhaven Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Easy Broking Online Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Eden Software Pty Ltd ***	Australia	75.00%	0.00%	25.00%	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%
Insurance Marketing Group of Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Jolimont Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Medisure Indemnity Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Online Insurance Solutions Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Paragon Brokers (Bermuda) Ltd ***	Bermuda	100.00%	0.00%	0.00%	0.00%
Paragon International Holdings Ltd ***	United Kingdom	100.00%	0.00%	0.00%	0.00%
Paragon International Insurance Brokers Ltd ***	United Kingdom	100.00%	0.00%	0.00%	0.00%
Professional Services Corporation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Coast Wide Newcastle Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%

(a) Subsidiaries (continued)

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2020	2019	2020	2019
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 Connect Life NZ Ltd	New Zealand	100.00%	100.00%	0.00%	0.00%
PSC Direct Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Foundation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Group Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Holdings (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance (Europe) Ltd **	Ireland	100.00%	0.00%	0.00%	0.00%
PSC Insurance Brokers (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Brisbane) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Darwin) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Melbourne) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Victoria) Pty Ltd (formally PSC International Pty Ltd)	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Wagga) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Western) Pty Ltd	Australia	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 Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC JLG Investment Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC National Franchise Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC NFIB Markets Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Nominees Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
96 Wellington Parade Pty Ltd (formally PSC Property Holdings Pty Ltd)	Australia	100.00%	100.00%	0.00%	0.00%
PSC Rainbow Holdings Ltd (UK) ***	United Kingdom	100.00%	0.00%	0.00%	0.00%
PSC Reliance Pty Ltd (formally PSC Reliance Franchise Partners Pty Ltd)	Australia	100.00%	100.00%	0.00%	0.00%
PSC Safex Pty Ltd **	Australia	70.00%	0.00%	30.00%	0.00%
PSC UK Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
PSC UK Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Workers Compensation and Consulting Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%
PSC Workers Compensation Holdings Pty Ltd **	Australia	100.00%	100.00%	0.00%	0.00%
PSC Wright Fahey Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Reliance Workplace Solutions Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
RP-Canning Vale Pty Ltd	Australia	100.00%	50.00%	0.00%	50.00%
RP-Maroochydore Pty Ltd	Australia	80.00%	50.00%	20.00%	50.00%
RP-Parramatta Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Windsor Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Parramatta Pty Ltd	United Kingdom	70.00%	70.00%	30.00%	30.00%
RP-Windsor Pty Ltd	United Kingdom	70.00%	70.00%	30.00%	30.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 27: Interests In Subsidiaries (continued)

(a) Subsidiaries (continued)

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2020	2019	2020	2019
Turner Financial Services Limited	United Kingdom	70.00%	70.00%	30.00%	30.00%
Turner Insurance Services Limited	United Kingdom	70.00%	70.00%	30.00%	30.00%
UK Facilities Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Upper Hillwood Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%

1 - ** Entity entered Group during the 2020 financial year   2 - *** Entity acquired during the 2020 financial year

(b) Reconciliation of the non-controlling interest

	2020 $'000	2019 $'000
Accumulated NCI at the beginning of the year	2,145	1,964
Adjustment due to change of accounting policy, net of tax	-	(28)
Profit or loss allocated to NCI during the year	835	664
Movements in degrouped entities	-	(339)
Put option reserve revaluation	(87)	(870)
Non-controlling interest arising from business combination	-	899
Increase in non-controlling interest	245	320
Dividends paid to NCI	(446)	(465)
Accumulated NCI at the end of the year	**2,692**	**2,145**

Note 28: 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:

	2020 $'000	2019 $'000
Cash on hand	13	3
Cash at bank	20,371	5,643
Cash on deposit	5,589	15,829
	25,973	**21,475**

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

	2020 $'000	2019 $'000
Profit from ordinary activities after income tax	18,722	25,357
Add/(Less) items classified as investing/financing activities		
Loss on deferred consideration	4,626	1,127
Adjustments and non cash items		
Non-cash items		
Depreciation and amortisation	8,462	2,947
Expected credit loss	1,613	31
Foreign currency translation (gains)/losses	(1,024)	196
Fair value adjustment of shares	16,623	(7,879)
Share-based payment expense	264	2,014
Equity accounted result	(98)	(154)
Derivative (gains)/losses	(1,121)	-
(Profit) on sales of shares	(8,650)	-
Disposal of investment in associates	-	(466)
Net cash flows from operations before change in assets and liabilities	**39,417**	**23,173**
Change in assets and liabilities		
(Increase)/decrease in receivables	(3,027)	(3,938)
(Increase)/decrease in contract / other assets	(10,683)	(3,094)
Increase/(decrease) in payables	3,260	(2,512)
Increase/(decrease) in provisions	804	450
Increase/(decrease) in other liabilities	3,056	86
Increase/(decrease) in income taxes payable	(4,014)	4,275
Increase/(decrease) in deferred tax balances	(4,906)	(768)
Net cash flow from operating activities	**23,907**	**17,672**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 28: Cash Flow Information (continued)

