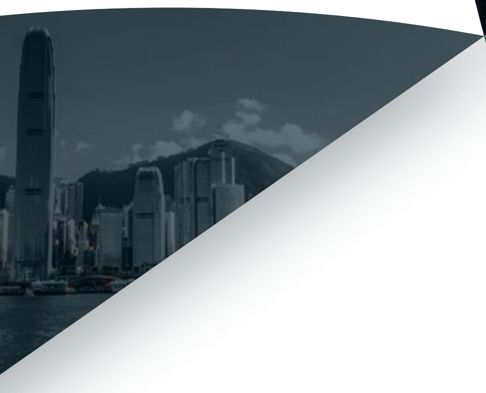

PSC Insurance Group Limited

2022 ANNUAL REPORT

PSC Insurance Group Limited & Controlled Entities
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CHAIRMAN'S LETTER

My Fellow Shareholders,

Our strategy at PSC remains simple; grow our businesses organically by focussing on our clients and have a continual focus on operational improvement. This is supplemented by selective and disciplined merger and acquisition activity. This strategy has enabled us to develop a highly diversified group of insurance services businesses.

This strategy has proven successful again in the 2022 financial year, with record financial results that were slightly ahead of even our high expectations. The Group now operates with over 750 staff and over 200 partners, across nearly 30 offices in 6 countries.

In a general sense, the insurance prices for our clients have continued to increase as insurers have looked to improve their underwriting results in all our main markets. This has been exacerbated by the natural disasters here in Australia. This has led to mixed service and appetite levels of insurers, which in turn has led to further effort by our brokers to deliver for our clients. In these times a great broker comes to the fore, and I am very proud of all our businesses and teams as they deliver for their clients in these challenging times.

Our acquisition activity this year has mainly focussed in the Australian broking market where we completed two material acquisitions, being Alliance Insurance in South Melbourne, complementing our Melbourne based operations, and Alan Wilson Insurance Brokers in Gippsland, which is a growth geographical area within Victoria for many industries. We are very pleased to welcome the teams to the Group, both have settled in very well and the performance of the businesses have been pleasing.

We have also completed a number of smaller acquisitions from across our PSC Network, who have both been added to our Australian broking franchise and materially grown our New Zealand business. Our New Zealand business is growing strongly and we now expect these businesses to contribute meaningfully going forward.

Our UK businesses continue to grow, showing the diversity of our Group. A little under 50% of our revenue and 40% of our earnings come via our UK businesses. Financial year 2022 has been a year of consolidation in this market for PSC. The PSC UK Insurance Brokers business has integrated and performed very well, and all 4 businesses have now migrated on to one broking platform. The Paragon and Carrolls wholesale businesses performed well, with strong organic growth and both are well positioned for the future. We have assessed many acquisition opportunities in the UK market over the last 12 months and have witnessed the prices of some of these at eye-watering levels. As disciplined allocators of capital we have chosen not to proceed on some of these. We look forward to FY23 to resume acquisitive growth in the UK via our joint venture with the AUB Group on the Tysers UK retail broking business.

Our Hong Kong businesses have performed well, they are profitable and cash-flow positive. We have spent the time to ensure these businesses are integrating in to the Group's standard operating environment. We expect to make one further modest size acquisition in this market shortly and then we will assess and understand the market over a period of 2-3 years.

I am pleased to announce an increase in the final dividend to 7.5 cents per share, franked to 60%, for total dividends for the year of 12.0 cents per share. The final dividend is not fully franked given the growth in our UK businesses.

Our Managing Director's Report will provide detail on the financial and operating results for 2022 and our current expectations for 2023. This is a great business in a great and valued industry.

Thanks again to my fellow Directors for their continued commitment and support and together we thank all the PSC staff for their continued and passionate support delivering for our clients.

We also must thank our clients for their loyalty.

To my fellow shareholders, thank you for the continued support and confidence you have placed in your Board.

Yours sincerely,

Brian Austin
Chairman

MANAGING DIRECTOR'S REPORT

Key financial highlights in 2022 were:

- UNDERLYING REVENUE UP 23% TO $254.3M.
- UNDERLYING EBITDA UP 30% TO $93.5M[1].
- UNDERLYING NPATA UP 40% TO $64.0M.
- EPS GROWTH OF 28% TO 19.3 CPS.

Year in Review:

The 2022 financial year has been a successful one for the business and its stakeholders.

The year is a product of the efforts of all the individuals in the business and a tribute to their capabilities and energy. As we have said many times, the success of this business is a product of the calibre of our people and particularly those who serve our clients and build our client base.

We continue to build out the size of the partnership of those individuals who drive the business, and the leadership team that help those individuals be better in their roles. That expansion comes by recruiting and integrating people into PSC, or as part of a group recruitment through the purchase of a business. This applies to all the regions in which we operate. Expansion of our team this year has seen us bring some wonderful groups of people into PSC via the merger with a number of businesses, the two largest of which are the teams at Alliance and AWIB. We welcome them all.

An important part of maintaining a strong partnership of individuals is for them to meet personally. This provides us with a chance to share knowledge and information, and to build stronger working relationships, which has been difficult recently. As travel restrictions have eased people have started to spend more time together and the business has started to create more opportunities for that to occur.

Continuing that will be a key to our success in future years. As part of that, I am delighted that we will once again, be able to have a group wide conference later this year where we will be bringing people together in Sydney from the UK, Hong Kong, New Zealand and Australian businesses.

When businesses grow, the challenge of leadership and the challenge of maintaining a consistent set of beliefs and values becomes both more important and requires more effort. We spend a lot of time working on that aspect of the business and it is a key part of the successful leadership in the business.

A key to that is understanding what is important to us, particularly in the way we make decisions. A simple example is how we think about what we do and remaining true to our goals and purpose. We need to be able to answer questions like, have we been fair (to our clients, to our people and partners, to our suppliers), have we been respectful or have we demeaned or undervalued someone's contribution?

Given individuals in the business have significant autonomy, we also need to make sure they think about decisions in a consistent way. That means we need to be tied together on what is the right decision in any given situation. For example, if the choice is between a simple solution and a complex one, we will always take the simple. If the choice is between a solution that creates a great short term outcome however potentially a long term problem and a solution which potentially creates a short term problem however will deliver a great long term outcome, we will always choose the latter.

Understanding those decisions and communicating them consistently is a key to our past success and our future success. This all feeds into our PSC DNA of empowering people, respecting others and driving to succeed. If we can continue to hold true to all of the above, the future for this business will be as successful as our past.

It is an evolving and ever changing environment and whilst some things don't change, such as the importance of our clients and our people, others do. Looking forward we are showing signs of change and moves to respond to a changing environment. Our partnership with AUB on a large retail broking opportunity in the UK is an example. We have not traditionally partnered with other groups however are delighted to be doing it with AUB in this situation. We have similar approaches to broking and similar values, which will ensure that this partnership works well. With the competition for broking businesses in the UK continuing to heat up, we need to be open to looking for different paths to continue our growth there. The joint venture with AUB is a good indication of our flexibility to change as our environment changes.

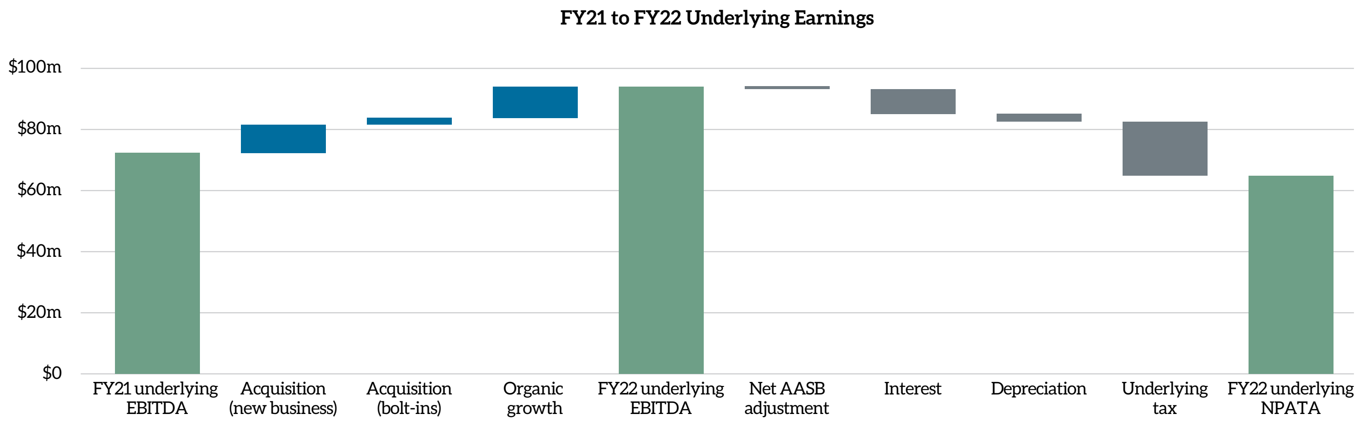
1 Adjusted for AASB16 impact of ~ -$0.4m to ensure like for like comparison with prior years.

We will continue to be open to ideas and opportunities that create value for our shareholders even if those are a little outside our historic approach. Another example is our expansion in Hong Kong. Post balance date we have signed an agreement to acquire an additional business in Hong Kong for the equivalent of ~ A$7.8m. We now have a stable and growing footprint in Hong Kong and while we will not make further investments until we establish we can earn sound returns, it is exciting to be operating in a new region. Progress since our first investments have been encouraging, and this approach of modestly seeding a new region is the approach we adopted in the UK when we first stepped into that market, and also in New Zealand. Both regions are now performing very well and we expect the same success in Hong Kong.

All of the above makes me confident of our future and that we will continue to grow, continue to be a rewarding place to work and continue to make a contribution to our clients that helps them build their prosperity.

Year in Review (Financial Commentary):

We summarise the components of our 2022 growth below:



At an EBITDA of $93.5m, the results are stronger than we envisioned this time last year when we forecast an EBITDA range of $84-89m and higher than the range of $87-92m when we upgraded in February. This has been driven by stronger organic growth across all areas of the Group and performances from the acquisitions being ahead of plan.

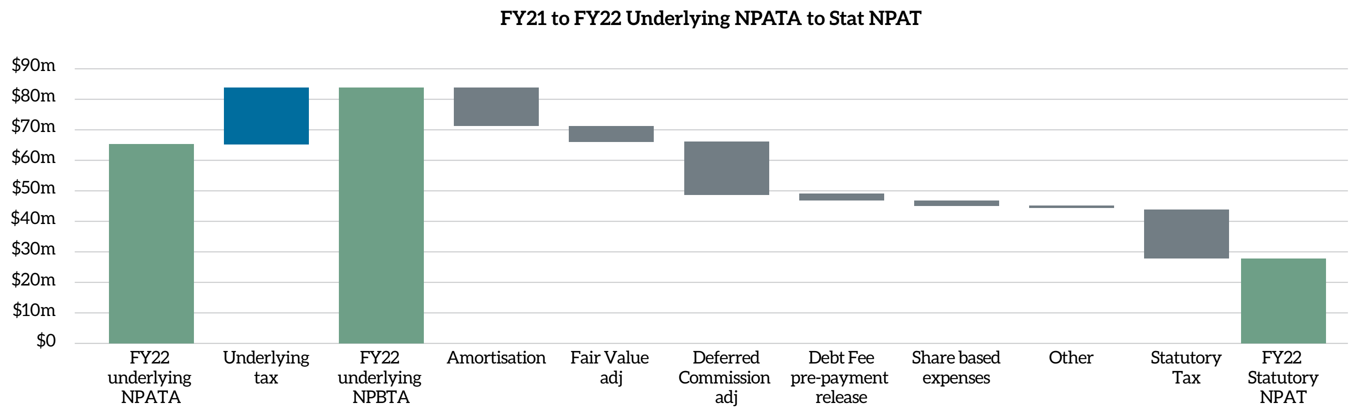
Comments:

- Organic growth across the Group was strong at $9.6m (13%), with this growth being broad based across the 3 operating segments, with EBITDA margins increasing from 35% to 37%. Distribution contributed $3.4m, Agency $4.4m, UK $3.7m and Group -$1.9m.
- Acquisition growth across the Group was $11.9m. The UK segment contributed $6.8m of this increase, being a 9 month incremental contribution of both Abaco and Trust and a 3 month incremental contribution from Absolute. The balance of $5.1m was across the Distribution segment in Australia and New Zealand, where 12 acquisitions were completed in the financial year. The largest acquisitions being Alliance (completed in September 2021) and AWIB (completed in June 2022), and the balance being smaller bolt-in acquisitions. A majority of these came via our PSC Network businesses in Australia and New Zealand. The largest share of the increase in Distribution was ~ $2.8m from the Alliance acquisition and there was a one month contribution from AWIB.
- Distribution: we had strong performance across the Australian broking businesses, the PSC Network business (across Australia and New Zealand) and continued growth in the workers compensation services business. Market conditions have remained challenging, with rates generally higher than we expected and patchy appetite and service levels across the underwriting market. The AWIB acquisition has provided the Group with a market leading position in the fire protection industry, which we expect to provide growth opportunities both locally, and in time in the New Zealand and UK markets. Organic revenue growth was ~ 8% and organic EBITDA growth was ~ 9%.

MANAGING DIRECTOR'S REPORT (CONTINUED)

- Agency: the Australian underwriting agency businesses had a very strong year with organic revenue growth of ~ 29%, and organic EBITDA growth of $4.4m. The key driver of this result was the Chase Underwriting business. Premium rates continued to increase in the construction space and its market leading presence and product assisted with overall share of the market. We also saw a material turn-around in the travel insurance agency business, whereby pre-Covid levels of business returned in the final 4 months of the financial year. The travel business moved from a loss making position in FY21 to a sound profit in FY22 and which contributed ~ $1.0m to the organic growth position of the segment. We also saw good growth in the medical agency business.
- UK: the UK segment, which also includes our Hong Kong businesses, had a successful year with 27% revenue growth and 37% EBITDA growth ($10.5m). The organic growth was $3.7m (13% growth), which was assisted by a favourable FX conversion (~ $0.6m). Paragon contributed ~ $2.0m of this organic growth (~ 12% growth) and Carrolls ~ $1.2m (~ 31% growth). We also saw organic growth in Breeze Underwriting, Chase UK and the UK retail businesses (after adjusting for acquired growth). The rate of organic growth moderated in the second half, largely driven by the Paragon business, where the D&O rates reduced and more Cyber business was being retained in the local US underwriting markets.
- Interest costs are down on the prior period due to the partial impact of Group's debt refinance in November. We have also seen a reduction in the underlying tax rate from ~ 29% to 27% driven mainly by the increasing contribution from our UK businesses.
- This has resulted in a 40% increase in underlying NPAT before amortisation to $64.0m, well ahead of our upgraded guidance range of $57-61m.

Key adjustments to reconcile underlying to statutory results are below:



Comments:

- Fair Value (Investments) – this reduced over the period and produced a negative contribution of $5.3m. This was largely the result of a negative fair value adjustment on BP Marsh (-$6.2m), with the share price reducing from £3.33 to £3.01 and an unfavourable FX conversion between the periods.
- Non-operating charges – totalled $20.8m, the main items were:
  - Fair value increases in the expected value of deferred consideration on previous acquisitions of ~ $17.0m, these largely resulting from the strong performance of the UK retail and Alliance acquisitions.
  - A release of ~ $2.2m from prepaid bank fees following the repayment of the Barings debt facility.
  - A charge of ~ $1.7m relating to implied options under the Group's LTI.
- Amortisation – of approximately $12.6m, which has increased given the Group's continued acquisition activity.

Dividend and Outlook:

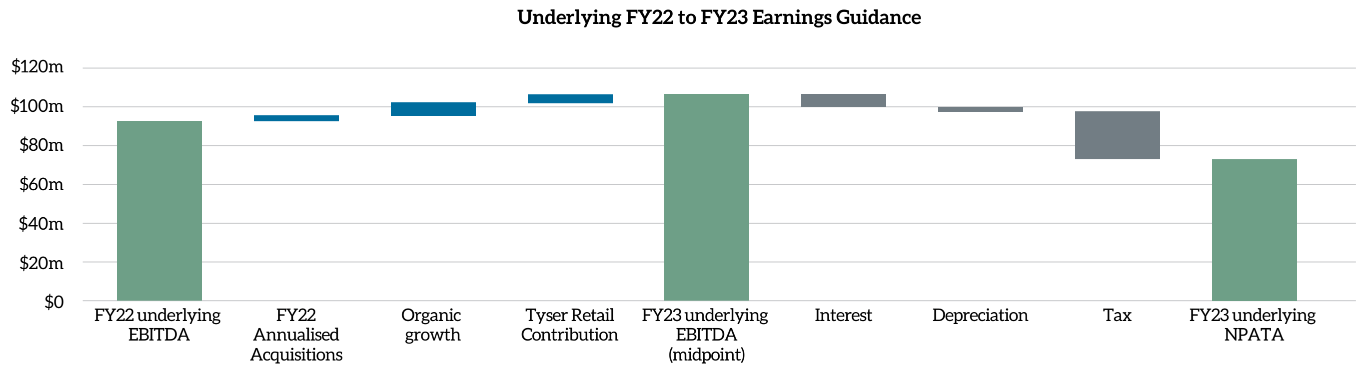
The Chairman announced an increased final dividend of 7.5 cents per share, franked to 60%, bringing total dividends for the financial period to 12.0 cents per share, franked to ~ 64%. Franking has reduced for this dividend given the increased contribution from our UK businesses.

