PSC INSURANCE GROUP

PSC Insurance Group Limited

# APPENDIX 4E PRELIMINARY FINAL REPORT 2023

**PSC Insurance Group Limited & Controlled Entities**
ACN 147 812 164
Level 4, 96 Wellington Parade
East Melbourne VIC 3002
www.pscinsurancegroup.com.au

# APPENDIX 4E PRELIMINARY FINAL REPORT



## Name of entity

PSC INSURANCE GROUP LIMITED
ABN 81 147 812 164

## 1. Reporting period

Report for the financial year ended 30 June 2023. Previous corresponding period is the financial year ended 30 June 2022.

## 2. Results for announcement to the market

Revenues from ordinary activities up 27.5% to 314.5m. Profit (loss) from ordinary activities after tax attributable to members up 109% to 55.8m.Net profit (loss) for the period attributable to members up 109% to 55.8m.

| Dividends | Amount per security | Franked amount per security |
|---|---|---|
| Interim dividend – 6 April 2023 | 5.2¢ | 3.12¢ |
| Final dividend – 11 October 2023 | 8.3¢ | 4.98¢ |
| Record date for determining entitlements to the dividend | | 13 September 2023 |

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

Refer to the separate 2023 Results Announcement.

## 3. Statement of Comprehensive Income

Refer to the attached audited 2023 Annual Report.

## 4. Statement of Financial Position

Refer to the attached audited 2023 Annual Report.

## 5. Statement of Cash Flows

Refer to the attached audited 2023 Annual Report.

## 6. Dividends

| | Date of payment | Total amount of dividend |
|---|---|---|
| Interim dividend – year ended 30 June 2023 | 6 April 2023 | $18,420,000 |
| Final dividend – year ended 30 June 2023 | 11 October 2023 | $29,521,765 |

**Amount per security**

| | | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign sourced dividend |
|---|---|---|---|---|
| Total dividend: | Current year | 13.5¢ | 8.1¢ | N/A |
| | Previous year | 12.0¢ | 7.7¢ | N/A |

**Total dividend on all securities**

| Dividends | Current period $A'000 | Previous corresponding Period – $A'000 |
|---|---|---|
| Ordinary securities (each class separately) | 47,942 | 41,110 |
| Preference securities (each class separately) | NIL | NIL |
| Other equity instruments (each class separately) | NIL | NIL |
| **Total** | **47,942** | **41,110** |

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

There is a Dividend Reinvestment Plan (DRP) in operation for the Final FY 23 dividend payable on 11 October, 2023. The record date for the dividend is 13 September, 2023. Elections to participate in the DRP for this dividend close 7.00 pm (AEST) 14 September, 2023. There will be no discount applied to shares issued through the DRP. Shares issued through the DRP will be a new issue of shares.

The calculation of the issue price is the arithmetic average of the daily volume weighted average sale price of Shares (rounded to four decimal places) sold through a Normal Trade on ASX on the ten trading days commencing on the second trading day following the record date for this dividend. The relevant dates for this dividend are 15 September, 2023 to 28 September, 2023. The DRP rules and FAQ's can be found at: https://www.pscinsurancegroup.com.au/corporate-governance

## 8. Statement of retained earnings

Refer to attached audited 2023 Annual Report.

## 9. Net tangible assets per security

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary security | (18.0¢) | (13.9¢) |

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

Refer to attached audited 2023 Annual Report.

## 11. Details of associates and joint venture entities

Refer to attached audited 2023 Annual Report.

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

Refer to the separate 2023 Results Announcement and attached audited 2023 Annual Report.

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

## 14. Commentary on the results for the period.

Refer to the separate 2023 Results Announcement and attached audited 2023 Annual Report.

## 15. Audit of the financial report

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

PSC INSURANCE GROUP

# PSC Insurance Group Limited

# 2023 ANNUAL REPORT

**FOR THE YEAR ENDED 30 JUNE 2023**

**PSC Insurance Group Limited & Controlled Entities**
ACN 147 812 164
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# CHAIRMAN'S LETTER



My Fellow Shareholders,

I am pleased to report that the 2023 financial year has been a great success, with record results that were above our expectations at the start of the period.

We have grown each year, and as I have previously said, 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.

The Group now operates with a little under 900 staff, over 200 partners, with 34 offices in 6 countries. It is a large business now and one we are very proud of.