(c) Acquisitions

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

	2020 $'000	2019 $'000
Cash	14,698	1,937
Other financial assets - trust cash	59,302	-
Contract assets	10,558	-
Property, plant and equipment	665	189
Identifiable Intangibles	50,659	3,135
Acquired intangibles	1,627	-
Trade receivables	2,996	1,771
Other financial assets	-	-
Right of use assets	2,327	-
Lease Liabilities	(2,327)	-
Trade and other creditors	(76,645)	(2,770)
Financial Liabilities	(2,466)	-
Income tax payable	(34)	(452)
Provisions	(375)	(149)
Deferred tax balances	(11,223)	(724)
Net Identifiable assets acquired	**49,762**	**2,937**
Net assets exceeding consideration paid	**40,227**	**3,705**
Consideration paid in cash	(89,989)	(6,642)
Cash acquired	14,698	1,937
Net cash (dispensed) / acquired	**(75,291)**	**(4,705)**

(d) Loan facilities

	2020 $'000	2019 $'000
Loan facilities	188,435	98,091
Amount utilised	158,505	57,023
Unused loan facility	**29,930**	**41,068**

(e) Reconciliation of liabilities arising from financing activities

	2020 $'000	2019 $'000
Balance at the beginning of the year	57,023	54,345
Payments made	(7,513)	(971)
Foreign currency movements	846	102
Other changes	108,149	3,547
Balance at the end of the year	**158,505**	**57,023**

Note 29: Business Combinations

	2020 $'000	2019 $'000
Consideration	89,989	6,642
Equity Consideration	27,509	-
Deferred consideration	-	1,965
Contingent consideration	98,445	3,089
Total purchase consideration	**215,943**	**11,696**
Fair value of non-controlling interests	**245**	**899**

Acquisitions for the year ended 30 June 2020

In accordance with the Group's strategy, as series of acquisitions were completed during the year. These included the following acquisition vehicles:

i. Client list, employee benefits and other business assets
ii. Increase in existing holdings
iii. Company and its subsidiary entity/(ies)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 29: Business Combinations (continued)

(a) Consideration paid/payable

2020	Griffiths Goodall Insurance Brokers Pty Ltd $'000	RP Maroochydore Pty Ltd $'000	Walker Insurance Financial Services Pty Ltd $'000	Paragon
Cash consideration paid	28,711	200	1,062	
Equity Consideration	9,600	-	-	
Deferred consideration	-	-	-	
Contingent consideration	9,136	66	269	
Total purchase consideration	**47,447**	**266**	**1,331**	
Ownership share	100%	80%	100%	
Acquisition vehicle	(i)	(ii)	(i)	
Fair value of non-controlling interest	-	181	-	
Total Non-controlling interest	**-**	**181**	**-**	

(b) Identifiable assets and liabilities acquired

2020	Griffiths Goodall Insurance Brokers Pty Ltd $'000	RP Maroochydore Pty Ltd $'000	Walker Insurance Financial Services Pty Ltd $'000	Paragon
Cash and Cash equivalents	-	-	-	
Other financial assets - trust cash	-	-	-	
Contract assets	-	-	-	
Property, plant and equipment	235	5	-	
Identifiable intangibles	14,456	804	351	
Acquired intangibles	-	-	-	
Trade and other receivables	-	-	-	
Deferred tax assets	90	2	5	
Right of use assets	2,296	31	-	
Lease liabilities	(2,296)	(31)	-	
Deferred tax liabilities	(4,337)	(241)	(105)	
Trade and other payables	-	-	-	
Financial liabilities	-	-	-	
Income tax payable	-	-	-	
Provisions	(300)	(5)	(17)	
	10,144	**565**	**234**	