We remain confident in the future prospects of the Group. As that relates to FY23, we note as follows:

- The expected annualised impact of acquisitions completed in FY22 is ~ $2.6m.
- We expect continued organic growth across all of our operating segments with broadly favourable market rates, however we operate in a dynamic setting and these are subject to change.
- The competition for new talent remains very high in all our operating markets, and we expect this will pressure wage costs more than usual. In addition we are seeing travel and entertainment related costs increase, which should also commensurately lead to revenue growth with a small lag.
- We expect that the Tysers UK 'retail' joint venture with AUB will settle before the end of the calendar year. Based on receiving a contribution from the joint venture for a six month period, we would expect it to generate ~ A$4-5m in a share of EBITDA for FY23 (being a 50% contribution for half a year).
- We expect to undertake a number of additional acquisitions in FY23, however these are excluded from our earnings guidance.

After accounting for the expected FY23 contribution of the Tysers UK 'retail' joint venture, we expect an underlying EBITDA range of $105-110m and an underlying NPATA range of $70-73m.

This is represented below at the EBITDA mid-point:



ESG STATEMENT

Overview

PSC Insurance Group Limited (PSC) has reported on its governance and various aspects of its social responsibility in different areas of its annual reporting. Our view on Environmental, Social and Governance (ESG) is that it is a continuous process of aligning our operations and controls with our culture and values as a company. Our ESG commitments are structured around three key areas relevant to our business:

i. The Environment in which we operate
ii. Our People and Communities, and
iii. Our Corporate Governance.

We have consolidated our Environmental, Social and Governance reporting into this single ESG Statement. PSC's approach to incorporate environmental, social, and governance initiatives into our operating framework reflect our long-standing commitment to our clients, partners, shareholders, employees and the communities in which we operate. At the core of what we do, we protect our clients assets and livelihoods. PSC prides itself on being there in our client's moment of need at their time of loss.

Since our first ESG Statement in 2021 (FY21), we have continued to build on the quantitative metrics included in this Statement to enhance oversight and provide further insight into our operations. We look forward to engaging with our stakeholders on these important issues as we continue to develop and enhance our ESG strategy and framework.

Our Values

PSC has always prided itself on boasting a strong culture. Our business has been built on doing the right thing by our client every step of the way, this philosophy extends to our people, our suppliers and anyone we interact with in carrying out our business. We are a results driven business built on having respect for others and empowering our people, it's our people who we believe are our key differentiator in the market to our competitors.

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

Our DNA assists us to embed our social, environmental and ethical standards throughout our global business and is aligned with PSC's Code of Conduct.

PSC Group ESG Steering Committee

In early FY21, PSC Insurance Group established an ESG Steering Committee to support the Group's ongoing commitment to environmental sustainability, health and safety, corporate social responsibility and corporate governance.

The committee provides guidance to the Group Board to facilitate the Board's ESG strategy and direction with respect to ESG Matters. The members of the committee represent the different businesses and jurisdictions of the Group and meet quarterly to review its approach and track results.

PSC has always placed a high premium on being a good corporate citizen. Our cultural values promote supporting charities, giving back to local communities and encouraging our employees to participate in numerous worthy causes.

We acknowledge that as the Group grows, so do our obligations to track and report on:

- how we are meeting community and regulatory expectations to protect the environment
- what initiatives we have in place to promote the health & safety of our people
- are our suppliers we engage with in line with our procurement principles and
- how our corporate governance framework supports our approach.

THE ENVIRONMENT IN WHICH WE OPERATE

PSC is a services based organisation operating in large and small communities with a small environmental footprint and limited exposure to supply chain risks such as modern slavery due to our reliance on low risk direct suppliers based in Australia and the UK. PSC is committed to being a responsible and sustainable organisation. Despite this, we remain conscious of the global climate pressures and are committed to minimising the environmental impacts of our business. A key focus for our FY22 reporting has been to further align the collection of many businesses within the PSC Group to a common set of environmental objectives.

Our Objectives	How We Are Achieving Our Objectives
Monitor and reduce energy consumption	Measuring emissions across PSC (see Emissions section for further detail). Reducing energy consumption by strategies including: • assessing existing occupancy arrangements for opportunities to reduce consumption • consolidation of energy suppliers • better reporting and awareness across the Group.
Minimise and encourage the reuse and recycling of waste items	Active encouragement of recycling with computer equipment, paper, glass and aluminium in each office. Recycling office and staff personal e-waste. General office waste is also recycled in line with the local requirements, with recycling bins on all floors at multiple locations.
Promote sustainable transport to employees, clients and suppliers	With air travel increasing post COVID, we consider alternative methods to conducting with forward commitments to carbon offset employee air travel and only undertake it where it is considered to be a net benefit for the business Where possible, offices are in central locations near public transport hubs. Video and audio communication is encouraged in order to reduce air and road travel.
Support sustainable procurement and other sustainable work practices	Annual supplier due-diligence on the supplier's sub- contracting practices, the nature and geographic source of goods and services provided to PSC entities, employment practices and modern slavery risks (if any) identified in their organisation. The questionnaire also required the supplier to attest to be bound by PSC's Modern Slavery Policy. In December 2021, PSC updated its Group Procurement Policy to enhance our commitment to ethical behaviour, sustainability, social responsibility and the safety of employees and contractors.

ESG STATEMENT (CONTINUED)

Australian Business Recycling Survey Results (April 2022)

Overall, the survey results showed a high level of recycling within our Australian businesses. The survey highlighted recycling gaps where improvements can easily be implemented in order to bring consistency across all our Australian sites. Of specific comment we have committed to all Australian offices adopting electronic waste (e-waste) recycling for the FY23 year, including domestic e-waste for employees.

The results revealed the following:

- 92% of our Australian offices have recycling services
- 76% of our Australian offices recycle each of plastic, paper, cardboard and aluminium waste
- 55% of our Australian offices recycle glass waste

Emissions

PSC emissions data recorded below covers the Group's offices located throughout Australia, New Zealand and the United Kingdom. As PSC's UK based businesses continue to grow, we have calculated the emissions generated across PSC's 8 office locations in the UK, where the total employee count has grown to equal that of PSC's Australian based operations.

Being a professional services firm, PSC remains a low greenhouse gas (GHG) emitter, however the collection and reporting of GHG data for our UK operations is a key step to understanding the Group's global footprint and to ensure our forward strategies and initiatives are correctly oriented to our multi-jurisdictional environmental impacts. PSC is continuing to evolve reporting of its carbon footprint and in 2023 we will incorporate emissions data from our smaller operations in Bermuda, Ireland and Hong Kong.

The Clean Energy Regulator in Australia is a Government body responsible for accelerating carbon abatement for Australia through the administration of the National Greenhouse and Energy Reporting (NGER) scheme. PSC's emissions data follows the NGER scheme which encompasses the following categories of greenhouse gas emissions:

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

The emissions reporting across the Group spans the 12 month period from April 2021 to March 2022.

PSC Australia and New Zealand Greenhouse Gas (GHG) Emissions

PSC Australia and New Zealand businesses comprises approximately 340 staff across 19 office locations in the period covered by this report. In the 12 months to 31 March 2022 in Australia and New Zealand:

- PSC's combined Scope 1 (Gas, Vehicle Transport) and Scope 2 (Electricity) emissions in Australia and New Zealand was 698 tonnes of GHG Emissions (CO2-e) which represented a 19% increase (112 tonnes) on the previous 12 month reporting period.
- Key considerations:

1. The increase was mainly attributed to a 19% rise (92 tonnes) in Scope 2 electricity usage which was contributed to by;
    - the acquisition of Alliance Insurance Brokers in September 2021, which including a new standalone office facility occupied by approximately 20 staff, and
    - the majority of our Australian staff returning to work from offices in late 2021 after a prolonged period of working remotely during the COVID-19 restrictions throughout 2020 and much of 2021.
2. Scope 1 motor vehicle emissions increased by 15 tonnes (21%) on the prior year as restrictions on staff mobility eased and staff more frequently drove between branches and to visit clients and authorised representative offices.
3. We recognise emissions remain reduced in this reporting period due to flow-on restrictions caused by COVID-19 in 2021. We expect to report an increase in Scope 1 and Scope 2 emissions in FY23 as we hope and anticipate to report on a full 12 months of conventional business operations.
    - Whilst Scope 3 emissions are not reported under the NGER scheme, PSC has chosen to track the indirect emissions created by our Australian and New Zealand employee air travel which totalled 45 tonnes, representing a 22% (8 tonnes) increase on the corresponding 12 month prior period. We acknowledge that our Australian and New Zealand employee air travel remained significantly reduced for the first 9 months of the reporting period due to the impact of COVID-19 which began to increase significantly during the first quarter of 2022 as travel restrictions, both domestic and international, were eased. With air travel returning to pre-COVID levels during 2022, we anticipate our Scope 3 emissions in FY23 to be elevated from FY21 and FY22 reported levels.
    - Solar energy exported to the grid from PSC funded solar panels installed on various PSC office buildings was 41507 kWh or 35 tonnes of GHG Emissions (CO2-e) which represents an increased offset of 8 tonnes on the previous 12 months.

ESG STATEMENT (CONTINUED)

PSC United Kingdom Greenhouse Gas (GHG) Emissions

PSC United Kingdom businesses comprise approximately 340 staff across 8 office locations in the period covered by this report. In the 12 months to 31 March 2022 in the United Kingdom:

- PSC recorded a combined 116 tonnes of Scope 1 (Gas, Vehicle Transport) and Scope 2 (Electricity) GHG emissions (CO2-e). This was made up of 80 tonnes of GHG from electricity usage, 27 tonnes of GHG from gas usage, and 12 tonnes of GHG from motor vehicle travel.
- Key considerations:
    1. We recognise that PSC's UK Scope 1 ad Scope 2 emissions for this reporting period represent an artificially low baseline due to staff being required to work from home throughout most of 2021 due to extended COVID-19 lockdowns and 'stay at home' orders being in force.
    2. Following the easing of COVID-19 restrictions in late January 2022, there was a slow return of employees to our company offices, with the majority of our staff continuing to work remotely throughout the first quarter of 2022, particularly those in our major London offices where office occupancy remained below 30% for the first quarter of 2022.
    3. In addition to PSC maintaining a far larger office footprint in Australia than in the United Kingdom, when trying to compare emissions between our Australian and UK operations, it is important to recognize that (according to data compiled by the International Energy Agency) per capita consumption of electricity is higher in Australia than in the UK, whilst the UK is far more reliant on gas as an energy source on a per capita basis.
    4. The collection and reconciliation of GHG emission data from each of our UK companies was an invaluable process which has highlighted opportunities to uplift and standardise our energy usage reporting. The cost and usage measurement of utilities is more embedded in our UK expense reporting and the collection of UK data for this reporting period has highlighted key differences in the way our UK businesses are billed for Electricity and Gas usage. The manual process to calculate our Scope 1 and Scope 2 emissions in the UK has highlighted the need to work with landlords to provide us with relevant reporting showing the specific metric usage of each of our office spaces on a quarterly basis. We acknowledge this report as a major first step in PSC's energy use reporting in the UK and we anticipate the scope of reporting to be expanded in our FY23 UK report.
- Whilst Scope 3 emissions are not reported under the NGER scheme, PSC has chosen to track the indirect emissions created by our UK employee commercial air travel which totalled 55 tonnes of GHG Emissions (CO2-e) and 1 GHG tonne of train travel.
- We acknowledge that air and train travel remained reduced for much of the reporting period due to the impact of COVID-19 restrictions and that the March 2022 quarter contributed 72% of the total air travel GHG emissions for the reporting year. This demonstrates the increase in employee air and train travel throughout 2022 as travel restrictions, both domestic and international, have eased. We anticipate our UK Scope 3 emissions in the next 12 month period 1 April 2022 – 31 March 2023 to be elevated from 2021 and 2022 reported levels.

Despite PSC's Group-wide GHG emissions falling well below the threshold for any business to report its GHG emissions under the NGER scheme (50,000 tonnes of Scope 1 and 2 GHG Emissions (CO2-e)), PSC remains committed to considering further emissions offsetting and reduction initiatives for adoption in FY23. As the next step in evolving our data collection and reporting practices, PSC will incorporate emissions data for our smaller Hong Kong, Ireland and Bermuda operations in our FY23 report and also report on Rideshare, Taxi and Accommodation GHG emissions for the entire Group, as well as working to improve and simplify the emissions data collected across all businesses.

Our People and our Communities

Supporting our People

- In the UK, particularly post COVID-19 lockdowns, there is a strong emphasis on improving people's mental health and the UK Mental Health Awareness Week in May 2022 served as a great opportunity to recognise the exceptional psychological stresses placed on our people in recent years. PSC's UK businesses participated in various activities throughout the week including attendance at mental health seminars, staff massages and a 'chatty breakfast' to combat staff loneliness.
- In supporting the mental health of our staff in Australia and New Zealand PSC partnered with an external provider in May 2022 to offer employees an Employee Assistance Program (EAP). The introduction of an EAP was an important step to prioritise staff (and their families') wellbeing by providing a confidential private avenue for employees to access trusted mental health support. We acknowledge that our people are our greatest asset and we are proud to foster a culture where staff feel supported and comfortable seeking assistance from management and the existing resources and benefits provided.
- Our UK businesses are committed to employee welfare causes such as the UK's Cyclescheme, a cycle to work benefit which significantly reduces the costs of employees purchasing bicycles and accessories.
- From April 2022, PSC commenced a partnership with an Australian not-for-profit health fund that offers Australian-based PSC employees, authorised representatives and their dependent family members exclusive benefits to reduce the costs of private health cover. In the UK, PSC already has an established partnership with a private healthcare provider which entitles our UK staff to PSC subsidised benefits in support of their health and wellbeing.

Dedication to our Communities

We aim to support our employees to be able to give back to the communities in which they operate. We are fortunate to have passionate and committed individuals making significant contributions to their community in order to benefit others. Over the years, our people in their own capacity and via the PSC Foundation have contributed to significant donations and countless hours of time volunteering for a range of community organisations.

In FY22,:

- PSC continued its proud tradition of partnering with local sporting clubs and community organisations across Australia, New Zealand and the UK. PSC's support included volunteering at community events, the donation of vital equipment and merchandise, as well as monetary grants.
- PSC contributed to worthy charitable causes across Australia, New Zealand and the UK including the Great Ormond Street Children's Hospital, the Australian Red Cross, Corporate Klaus, Royal Far West, Fight MND Foundation, BACKUP North West, victims of the War on Ukraine, the Humpty Dumpty Foundation, MS Australia and the Starlight Children's Foundation.

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

In the UK we supported work experience charity programs including Talent Tap (second year supporting) and upReach. Both organisations strive to make a difference to the lives of young people experiencing poor social mobility in rural and coastal communities across the UK. Through partnering with the charities we were able to provide students from social mobility cold spots with valuable experience of working in our London offices which they might have otherwise not been able to.

ESG STATEMENT (CONTINUED)

Supporting Our Clients

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

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

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

- Understand our client's needs, their industry and their risks.
- Negotiate on their behalf to provide the best policies and terms available to them. Deliver quality, timely and cost-effective client services that are aligned to their business requirements. Deliver quality, timely and cost-effective client services that are unique to their business situation.
- At PSC, we are committed to supporting our clients through times of crisis, and acknowledge the role we play in protecting the livelihoods of thousands of individuals and businesses located across the globe. 2021 was a time of uncertainty and change and we supported our clients through these challenges by:
  - Adapting quickly to further COVID lockdowns by shifting to working remotely and utilising technology to maintain service levels and client delivery across all divisions.
  - Our claims handling teams maintaining service levels during the peak periods following natural disaster events such as the recent eastern Australian flood catastrophe by lodging claims as quickly as possible, remaining contactable to clients and working with insurers to fast track claims for clients experiencing hardship or vulnerability wherever possible.