All operating segments have reported good growth and the businesses have generally benefitted from the market and macro-economic conditions. This shows what a great industry this is, showing its resilience as we provide a business essential service to our wonderful group of clients around the globe. It has always been a great satisfaction throughout my career that we can and do make such a difference to our clients, as we help them navigate and transfer the risks within their operations.

As usual, we have undertaken numerous acquisitions and investments over the period, which welcomes new people to our business. Throughout the year we made targeted acquisitions that have variously led to a new broking business in the south of Sydney, added trade credit insurance as a capability, enhanced our construction underwriting ability in the UK, expanded our UK retail broking business and expanded our Hong Kong operations.

I make special mention of the latter, as I have been a long term advocate of the business opportunities within the Asian market. We have started with small acquisitions, as we navigate and enhance our understanding of that market. With the acquisition of Charter-Union during the year, you will see the business is now starting to make a meaningful contribution to the Group.

I also confirm today that I will be standing down as Chairman, at our Annual General Meeting in November, and handing over the reins to Paul Dwyer. I will be remaining on the board as Deputy Chairman and Non-Executive Director. Paul will require no introduction to shareholders as our Founder and largest individual shareholder, so we are very much in safe hands. We all know Paul as a passionate, ambitious and tireless advocate for our business.

I am pleased to announce an increase in the final dividend to 8.3 cents per share, franked to 60%, for total dividends for the year of 13.5 cents per share.

Our Managing Director's Report will provide detail on the financial and operating results for 2023 and our current expectations for 2024.

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 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**
**Non-Executive Chairman**

# MANAGING DIRECTOR’S REPORT



Key financial highlights in 2023 were:

- UNDERLYING REVENUE UP 17% TO $298.6M.
- UNDERLYING EBITDA UP 19% TO $111.0M[1].
- UNDERLYING NPATA UP 23% TO $78.4M.
- EPS GROWTH OF 15% TO 22.2 CPS.

## Year in Review:

The 2023 financial year has been another successful step in our journey to build a globally significant insurance broking and specialty business.

The year has been a period where we have cemented our position in a number of areas and laid very solid foundations in important and exciting segments of the global insurance market. As importantly, we took the final steps in our journey to be independent of other players in the Australian and New Zealand (NZ) market place as is our position in all other countries. We achieved this by establishing our own insurance trading platform. If you hear us talk about APEX, it is the system that we have developed and will continue building to drive improvements for our clients and for our brokers. We had delayed the development of this platform, believing that when it became appropriate for us to make that move, we could do so cost effectively and in a manner that ensured the system was flexible enough to shift and be reshaped as the industry changes and opportunities appear. We are delighted that this is what has now been possible. Our platform allows insurers to compete in a way that other platforms preclude, and that is an enormous advantage to our clients and we believe that ultimately, providing the best possible outcome to clients, achieves the best result for us.

The financial year 2023 has also been a year in which a number of small acquisitions have started to pay off and the number of opportunities to seed start-ups has risen. We have grabbed a number of those opportunities and are confident that a good number of them will make significant contributions to PSC in future years.

Eldin Risk Partners is one start-up we are excited about and it is a good example of how our expertise in the insurance broking and specialty industry has allowed us to find, structure and assist individuals who are wanting to build businesses. Eldin Risk Partners is based in London and is a global insurance buying and advice business that assists large financial sponsors and other large investment groups and funds to access insurance scale benefits to get better value insurance placements for their portfolio companies.

We have also acquired the Ensurance business in the United Kingdom (UK) to help build our construction underwriting capabilities, where the business serves both the local market and offshore markets. While this is a small acquisition it has significant upside under the skills of the existing executives in this part of the business (Adam Burgess and Simon Challinor in particular).

We often take small steps into markets which we know, however don’t know well. If those first small steps produce positive results, we continue to invest. Our move into the UK and NZ are examples where we entered gently, and now have significant businesses. Our most recent such move was the purchase of a number of small businesses in Hong Kong as an entry into the Asian market place. Our current aggregate investment into the Hong Kong market is approximately $14 million. Under the leadership of Hei Wong this small step into the Asian market is already starting to deliver solid results. We picked Hong Kong as the best place to start as it is a market we know and we have had the pleasure of working with Hei Wong over a long period of time and we knew we had capable leadership in that country.