International Holdings Ltd $'000	Carrolls Insurance Group $'000	Australian Unity $'000	Ultimate Safety Solutions Australia Pty Ltd $'000	Eden Software Pty Ltd $'000	Total Group $'000
49,716	8,346	1,284	241	429	89,989
17,909	-	-	-	-	27,509
-	-	-	-	-	-
85,296	3,381	235	62	-	98,445
152,921	**11,727**	**1,519**	**303**	**429**	**215,943**
100%	100%	100%	70%	75%	
(iii)	(iii)	(i)	(i)	(iii)	
-	-	-	(9)	73	245
-	**-**	**-**	**(9)**	**73**	**245**

International Holdings Ltd $'000	Carrolls Insurance Group $'000	Australian Unity $'000	Ultimate Safety Solutions Australia Pty Ltd $'000	Eden Software Pty Ltd $'000	Total Group $'000
9,568	5,130	-	-	-	14,698
57,272	2,030	-	-	-	59,302
10,118	440	-	-	-	10,558
418	7	-	-	-	665
33,225	1,091	438	-	294	50,659
1,627	-	-	-	-	1,627
2,774	222	-	-	-	2,996
-	-	13	2	-	112
-	-	-	-	-	2,327
-	-	-	-	-	(2,327)
(6,313)	(207)	(132)	-	-	(11,335)
(74,477)	(2,145)	-	(23)	-	(76,645)
(2,466)	-	-	-	-	(2,466)
-	(34)	-	-	-	(34)
-	-	(45)	(8)	-	(375)
31,746	**6,534**	**274**	**(29)**	**294**	**49,762**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 29: Business Combinations (continued)

(c) Goodwill on acquisition

2020	Griffiths Goodall Insurance Brokers Pty Ltd $'000	RP Maroochydore Pty Ltd $'000	Walker Insurance Financial Services Pty Ltd $'000	Paragon
Total consideration paid / payable	47,447	266	1,331	
Total net identifiable (assets)/liabilities acquired	10,144	565	234	
Fair value of previously held equity interest	-	452	-	
Non-controlling interests acquired	-	181	-	
Goodwill on acquisition (Excess over consideration paid/payable)	**37,303**	**334**	**1,097**	

(d) Financial performance since acquisition date

2020	Griffiths Goodall Insurance Brokers Pty Ltd $'000	RP Maroochydore Pty Ltd $'000	Walker Insurance Financial Services Pty Ltd $'000	Paragon
Revenue	10,354	361	458	
Profit after tax	2,627	21	137	
Financial performance if held for 12 months				
Revenue	11,296	413	617	
Profit after tax	2,865	24	157	
Goodwill on acquisition	37,303	334	1,097	
Customer Lists	14,456	804	351	
	51,759	**1,138**	**1,448**	

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

Contingent consideration includes an estimate of agreed multiples of EBITDA, revenue or fees and commission in accordance with the sale and purchase agreements.

(e) Acquisition-related costs

The Group incurred transaction costs of $2.30 million (2019: $0.26m) in respect of the above business acquisitions. Transaction costs included legal fees, stamp duty, due diligence and other direct costs incurred in relation to these acquisitions. These costs are included within Administration and other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

International Holdings Ltd $'000	Carrolls Insurance Group $'000	Australian Unity $'000	Ultimate Safety Solutions Australia Pty Ltd $'000	Eden Software Pty Ltd $'000	Total Group $'000
152,921	11,727	1,519	303	429	215,943
31,746	6,534	274	(29)	294	49,762
-	-	-	-	-	452
-	-	-	(9)	73	245
121,175	**5,193**	**1,245**	**323**	**208**	**166,878**

International Holdings Ltd $'000	Carrolls Insurance Group $'000	Australian Unity $'000	Ultimate Safety Solutions Australia Pty Ltd $'000	Eden Software Pty Ltd $'000	Total Group $'000
40,771	1,908	332	126	3	54,313
6,775	(564)	100	(53)	2	9,045
54,361	3,599	630	778	8	71,702
9,034	595	189	157	5	13,026
121,175	5,193	1,245	323	208	166,878
33,225	1,091	438	-	294	50,659
154,400	**6,284**	**1,683**	**323**	**502**	**217,537**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 30: Commitments

(a) Lease expenditure commitments

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

(ii) Minimum lease payments

	2020 $'000	2019 $'000
Not later than one year	2,558	2,719
Later than one year and not later than five years	9,010	6,334
Greater than five years	7,111	285
Aggregate lease expenditure contracted for at reporting date	**18,679**	**9,338**

(c) Bank guarantee commitments
The Group has provided bank guarantees in relation to a number of rental premises from which various businesses operate. Total bank guarantees outstanding $985,779 (2019: $928,900).