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

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

Workplace Diversity and Inclusion

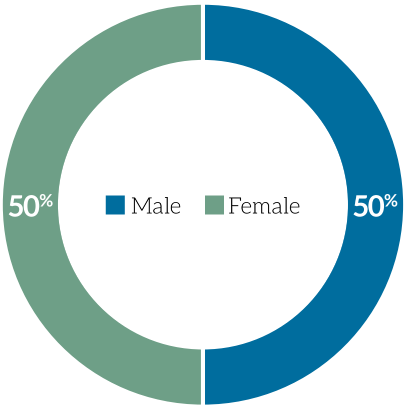
PSC maintains a strong commitment to promoting an organisational culture which highly values equality and inclusiveness and believes strongly in creating working environments free from discrimination and harassment. The Company recognises the value of attracting and retaining personnel of different backgrounds,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

At PSC, equality and diversity means:

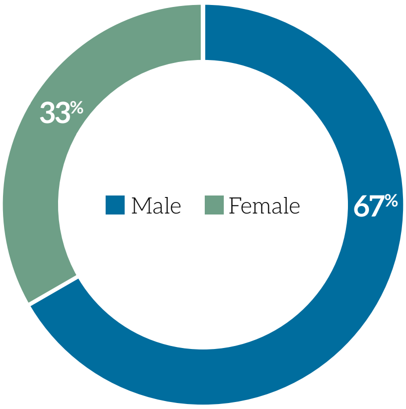
- an inclusive workplace that embraces individual differences;
- a workplace that is free from discriminatory behaviours and business practices including discrimination, harassment, bullying, victimisation and vilification;
- equitable frameworks and policies, processes and practices that assist with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

The graphs provide an insight into the gender diversity across our businesses for the entire Group (Australia, United Kingdom, New Zealand, Hong Kong, Ireland and Bermuda).

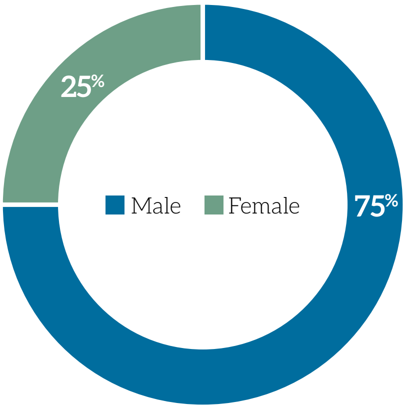
All Staff



Senior Executive Management



Directors



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

PSC recognises that equality and diversity amongst its Personnel:

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

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

Staff Health and Wellbeing

Employee safety is PSC's highest priority and the Group sees the benefits of a continuous focus on providing safe workplaces for all employees across PSC's worldwide operating locations. PSC recognises our responsibility to ensure that staff enjoy a work-life balance, are provided with opportunities to develop professionally and are assured of PSC's commitment to promoting staff health and safety. A review of the PSC WH&S policies was completed in 2021 to ensure the physical and psychological safety of our people, with emphasis placed on the impacts felt by employees during COVID lockdown periods where remote working arrangements were necessary. We also acknowledge that people have had to take on additional responsibilities and stresses during the pandemic and in many cases transformed their homes into offices for varying periods depending on location.

Integrating Staff From New Acquisitions

PSC has a long and successful history of growth through the acquisition of existing broker and underwriting businesses which align to the ethos and culture of PSC. PSC welcomed new businesses and their staff into the PSC family in Australia and the United Kingdom during FY22.

PSC value that the biggest asset of any business we acquire is the people within that business who are crucial to the businesses continued client retention, growth and success. For this reason, PSC focusses on retaining and integrating employees of all acquired businesses.

ESG STATEMENT (CONTINUED)

Human Rights and Eradicating Modern Slavery

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

The Australian Modern Slavery Act 2018 took effect on 1 January 2019, and applies to commercial and not for profit entities with annual consolidated revenue of at least $100 million. PSC's 2021 Statement (published on the Australian Border Force and PSC Group websites) describes the steps taken by PSC during the financial year ending 30 June 2021 (FY2021) to seek to minimise the risk of modern slavery occurring in the Group's businesses and supply chains. In 2020, PSC established our Modern Slavery Policy which outlines the standards expected of suppliers including:

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

In 2021, PSC completed our annual supply chain due diligence exercise in preparation for PSC's second Modern Slavery Statement. We focused on mapping the supply chain of suppliers engaged directly to provide products and services to PSC and its subsidiaries (Tier 1 suppliers). PSC has grown to manage a global supply chain made up of more than 1000 Tier 1 suppliers, with 90% based in Australia and the UK in FY21. Despite both jurisdictions retaining a low risk rating of Modern Slavery contraventions according to the internationally recognised Walk Free Global Slavery Index, PSC organised for a Modern Slavery questionnaire to be completed by the top 40 Tier 1 suppliers who had not previously published a Modern Slavery Policy or Statement.

The questionnaire achieved a 60% completion rate, with no risks identified in the provision of services to PSC, and no suppliers flagging investigations or charges incurred relating to breaches of modern slavery or human rights laws. We acknowledge the extended impacts of COVID restrictions to our supplier operations worldwide reduced the response rate for the reporting period and the Suppliers that did not respond to our survey by the reporting deadline will continue to be contacted by PSC and their responses included in our 2022 statement.

PSC has made significant progress during FY22 in strengthening our modern slavery risk management as we seek to proactively identify, mitigate and remedy modern slavery risks in our own operations and supply chains. Some of the key initiatives implemented over the past 12 months include:

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

A full list of the planned focus areas for the next 12 months can be reviewed within the 2021 Modern Slavery Statement published on the PSC Group website.

Gender Equality and Diversity

Remuneration for all employees is reviewed on an annual basis in accordance with PSC's Remuneration Policy and starting salaries are determined by market benchmarking. Such remuneration reviews ensure fair pay and adherence to workplace laws which reduces the risk of modern slavery practices. PSC maintains a strong commitment to promoting an organisational culture which highly values gender equity and inclusiveness and believes strongly in social responsibility and transformation. The Company recognises the value of attracting and retaining personnel of different backgrounds, knowledge, experiences and abilities. PSC's Remuneration and Nomination Committee is responsible for recommending measurable objectives to the Board in light of the Company's general selection policy for Personnel.

These measurable objectives also align with the ASX Corporate Governance Principles and recommendations. Gender equality and diversity contributes to the Company's business success and benefits individuals, clients, teams, shareholders and stakeholders. Our business policies, practices and behaviours promote diversity and equal opportunity to create an environment where individual differences are valued and all personnel have the opportunity to realise their potential and contribute to the Company's success. PSC's Employee Code of Conduct obligates all employees within the Group to promote a safe work environment in which all Personnel can excel regardless of race, religion, age, disability, gender, sexual preference or marital status.

These principles were tested as part of PSC's first gender equality reporting submission (Australian employee data) to the Workplace Gender Equality Agency (WGEA) in May 2022 where we reported for the period 1 April 2021 – 31 March 2022:

- 53% of internally advertised roles were filled by female candidates
- 48% of voluntary resignations were female employees
- 53% of external candidates appointed to roles were female
- 42% of promotions were awarded to female employees

PSC monitor and address human rights issues in our operations under the PSC Code of Conduct as well as the PSC Diversity Policy.

Open and Transparent Workplace

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

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

PSC recognises that any genuine commitment to detecting and preventing illegal and other undesirable conduct must include a mechanism whereby employees and others can direct their concerns freely and without fear of reprisal or intimidation. The purpose of the PSC Whistleblower Policy is to:

- Encourage employees, directors and contractors to report an issue if they genuinely believe a person or persons have breached PSC's Code of Conduct, Policies or the law
- Demonstrate PSC's commitment to a fair workplace and outline the process for managing matters of Misconduct
- Protect individuals who in good faith, report Misconduct which they reasonably believe to be corrupt, illegal or unethical on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment
- Assist in ensuring that matters of Misconduct and/or unethical behaviour are identified and dealt with appropriately.

ESG STATEMENT (CONTINUED)

OUR CORPORATE GOVERNANCE

The Board is responsible for the corporate governance of the Group. Outlined are policies and practices adopted by the Group. We are committed to high standards in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations unless stated otherwise. The Board is comprised of highly experienced and qualified members with the necessary skills and experience within the financial services industry. Refer to the Board member profiles published on pages 22 and 23.

Principle 1 – Lay solid foundations for management and oversight

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

More specifically, the Board is responsible for:

Strategy and financial performance
These include:

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

Executive and Board management
These include:

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

Audit and risk management
These include:

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

Corporate governance and disclosure
These include:

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

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

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

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

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

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

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

Name	Term in office
Brian Austin – Chairman, Independent Non-Executive Director	12 years
Paul Dwyer – Deputy Chairman, Independent Non-Executive Director	12 years
John Dwyer – Executive Director	12 years
Antony Robinson – Managing Director	7 years
Melvyn Sims – Independent Non-Executive Director	6 years
Tara Falk – Executive Director	3 years
James Kalbassi – Executive Director	1 year
Jo Dawson – Independent Non-Executive Director	1 year

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

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

- Audit & Risk Management 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.

ESG STATEMENT (CONTINUED)

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

The Group is committed to operating honestly and ethically in all its business dealings and to embody this commitment has adopted a Code of Conduct which applies to all Directors, officers, employees, contractors or consultants of the Group as well as a Securities Trading Policy. Each of these has been prepared having regard to the ASX Corporate Governance Principles and Recommendations and is available on the Group's website at www.pscinsurancegroup.com.au. The Group has adopted a Diversity Policy, a copy of which is available on the Group's website at www.pscinsurancegroup.com.au. Where candidates for Board and Executive positions have commensurate experience and expertise, the Group will have a preference for appointments that enhance our diversity. Presently, the proportion of female employees across the Group is 50%.

Principle 4 – Safeguard the integrity of corporate reports

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

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

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

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

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

Principle 5 – Make timely and balanced disclosure

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

Principle 6 – Respect the rights of Security holders

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

Principle 7 – Recognise and manage risk

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

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

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

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

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

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

Principle 8 – Remunerate fairly and responsibly

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

The committee comprises two Directors:

- Brian Austin (Chairman)
- Paul Dwyer

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

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group consisting of PSC Insurance Group Limited and the entities it controlled, for the financial year ended 30 June 2022 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

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

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

Company Secretary

Mr Stephen Abbott holds the office of Company Secretary.

Principal activities

The principal activity of the Group during the course of the financial year remained unchanged, namely operating a diverse range of insurance services businesses across Australia, United Kingdom, Hong Kong 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 $26,658,000 (2021: $40,447,000).

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 $224.6m to $246.8m and statutory net profit after tax attributable to owners of PSC Insurance Group Limited decreased from $40.4m to $26.7m. Underlying operating revenue increased 23% from $207.2m to $254.3m, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 30% from $72.0m to $93.5m and underlying net profit after tax before amortisation (NPATA), increased 40% from $45.8m to $64.0m.

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

Significant changes in the state of affairs

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

After balance date events

Since the end of the year, the Group has issued some shares, signed a contract to acquire one business and entered into a non-binding agreement to acquire another. Please refer to Note 39 subsequent events for full details.

There have been no other circumstances that have arisen since the end of the year which affect the state of affairs of the Group.

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:

	2022 $	2021 $
(a) Dividends paid or declared by PSC Insurance Group Limited		
Dividends paid partially franked	35,868,827	28,313,765
(b) Dividends paid to Non-controlling interests		
Dividends paid partially franked	522,499	181,332
(c) Dividend declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends of 7.5 cents per share franked to 60 percent (2021: 6.5 cents per share franked to 70 percent)	26,210,642	20,945,482
Since the end of the reporting period the directors have recommended / declared dividends to Non-controlling interests	-	-

Shares under option

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

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

* Held through a related entity, Rowena House Pty Ltd

Shares issued on exercise of options

Melvyn Sims' options were exercised on 8 July 2021, by way of a cashless exercise as permitted by the Group's LTIP, at an exercise price of $1.66 - Refer to remuneration report Section E Table 9.

DIRECTORS' REPORT (CONTINUED)

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 2021 is provided below, together with details of the company secretary as at the year end.

Director	Expertise, experience and qualifications
Brian Austin **Non-Executive Chairman** *Member of Remuneration and Nomination Committee*	Brian Austin, an Independent Non-Executive Chairman, was appointed to the board on 10 December 2010. With over 40 years Industry experience, Mr Austin has held senior executive positions in the Insurance industry, both in private and publicly listed companies. In that time Mr Austin has been instrumental in setting the strategy of capital raising and acquisitions. The executive positions Mr Austin has held has enabled him to develop a global network of key relationships that allow the future growth strategies of the entity to be pursued with much confidence.
Paul Dwyer **Non-Executive Director and Deputy Chairman** Dip Fin Serv (Ins) *Member of Audit and Risk Management Committee and Remuneration and Nomination Committee*	Paul Dwyer, 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.
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, IOOF Holdings Ltd, WealthPoint and OAMPS Limited, joint Managing Director of Falkiners Stockbroking 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 Pacific Current Group Limited and Bendigo and Adelaide Bank Limited (resigned November 2021).
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.
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 30 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 Towergate Insurance Group and latterly Global Risk Partners. 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.

Director	Expertise, experience and qualifications
James Kalbassi **Executive Director**	James Kalbassi was appointed to the Board on 15 June 2021. Mr Kalbassi has more than 30 years experience in the insurance industry and as co-Founder and co-CEO of Paragon International Insurance Brokers Ltd, leading and building a specialist Lloyd's and International insurance broker. Mr Kalbassi's strategic and operational experience has helped to drive the company's success, representing some of the world's largest professional service firms and listed corporate clients. Mr Kalbassi has recently served as a Board Member of the UNiBA Partners global independent broker network.
Jo Dawson **Non-Executive Director** *Member of Audit and Risk Management Committee*	Jo Dawson, an Independent Non-Executive Director and Chair of the Audit and Risk Management Committee, was appointed to the Board on 15 June 2021. She has deep experience in highly regulated customer facing service businesses. Her prior roles include senior positions at Deloitte and National Australia Bank, Chair of EL&C Baillieu Ltd (stockbrokers) and Non-Executive Director of Catholic Church Insurance Ltd. Her current Non-Executive Directorships include Vision Super, Bank First Ltd and Villa Maria Catholic Homes Ltd and Generation Life Ltd. Ms Dawson is also a former Director of ASX listed company Templeton Global Growth Fund Ltd (TGG), resigned 31 October 2021, delisted 1 November 2021.
Company Secretary	**Expertise, experience and qualifications**
Stephen Abbott BBus, CA, CTA	Stephen Abbott was appointed Company Secretary on 18 May 2015, having joined the PSC Insurance Group in March 2012. Mr Abbott has over 35 years experience in accounting and finance both within industry and commerce and professional services firms with over 15 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 Management Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian Austin	8	8	-	-	1	1
Paul Dwyer	8	8	4	4	1	1
Antony Robinson	8	8	4	4	-	-
John Dwyer	8	8	-	-	-	-
Melvyn Sims	8	7	-	-	-	-
Tara Falk	8	7	-	-	-	-
James Kalbassi	8	8	-	-	-	-
Jo Dawson	8	8	4	4	-	-

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.

DIRECTORS' REPORT (CONTINUED)

Director's interests in contracts

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

Directors' relevant interests in:	Ordinary shares of PSC Insurance Group Limited	Options over shares in PSC Insurance Group Limited
Brian Austin	32,277,966	-
Paul Dwyer	57,174,852	-
Antony Robinson	802,565	8,000,000
John Dwyer	34,571,351	-
Melvyn Sims	306,653	-
Tara Falk	8,786,200	-
James Kalbassi	7,662,587	-
Jo Dawson	10,000	-

Auditor's independence declaration

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

Non-Audit Services

Non-audit services are approved by resolution of the Audit & Risk Management 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 Ltd and have been reviewed and approved by the Audit and Risk Management 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 Ltd or any of its related entities, acting as an advocate for PSC Insurance Group Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of PSC Insurance Group Ltd or any of its related entities.

	2022 $	2021 $
Amounts paid/payable to Ernst & Young (Melbourne) for non-audit services:		
Consulting Services	-	53,185
Taxation Services	40,250	62,750
	40,250	115,935
Amounts paid/payable to non-related auditors of group entities for non-audit services:		
Taxation Services	88,068	-
Agreed upon procedures	46,714	63,584
	134,782	63,584
Total Amount Paid/Payable	**175,032**	**179,519**

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.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Letter from the Remuneration and Nomination Committee Chair

Dear Fellow Shareholders,

On behalf of the board, I am pleased to present the FY22 remuneration report for the PSC Insurance Group Limited and Controlled Entities (PSC). The remuneration report provides information on the remuneration framework and arrangements for our Key Management Personnel (KMP). Remuneration outcomes are reported for the financial year ended 30 June 2022.