The PSC Network business run by Tony Walker has worked through the challenges of the move to APEX. While APEX is already a wonderful foundation for growth and will continue to improve, change creates disruption and the PSC Network business felt that most directly. It is a tribute to the commitment of our partners (our authorised Representatives and others) in PSC Network and the leadership and ability of Tony Walker and his team that they worked through the period of change.

We had a change of leadership in the broking business in Australia with Pat Miller heading to the UK to build his skills and capabilities and, as importantly, to provide the businesses in the UK with an understanding of why PSC’s values and culture help drive success. Ben Goodall has taken up the role of head of broking in Australia and the ability to bring someone into that role with the history in the industry that Ben brings is a reminder of the depth and capabilities of the broad leadership group in PSC.

I have mentioned a number of executives in preceding paragraphs and it is important to note that there are many more worthy of mentioning given the contribution that they have made and do make each day. I will mention some of those in reports in future years. The key point of that comment is to note the strength of our leadership capabilities and that is true in all the jurisdictions in which we operate and in all the functions and activities we undertake.

That strength is important as we are operating in a growing number of countries. We now have a presence in Australia, New Zealand, Hong Kong, the United Kingdom, Bermuda and Ireland. We are looking and aspiring to grow in each of those areas. Our ambitions grow as quickly as our achievements.

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

The last year has also had its disappointments. A significant one was that our joint venture with AUB Group Limited in the Tysers retail broking business didn't come to fruition. We met a number of the Tysers executives and were impressed with them and what they had achieved.

Although we did not complete the Tysers investment, financial year 2023 was still a year where we invested over $50 million in buying businesses around the world. We looked at a lot of opportunities and liked many more than we acquired, however we were often not at the offer price others were prepared to offer. We believe that this disciplined approach is a key to the continued contribution that our acquisition strategy makes to earnings per share growth. We are prepared to pay sensible market prices for opportunities. We know that the larger the opportunity, the more relevant and unique it is in terms of assisting us to achieve our aspirations, the higher the price we will need to pay to be the successful bidder. In these situations, we would expect the growth rate to be higher and the risk lower to justify that market price.

At the moment some assets we see have achieved prices that we can't justify. That may partly be because of our approach with our customer centric view, which can minimise short term cost savings or the opportunity to quickly uplift revenue potentially at the risk of achieving the best client outcomes.

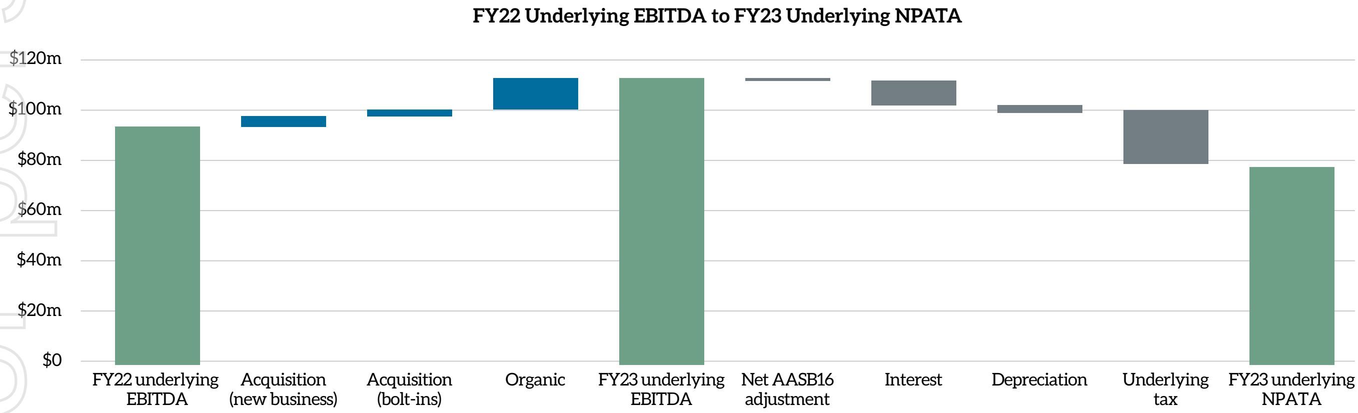
This isn't a concern for us as our principal goal has been and will continue to be to drive the development of skill and capabilities that ensure we continue to achieve outstanding organic revenue growth. When we look to invest in businesses, one of the things we focus on is the ability of the business via the people in those businesses to continue to achieve organic growth. The businesses we have merged into PSC through the year definitely meet that criteria.