(d) Contingent liabilities
The Group has provided guarantees on indebtedness amounting to $441,319 (2019: $821,201). 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.

Alsford Page & Gems is in discussions with the FCA relating to a discontinued line of business (extended warranty insurance distributed by Authorised Representatives). This business was discontinued over 4 years ago and was commenced prior to our ownership of the company. As part of these discussions, the subsidiary is exploring redress options to the policy holders. The potential quantum of these amounts are not able to be reliably estimated with any certainty at the present time. To the extent the matter progresses, any net liability to the subsidiary and Group is not expected to be material.

Note 31: Earnings Per Share

	2020 $'000	2019 $'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	17,887	24,693
Profit used in calculating basic earnings per share	17,887	24,693
Profit used in calculating diluted earnings per share	17,887	24,693
Earnings used in calculating diluted earnings per share	17,887	24,693

	2020 No of Shares	2019 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	268,477,272	245,536,621
Effect of dilutive securities:		
Share options	8,600,000	1,889,011
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	277,077,272	247,425,632

Note 32: Financial Risk Management

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

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

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

The Group holds the following financial instruments:

	2020 $'000	2019 $'000
Financial assets		
Amortised cost:		
Cash and cash equivalents	25,973	21,475
Bonds and deposits	57	47
Cash held on trust	167,904	111,480
Receivables from broking, reinsurance and underwriting agency operations	-	
Other receivables	9,204	7,070
Loans to related parties	5,808	4,757
Fair value through profit or loss (mandatory classification):		
Financial assets	34,453	51,498
	243,399	**196,327**
Financial liabilities		
Amortised cost:		
Trade creditors	3,427	1,818
Payables from broking, reinsurance and underwriting agency operations	166,948	112,088
Sundry creditors and accruals	12,646	4,148
Lease liabilities	16,250	-
Borrowings	158,505	57,023
Amounts payable to vendors - deferred consideration	-	2,410
Fair value through profit or loss (mandatory classification):		
Derivatives	1,332	-
Amounts payable to vendors - contingent consideration	24,075	10,292
	383,183	**187,779**

(a) Market price risk

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

Sensitivity

The Group holds two market securities, currently held at fair value. Price sensitivity at 30 June 2020 at +/- 10% represents exposure of $3,249,000 (2019 : $4,798,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 32: Financial Risk Management (continued)

(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:

	2020 $'000	2019 $'000
+ / - 10%		
Impact on profit after tax	607	307
Impact on equity	1,786	1,422

(c) Fair value of Financial Instruments

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

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

Reconciliation of level 3 contingent consideration	2020 $'000	2019 $'000
Opening balance	10,292	6,606
Additions from acquisitions	100,697	7,149
Deferred payments / revaluations	(50,248)	(3,482)
Deferred share issues	(38,526)	-
Net foreign currency movement arising from foreign operations	1,860	19
Closing balance	**24,075**	**10,292**

(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 %
2020				
(i) Financial assets (variable)				
Cash	25,973	-	25,973	0.70%
Bonds and deposits	-	57	57	
Cash held on trust	167,904		167,904	
Receivables from broking, reinsurance and underwriting agency operations	-	-	-	
Other receivables	-	9,204	9,204	
Loans to related entities	5,808	-	5,808	2.63%
Financial Assets	-	34,453	34,453	
Total financial assets	**199,685**	**43,714**	**243,399**	
(ii) Financial liabilities (variable)				
Trade creditors	-	3,427	3,427	
Payables from broking, reinsurance and underwriting agency operations	-	166,948	166,948	
Sundry creditors and accruals	-	12,646	12,646	
Lease Liabilties	16,250	-	16,250	
Borrowings	158,505	-	158,505	4.79%
Derivatives	-	1,332	1,332	
Amounts payable to vendors - deferred consideration	-	-	-	
Amounts payable to vendors - contingent consideration	4,572	19,503	24,075	
Total financial liabilities	**179,327**	**203,856**	**383,183**	
2019				
(i) Financial assets (variable)				
Cash	21,475	-	21,475	0.99%
Bonds and deposits	-	47	47	
Cash held on trust	111,480		111,480	
Other receivables	-	7,070	7,070	
Loans to related entities	4,757	-	4,757	2.63%
Financial assets	-	51,498	51,498	
Total financial assets	**137,712**	**58,615**	**196,327**	

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 32: Financial Risk Management (continued)

(d) Interest rate risk (continued)