Management and Board Changes

There has been no new additions to the KMP over the 2022 financial year.

Mr Rohan Stewart is no longer a KMP of the Group after stepping down as Group CEO. Mr Stewart's responsibilities have been reallocated to 3 Group CEO positions reporting to the Managing Director, these being CEO – Australia, NZ and Hong Kong (Mr David Hosking), CEO PSC UK (Mr Noel Lenihan) and MD Paragon Brokers (Mr Angus McPhie). These roles are not considered as KMP on the basis they are not enterprise wide roles.

PSC's Executive KMP Remuneration Philosophy

Our KMP executive remuneration provides for:

- Industry and market competitive base remuneration.
- Short term incentives not being classed as a default remuneration component for executive KMP, however they may be considered by the Board where specific commercial drivers of value are compelling in the Board's view.
- Long term equity grants to ensure long term shareholder alignment as owners.

The structure recognises that:

- The Company needs its remuneration to be differentiated for attraction and retention of high quality people.
- The Company is a high growth and entrepreneurial business focused on long term value creation. We want management to be focused on recognising and acting on opportunities to grow shareholder value.
- We value simplicity. This extends to remuneration so that a substantive part of executive's potential wealth is locked up in company shares. This only has value to the extent of share price appreciation, where the Company produces dividends and the KMPs remain with the business.
- There is no limit to an "upside". We want to ensure management remain incentivised as the Group grows. Our remuneration does not artificially cap the gain in share price and dividends, or the growth in annual incentive from growth in profit in those businesses deemed to need a profit improvement.

As the company grows and more fully realises its potential, we may evolve our remuneration framework towards annual incentives with defined short and long term measures and targets. However, at this stage we believe the best approach is to tailor remuneration such that executives are encouraged to think and behave like owners and, where appropriate, are required to have a specific focus on compelling value drivers.

Our remuneration report describes our approach in more detail. I summarise below the key elements.

Annual incentives

PSC KMP executives are not usually entitled to a short term incentive (STI) opportunity because PSC, as an entrepreneurial company, PSC wants its KMP executives to act quickly and decisively when opportunities arise, to maximise long term value. We would rather KMP executives bide their time if material opportunities are not immediately present and to focus on long term outcomes .

Exceptions are made when we see great opportunity for significant value from operational and strategic improvements requiring attention and focus from KMP executives. The most recent instance of this is in our Paragon business. To best harness ongoing value we offered each of Tara Falk and James Kalbassi, an incentive equal to 7.5% of the improvement in EBITDA from an agreed base level.

Long term incentive (LTI) awards

There are three primary determinants of LTI awards

i. If an executive's alignment with shareholders is considered insufficient or where it is appropriate to recognise the executive share in the growth they are helping to create in the value of the enterprise, a grant is made with longer term vesting. This approach is considered conservative, and not wasteful of shareholder equity and expense.
ii. It is a preference to incentivise a KMP executive via equity opportunities over base cash remuneration.
iii. If an executive has no deferred remuneration such that he or she may be more at risk of turnover, a grant is made with longer term vesting. This is more effective than high annual cash salary payments in terms of retention and shareholder alignment.

When a grant is made, PSC's LTI typically consists of loan funded shares. Loan funded shares require the executive to repay the loan. The executive can only realise a benefit if the share price increases, and dividends are paid. Together these two basic elements are the total shareholder return also realised by shareholders. Simply put, the performance requirement improves total shareholder returns. This is built-in to the reward, and not a separate external requirement for a payment.

All loan funded shares have employment related vesting periods of at least three years and some as long as six years. The loan funded shares to the applicable executive directors vest over up to six years from grant. To our knowledge, this vesting period is above and beyond those of the majority of other ASX300 companies, where 3-and 4-year periods are common. The executives are also required to remain employees during the initial term in order to realise any value, focusing them on long term shareholder value creation.

FY22 Remuneration

In the past year, no changes were made to the overall remuneration approach.

The Paragon founders and co-CEOs Tara Falk and James Kalbassi (also Group executive directors) :

- Were issued loan funded shares. This reflects prior practice with other KMP executives for alignment, compensating for any difference to market salaries with equity, with 25% vesting in each of years 3, 4, 5, and 6 from grant. This was approved by shareholders on the 18th of February, for 1,500,000 shares each.
- Were eligible for a cash annual incentive equal to 7.5% of the growth in EBITDA from an agreed base level realised in the Paragon business.

Joshua Reid's $0.5 million loan funded shares due to expire in September 2021 were rolled over in advance of maturity for an additional 3 years as permitted by the Group's LTI Program (LTIP).

I trust that you will find the remuneration report informative and explain any further queries you may have. Any further questions are welcomed and encouraged at the Annual General Meeting.

Brian Austin
Chairman

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Remuneration Report (Audited)

The Directors present the Group's remuneration report (report) for the year ended 30 June 2022 which details the remuneration information for PSC Insurance Group Limited's Executive Directors, Non-Executive Directors and other key management personnel.

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

A. Details of the Key Management Personnel

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

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

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

B. Remuneration Policies

Remuneration and Nomination Committee

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

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of executive remuneration on a periodic basis by reference to relevant employment markets 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 responsibilities 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; and
- 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.

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 shareholders' interests;
- Provide an attractive remuneration package benchmarked against the applicable market's region geared towards long term growth of PSC's equity;
- Permit a degree of flexibility in executive focus for the maximisation of value accretive opportunities;
- Permit the application of specific incentives when appropriate to focus on operational or financial factors where there is a significant opportunity to add value;
- Provide strong alignment between the individual and the Group's performance through an emphasis on equity in remuneration; and
- Comply with all relevant legal and regulatory provisions.

Non-Executive Directors

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 time commitments.

Remuneration for Non-Executive Directors is subject to the aggregate fee pool limit of A$950,000 in any financial year which was approved by shareholders at the 2019 Annual General Meeting.

From 1 December 2018, the Group set the following maximum annual Non-Executive Directors' fees:

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

Non-Executive Directors do not receive additional fees for serving on committees.

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 2022 is detailed in Table 4.

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.

To continue the focus on long-term shareholder value creation and to align the interests of the executives with those of shareholders, no short-term incentives have been included as part of the remuneration structure for most PSC KMP executives. Tara Falk and James Kalbassi are an exception given their ties to Paragon. They continue to be eligible for a bonus as no material changes have been made to their remuneration arrangements since the acquisition of Paragon by the Company. This bonus is exclusive to the two executive directors and is tied to the growth of Paragon. Tara and James are eligible for 7.5% of any growth in EBITDA of the Paragon business from an agreed base.

Remuneration for KMP executives may consist of the following elements:

- Fixed remuneration (base salary and superannuation);
- A short term incentive (STI); and
- Long term incentive (LTI) (loan funded shares).

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Other than fixed remuneration, the other elements are considered annually on a case by case basis taking into account levels of fixed remuneration, levels of and exposure to share ownership, the nature and extent that an individual may have added significant value, and if significant operational improvements of consequence to sustain value.

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 and relevant comparative remuneration from external and internal sources. Fixed remuneration includes superannuation contributions and other salary sacrificed benefits.

The fixed remuneration offered to executives is consistent with market rates.

Variable Remuneration – annual incentive

The joint CEOs of our UK based Paragon business, Tara Falk and James Kalbassi, were eligible for an annual incentive.

The incentive is equal to 7.5% of the improvement in EBITDA from an agreed base amount between financial years. The incentive will be paid no later than 90 days after 30 June 2022 once results have been finalised. The incentive payment will be payable for so long as the Contracts of Employment remain valid and not terminated and James and Tara remain joint CEO's of Paragon.

No other KMP executives were eligible for an annual incentive.

Variable Remuneration – annual incentive long-term incentive (LTI)

PSC's 2022 LTI consists of loan funded shares. Loan funded shares require the executive to pay back the loan.

The loan funded shares issued to KMP in 2022 vest over 6 years from grant. Participants are required to remain employees over this initial term in order to realise any value.

There are three primary determinants of LTI awards

i. If an executive's alignment with shareholders is considered insufficient or where it's appropriate to recognise the executive share in the growth they are helping to create in the value of the enterprise, a grant is made with longer term vesting. This approach is considered conservative, and not wasteful of shareholder equity and expense.
ii. It is a preference to incentivise a KMP executive via LTI opportunities over base cash remuneration.
iii. If an executive has no deferred remuneration such that he or she may be more at risk of turnover, a grant is made with longer term vesting. This is more effective than high annual cash payments in terms of retention and shareholder alignment.

No specific performance requirements apply for vesting other than performance must be sufficient to retain employment. This recognises that the plan meets multiple criteria, including shareholder ownership and alignment, as a supplement to conservative levels of fixed remuneration, and a focus on longer term growth and sustainability. This is built-in to the reward, and not a separate external requirement for a payment.

Two KMP executives, the joint CEOs of our UK based Paragon business, Tara Falk and James Kalbassi, fell within this criteria during 2022. They both received a grant of loan funded shares, approved by shareholders on 18 February 2022.

The table provides a description of the current PSC LTI scheme.

Table 1: Loan Funded Shares Description

Feature	Approach
Purpose	To provide long term shareholder alignment through share ownership, share price appreciation and dividends.
Eligibility	Executive KMP, other senior level employees
Instruments issued	Loan funded shares. Shares of the Company issued to the recipient with a loan to purchase those shares at the acquisition price. The loan is interest free, with recourse limited to the value of the underlying shares.
Acquisition price	Market price on date of acquisition.
Performance conditions	There are no explicit performance hurdles for the loan shares to vest, given that the loan funded shares have an inbuilt performance hurdle and gateway in that total shareholder return must be positive to realise value.
Vesting period	Initial vesting periods of 3 to 6 years, dependent on the grant. The vesting for the grants to Tara Falk and James Kalbassi are: 25% of shares vest on 3rd anniversary of grant 25% of shares vest on 4th anniversary of grant 25% of shares vest on 5th anniversary of grant 25% of shares vest on 6th anniversary of grant
Service condition	Executives must remain an employee of the company as of the respective vesting dates.
Treatment of dividends and voting rights	Shares have voting rights and accrue dividend benefits, consistent with other shareholders.
Treatment on termination	If employment with the Company is terminated before the initial vesting date for any reason, all unvested loan funded shares will lapse immediately unless otherwise determined by the Board.

Executive KMP remuneration

The table below shows the executive KMP remuneration packages and current LTI.

Table 2: Executive KMP remuneration

Name	Position	Fixed remuneration	Annual incentive	LTI
Antony Robinson	MD	$600,000	-	8,000,000 Options
John Dwyer	ED	$350,000	-	-
Tara Falk*	ED, co CEO Paragon	GBP291,000	7.5% of the improvement in Paragon EBITDA from agreed base	1,500,000 Loan Funded Shares
James Kalbassi*	ED, co CEO Paragon	GBP291,000	7.5% of the improvement in Paragon EBITDA from agreed base	1,500,000 Loan Funded Shares
Joshua Reid	CFO	$400,000	-	1,570,299 Loan Funded Shares

* Fixed remuneration £282,953 until end of March 2022, then £291,000 from April 2022.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Executive KMP Employment 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. Termination payments are calculated based upon total fixed remuneration at the date of termination. No payment is made for termination due to gross misconduct. The table below provides the contract details for termination over the normal course of business.

Table 3: Service agreements

Position	Contract Type	Notice Period for Company	Notice Period for Employee	Termination Payment
Executive Director	Employment agreement	Minimum of 6 months	Minimum of 6 months	Statutory benefit
Executive	Employment agreement	6 months	6 months	Statutory benefit

C. Details of Remuneration of Key Management Personnel
(a) Non-executive directors' and executive KMP's statutory remuneration:

Table 4 sets out the remuneration of the Non-Executive Directors for PSC Insurance Group. Table 5 sets out the remuneration of Executive KMP for PSC Insurance Group. Both tables are for the 2022 and 2021 Financial Year in Australian Dollars and have been prepared in accordance with the requirements of Section 300A of the *Corporations Act 2001* and associated accounting standards.

Table 4: Non-Executive Directors' statutory remuneration

Non-Executive Directors		Short-term benefits		Post-employment benefits	Total
		Fees	Non-Monetary Benefits	Superannuation	
Brian Austin[1]	2022	350,000	-	-	350,000
	2021	350,000	-	-	350,000
Paul Dwyer[2]	2022	100,000	-	-	100,000
	2021	100,000	-	-	100,000
Melvyn Sims	2022	164,986	-	-	164,986
	2021	165,315	-	-	165,315
Jo Dawson	2022	100,000	-	10,000	110,000
	2021*	4,250	-	404	4,654
Totals	**2022**	**714,986**	**-**	**10,000**	**724,986**
	2021	619,565	-	404	619,969

* Part-year

Table 5: Executive directors' and KMP statutory remuneration

Executive Directors		Short-term benefits		Post-employment benefits	Long-term benefits		
		Cash Salary[4]	Short-term cash bonus	Superannuation	Long Service Leave[5]	Share Based Payment[6]	Total
Antony Robinson[7]	2022	578,000	-	22,000	11,170	-	611,170
	2021	578,000	-	11,169	8,910	-	598,079
John Dwyer[3]	2022	350,000	-	-	-	-	350,000
	2021	350,000	-	-	-	-	350,000
Tara Falk[8]	2022	522,392	137,489	-	-	95,810	755,691
	2021	510,193	15,867	-	-	-	526,060
James Kalbassi[8]	2022	522,392	137,489	-	-	95,810	755,691
	2021*	23,547	-	-	-	-	23,547
Total	**2022**	**1,972,784**	**274,978**	**22,000**	**11,170**	**191,620**	**2,472,552**
Total	2021	1,461,740	15,867	11,169	8,910	-	1,497,686
Other KMP							
Joshua Reid	2022	364,462	-	27,116	9,835	68,906	470,319
	2021	377,472	-	25,000	9,660	53,911	466,043
Former Other KMP							
Rohan Stewart	2022*	19,726	-	-	-	-	19,726
	2021	450,000	-	-	-	33,527	483,527
Total	**2022**	**384,188**	**-**	**27,116**	**9,835**	**68,906**	**490,045**
Total	2021	827,472	-	25,000	9,660	87,438	949,570

* Part-year

1 Brian Austin provides his services via Melimar Estate Pty Ltd.
2 Paul Dwyer provides his services via Crathre Pty Ltd.
3 John Dwyer provides his services via Glendale Dwyer Pty Ltd (ATF Dwyer Family Trust).
4 Cash Salary includes amounts paid in cash and annual leave accruals which are determined in accordance with AASB 119 Employee Benefits.
5 Long service leave accruals are determined in accordance with AASB 119 Employee Benefits.
6 Represents the value of vested and unvested equity expensed during the period including reversal for forfeited equity incentives in accordance with AASB 2 Share-based Payment, related to grants made to the executive, as outlined in Section E. Vesting of the majority of securities remains subject to service conditions as outlined in section.
7 There was no change to Antony Robinson's remuneration package between 2022 and 2021. In 2021, Mr Robinson allocated less of his package of $600,000 into superannuation. His salary was not amended up to reflect this change. Mr Robinson has agreed to forgo the difference.
8 The 2021 comparative balance previously reported superannuation for Tara Falk of $72,596 and James Kalbassi of $3,250, which represented a contribution to the UK National Insurance scheme. As this amount does not represent a superannuation benefit, the comparative balance has been restated to reflect this.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

D. Relationship between remuneration and Group performance

All KMP executives own shares, facilitated in most instances by grants of loan funded shares. The Managing Director has options outstanding from a grant in 2019. Hence net wealth varies directly with share price movements and dividends received.

Tara Falk and James Kalbassi received cash annual incentives based on profit improvement in the Paragon business (refer to Table 5).

(a) Historical performance of the Group

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

Table 6: Key performance indicators

	2022	2021	2020	2019	2018
Opening Share Price	3.53	2.54	2.59	2.86	2.26
Closing Share Price	4.14	3.53	2.54	2.59	2.86
Change in Share Price	0.61	0.99	(0.05)	(0.27)	0.60
Dividend per Share	0.12	0.11	0.09	0.08	0.07
Total Return	0.73	1.10	0.04	(0.19)	0.67
Total Return %	21%	43%	2%	-7%	30%
Dividends - Cash ($'000)	35,869	28,314	23,196	18,625	15,640

E. Key management personnel's share-based compensation
(a) Details of compensation Options

In 2022 financial year, no share options were granted to Key Management Personnel.