We are looking forward to another successful year in financial year 2024 given our approach remains the same. That is, to ensure we help our clients build their prosperity, and we remain a rewarding place to work.

The Board plays an important role in all organisations. We believe a Board can make its greatest contribution if the Directors have substantial industry experience. This is certainly true for PSC. A key person in our journey has been Brian Austin in his role as Chair of the Board. Brian has announced he is stepping down from that role at our Annual General Meeting in November, with Paul Dwyer stepping in as Chair. Thankfully Brian will remain on the Board and will additionally take up the role of Chair of the PSC Asian businesses.

## Year in Review (Financial Commentary):

We summarise the components of our 2023 growth below:




At an EBITDA of $111.0m (growth of $17.5m), the results are stronger than we envisioned this time last year when we forecast an EBITDA range of $101-105m and higher than the range of $104-108m when we upgraded in February. This has been driven by good organic growth across all areas of the Group and performances from the acquisitions being ahead of plan.

## Comments:

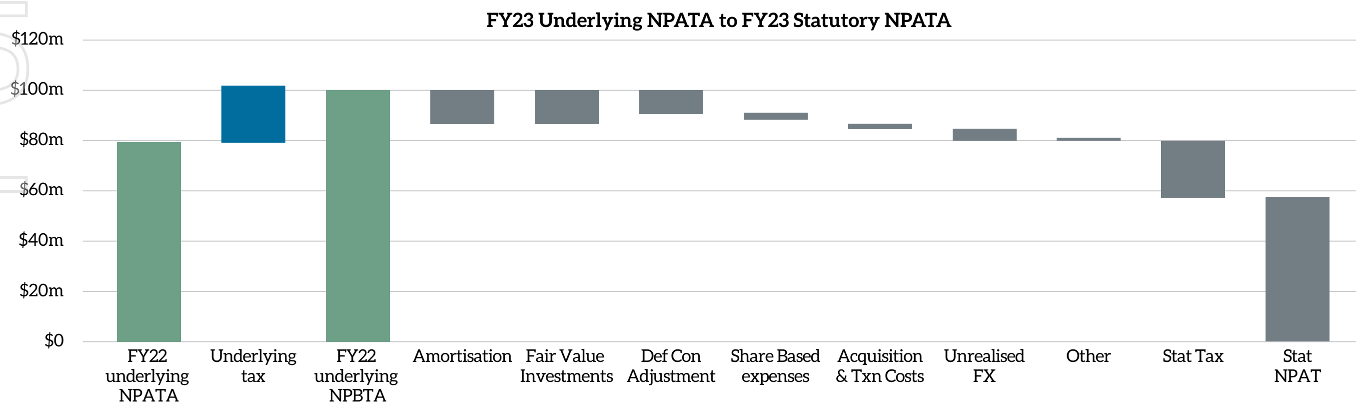
- Organic growth across the Group was strong at $10.6m (11%), with this growth being broad based across the 3 operating segments, with EBITDA margins remaining steady at 37%. Distribution contributed $2.1m, Agency $1.9m, UK $5.4m and Group $1.2m. This was assisted by supportive market and macro-economic factors (interest rate increases and FX volatility), and client numbers have increased.