Financial Instruments	Interest-bearing $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate %
(ii) Financial liabilities (variable)				
Trade creditors	-	1,818	1,818	
Payables from broking, reinsurance and underwriting agency operations	-	112,088	112,088	
Sundry creditors and accruals	-	4,148	4,148	
Borrowings	57,023	-	57,023	4.79%
Contract liabilities				
Amounts payable to vendors - deferred consideration	-	2,410	2,410	
Amounts payable to vendors - contingent consideration	1,851	8,441	10,292	
Total financial liabilities	**58,874**	**128,906**	**187,779**	

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	2020 $'000	2019 $'000
Impact on profit after tax	(143)	(546)
Impact on equity	**(143)**	**(546)**

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

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

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

(g) Fair value compared with carrying amounts

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

(h) Maturity analysis

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

	< 6 Months $'000	6-12 Months $'000	1-5 years $'000	Carrying amount $'000
2020				
Cash and cash equivalents	25,973	-	-	25,973
Cash held on trust	167,904	-	-	167,904
Receivables	8,782	422	-	9,204
Other financial assets	-	-	34,453	34,453
Payables	(78,465)	(88,483)	-	(166,948)
Borrowings	-	-	(158,505)	(158,505)
Lease Liabilities	(1,171)	(1,171)	(13,909)	(16,250)
Derivatives	(897)	(230)	(205)	(1,332)
Other financial liabilities	(10,363)	(14,466)	(4,572)	(29,401)
Net maturities	**111,763**	**(103,927)**	**(142,738)**	**(134,902)**

	< 6 Months $'000	6-12 Months $'000	1-5 years $'000	Carrying amount $'000
2019				
Cash and cash equivalents	21,475	-	-	21,475
Cash held on trust	111,480	-	-	111,480
Receivables	6,743	327	-	7,070
Other financial assets	-	-	51,498	51,498
Payables	(52,681)	(59,407)	-	(112,088)
Borrowings	(596)	(596)	(55,831)	(57,023)
Other financial liabilities	(6,026)	(4,126)	(1,851)	(12,003)
Net maturities	**80,395**	**(63,802)**	**(6,184)**	**10,409**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 33: Directors' And Executives' Compensation

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

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

Name	Appointment Date
Brian Austin	10 December 2010
Paul Dwyer	10 December 2010
John Dwyer	10 December 2010
Antony Robinson	13 July 2015
Melvyn Sims	8 August 2016
Tara Falk	8 October 2019

Other key management personnel during the year are:

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

	2020 $	2019 $
Compensation by category		
Short-term employment benefits	2,668,050	2,016,244
Post-employment benefits	107,310	42,631
Long-term incentive plans	113,486	92,239
Share-based payments	-	1,558,956
	2,888,846	**3,710,070**

Note 34: Related Party Disclosures

(a) Ownership interests in related parties
Details of interests in controlled entities are set out in Note 27.

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

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

(ii) Transactions with entities with director related entities

Fuse Recruitment Pty Ltd, ADD Aviation Services Pty Ltd, P Capital Pty Ltd and The Lead Agency Pty Ltd (until 31 December 2018) are owned by Directors of the Group and are therefore considered related entities. DWF LLP is a related party as a Director of the Group is a Partner at the Company.

Related party	Service received	2020	2019
		$	$
Fees Paid or Payable to associates (ex GST):			
Fuse Recruitment Pty Ltd	Recruitment Fees	141,492	208,065
Fuse Recruitment Pty Ltd	Contractor Fees	41,380	217,418
The Lead Agency Pty Ltd	Marketing service fees	-	94,371
ADD Aviation Services Pty Ltd	Transportation service fees	12,860	131,394
DWF LLP	Legal service fees	292,398	372,377

All the above services received from identified related parties of key management personnel were in the normal course of business, on terms and conditions no more favourable than those that it is reasonable to expect the party would have adopted if dealing at arms-length with an unrelated person. The outstanding balance of the above services is $19,906 from Fuse Recruitment Pty Ltd (2019: $21,249), expected to be settled within 30 days.

The Group provided insurance services to related parties of a Director totalling $96,959 (2019: $206,061). The services supplied were in the normal course of business and on normal commercial terms and conditions. The fees outstanding for these services at balance date are $nil (2019 $5,766).

The Group received trust distributions from a related party of a Director totalling $nil (2019: $289,432). The entity ceased to be a related party on 7 December 2018.

The Group paid $700,000 to P Capital Pty Ltd during the year. The amount made relates to part payment of the purchase price for Charter Gilman Insurance Holdings Limited and Globe transactions approved at the EGM held during the year. The payment allowed PSC to take operational control earlier than otherwise. The balance of the purchase price payments were made post balance date when regulatory filings were completed as disclosed in Note 37.