The tables below present the options currently on foot and exercised during the 2022 financial year.

Table 7: Options detail

Name	Grant Date	Expiry Date	Exercise Price	Balance at 1/7/21	Exercised	Lapsed/ forfeited	Balance at 30/6/22	% Exercised
Antony Robinson	16/5/19	31/12/22	3.00	3,500,000	-	-	3,500,000	0%
Antony Robinson	16/5/19	31/12/22	3.25	1,500,000	-	-	1,500,000	0%
Antony Robinson	16/5/19	31/12/22	3.50	1,500,000	-	-	1,500,000	0%
Antony Robinson	16/5/19	31/12/22	3.75	1,500,000	-	-	1,500,000	0%
Melvyn Sims	8/6/16	8/7/21	1.66	600,000	(600,000)	-	-	100%

(b) Details of Loan Funded Shares

On the 18th of February 2022, shareholders approved grants of 1,500,000 loan funded shares each to Tara Falk and James Kalbassi. These were issued at a share price of $4.20, expiring 25% at each of the years 3, 4, 5 and 6 anniversaries. The total fair value at the date of issue was $2.47 million, recognised over the term of the loans.

The table below presents loan funded shares currently on foot.

Table 8: Loan funded shares detail

Name	Grant Date	Expiry Date	Balance at 1/7/21	Granted	Vested & exercised	Lapsed/ forfeited	Balance at 30/6/22	Vested & exercised
Joshua Reid	15/12/2015	30/6/2025	1,000,000	-	-	-	1,000,000	0%
Joshua Reid*	28/9/2018	30/9/2024	170,299	-	-	-	170,299	0%
Joshua Reid	6/1/2021	30/6/2025	400,000	-	-	-	400,000	0%
Tara Falk	18/2/2022	Up to 6 years	-	1,500,000	-	-	1,500,000	0%
James Kalbassi	18/2/2022	Up to 6 years	-	1,500,000	-	-	1,500,000	0%

* Upon mutual agreement between Joshua Reid and the Board of Directors, the loan funded shares granted to Mr. Reid in 2018 which vested on 30 September 2021 were rolled over for a further 3 years.

(c) 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 2022 is as follows:

Table 9: Share capital key management personnel

	Balance 1/07/21	Net (sale) / purchase of shares	Exercise of options	LTIP allocation	Balance 30/06/22
Directors					
Brian Austin	32,277,966	-	-	-	32,277,966
Paul Dwyer	57,174,852	-	-	-	57,174,852
Antony Robinson	802,565	-	-	-	802,565
John Dwyer	34,521,351	50,000	-	-	34,571,351
Melvyn Sims*	-	-	306,653	-	306,653
Tara Falk	7,286,200	-	-	1,500,000	8,786,200
James Kalbassi	6,162,587	-	-	1,500,000	7,662,587
Jo Dawson	10,000	-	-	-	10,000
Other Key Management Personnel					
Joshua Reid	1,570,299	-	-	-	1,570,299
	139,805,820	**50,000**	**306,653**	**3,000,000**	**143,162,473**

* Melvyn Sims's exercise has been undertaken by way of a "cashless exercise" as permitted by the Company's LTIP. The details are as follows:

- Exercise price per option: $1.66
- Value of PSC Ordinary shares and calculation of the margin:
  - VWAP of PSC shares on the 5 trading days to 7 July 2021
  - Calculated VWAP: $3.33953
  - Margin: $1.7353
- Shares issued: 306,653

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

F. Loans to and from key management personnel
(a) Aggregate of loans made

Other than Loan Funded Shares, disclosed elsewhere, 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.

G. Other transactions with Key Management Personnel

Fuse Recruitment Pty Ltd is a related party as John Dwyer and Paul Dwyer or their closely related entities are shareholders. DWF LLP is a related party as Mel Sims is a Partner at the Company.

Fees Paid or Payable to associates (ex GST) on normal commercial terms during the year ended 30 June 2022 are as follows:

Related party	Service received	2022 $	2021 $
Fuse Recruitment Pty Ltd	Recruitment fees	305,243	204,087
Fuse Recruitment Pty Ltd	Contractor fees	-	21,444
DWF LLP	Legal service fees	882,347	271,127

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 arm's length with an unrelated person. The outstanding balance of the above services is $nil (2021: $13,925).

The Group provided insurance services to related parties of a Director totalling $37,410 (2021: $15,106). 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 (2021 $nil).

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

H. Use of remuneration consultants

A remuneration consultant was engaged during the course of the 2022 financial Year

Signed in accordance with a resolution of the directors.

Brian Austin
Chairman
Melbourne
Date: 24 August 2022

Antony Robinson
Managing Director
Melbourne
Date: 24 August 2022

AUDITORS INDEPENDENCE DECLARATION

Ernst & Young
8 Exhibition Street
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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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2022

	Notes	30-Jun 2022 $'000	30-Jun 2021 $'000
Revenue and other income			
Fee and commission income	3	251,146	203,625
Other revenue	3	848	811
Interest income	3	296	352
Share of equity accounted results	3	605	805
(Loss) / gain on financial instruments	3	(6,616)	17,943
Investment income	3	478	1,052
	3	**246,757**	**224,588**
Expenses			
Administration and other expenses	4	(38,903)	(24,735)
Depreciation expense - property, plant and equipment	4	(2,090)	(2,021)
Depreciation expense - right-of-use assets	4	(5,723)	(4,000)
Amortisation expense	4	(12,564)	(8,968)
Employee benefits expense	4	(121,217)	(102,259)
Finance costs	4	(8,038)	(8,947)
Finance costs - lease liabilities	4	(1,398)	(1,207)
Expected credit losses	4	(232)	(2,501)
Employee contractors		(2,863)	(3,022)
Information technology costs		(5,082)	(4,474)
Professional fees		(4,276)	(4,267)
		(202,386)	**(166,401)**
Profit before income tax expense		**44,371**	**58,187**
Income tax expense	5	(17,035)	(17,463)
Net profit from continuing operations		**27,336**	**40,724**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		-	343
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(11,372)	5,696
Other comprehensive income for the year		**(11,372)**	**6,039**
Total comprehensive income		**15,964**	**46,763**
Profit is attributable to:			
• Owners of PSC Insurance Group Limited		26,658	40,447
• Non-controlling interests		678	277
		27,336	**40,724**
Total comprehensive income is attributable to:			
• Owners of PSC Insurance Group Limited		15,286	46,486
• Non-controlling interests		678	277
		15,964	**46,763**
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic earnings per share	32	8 cents	13.3 cents
Diluted earnings per share	32	7.8 cents	12.9 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30-Jun 2022 $'000	30-Jun 2021 $'000
Current assets			
Cash and cash equivalents	7	106,110	47,824
Financial assets - trust cash	8	241,289	244,464
Receivables	9	10,264	8,446
Contract assets - broking	10	62,287	57,714
Financial assets - derivatives	11	-	519
Other assets	12	7,399	9,012
Total current assets		**427,349**	**367,979**
Non-current assets			
Receivables	9	1,022	1,461
Financial assets - investments in shares and unit trusts	13	44,755	50,567
Equity accounted investments	14	9,236	9,131
Property, plant and equipment	15	17,354	18,330
Intangible assets	16	457,295	420,880
Right of use assets	17	19,818	20,516
Total non-current assets		**549,480**	**520,885**
Total assets		**976,829**	**888,864**
Current liabilities			
Payables	18	263,241	263,620
Provisions	20	5,461	4,600
Current tax liabilities	5	6,316	5,081
Financial liabilities - derivatives	21	906	-
Lease liabilities	22	4,842	3,962
Contract liabilities - deferred revenue	23	7,653	5,169
Amounts payable to vendors	24	35,834	19,680
Total current liabilities		**324,253**	**302,112**
Non-current liabilities			
Borrowings	19	186,979	176,679
Provisions	20	541	613
Deferred tax liabilities	5	32,077	27,232
Financial liabilities - derivatives	21	-	48
Lease liabilities	22	18,459	19,269
Contract liabilities - deferred revenue	23	360	354
Amounts payable to vendors	24	5,395	16,150
Total non-current liabilities		**243,811**	**240,345**
Total liabilities		**568,064**	**542,457**
Net assets		**408,765**	**346,407**
Equity			
Share capital	25	411,661	331,174
Reserves	26	(46,890)	(37,250)
Retained earnings	26	42,157	51,368
Equity attributable to owners of PSC Insurance Group Limited		**406,928**	**345,292**
Non-controlling interests	28	1,837	1,115
Total equity		**408,765**	**346,407**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2022

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

	Share capital $'000	Reserves $'000	Retained Earnings $'000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 1 July 2021	**331,174**	**(37,250)**	**51,368**	**1,115**	**346,407**
Profit for the year	-	-	26,658	678	27,336
Exchange differences on translation of foreign operations, net of tax	-	(11,372)	-	-	(11,372)
Total comprehensive income for the year	**-**	**(11,372)**	**26,658**	**678**	**15,964**
Transactions with owners in their capacity as owners:					
Capital issued	80,000	-	-	-	80,000
Capital issuing costs	(1,487)	-	-	-	(1,487)
Shares in lieu of cash for acquisition of subsidiary	1,200	-	-	-	1,200
Dividend reinvestment	524	-	-	-	524
Non-controlling interest arising from business combination (Note 30)	-	-	-	566	566
Employee share issues	250	1,732	-	-	1,982
Dividends paid	-	-	(35,869)	(522)	(36,391)
Total transactions with owners	**80,487**	**1,732**	**(35,869)**	**44**	**46,394**
Balance as at 30 June 2022	**411,661**	**(46,890)**	**42,157**	**1,837**	**408,765**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2022

	Notes	30-Jun 2022 $'000	30-Jun 2021 $'000
Cash flow from operating activities			
Receipts from customers		260,179	209,096
Payments to suppliers and employees		(169,999)	(144,462)
Trust distributions / dividends received		764	767
Interest received		244	293
Interest paid		(7,219)	(8,947)
Income tax paid		(14,903)	(12,106)
Net cash provided by operating activities	29 (b)	**69,066**	**44,641**
Cash flow from investing activities			
Payments for deferred consideration/business acquisitions		(60,578)	(74,119)
Payment for property, plant and equipment		(1,262)	(2,695)
Proceeds from sale of financial assets		-	401
Payment for financial assets		(75)	(373)
Payment for other investments		(648)	(468)
Payment for equity investments		-	(938)
Proceeds from sale of equity investments		855	-
Net proceeds / payments from derivatives		404	406
Net cash flow used in investing activities		**(61,304)**	**(77,786)**
Cash flow from financing activities			
Proceeds from borrowings		98,740	15,481
Repayments of borrowings		(84,460)	-
Capital issued		80,000	60,000
Capital issuing costs		(1,487)	(1,313)
Underwritten dividend reinvestment		-	10,000
Proceeds from converted loan funded shares		250	150
Payment of lease liabilities		(6,700)	(4,627)
Dividends paid		(35,867)	(27,643)
Repayments of related parties loans and receivables		(289)	(123)
Proceeds from related parties loans and receivables		574	3,169
Net cash provided by financing activities		**50,761**	**55,094**
Reconciliation of cash			
Cash at beginning of the year		47,824	25,973
Net increase in cash held		58,523	21,949
Effect of exchange rate fluctuation on cash held		(237)	(98)
Cash at end of the year	29 (a)	**106,110**	**47,824**

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

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

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

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

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

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

A liability is current when:

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

Deferred tax balances are classified as non-current.

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

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

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

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

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

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

There have been no new accounting policies adopted since the year ended 30 June 2021 which have had a material effect in the preparation of the consolidated financial statements of the Group.

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

(c) Going concern

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

(d) Principles of consolidation

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

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

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

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

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

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

(e) Revenue

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

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

The performance obligation relating to commission, brokerage and fee income relates to the provision of insurance broking services. Revenue is constrained to reflect potential lapses and cancellations based on based on past experiences and future expectations.

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

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 2022

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

Share of Equity Accounted result
Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the Group's share of the profit or loss of associates and the joint ventures is included in the Group's consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

The useful lives for each class of assets are:

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

(h) Leases Liabilities

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

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

(i) Right-of-use assets

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

(j) Business combinations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the Non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

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

Acquisition related costs are expensed as incurred.

(k) Intangibles

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

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

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

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

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

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

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

(l) Impairment of non-financial assets

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

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

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

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

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

(m) Income tax

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

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

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

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

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

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

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

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

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

(o) Provisions

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

(p) Employee benefits

(i) Short-term employee benefit obligations

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

(ii) Other Long-term employee benefit obligation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

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

(iii) Retirement benefit obligations

Defined contribution superannuation plan

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

(iv) Share-based payments

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

(v) Bonus plan

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

(vi) Termination benefits

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

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

(q) Borrowing costs

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

Borrowing costs are expensed as incurred.

(r) Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

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

(v) Segment reporting

Determination and presentation of operating segments

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

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

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

(w) Goods and services tax (GST)

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

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

(x) Comparatives and Rounding of amounts

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

(y) Accounting standards issued but not yet effective at 30 June 2022

The Group does not expect the impact of the new and amended standards issued, but not yet effective, up to the date of issuance of the Group's financial statements to a have a material impact on the financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

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. The present value of future cash flows has been calculated using an average revenue growth rate of 2.5% (2021: 2.5%) and expense growth rate of 2.5% (2021: 2.5%) for cash flows in year two to five and a terminal value growth rate of 2% (2021: 2%). A post-tax discount rate of 8%-11% (2021: 7%-10%) to determine value-in-use has been used. The post-tax discount rate used is dependent on specific attributes of the segments and determined by the Board.

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

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

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

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

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

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

NOTE 3: REVENUE AND OTHER INCOME

	2022 $'000	2021 $'000
Fee and commission income		
Commission income	183,871	149,873
Fees income	52,793	42,660
Other fees	14,482	11,092
	251,146	**203,625**
Other revenue	**848**	**811**
Interest income	**296**	**352**
Share of equity accounted results	**605**	**805**
(Loss) / gain on financial instruments		
(Loss) / gain on fair value adjustments	(5,888)	15,946
(Loss) / gain on derivatives	(1,411)	1,802
Profit on sales of shares	683	195
	(6,616)	**17,943**
Investment Income		
Dividend income and trust distributions	478	1,052
	246,757	**224,588**

Amounts that relate to performance obligations that have not been satisfied (or partially satisfied) by the Group are included in Note 23 as a contract liability. The current contract liability balance at 30 June 2021 has been recognised in fee and commission income during the year ended 30 June 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 4: OPERATING PROFIT

	2022 $'000	2021 $'000
Profit before income tax has been determined after:		
Finance costs	8,038	8,947
Finance costs - lease liabilities	1,398	1,207
Total finance costs	**9,436**	**10,154**
Depreciation:		
• Leasehold Improvements	899	607
• Building	182	195
• Motor Vehicles	4	12
• Office Equipment	259	310
• Computer Equipment	746	897
	2,090	**2,021**
• Right of use assets	5,723	4,000
Total depreciation	**7,813**	**6,021**
Amortisation of non-current assets		
• Identifiable intangibles	12,564	8,968
Total depreciation and amortisation expense	**20,377**	**14,989**
Rental expense on operating leases	(239)	903
Foreign currency translation (gains) / losses	(285)	70
Employee benefits		
• Superannuation	6,966	5,805
• Other Employee benefits	114,251	96,454
Total employee benefits	**121,217**	**102,259**
Administration and other expenses includes:		
Acquisition legal and professional fees	1,357	252
Other acquisition and transactions related costs	323	1,332
Non-recurring employment costs	940	570
Unrealised (gain) / loss on foreign exchange	(5,192)	2,733
Realised (gain) / loss on foreign exchange	(285)	70
Net loss on deferred consideration	16,971	241
Share-based payment expense	1,732	375
Other	3,348	3,184
Expected credit losses:	232	2,501
Loss / (gain) on financial instruments includes:		
Loss / (gain) on fair value adjustments	5,888	(15,946)
Loss / (gain) on derivatives	1,411	(1,802)
Profit on sales of shares	(683)	(195)
Total	**26,042**	**(6,685)**

NOTE 5: INCOME TAX

(a) Components of tax expense

	2022 $'000	2021 $'000
Current tax	17,609	12,446
Deferred tax	1,144	4,303
Adjustment to tax expense on recognition of prior year losses	-	26
(Over) / under provision in prior years	(1,718)	688
	17,035	**17,463**