# MANAGING DIRECTOR'S REPORT (CONTINUED)



- Acquisition growth across the Group was $7.0m. The Distribution businesses were the main driver ($6.1m) of this growth. Alan Wilson Insurance Brokers (AWIB) performed very well, with very good growth in their fire protection businesses. The formation of the new PSC AMGI WSC branch following those acquisitions has been performing exceptionally and the PSC Trade Credit Risk is also above plan. Additionally we completed ~ 12 small bolt-in's of portfolios across the Australian and NZ branch network. In our offshore markets we made 3 acquisitions which contributed $1.7m. Charter-Union Insurance Brokers is performing ahead of expectation and the Ensurance UK and Turner Rawlinson acquisitions were completed in the second half and are integrating as expected. Finally, our investments in Eldin Risk Partners and Bay Building Group made a combined small loss position and we expected these to be positive contributors going forward.
- Distribution: performed well with 19% revenue growth ($20.9m) and 17% EBITDA growth ($8.1m), with continued strong performance across the Australian broking businesses and the PSC Network business (across Australia and New Zealand). Market conditions remained generally supportive of financial performance, with different policy classes experiencing different price dynamics. The teams have adapted well to our transition to the Apex platform, and we expect efficiency and productivity benefits to continue in to the new financial year. We have adopted an updated revenue recognition process for our workers compensation services business, which had the once-off impact of reducing revenue in that business by ~ $2m. Organic revenue growth was ~ 8% and organic EBITDA growth was ~ 4%.
- Agency (Specialty): the Australian underwriting agency and specialty businesses had another strong year with revenue growth of ~ 14% ($2.9m) and EBITDA growth of ~ 17% ($1.9m). This growth was roughly shared between the Chase Underwriting and online travel insurance businesses. There are a number of exciting opportunities expected over the coming financial year with these businesses, with Ensurance Australia expected to join in November and adding PI to our product mix, and 2 start-up opportunities with new products in advanced planning.
- UK: the UK segment, which also includes our Hong Kong businesses, had a successful year with 15% revenue growth ($18.1m) and 18% EBITDA growth ($7.1m). The organic EBITDA growth was $5.4m (14% growth), which was well assisted by favourable foreign exchange (FX) conversion given the strong US dollar over the period.
  - Paragon had a good period, with constant-currency revenue growth of 10% and constant-currency EBITDA growth of 9%. The E&O, cyber, healthcare, UK Professions and Casualty teams all grew revenue well, whilst the D&O revenue was flat in the period.
  - The domestic wholesale businesses (Carrolls and Breeze Underwriting) grew very strongly with revenue growth of 14% and EBITDA growth of 25%. Carrolls continues to grow as we invest in on-line platforms and increased business from our distribution base.
  - The key focus for the retail business has been on integration as we have moved to one broking platform and increasingly harmonise processes and approach to market. With the acquisition of Turner Rawlinson later in the period, the revenue base of the business is now meaningful at greater than £15m, and we are expecting good growth in to the new financial year.
  - We completed the Ensurance UK acquisition during the year, which is highly complementary to the Chase UK operations. Integration is progressing as expected and these businesses are expected to contribute revenue greater than £4m on an annualised basis and be a meaningful earnings contributor.
  - The Hong Kong business has shown very pleasing progress during the period, with EBITDA increasing from a little over breakeven to greater than HK$10m (~ A$2m). This is a significant achievement, with this growth approximately apportioned between the acquisition of Charter-Union and organic growth.
- Interest costs are up a little due to an increase in rates, however this increase was moderated by the full year impact of the debt refinance in November 2021. We have also seen a reduction in the underlying tax rate from ~ 27% to ~ 25%, we expect this rate to increase in the coming financial period driven by the recent increase in the UK company tax rate from 19% to 25%.
- This has resulted in a 23% increase in underlying NPAT before amortisation to $78.4m, well ahead of our guidance range of $72-75m.

Key adjustments to reconcile underlying to statutory results are below:



## Comments:

- Fair Value (Investments) – this produced a positive contribution of $15.1m given the strong share price performance of B.P. Marsh & Partners PLC, which sold its largest investment holding (Kentro Capital) at approximately book value in the period.
- Non-operating charges – totalled $20.2m, the main items were:
  - Fair value increases in the expected value of deferred consideration on previous acquisitions of ~ $8.9m, indicating the sound performance of the recently completed acquisitions.
  - Expenses of ~ $3.1m relating to legal and other transaction related costs.
  - A charge of ~ $2.8m relating to implied options under the Group's LTI.
  - Net charges related to FX movements of ~ $4.7m.
- Amortisation – of approximately $14.7m, which has increased given the Group's continued acquisition activity.

## Dividend and Outlook:

The Chairman announced an increased final dividend of 8.3 cents per share, franked to 60%, bringing total dividends for the financial period to 13.5 cents per share, franked to 60%.