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

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

	2020	2019
	$	$
Current receivables		
Related parties loans and receivables	**2,408,376**	**1,383,668**
Non-Current receivables		
Related parties loans and receivables	**3,400,453**	**3,373,299**

All loans with related parties are granted at arms length commercial terms for repayment. All pre-listing related party loans met the minimum requirements of the Income Tax Assessment Act 1936 Division 7A in relation to interest rates and repayment terms.

All post-listing related party loans are interest bearing at a minimum rate of the Fringe Benefit Tax benchmark interest rate. The maximum loan term is 7 years.

(ii)Transactions with joint ventures in which the Group is a venturer

There were no transactions with joint ventures in this financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 35: Auditor's Remuneration

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

(i) Fees to Ernst & Young (Australia)

	2020 $	2019* $
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	327,700	288,500
Fees for assurance services that are required by legislation to be provided by the auditor	125,000	152,750
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	50,000	-
Fees for other services		
- Tax compliance	45,974	17,015
- Other	-	14,324
Total fees to Ernst & Young (Australia)	**548,674**	**472,589**

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

	2020 $	2019* $
Fees for auditing the financial report of any controlled entities	335,250	190,595
Fees for other services		
- Tax compliance	10,745	18,524
- Other	-	21,541
Total fees to Ernst & Young (Australia)	**345,995**	**230,660**
Total fees to Ernst & Young (Australia)	**894,669**	**703,249**

*Fees paid in 2019 were to Pitcher Partners (Melbourne), the previous auditor

Note 36: Parent Entity Information

(a) Summarised statement of financial position

	2020 $'000	2019 $'000
Assets		
Current assets	281,710	137,885
Non-current assets	54,492	55,787
Total assets	**336,202**	**193,672**
Liabilities		
Current liabilities	1,190	373
Non-current liabilities	77,990	42,133
Total liabilities	**79,180**	**42,506**
Net assets	**257,022**	**151,166**
Equity		
Share capital	249,519	147,048
Reserves	2,349	2,113
Retained earnings	5,154	2,005
Total equity	**257,022**	**151,166**

(b) Summarised statement of comprehensive income

	2020 $'000	2019 $'000
Profit for the year	25,255	20,013
Total comprehensive income for the year	**25,255**	**20,013**

(c) Parent entity guarantees

The amount of $441,319 (2019: $821,201) 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

	2020 $'000	2019 $'000
- Bank guarantee commitments	986	929
Total parent entity contractual commitments	**986**	**929**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 37: Segment Information

(a) Description of segments

The Group has four reportable segments as described below:

- **Distribution:** Insurance Broking, including Broker Networks (PSC Connect, PSC Reliance Franchise Partners), life broking and PSC Workers Compensation Consulting.
- **Agency:** Underwriting agencies, including Chase Underwriting, Breeze Underwriting, Online Travel Insurance, Medical Indemnity Australia and PSC Claims Services.
- **United Kingdom:** United Kingdom businesses including Paragon, Caroll Holman, Breeze Underwriting (UK), Alsford Page & Gems, Turner, Easy Broking Online and Chase Underwriting (UK).
- **Group:** Group income and investments from non-operating assets and any net group costs not recovered from operating segments.

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

(b) Segment information

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

2020	Distribution $'000	Agency $'000	UK $'000	Group $'000	Total $'000
Segment revenue					
Commission income	38,965	12,470	74,609	-	126,044
Fees income	33,430	2,493	138	-	36,061
Other fees	10,635	705	(162)	-	11,178
Investment income	-	-	-	524	524
Interest income	666	78	102	191	1,037
Other revenue / Other income	138	-	2,050	(7,988)	(5,800)
Total segment revenue	83,834	15,746	76,737	(7,273)	169,044
Segment revenue from external source	**83,834**	**15,746**	**76,737**	**(7,273)**	**169,044**
Segment result					
Total segment result	22,753	3,398	7,100	(14,529)	18,722
Segment result from external source	**22,753**	**3,398**	**7,100**	**(14,529)**	**18,722**
Items included within the segment result:					
Interest income	666	78	102	191	1,037
Interest expense	(508)	(31)	(451)	(5,817)	(6,807)
Depreciation and amortisation expense	(5,030)	(589)	(5,236)	(463)	(11,318)
Income tax expense	(6,706)	(1,160)	(2,931)	4,245	(6,552)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	-	-	98	98
Fair Value gains relating to shares in listed corporations	-	-	-	(16,623)	(16,623)
Total segment assets	**138,043**	**14,318**	**138,919**	**371,002**	**662,282**
Total segment assets include:					
Investments in equity accounted associates and joint ventures	5,706	-	-	2,806	8,512
Total segment liabilities	**125,619**	**14,149**	**121,572**	**156,421**	**417,761**