(b) Prima facie tax payable

	2022 $'000	2021 $'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% (2021: 30.0%)	13,311	17,456
Add tax effect of:		
• Other non-allowable items	811	367
• Gross up of franking credits	10	16
• Non-assessable gain / non deductible loss on business acquisition rise and fall	3,377	157
• Amortisation	152	901
• Share based payments	520	113
• Interentity dividends	319	-
• Capital allowances	12	-
• Income tax losses not recognised	-	214
• (Over) / under provision for income tax in prior years	(1,718)	688
	3,483	**2,456**
Less tax effect of:		
• Overseas tax rate differential	630	878
• Net trust distributions	(930)	670
• Net equity accounted results	59	419
• Other non-assessable items	-	482
	(241)	**2,449**
Income tax expense attributable to profit	**17,035**	**17,463**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 5: INCOME TAX (Continued)

(c) Current tax

	2022 $'000	2021 $'000
Current tax relates to the following:		
• Opening balance	5,081	3,991
• Income tax	17,609	12,446
• Tax payments	(14,903)	(12,106)
• (Over) / under provisions	(1,718)	688
• Exchange translation difference	247	138
• Transfer to/(from) deferred tax	-	(76)
Current tax liabilities	**6,316**	**5,081**

(d) Deferred tax

	2022 $'000	2021 $'000
Deferred tax relates to the following:		
• Tax losses carried forward	(292)	(12)
• Employee benefits	(1,799)	(1,512)
• Income provisions	(1,355)	(1,245)
• Other	644	987
• Accrued expenses	(571)	(69)
• Listing and share issue expenses	(982)	(1,242)
• Fair value adjustments	1,892	2,863
• Customer Lists	24,569	20,129
• Accrued income	8,634	7,266
• Right of use asset	(227)	(263)
• Unrealised foreign exchange gain	1,149	(116)
• Capital allowances	415	446
Net deferred tax liabilities	**32,077**	**27,232**

NOTE 6: DIVIDENDS

(a) Dividends paid or declared

	2022 $'000	2021 $'000
Dividends paid at 11.0 cents per share by PSC Insurance Group franked to 70 percent (2021: 9.5 cents per share fully franked).	35,869	28,314
Dividends paid to Non-controlling interests	522	181
	36,391	**28,495**

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

	2022 $'000	2021 $'000
Since the end of the reporting period the directors have recommended / declared dividends of 7.5 cents per share franked to 60 percent (2021: 6.5 cents per share franked to 70 percent)	26,211	20,945
	26,211	**20,945**

(c) Franking account

	2022 $'000	2021 $'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	295	460

NOTE 7: CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash on hand	31	10
Cash at bank	61,592	25,814
Cash on deposit	44,487	22,000
	106,110	**47,824**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 8: FINANCIAL ASSETS - TRUST CASH

	2022 $'000	2021 $'000
Cash held on trust	241,289	244,464
	241,289	**244,464**

NOTE 9: RECEIVABLES

	2022 $'000	2021 $'000
Current		
Other receivables	9,050	7,306
Related parties loans and receivables	1,214	1,140
	10,264	**8,446**
Non-Current		
Related parties loans and receivables	**1,022**	**1,461**

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

	2022 $'000	2021 $'000
(b) Ageing of Receivables		
• 0-30 Days	6,361	6,196
• 30-60 Days	213	470
• 60-90 Days	6	270
• Over 90 Days	2,470	370
	9,050	**7,306**

NOTE 10: CONTRACT ASSETS - BROKING

	2022 $'000	2021 $'000
Current		
Contract assets	62,287	57,714
	62,287	**57,714**

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. Contract assets are recognised after taking into account an allowance for expected losses (on policy lapses and cancellations) based on past experiences and future expectations.

NOTE 11: FINANCIAL ASSETS - DERIVATIVES

	2022 $'000	2021 $'000
Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	519
Total derivatives	**-**	**519**

NOTE 12: OTHER ASSETS

	2022 $'000	2021 $'000
Current		
Prepayments	6,644	8,067
Bonds and deposits	755	945
Total other assets	**7,399**	**9,012**

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

	2022 $'000	2021 $'000
Non-Current		
Financial assets		
Other shares and units held	5,228	4,768
Shares in listed corporations	39,527	45,799
Total financial assets	**44,755**	**50,567**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 14: EQUITY ACCOUNTED INVESTMENTS

	2022 $'000	2021 $'000
Non-Current		
Equity accounted associates	**9,236**	**9,131**

(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	2022	2021
BCS Broking Pty Ltd	Australia	50.00%	50.00%
Just Motorsport Limited	United Kingdom	35.03%	35.03%
Just Business Cover Ltd (UK)	United Kingdom	42.50%	42.50%
PSC Bloodstock Services Pty Ltd	Australia	50.00%	50.00%
PSC Insurenet JV Pty Ltd	Australia	50.00%	50.00%
PSC Property Lync Insurance Brokers Pty Ltd	Australia	50.00%	50.00%
RP-Baulkham Hills Pty Ltd	Australia	50.00%	50.00%
RP-Broadbeach Pty Ltd	Australia	50.00%	50.00%
RP-Bundoora Pty Ltd	Australia	50.00%	50.00%
RP-Cannington Pty Ltd	Australia	50.00%	50.00%
RP-Carlton Pty Ltd	Australia	50.00%	50.00%
RP-Exchange Insurance Pty Ltd	Australia	50.00%	50.00%
RP-Edwardstown Pty Ltd	Australia	0.00%	50.00%
RP-Fremantle Pty Ltd	Australia	50.00%	50.00%
RP Hoppers Crossing Pty Ltd	Australia	50.00%	50.00%
RP-My Insurance Kit Pty Ltd	Australia	50.00%	50.00%
RP-Ipswich Pty Ltd	Australia	50.00%	50.00%
RP-Melbourne Pty Ltd	Australia	50.00%	50.00%
RP-Mona Vale Pty Ltd	Australia	0.00%	25.00%
RP-Nerang Pty Ltd	Australia	50.00%	50.00%
RP-Newcastle Pty Ltd	Australia	50.00%	50.00%
RP-Penrith Pty Ltd	Australia	50.00%	50.00%
RP Professional Risk Pty Ltd	Australia	50.00%	50.00%
RP Randwick Pty Ltd	Australia	50.00%	50.00%
RP-Rockingham Pty Ltd	Australia	50.00%	50.00%
RP-South Perth Pty Ltd	Australia	50.00%	50.00%
RP-Southport Pty Ltd	Australia	0.00%	50.00%
RP-Tullamarine Pty Ltd	Australia	50.00%	50.00%
RP-Tweed Heads Pty Ltd	Australia	0.00%	50.00%

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	2022 $'000	2021 $'000
Leasehold improvements		
Leasehold improvements at cost	5,548	6,369
Accumulated depreciation	(3,664)	(3,727)
	1,884	**2,642**
Land and Buildings		
Land and buildings	12,031	12,000
Accumulated depreciation	(182)	-
	11,849	**12,000**
Artwork		
Artwork	127	123
Accumulated depreciation	-	-
	127	**123**
Plant and equipment		
Motor vehicles at cost	38	50
Accumulated depreciation	(27)	(35)
	11	**15**
Office equipment at cost	5,276	4,931
Accumulated depreciation	(3,706)	(3,540)
	1,570	**1,391**
Computer equipment at cost	8,292	7,832
Accumulated depreciation	(6,379)	(5,673)
	1,913	**2,159**
Total plant and equipment	**3,494**	**3,565**
Total property, plant and equipment	**17,354**	**18,330**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliations

	2022 $'000	2021 $'000
Leasehold improvements		
Carrying amount at beginning of year	2,642	1,708
Additions	182	1,226
Additions through acquisition of entities/operations	-	132
Depreciation expense	(899)	(607)
Net foreign currency movements arising from foreign operation	(41)	183
Carrying amount end of year	**1,884**	**2,642**
Land and buildings		
Carrying amount at beginning of year	12,000	11,705
Additions	31	-
Revaluation (b)	-	490
Depreciation expense	(182)	(195)
Carrying amount end of year	**11,849**	**12,000**
Artwork		
Carrying amount at beginning of year	123	92
Additions	8	29
Net foreign currency movements arising from foreign operation	(4)	2
Carrying amount end of year	**127**	**123**
Plant and equipment		
Motor vehicles		
Carrying amount at beginning of year	15	29
Disposals	-	(2)
Depreciation expense	(4)	(12)
Carrying amount end of year	**11**	**15**
Office equipment		
Carrying amount at beginning of year	1,391	1,274
Additions	330	390
Additions through acquisition of entities/operations	120	29
Depreciation expense	(259)	(310)
Net foreign currency movements arising from foreign operation	(12)	8
Carrying amount end of year	**1,570**	**1,391**
Computer equipment		
Carrying amount at beginning of year	2,159	1,955
Additions	712	1,052
Additions through acquisition of entities/operations	56	29
Depreciation expense	(746)	(897)
Net foreign currency movements arising from foreign operation	(268)	20
Carrying amount end of year	**1,913**	**2,159**
Total plant and equipment	**3,494**	**3,565**
Total property, plant and equipment	**17,354**	**18,330**

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

(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

	2022 $'000	2021 $'000
Goodwill at cost	357,136	333,254
Identifiable intangible assets at cost	133,035	108,709
Accumulated amortisation and impairment	(32,876)	(21,083)
	100,159	**87,626**
Total intangible assets	**457,295**	**420,880**

(a) Reconciliations

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

	2022 $'000	2021 $'000
Goodwill at cost		
Opening balance	333,254	257,040
Additions (a)	31,582	71,477
Net foreign currency movement arising from foreign operations	(7,700)	4,737
Closing balance	**357,136**	**333,254**
Identifiable Intangible assets at cost		
Opening balance	87,626	59,332
Additions through business combination (a)	18,703	32,029
Acquired through business combination	-	5
Other additions	9,002	3,823
Amortisation expense	(12,564)	(8,968)
Net foreign currency movement arising from foreign operations	(2,608)	1,405
Closing balance	**100,159**	**87,626**
Total intangible assets	**457,295**	**420,880**

a. Additional goodwill and identifiable intangible assets include the business acquisitions of Montage General Insurance Ltd, Alliance Insurance Broking and Alan Wilson Insurance Brokers.

The Group performs, on an annual basis, impairment testing for goodwill and any identifiable intangible assets (customer relationships and brand names) which have impairment indicators. There was no impairment for the year ended 30 June 2022 (2021: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 16: INTANGIBLE ASSETS (Continued)

The Group performed its annual impairment test in June 2022 and June 2021. 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 2022, 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 $427m as at 30 June 2022 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 $140.1m. The post-tax discount rate applied to cash flow projections is 9.5% (2021: 8.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. As a result of the analysis, the recoverable amount exceeded the carrying amount of the CGU and management did not identify impairment.

Agency CGU
The recoverable amount of the agency CGU of $98m as at 30 June 2022 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 $9.9m. The post-tax discount rate applied to cash flow projections is 9.5% (2021: 8.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. As a result of the analysis, the recoverable amount exceeded the carrying amount of the CGU and management did not identify impairment.

United Kingdom (UK) CGU
The recoverable amount of the UK CGU of $397m as at 30 June 2022 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 $207.1m. The post-tax discount rate applied to cash flow projections is 9.5% (2021: 8.5%) and the terminal value cash flows beyond the five-year period valued with a 2% terminal growth rate. Year 1-5 growth rates for revenue and expenses are a prudent assessment of the average growth rate for the Insurance Broking industry. As a result of the analysis, the recoverable amount exceeded the carrying amount of the CGU and management did not identify impairment.

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. 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 capital asset pricing model. The cost of debt is based on a margin over a longer term risk free rate and is not necessarily representative of the Group's actual cost of debt.

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:

	2022 %	2021 %
Revenue growth	2.5% pa for first 5 years	2.5% pa for first 5 years
Cost growth	2.5% pa for first 5 years	2.5% pa for first 5 years
Terminal growth rate (EBITDA)	2.00%	2.00%
Discount rate (pre tax)	10% to 15%	9% to 14%
Discount rate (post tax)	8% to 11%	7% to 10%

NOTE 17: RIGHT OF USE ASSETS

	2022 $'000	2021 $'000
Non-Current		
Right of use assets	19,818	20,516
	19,818	**20,516**

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

	2022 $'000	2021 $'000
Opening balance 1 July	20,516	14,754
Additions	5,025	9,762
Depreciation expense	(5,723)	(4,000)
Closing balance at 30 June	**19,818**	**20,516**

The following are the amounts recognised in profit or loss:

	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets	(5,723)	(4,000)
Interest expense on lease liabilities	(1,398)	(1,207)
Expense relating to short-term leases or low-value assets (included in Administration and other expenses)	239	(903)
Total amount recognised in profit or loss	**(6,882)**	**(6,110)**

The Group had total cash outflows for leases of $6.7m in 2022 (2021: $4.6m). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 31.

NOTE 18: PAYABLES

	2022 $'000	2021 $'000
Current		
Unsecured liabilities		
Trade creditors	3,829	1,986
Payables from broking, reinsurance and underwriting agency operations	241,309	244,848
Sundry creditors and accruals	18,103	16,786
Total payables	**263,241**	**263,620**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 19: BORROWINGS

	2022 $'000	2021 $'000
Non-Current		
Secured liabilities		
Bank loans	186,979	176,679
Total borrowings	**186,979**	**176,679**

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

The Group has two primary funding facilities:

i. PSC Insurance Group Limited – Syndicated Facility Agreement
Limit $190,000,000 (multi-currency) plus a further $6,290,000 revolving overdraft / bank guarantee facility

ii. PSC UK Pty Limited - Note Purchase Agreement
Limit £41,250,000 ($72,687,225)

The Group also has a property funding facility to 96 Wellington Parade Pty Limited, totalling $7,624,000.

The loan note syndication agreement with Baring Asset Management was repaid during the year.

The key terms and conditions are as follows:

Syndicated Facility Agreement (SFA)

The syndication is led by Commonwealth Bank, with Macquarie Bank, HSBC and Citibank participants in the syndicate. Security was granted in favour of a security trustee, including a registered first ranking security over assets of the Group across Australia, UK and New Zealand.

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 November 2026. The interest rate is a variable interest rate based on BBSY or SONIA (£) plus a margin.

Note Purchase Agreement (NPA)

The NPA with Pricoa is a multi-currency facility to support the Group's growth. Security was granted in favour of a security trustee, including a registered first ranking security over assets of the Group across Australia, UK and New Zealand and ranking equally with the SFA.

The NPA contains a number of representations, warranties and undertakings (including financial covenants and reporting obligations) from the parent entity and each guarantor, which largely mirror the SFA. The financial covenants cover include debt to EBITDA being below agreed levels and a debt service cover ratio being above agreed levels. These covenants have been met during the year.

The first Note of £41.25m under the NPA was issued in November 2021. The NPA provides an agreed framework for additional note issuance by the Group (up to a total limit of US$125m), subject to Pricoa approval and majority consent from the SFA lenders at the time of subsequent Note issuance. The Note presently issued is interest only, with 6 monthly coupon payments, with a maturity date of November 2028. The interest rate is a fixed interest rate based on the 7-year GILT at the time of issuance 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 on BBSY plus a margin.