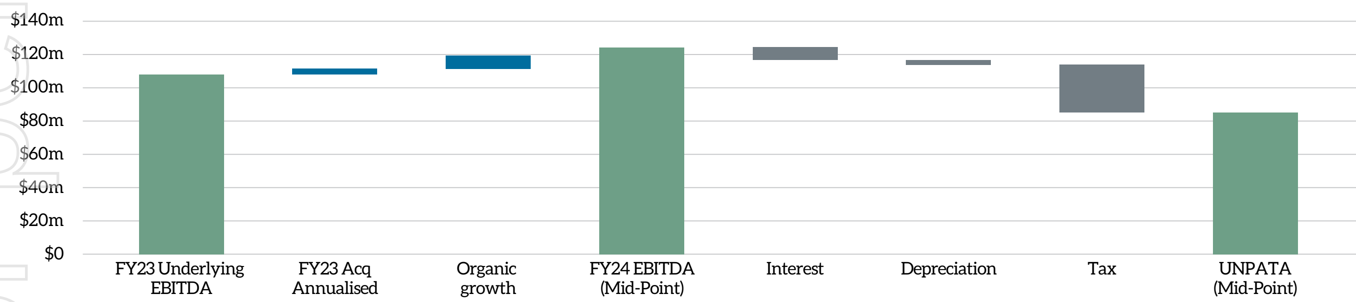
As previously announced, we expect an underlying EBITDA range of $122-127m (+10%-14%) and an underlying NPATA range of $82-86m (+5-10%).

We remain confident in the future prospects of the Group. As relates to FY24, we note as follows:

- The expected annualised impact of acquisitions completed in FY23 is ~ $3.0m.
- We expect continued organic growth across all of our operating segments, our guidance range implies expected organic EBITDA growth of 7-12%.
- The above excludes any acquisitions completed through FY24, including the recently announced Ensurance Australia acquisition.
- The NPATA guidance is reflective of an increase in the UK company tax rate to 25%, which was effective from 1 April 2023.

This is represented below at the EBITDA mid-point:

**FY23 Underlying EBITDA to FY24 Mid-Point UNPATA**



# ESG STATEMENT



## Overview

PSC Insurance Group Limited is proud to present our consolidated Environmental and Social Statement alongside our Corporate Governance Statement (ESG). Our approach to incorporating environmental, social, and governance initiatives into our operating framework is a testament to our commitment to our clients, staff, partners, shareholders, and the communities we serve. At the heart of our mission lies protecting our clients' assets and livelihoods, and we take great pride in being there for our clients during their moments of need and loss.

ESG, to us, is an ongoing and dynamic process that involves aligning our operations and controls with our core culture and values as a company. Our ESG commitments are strategically structured around three key areas that are highly relevant to our business:

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

Since releasing our inaugural Environmental and Social Statement in FY21, we have endeavoured to improve and expand upon the quantitative metrics included in our annual reporting. This has allowed us to gain deeper insight into the role of ESG in our operations. Throughout this journey, we have actively engaged with both internal and external stakeholders to ensure we continue to progress and build upon our ESG commitments. We remain dedicated to further developing and enhancing our ESG strategy and framework.

## Our Values

The "PSC DNA" captures the values and core principles of what our business and people stand for and the delivery of the best outcomes to our clients. We acknowledge and celebrate team members who embody the essence of the PSC DNA through peer nominations. This sense of ownership and involvement from our staff underscores the significance of the PSC DNA as a reflection of our culture and our shared aspiration to improve the workplace and positively impact the wider community.

Our PSC DNA plays a crucial role in embedding our social, environmental, and ethical standards throughout our global business. It serves as a compass, guiding our actions and decisions, and reinforces our dedication to conducting business responsibly and ethically while making a positive impact on society and the environment. With the support and dedication of our people, we are confident that our PSC DNA will continue to be a driving force in shaping our sustainable and responsible future.

## PSC Group ESG Steering Committee

The PSC ESG Steering Committee continues to provide 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 PSC Group and meet quarterly to review the groups approach and track results.

PSC is a professional services firm and is a low greenhouse gas (GHG) emitter. Notwithstanding this, 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 staff to participate in numerous worthwhile causes.

We acknowledge that as the Group grows, so does the complexity of tracking and reporting 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
- whether our suppliers are in line with our procurement principles and
- how our corporate governance framework supports our approach.