2019	Distribution $'000	Agency $'000	UK $'000	Group $'000	Total $'000
Segment revenue					
Commission income	30,188	12,392	30,030	-	72,610
Fees income	27,929	2,808	302	-	31,039
Other fees	9,611	511	(91)	-	10,031
Investment income	-	-	-	1,637	1,637
Interest income	1,109	171	20	161	1,461
Other revenue / Other income	1,132	-	286	8,040	9,458
Total segment revenue	69,969	15,882	30,547	9,838	126,236
Segment revenue from external source	**69,969**	**15,882**	**30,547**	**9,838**	**126,236**
Segment result					
Total segment result	20,882	3,473	3,246	(2,244)	25,357
Segment result from external source	**20,882**	**3,473**	**3,246**	**(2,244)**	**25,357**
Items included within the segment result:					
Interest income	1,109	171	20	161	1,461
Interest expense	(76)	(2)	(338)	(3,033)	(3,449)
Depreciation and amortisation expense	(1,636)	(395)	(666)	(250)	(2,947)
Income tax expense	(7,530)	(1,470)	(926)	(1,552)	(11,478)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	-	-	154	154
Fair Value gains relating to shares in listed corporations	-	-	-	7,879	7,879
Total segment assets	**114,347**	**19,589**	**64,066**	**168,148**	**366,150**
Total segment assets include:					
Investments in equity accounted associates and joint ventures	5,756	-	-	1,815	7,571
Total segment liabilities	**93,914**	**16,679**	**49,849**	**54,657**	**215,099**

The total segment result has been adjusted to exclude internal Group charges. The 2019 total segment result comparative has been also adjusted for consistency with current year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For The Year Ended 30 June 2020

Note 38: Subsequent Events

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

(a) Acquisitions

Charter Gilman Insurance Holdings Ltd - In August 2020, the Group acquired the remaining 50% of shares in Charter Gilman Insurance Holdings Ltd, a broking business in Hong Kong. The transaction also included Charter Gilman Insurance Holdings Ltd acquiring the shares in Hong Kong based insurance businesses Globe Ltd and Globe Insurance Consultants Ltd. Details of the acquisitions will be disclosed in the next reporting date. The calculation of the fair value of assets is yet to be finalised and accordingly the carrying value of goodwill is yet to be determined.

Consideration paid/payable	$'000
Consideration and costs paid	1,735
Deferred consideration	709
Total Consideration *	**2,444**

*Approximate

(b) Final dividend

On 21 August 2020, the Board declared an interim dividend for 2020 of 5.5 cents per share, 100% franked.

Note 39: 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 23 to 84 are in accordance with the *Corporations Act 2001,* including:

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 Group as at 30 June 2020 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 2020.

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

Antony Robinson
Director

Melbourne
Date: 24 August 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of PSC Insurance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

EY
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We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment Assessment of Goodwill and other Intangibles

Why significant	How our audit addressed the key audit matter
The Group has recognised $316.3 million of goodwill and other intangibles, which collectively represent 48%of its total assets. These assets are the result of acquisitions undertaken in the current and previous periods. In assessing the valuation of goodwill and other intangibles, the Group performs an annual impairment assessment, or more frequently, if impairment indicators are present. The Group has used a discounted cash flow model to estimate the recoverable amount of the assets. The impairment assessment involves subjective estimates and assumptions including: ▶ determination of Cash Generating Units (CGUs) ▶ forecast cash flows, including assumptions on revenue and expense growth ▶ terminal growth rates ▶ discount rates These assumptions are subject to estimation uncertainty, with potential changes in assumptions leading to changes in the recoverable value of the assets. Accordingly, we considered this to be a key audit matter. The Group has disclosed in Note 1(k) and Note 16 the methodology and significant assumptions used in the impairment assessment of goodwill and the results of the impairment assessment.	Our audit procedures included the following: ▶ Assessed the group's determination of CGUs based on internal management reporting; ▶ Tested the mathematical accuracy of the impairment testing model; ▶ Assessed whether the forecast cash flows were consistent with the most recent Board approved cash flow forecasts; ▶ We involved our valuation specialists to assist in assessing the appropriateness of key assumptions utilised in the model, including discount and terminal growth rates; ▶ We assessed the appropriateness of the implied EBIT multiples with reference to other comparable companies; ▶ We performed our own sensitivity analyses around key assumptions; and ▶ Assessed the precision of prior year forecasts by performing a comparison to actual results. We also assessed the adequacy of the disclosures associated with the goodwill impairment assessment.