NOTE 20: PROVISIONS

	2022 $'000	2021 $'000
Current		
Employee benefits	5,461	4,600
Non-Current		
Employee benefits	541	613
Total employee benefits liability	**6,002**	**5,213**

NOTE 21: FINANCIAL LIABILITIES - DERIVATIVES

	2022 $'000	2021 $'000
Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	906	-
Non-Current		
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	-	48
Total derivatives	**906**	**48**

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

NOTE 22: LEASE LIABILITIES

	2022 $'000	2021 $'000
Current		
Lease liabilities	4,842	3,962
Non-Current		
Lease liabilities	18,459	19,269
Total lease liabilities	**23,301**	**23,231**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 23: CONTRACT LIABILITIES - DEFERRED REVENUE

	2022 $'000	2021 $'000
Current		
Contract liabilities	7,653	5,169
Non-Current		
Contract liabilities	360	354
Total contract liabilities	**8,013**	**5,523**

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

NOTE 24: AMOUNTS PAYABLE TO VENDORS

	2022 $'000	2021 $'000
Current		
Amounts payable to vendors	35,834	19,680
Non-Current		
Amounts payable to vendors	5,395	16,150
Total amounts payable to vendors	**41,229**	**35,830**

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 25: SHARE CAPITAL

(a) Issued and paid-up capital

	2022 $'000	2021 $'000
348,955,012 Ordinary shares fully paid (2021: 321,181,525)	**411,661**	**331,174**

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
2022		
Beginning of financial year	321,181,525	331,174
Capital issued	17,777,778	80,000
Capital issuing costs	-	(1,487)
Shares in lieu of cash for acquisition of subsidiary	364,230	1,200
Dividend reinvestment	118,411	524
Loan funded shares	9,206,415	250
Converted options	306,653	-
End of financial year	**348,955,012**	**411,661**
2021		
Beginning of financial year	287,019,337	243,043
Capital issued	20,000,000	60,000
Capital issuing costs	-	(746)
Shares in lieu of cash for acquisition of subsidiary	5,818,270	17,875
Dividend reinvestment	305,611	852
Underwritten dividend reinvestment	3,660,322	10,000
Loan funded shares	4,377,985	150
End of financial year	**321,181,525**	**331,174**

(c) Rights of each type of share

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

(d) Capital Management

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

During 2022, management paid dividends of:

- Dividends paid by PSC Insurance Group Limited $35,868,827 (2021: $28,313,765)
- Dividends paid to Non-controlling interests $522,499 (2021: $181,332)

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 net 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 26: RESERVES AND RETAINED EARNINGS

	2022 $'000	2021 $'000
Share-based payment reserve	4,585	2,853
Foreign currency translation reserve	(9,835)	1,537
Revaluation surplus	1,443	1,443
Non-controlling interest reserve	(43,083)	(43,083)
Reserves	**(46,890)**	**(37,250)**
Retained Earnings	**42,157**	**51,368**

(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

	2022 $'000	2021 $'000
Opening balance	2,853	2,459
Fair value of options and performance share rights issued during the year	1,732	394
Closing balance	**4,585**	**2,853**

(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

	2022 $'000	2021 $'000
Opening balance	1,537	(4,159)
Exchange differences on translation of foreign operations	(11,372)	5,696
Closing balance	**(9,835)**	**1,537**

(c) Revaluation surplus

(i) Nature and purpose of reserve

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

(ii) Movements in reserve

	2022 $'000	2021 $'000
Opening balance	1,443	1,100
Revaluation of property, plant and equipment	-	343
Closing balance	**1,443**	**1,443**

(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.

	2022 $'000	2021 $'000
Opening balance	(43,083)	(37,351)
Non-controlling interest arising from business combination	-	(5,732)
Closing balance	**(43,083)**	**(43,083)**

(e) Retained Earnings

	2022 $'000	2021 $'000
Opening balance	51,368	39,235
Net profit	26,658	40,447
Dividends provided for or paid	(35,869)	(28,314)
Closing balance	**42,157**	**51,368**

NOTE 27: SHARE-BASED PAYMENTS

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

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

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

	2022	2021
Opening balance 1 July	8,600,000	8,600,000
Granted during the year	-	-
Exercised during the year (a)	(600,000)	-
Outstanding at 30 June	**8,000,000**	**8,600,000**
Exercisable at 30 June	8,000,000	8,600,000

(a) The options were exercised on 8 July 2021, by way of a cashless exercise as permitted by the Group's LTIP. The cashless exercise of 600,000 options at an exercise price of $1.66 per option, resulted in the issue of 306,653 FPO (Follow-on Public Offer) shares. The 5 day volume-weighted average share price at exercise was $3.40.

The range of exercise prices for options outstanding at the end of the year was $3.00 to $3.75 (2021: $1.66 to $3.75)

No expense was recognised during the year for the above options (2021: $nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 27: SHARE-BASED PAYMENTS (Continued)

Unissued ordinary shares of PSC Insurance Group Limited under option at 30 June 2022 are:

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

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

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:

	2022 $'000	2021 $'000
Expense arising from equity-settled share-based payment transactions	1,732	394
Total expense arising from loan funded share-based transactions	**1,732**	**394**

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

	2022	2021
Opening balance	7,213,741	2,886,845
Issued during the year (a)	9,206,415	4,377,985
Forfeited during the year	-	-
Loan repaid (b)	(85,149)	(51,089)
Closing balance	**16,335,007**	**7,213,741**

(a) Issued during the year

- 750,000 fully paid shares were issued on 29 July 2021 at a share price of $3.36, expiring in 4 years.
- 147,958 fully paid shares were issued on 1 October 2021 at a share price of $4.20, expiring in 3 years.
- 1,845,000 fully paid shares were issued on 22 November 2021 at a share price of $4.20, expiring in 4 years.
- 2,994,667 fully paid shares were issued on 21 December 2021 at a share price of $4.20, expiring equally at the 3rd, 4th, 5th and 6th anniversary dates.
- 213,790 fully paid shares were issued on 2 February 2022 at a share price of $4.56, expiring in 4 years.
- 255,000 fully paid shares were issued on 4 February 2022 at a share price of $4.20, expiring in 4 years.
- 3,000,000 fully paid shares were issued on 22 February 2022 at a share price of $4.20, expiring equally at the 3rd, 4th, 5th and 6th anniversary dates.

The ranges used in the calculations of shares issued were 27.0% - 31.27% for expected volatility, 2.70% - 3.10% for dividend yield and 0.3% - 1.6% for the risk free interest rate.

(b) Loan repaid

- 85,149 loan funded shares were repaid for $250,000 on 23 November 2022.

In addition, 1.1 million loan funded shares due to expire in September 2021 were rolled over in advance of maturity, for an additional 3 years as permitted by the Group's LTIP. There was no additional cost in relation the extension, due to the value of the call price being less than the in the money value of the existing shares.

NOTE 28: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2022	2021	2022	2021
AB Risk Solutions Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Abaco Insurance Brokers Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Absolute Insurance Brokers Limited	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%
AWIB Pty Ltd**	Australia	100.00%	0.00%	0.00%	0.00%
Bonwick International Ltd	Hong Kong	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Breeze Underwriting Limited	United Kingdom	100.00%	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%	100.00%	0.00%	0.00%
Carroll London Markets Holdings Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll London Markets Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Insurance Brokers Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carroll Insurance Group Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Carvan Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Melbourne Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Certus Life Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Charter Gilman Insurance Holdings Limited	Hong Kong	100.00%	100.00%	0.00%	0.00%
Charter Gilman Insurance Brokers Pty Ltd	Hong Kong	100.00%	100.00%	0.00%	0.00%
Charter Gilman Insurance Agencies Limited	Hong Kong	100.00%	100.00%	0.00%	0.00%
Charter Gilman Insurance Consultants Limited	Hong Kong	100.00%	100.00%	0.00%	0.00%
Charter Gilman Insurance Services Limited	Hong Kong	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%	100.00%	0.00%	0.00%
Chase UK Holdings Pty Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Chase Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Connect Life Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Easy Broking Online Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Eden Software Pty Ltd	Australia	75.00%	75.00%	25.00%	25.00%
Fenchurch Insurance Risk Management Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Globe Insurance Consultants Ltd	Hong Kong	100.00%	100.00%	0.00%	0.00%
Globe Limited	Hong Kong	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%
JHR Corporate Risk Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Jolimont Underwriting Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 28: INTERESTS IN SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2022	2021	2022	2021
McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Medisure Indemnity Australia Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Online Insurance Solutions Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Paragon Brokers (Bermuda) Ltd	Bermuda	100.00%	100.00%	0.00%	0.00%
Paragon International Holdings Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Paragon International Insurance Brokers Ltd	United Kingdom	100.00%	100.00%	0.00%	0.00%
Professional Services Corporation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Coast Wide Newcastle Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Coastwide Insurance Services Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Connect Life NZ Ltd	New Zealand	70.00%	70.00%	30.00%	30.00%
PSC Connect NZ Ltd	New Zealand	100.00%	100.00%	0.00%	0.00%
PSC Connect Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Direct Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Foundation Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Group Holdings Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Holdings (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance (Europe) Ltd	Ireland	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Aust) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Brisbane) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Darwin) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers Gold Coast 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 Perth Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Victoria) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Wagga) Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers (Western) Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
PSC Insurance Brokers Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Insurance Brokers NZ Ltd*	New Zealand	100.00%	0.00%	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 Montage General Insurance Limited**	New Zealand	80.00%	0.00%	20.00%	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 NZ Holdings Limited*	New Zealand	100.00%	0.00%	0.00%	0.00%
PSC Nominees Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
96 Wellington Parade Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Rainbow Holdings Ltd (UK)	United Kingdom	100.00%	100.00%	0.00%	0.00%
PSC Reliance Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
PSC Safex Pty Ltd	Australia	70.00%	70.00%	30.00%	30.00%
PSC UK Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%

Subsidiaries of the Group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2022	2021	2022	2021
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	100.00%	100.00%	0.00%	0.00%
RP-Canning Vale Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Maroochydore Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Morayfield Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Parramatta Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
RP-Windsor Pty Ltd	Australia	100.00%	100.00%	0.00%	0.00%
Trans Pacific Insurance Brokers Limited	Hong Kong	100.00%	100.00%	0.00%	0.00%
Trust Insurance Services Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Turner Financial Services Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Turner Insurance Services Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
UK Facilities Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%
Upper Hillwood Holdings Limited	United Kingdom	100.00%	100.00%	0.00%	0.00%

1 - * Entity entered Group during the 2022 financial year
2 - ** Entity acquired during the 2022 financial year

(b) Reconciliation of the Non-controlling interest

	2022 $'000	2021 $'000
Accumulated NCI at the beginning of the year	1,115	2,692
Profit or loss allocated to NCI during the year	678	277
Put option reserve revaluation	-	959
Increase / (decrease) in Non-controlling interest	566	(2,632)
Dividends paid to NCI	(522)	(181)
Accumulated NCI at the end of the year	**1,837**	**1,115**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 29: CASH FLOW INFORMATION

(a) Reconciliation of cash

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

	2022 $'000	2021 $'000
Cash on hand	31	10
Cash at bank	61,592	25,814
Cash on deposit	44,487	22,000
	106,110	**47,824**

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

	2022 $'000	2021 $'000
Profit from ordinary activities after income tax	27,336	40,724
Add/(Less) items classified as investing/financing activities		
Loss on deferred consideration	16,971	241
Adjustments and non-cash items		
Non-cash items		
Depreciation and amortisation	20,377	14,989
Expected credit loss	277	2,501
Foreign currency translation (gains)/losses	(5,192)	2,733
Fair value adjustment of shares	5,888	(15,894)
Share-based payment expense	1,732	375
Equity accounted result	(605)	(805)
Derivative losses / (gains)	1,411	(1,802)
Loans forgiven	29	66
Disposal of investment in associates	(683)	(195)
Net cash flows from operations before change in assets and liabilities	**67,541**	**42,933**
Change in assets and liabilities		
(Increase)/decrease in receivables	(1,745)	1,728
(Increase)/decrease in contract / other assets	(2,958)	(4,840)
Increase/(decrease) in payables	3,194	1,139
Increase/(decrease) in provisions	144	(364)
Increase/(decrease) in other liabilities	2,455	367
Increase/(decrease) in income taxes payable	1,235	27
Increase/(decrease) in deferred tax balances	(800)	3,651
Net cash flow from operating activities	**69,066**	**44,641**

(c) Acquisitions

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

	2022 $'000	2021 $'000
Cash and cash equivalents	-	17,500
Financial assets - trust cash	-	11,452
Contract assets - broking	-	4,070
Property, plant and equipment	176	190
Identifiable Intangibles	18,703	32,029
Acquired intangibles	-	5
Receivables	-	1,694
Right of use assets	-	789
Lease Liabilities	-	(555)
Payables	-	(14,182)
Income tax payable	-	(1,061)
Provisions	(628)	(465)
Deferred tax balances	(5,400)	(7,369)
Net Identifiable assets acquired	**12,851**	**44,097**
Net assets exceeding consideration paid	**24,778**	**24,877**
Consideration paid in cash	(37,629)	(68,974)
Cash acquired	-	17,500
Net cash dispensed	**(37,629)**	**(51,474)**

(d) Loan facilities

	2022 $'000	2021 $'000
Loan facilities	276,601	202,824
Amount utilised	186,979	176,679
Unused loan facility	**89,622**	**26,145**

(e) Reconciliation of liabilities arising from financing activities

	2022 $'000	2021 $'000
Balance at the beginning of the year	176,679	158,505
Drawdowns	98,740	15,481
Payments made	(84,460)	-
Foreign currency movements	(3,980)	2,693
Balance at the end of the year	**186,979**	**176,679**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 30: BUSINESS COMBINATIONS

	2022 $'000	2021 $'000
Consideration	37,629	68,974
Equity Consideration	-	15,782
Deferred consideration	-	8,889
Contingent consideration	6,636	20,666
Total purchase consideration	**44,265**	**114,311**
Fair value of Non-controlling interests	**170**	**-**

Acquisitions for the year ended 30 June 2022

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

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

(a) Consideration paid/payable

2022	Montage General Insurance Ltd $'000	Alliance Insurance Broking $'000	AWIB Pty Ltd (Alan Wilson Insurance Brokers) $'000	Total Group $'000
Cash consideration paid	1,982	18,082	17,565	37,629
Contingent consideration	783	5,853	-	6,636
Total purchase consideration	**2,765**	**23,935**	**17,565**	**44,265**
Ownership share	80%	100%	100%	
Acquisition vehicle	(i)	(ii)	(i)	
Date of acquisition	21/7/2021	06/09/2021	1/6/2022	
Fair value of Non-controlling interest	170	-	-	170
Total Non-controlling interest	**170**	**-**	**-**	**170**

(b) Identifiable assets and liabilities acquired

2022	Montage General Insurance Ltd $'000	Alliance Insurance Broking $'000	AWIB Pty Ltd (Alan Wilson Insurance Brokers) $'000	Total Group $'000
Property, plant and equipment	-	-	176	176
Identifiable intangibles (client lists and brand names)	1,178	9,676	7,849	18,703
Deferred tax assets	-	139	49	188
Deferred tax liabilities	(330)	(2,903)	(2,355)	(5,588)
Provisions	-	(463)	(165)	(628)
	848	**6,449**	**5,554**	**12,851**

(c) Goodwill on acquisition

2022	Montage General Insurance Ltd $'000	Alliance Insurance Broking $'000	AWIB Pty Ltd (Alan Wilson Insurance Brokers) $'000	Total Group $'000
Total consideration paid / payable	2,765	23,935	17,565	44,265
Total net identifiable (assets)/liabilities acquired	848	6,449	5,554	12,851
Non-controlling interests acquired	170	-	-	170
Goodwill on acquisition (Excess over consideration paid/payable)	**2,087**	**17,486**	**12,011**	**31,584**

(d) Financial performance since acquisition date

2022	Montage General Insurance Ltd $'000	Alliance Insurance Broking $'000	AWIB Pty Ltd (Alan Wilson Insurance Brokers) $'000	Total Group $'000
Revenue	964	5,870	531	7,365
EBITDA	358	3,049	368	3,775
Profit after tax	257	2,134	258	2,649
Financial performance if held for 12 months				
Revenue	1,054	6,801	4,405	12,260
EBITDA	380	3,326	2,027	5,733
Profit after tax	274	2,328	1,419	4,021
Goodwill on acquisition	2,087	17,486	12,011	31,584
Identifiable intangibles	1,178	9,676	7,849	18,703
	3,265	**27,162**	**19,860**	**50,287**

The value of goodwill represents the future benefit arising from the future earnings and synergies expected from the acquisitions. No goodwill is expected to be deductible for tax purposes.

Contingent consideration is estimated based on agreed multiples of EBITDA, revenue or fees and commission in accordance with the sale and purchase agreements. The $6.6m deferred contingent consideration shown above is variable and not capped. Refer to Note 24 for contingent liability amounts recognised for business combination in the current and prior periods.

(e) Acquisition related costs

The Group incurred transaction costs of $0.06m (2021: $0.49m) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 31: COMMITMENTS

(a) Lease expenditure commitments

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

(ii) Minimum lease payments

	2022 $'000	2021 $'000
Not later than one year	6,448	5,684
Later than one year and not later than five years	15,355	14,392
Greater than five years	4,043	3,654
Aggregate lease expenditure contracted for at reporting date	**25,846**	**23,730**

(b) Bank guarantee commitments
The Group has provided bank guarantees in relation to a number of rental premises from which various businesses operate. Total bank guarantees outstanding $1,161,706 (2021: $1,189,993).

(c) Contingent liabilities
The Group is engaged in a range of litigation at any point in time. However, no current claims are expected to have a material effect on the business or financial results of the Group. For all litigation exposures where loss is probable and can be reliably estimated, an appropriate provision is made. The Group has no significant provisions raised for any current legal matters.