INDEPENDENT AUDITOR'S REPORT (continued)

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Business Combinations

Why significant	How our audit addressed the key audit matter
The Group undertook a number of business combinations through the year, including the acquisition of Griffiths Goodall Insurance Brokers Pty Limited and Paragon International Insurance Brokers Limited. These were completed for total consideration of $215.9m. The accounting for business combinations is complex and requires significant judgment in determining: ▸ the value of identifiable intangible assets ▸ fair value of other net assets acquired ▸ goodwill acquired ▸ total consideration payable, including estimating components of deferred consideration. Accordingly, we considered this to be a key audit matter. The Group has disclosed the accounting policy relating to business combinations in Note 1(j) and the significance of the acquisitions in Note 29.	Our audit procedures included the following: ▸ Reviewing the sale and purchase agreements relating to each business acquisition; ▸ Involving our internal valuation and business modelling team to assess the methodology and appropriateness of key assumptions used to calculate the fair value of identifiable intangible assets, i.e. brand name, customer lists; ▸ Testing the mechanical accuracy of management's models; ▸ Testing the calculation of total consideration payable as at acquisition date; and ▸ Assessing management's re-estimation of deferred consideration at 30 June 2020, based on the terms of the sale and purchase agreement. We also assessed the adequacy of the disclosures associated with business combinations.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of PSC Insurance Group Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
24 August 2020

SHAREHOLDER INFORMATION

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

Shareholding Analysis

(a) Distribution of Shareholders

At 17 August 2020, the distribution of shareholdings was as follows:

Range	Securities	%	No. of holders	%
100,001 and Over	275,289,309	95.91	112	11.19
10,001 to 100,000	9,609,617	3.35	299	29.87
5,001 to 10,000	1,198,188	0.42	148	14.79
1,001 to 5,000	863,861	0.30	279	27.87
1 to 1,000	58,362	0.02	163	16.28
Total	**287,019,337**	**100.00**	**1,001**	**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 17 August 2020 were:

Name	Number of Shares
Mrs Melissa Jane Dwyer, PM Dwyer Pty Ltd, Crathre Pty Ltd	67,174,852
Austin Superannuation Pty Ltd	35,611,300
Glendale Dwyer Pty Ltd, Cumnock Dwyer Pty Ltd	35,521,351
Ethical Partners Funds Management Pty Ltd (held through nominees)	14,842,850

(c) Class of shares and voting rights

At 17 August 2020, there were 1,001 holders of ordinary shares in the Company. All of the issued shares in the capital of the parent entity are ordinary shares and each shareholder is entitled to one vote per share.

SHAREHOLDER INFORMATION (continued)

(d) Twenty Largest Shareholders (At 17 August 2020):

Rank	Shareholder	Number of Shares
1	Mrs Melissa Jane Dwyer	65,714,555
2	Austin Superannuation Pty Ltd	35,611,300
3	HSBC Custody Nominees (Australia) Limited	35,572,784
4	Glendale Dwyer Pty Ltd	34,654,315
5	J P Morgan Nominees Australia Pty Limited	23,516,226
6	National Nominees Limited	5,501,271
7	Tara Falk	5,189,933
8	Walker Insurance & Financial Services Pty Ltd	4,451,168
9	James Kalbassi	4,258,955
10	Citicorp Nominees Pty Limited	4,249,521
11	Locust Fund Pty Ltd	4,006,539
12	Namarong Investments Pty Ltd	3,967,731
13	BNP Paribas Noms Pty Ltd	3,272,803
14	Mr Michael David Gunnion & Mrs Debra Lee Gunnion	4,032,679
15	Uyb.com Pty Ltd	2,142,479
16	Rubi Holdings Pty Ltd	2,000,000
17	Chris London	1,804,573
18	Spenser Lee	1,611,629
19	Dead Grateful Pty Ltd	1,577,715
20	BNG Family Pty Ltd	1,577,715

CORPORATE INFORMATION

Directors

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

Group Secretary

Stephen G Abbott

Registered Office

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

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria, 3000

Share Registry

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

Stock Exchange Listing

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