NOTE 32: EARNINGS PER SHARE

	2022 $'000	2021 $'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	26,658	40,447
Profit used in calculating basic earnings per share	26,658	40,447
Profit used in calculating diluted earnings per share	26,658	40,447
Earnings used in calculating diluted earnings per share	26,658	40,447

	2022 No of Shares	2021 No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	331,696,644	303,952,533
Effect of dilutive securities:		
Share options	8,000,000	8,600,000
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	339,696,644	312,552,533

NOTE 33: FINANCIAL RISK MANAGEMENT

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

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

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

The Group holds the following financial instruments:

	2022 $'000	2021 $'000
Financial assets		
Amortised cost:		
Cash and cash equivalents	106,110	47,824
Bonds and deposits	755	945
Financial assets - trust cash	241,289	244,464
Other receivables	9,050	7,306
Loans to related parties	2,236	2,601
Fair value through profit or loss (mandatory classification):		
Derivatives	-	519
Financial assets - investments in shares and unit trusts	44,755	50,567
	404,195	**354,226**
Financial liabilities		
Amortised cost:		
Trade creditors	3,829	1,986
Payables from broking, reinsurance and underwriting agency operations	241,309	244,848
Sundry creditors and accruals	18,103	16,786
Lease liabilities	23,301	23,231
Borrowings	186,979	176,679
Fair value through profit or loss (mandatory classification):		
Derivatives	906	48
Amounts payable to vendors - contingent consideration	41,229	35,830
	515,656	**499,408**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

(a) Market price risk

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

Sensitivity

The Group holds two market securities at fair value.

Price sensitivity at 30 June 2022 at +/- 10% represents exposure of $3,953,000 (2021: $4,580,000).

(b) Currency risk

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

Sensitivity

If 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 after tax for the year and equity is as follows:

	2022 $'000	2021 $'000
+ / - 10%		
Impact on profit after tax	981	1,480
Impact on equity	2,895	1,439

(c) Fair value of Financial Instruments

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

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

There has been no transfers between levels during the year.

Reconciliation of recurring level 3 fair value movements

Other shares and units held	2022 $'000	2021 $'000
Opening Balance	4,768	1,966
Additional holdings	75	400
Fair value adjustments - unrealised	385	2,402
Closing balance	**5,228**	**4,768**

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.

Contingent consideration	2022 $'000	2021 $'000
Opening balance	35,830	24,075
Additions from acquisitions	6,636	29,301
Deferred payments / revaluations	1,532	(17,214)
Deferred share issues	(1,200)	(1,176)
Net foreign currency movement arising from foreign operations	(1,569)	844
Closing balance	**41,229**	**35,830**

There were no significant differences between the carrying value of contingent consideration and the amount paid during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

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

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

Financial Instruments	Interest-bearing $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate %
2022				
(i) Financial assets (variable)				
Cash	106,110	-	106,110	0.10%
Bonds and deposits	-	755	755	
Cash held on trust	241,289	-	241,289	0.10%
Other receivables	-	9,050	9,050	
Loans to related entities	2,236	-	2,236	2.63%
Financial assets - investments in shares and unit trusts	-	44,755	44,755	
Total financial assets	**349,635**	**54,560**	**404,195**	
(ii) Financial liabilities (variable)			-	
Trade creditors	-	3,829	3,829	
Payables from broking, reinsurance and underwriting agency operations	-	241,309	241,309	
Sundry creditors and accruals	-	18,103	18,103	
Lease Liabilities	23,301	-	23,301	
Borrowings	186,979	-	186,979	4.30%
Derivatives	-	906	906	
Amounts payable to vendors - contingent consideration	5,395	35,834	41,229	
Total financial liabilities	**215,675**	**299,981**	**515,656**	
2021				
(i) Financial assets (variable)				
Cash	47,824	-	47,824	0.70%
Bonds and deposits	-	945	945	
Cash held on trust	244,464	-	244,464	0.70%
Other receivables	-	7,306	7,306	
Derivatives	-	519	519	
Loans to related entities	2,601	-	2,601	2.63%
Financial assets - investments in shares and unit trusts	-	50,567	50,567	
Total financial assets	**294,889**	**59,337**	**354,226**	

Financial Instruments	Interest-bearing $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average effective interest rate %
(ii) Financial liabilities (variable)				
Trade creditors	-	1,986	1,986	
Payables from broking, reinsurance and underwriting agency operations	-	244,848	244,848	
Sundry creditors and accruals	-	16,786	16,786	
Lease Liabilities	23,231	-	23,231	
Borrowings	176,679	-	176,679	4.79%
Derivatives	-	48	48	
Amounts payable to vendors - contingent consideration	16,150	19,680	35,830	
Total financial liabilities	**216,060**	**283,348**	**499,408**	

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 250 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:

+ / - 250 basis points (2021: + / - 100 basis points)	2022 $'000	2021 $'000
Impact on profit after tax	2,344	552
Impact on equity	**2,344**	**552**

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

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

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

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

(g) Fair value compared with carrying amounts
The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

(h) Maturity analysis

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

	< 6 Months $'000	6-12 Months $'000	1-5 years $'000	Carrying amount $'000
2022				
Cash and cash equivalents	106,110	-	-	106,110
Financial assets - trust cash	241,289	-	-	241,289
Receivables	7,815	1,235	-	9,050
Financial assets - investments in shares and unit trusts	-	-	44,755	44,755
Derivatives	-	-	-	-
Payables	(113,416)	(127,893)	-	(241,309)
Borrowings	-	-	(186,979)	(186,979)
Lease Liabilities	(2,421)	(2,421)	(18,459)	(23,301)
Amounts payable to vendors	(9,620)	(26,214)	(5,395)	(41,229)
Net maturities	**229,757**	**(155,293)**	**(166,078)**	**(91,614)**

	< 6 Months $'000	6-12 Months $'000	1-5 years $'000	Carrying amount $'000
2021				
Cash and cash equivalents	47,824	-	-	47,824
Financial assets - trust cash	244,464	-	-	244,464
Receivables	7,121	185	-	7,306
Financial assets - investments in shares and unit trusts	-	-	50,567	50,567
Derivatives	260	259	-	519
Payables	(115,079)	(129,769)	-	(244,848)
Borrowings	-	-	(176,679)	(176,679)
Lease Liabilities	(1,981)	(1,981)	(19,269)	(23,231)
Amounts payable to vendors	(7,716)	(11,964)	(16,150)	(35,830)
Net maturities	**174,893**	**(143,270)**	**(161,531)**	**(129,908)**

NOTE 34: DIRECTORS' AND EXECUTIVES' COMPENSATION

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

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

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

Other key management personnel during the year are:

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

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

	2022	2021
	$	$
Compensation by category		
Short-term employment benefits	3,346,936	2,924,644
Post-employment benefits	59,116	36,573
Other long-term employment benefits	21,005	18,570
Long-term incentive plans	260,526	87,438
	3,687,583	**3,067,225**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 35: RELATED PARTY DISCLOSURES

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

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

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

(ii) Transactions with entities with director related entities
Fuse Recruitment Pty Ltd is a related party as its owned by some Directors of the Group. DWF LLP is a related party as a Director of the Group is a Partner at the Company.

Related party	Service received	2022	2021
		$	$
Fees Paid or Payable to associates (ex GST):			
Fuse Recruitment Pty Ltd	Recruitment Fees	305,243	204,087
Fuse Recruitment Pty Ltd	Contractor Fees	-	21,444
DWF LLP	Legal service fees	882,347	271,127

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 arm's length with an unrelated person. The outstanding balance of the above services is $nil (2021: $13,925).

The Group provided insurance services to related parties of a Director totalling $37,410 (2021: $15,106). 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 (2021 $nil).

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

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

NOTE 36: AUDITOR'S REMUNERATION

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

(i) Fees to Ernst & Young (Australia)

	2022 $	2021 $
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	488,000	460,500
Fees for assurance services that are required by legislation to be provided by the auditor	184,000	171,500
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	26,964
Fees for other services		
• Tax compliance	40,250	62,750
• Other	-	26,221
Total fees to Ernst & Young (Australia)	**712,250**	**747,935**

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

	2022 $	2021 $
Fees for auditing the financial report of any controlled entities	649,051	510,745
Fees for other services		
• Tax compliance	46,714	-
• Agreed upon procedures	88,068	63,584
Total fees to other overseas member firms of Ernst & Young	**783,832**	**574,329**

Total auditor's remuneration	**1,496,082**	**1,322,264**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 37: PARENT ENTITY INFORMATION

(a) Summarised statement of financial position

	2022 $'000	2021 $'000
Assets		
Current assets	456,286	368,473
Non-current assets	76,272	59,061
Total assets	**532,558**	**427,534**
Liabilities		
Current liabilities	3,114	1,158
Non-current liabilities	106,679	83,965
Total liabilities	**109,793**	**85,123**
Net assets	**422,765**	**342,411**
Equity		
Share capital	417,460	337,650
Reserves	4,088	3,134
Retained earnings	1,217	1,627
Total equity	**422,765**	**342,411**

(b) Summarised statement of comprehensive income

	2022 $'000	2021 $'000
Profit for the year	35,310	24,275
Total comprehensive income for the year	**35,310**	**24,275**

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

(d) Parent entity contractual commitments

	2022 $'000	2021 $'000
• Bank guarantee commitments	1,162	1,190
Total parent entity contractual commitments	**1,162**	**1,190**

NOTE 38: SEGMENT INFORMATION

(a) Description of segments

The Group has four reportable segments as described below:

- **Distribution:** Insurance Broking, including PSC Network Insurance Partners, life broking and PSC Workers Compensation Services.
- **Agency:** Underwriting agencies, including Chase Underwriting, Breeze Underwriting, Online Insurance Solutions and Medical Indemnity Australia.
- **United Kingdom:** Businesses including Paragon International Insurance Brokers, Paragon Bermuda, Carrolls, Breeze Underwriting (UK), Chase Underwriting (UK), PSC UK Insurance Brokers, PSC Europe and the Hong Kong businesses.
- **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.

2022	Distribution $'000	Agency $'000	UK $'000	Group $'000	Total $'000
Segment revenue					
Commission income	52,872	17,397	113,602	-	183,871
Fees income	44,126	2,098	6,569	-	52,793
Other fees	10,180	1,338	2,964	-	14,482
Other revenue	(116)	-	964	-	848
Interest income	209	15	1	71	296
Share of equity accounted results	-	-	88	517	605
Gain / (loss) on financial instruments	683	-	(1,411)	(5,888)	(6,616)
Investment income	-	-	-	478	478
Total segment revenue	**107,954**	**20,848**	**122,777**	**(4,822)**	**246,757**
Segment revenue from external source	**107,954**	**20,848**	**122,777**	**(4,822)**	**246,757**
Segment result					
Total segment result	30,439	7,392	8,662	(19,157)	27,336
Segment result from external source	**30,439**	**7,392**	**8,662**	**(19,157)**	**27,336**
Items included within the segment result:					
Depreciation expense - property, plant and equipment	(685)	(203)	(764)	(438)	(2,090)
Depreciation expense - right-of-use assets	(2,085)	(348)	(3,290)	-	(5,723)
Amortisation expense	(4,793)	(207)	(7,549)	(15)	(12,564)
Interest expense	(152)	-	(54)	(7,832)	(8,038)
Interest expense - lease liabilities	(313)	(101)	(984)	-	(1,398)
Income tax expense	(11,016)	(2,865)	(4,038)	884	(17,035)
Total segment assets	**210,491**	**31,182**	**207,877**	**527,279**	**976,829**
Total segment liabilities	**180,754**	**26,093**	**181,593**	**179,624**	**568,064**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2022

NOTE 38: SEGMENT INFORMATION (continued)

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

NOTE 39: SUBSEQUENT EVENTS

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

(a) Shares issued
The following shares have been issued:

- 370,208 fully paid shares were issued on 11 July 2022 at a share price of $4.11 in relation to part of the deferred consideration payments for the acquisition of Abaco Insurance Brokers Ltd.
- 150,000 fully paid shares were issued on 4 August 2022 at share price of $4.20.

(b) Charter Union Insurance Brokers Limited
On 12 August 2022, the Group signed a contract to acquire 100% of the share capital of Charter Union Insurance Brokers Limited (a Hong Kong insurance broking business) for a total consideration of $7.5m, payable 70% on completion. Settlement is subject to standard completion conditions and is expected to settle on 31 August 2022.

(c) Ensurance UK Ltd
On 22nd July 2022, the Group announced that it had entered a non-binding Term Sheet to acquire 100% of the share capital of Ensurance UK Ltd. The work regarding due diligence and transaction documents is continuing and the Group will provide an update when matters have further progressed.

(d) Tysers retail business in the UK
On 9th May 2022, the Group announced that it had entered a non-binding Memorandum of Understanding to enter in to a 50/50 joint venture with the AUB Group, to jointly operate the Tysers retail business in the UK. The formal due diligence process is expected to commence on the 5th September 2022 and both parties will be working to sign formal and binding transaction documentation by 31st October 2022.

(e) Final dividend
On 24 August 2022, the Board declared an interim dividend for 2022 of 7.5 cents per share, franked to 60 percent.

There have been no other circumstances that have arisen since the end of the year which affect the state of affairs of the Group.

NOTE 40: ENTITY DETAILS

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

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

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 38 to 93 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 2022 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 Financial Officer to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2022.

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

Antony Robinson
Director

Melbourne
Date: 24 August 2022

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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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 2022, 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 2022 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Impairment Assessment of Goodwill and Other Intangibles

Why significant	How our audit addressed the key audit matter
The Group has recognised $357 million of goodwill and other intangibles, which collectively represent 47% of its total assets. These assets are the result of acquisitions undertaken in the current and previous periods. In assessing the valuation of goodwill and other intangibles, the Group performs an annual impairment assessment, or more frequently, if impairment indicators are present. The Group has used a discounted cash flow model to estimate the recoverable amount of the assets. The impairment assessment involves significant 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(l) and Note 16 to the financial statements 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 management reporting; ▶ Tested the mathematical accuracy of the impairment 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 comparable companies; ▶ We performed our own sensitivity analyses around key assumptions; and ▶ Assessed the historical forecasting accuracy of the prior year by performing a comparison to actual results. We also assessed the adequacy of the disclosures associated with the goodwill impairment assessment in the financial statements.

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Business Combinations

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

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 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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working world

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 36 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of PSC Insurance Group Limited for the year ended 30 June 2022, 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
24 August 2022

SHAREHOLDER INFORMATION

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

Shareholding Analysis

(a) Distribution of Shareholders
At 18 August 2022, the distribution of shareholdings was as follows:

Range	Securities	%	No. of holders	%
100,001 and Over	334,191,060	95.63	170	8.72
10,001 to 100,000	12,455,910	3.56	368	18.87
5,001 to 10,000	1,458,636	0.42	183	9.38
1,001 to 5,000	1,106,493	0.32	421	21.59
1 to 1,000	263,121	0.08	808	41.44
Total	**349,475,220**	**100.00**	**1,950**	**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 18 August 2022 were:

Name	Number of Shares
McHalem No 2 Pty Ltd, Crathre Pty Ltd, P & M Dwyer Pty Ltd	57,174,852
Glendale Dwyer Pty Ltd, Cumnock Dwyer Pty Ltd	34,571,351
Austin Superannuation Pty Ltd	32,277,966

(c) Class of shares and voting rights
At 18 August 2022, there were 1,950 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 18 August 2022):

Rank	Shareholder	Number of Shares
1	Mchalem No 2 Pty Ltd	55,714,555
2	HSBC Custody Nominees (Australia) Limited	47,338,291
3	Glendale Dwyer Pty Ltd	33,616,522
4	Austin Superannuation Pty Ltd	32,277,966
5	J P Morgan Nominees Australia Pty Limited	31,056,767
6	Citicorp Nominees Pty Limited	17,700,448
7	National Nominees Limited	17,274,413
8	BNP Paribas Noms Pty Ltd	5,761,329
9	Namarong Investments Pty Ltd	4,500,000
10	Walker Insurance & Financial Services Pty Ltd	4,451,168
11	Locust Fund Pty Ltd	4,006,539
12	Rubi Holdings Pty Ltd	4,000,000
13	Mr Michael David Gunnion & Mrs Debra Lee Gunnion	3,874,163
14	BNP Paribas Nominees Pty Ltd	2,226,202
15	UYB Com Pty Ltd	2,142,479
16	Chris London	2,004,573
17	BNG Family Pty Ltd	1,985,898
18	Dead Grateful Pty Ltd	1,925,898
19	HSBC Custody Nominees (Australia) Limited - A/C 2	1,921,805
20	Angus Mcphie	1,917,463

CORPORATE INFORMATION

Directors

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

Group Secretary

Stephen Abbott

Registered Office

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

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria, 3000

Share Registry

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

Stock Exchange Listing

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