## OUR ENVIRONMENT

PSC Group is a services based company operating in local communities with a limited environmental footprint and limited exposure to supply chain risks such as modern slavery. Despite this, we remain conscious of the global climate pressures and are committed to minimising the environmental impacts of our business. A continued key focus in FY23 has been to further align the collection of businesses within PSC to a common set of environmental objectives. For the first time we have included our Hong Kong businesses in the Group environmental reporting and, in the process of doing so, continue to expand upon a consistent data collection methodology across each jurisdiction that PSC operates.

| Our Objectives | How We Are Achieving Our Objectives |
|---|---|
| Monitor and reduce energy consumption | Reducing energy consumption via:<br>• sensored lighting in offices and common spaces throughout some offices and outside office areas.<br>• heating and air conditioner automatic switch on and off timers (including automatic switch off on weekends). Additionally, frequent servicing of our heating and air- conditioning units.<br>• use of energy saving light globes in various offices.<br><br>Measuring emissions across PSC; see Emissions section for further detail.<br><br>Our water usage is limited to that used in our office premises, and we continue to focus on reducing this where possible including the collection of rainwater from the gutters into large water tanks which supply water to our toilets in some of our regional offices. |
| Minimise and encourage the reuse and recycling of waste items | Active encouragement of recycling with computer equipment, paper, glass and aluminium in each office. A number of our businesses have relocated office premises during the reporting period and responsible recycling of office equipment and furniture has been a consistent priority during these moves.<br><br>Contracting third party companies to recycle office and staff personal e-waste. General office waste is also recycled in line with the local requirements, with all offices providing recycling options. |
| Promote sustainable transport to staff, clients and suppliers | Where possible, offices are in central locations near public transport hubs.<br><br>Our staff only undertake air travel where it is considered to be a net benefit for the business as well as combining with other initiatives where possible.<br><br>Video and audio communication is encouraged in order to reduce air and road travel. |
| Support sustainable procurement and other sustainable work practices | The Group Procurement Policy promotes ethical behaviour, sustainability, social responsibility and the safety of staff and contractors.<br><br>In 2022, supplier due-diligence was completed via a questionnaire seeking clarification on the supplier's sub- contracting practices, the nature and geographic source of goods and services provided to PSC entities, employment practices and modern slavery risks (if any) identified in their organisation. The questionnaire also required the supplier to attest to be bound by PSC's Modern Slavery Policy where they do not have their own policy.<br><br>PSC has recently partnered with a third party expert provider to automate and expand on our supplier due-diligence procedures from the first quarter of FY24.<br><br>Procurement of environmentally-friendly office supplies is encouraged.<br><br>Double—sided printing in all offices and hard copy corporate brochures and business cards have moved to online versions.<br><br>Hong Kong offices 'paperless' initiative (see further details below). |

# ESG STATEMENT (CONTINUED)



## Australian Business Recycling Focus

Following the surveying of our Australian offices' recycling practices in 2022, a concerted effort has been made in FY23 to introduce clearly marked recycling options in offices across the country by recycling waste types.

E-waste recycling was one particular area which we identified as needing significant improvement. In the last 12 months, 10 of our Australian offices have securely disposed and recycled large volumes of office and personal e-waste via verified third party e-waste collection companies. From our 5 Victorian offices alone, PSC received Certificates of Destruction for e-waste materials weighing a total of 624 tonnes. The remaining Australian offices will participate in e-waste recycling collections in FY24.

## Hong Kong 'paperless' initiative

In 2023, PSC's Hong Kong businesses identified an opportunity to reduce their reliance on paper file-keeping in both offices. A taskforce was appointed to oversee the implementation of a number of key operational changes to reduce paper consumption.
These included:

- Emailing all policy documents to clients instead of posting hard-copy printed documents.
- Utilising the upgraded broking system to verify policy details instead of printing for hard-copy checking.
- Operational staff ceasing to print supporting documents for all data entry tasks following installation of dual computer monitor set-ups.

The 'paperless' taskforce team will continue to identify and roll-out procedural changes in our Hong Kong businesses to reduce paper usage in FY24.

## Emissions Reporting Obligations

PSC Group is committed to being a responsible and sustainable company. PSC emissions data recorded below covers the Group's offices located throughout Australia, New Zealand, the United Kingdom, Ireland, Bermuda and for the first time, Hong Kong.

Being a professional services firm, PSC remains a low greenhouse gas (GHG) emitter, however the collection and reporting of GHG data across our businesses remains key to understanding our global footprint and to ensure our forward strategies and initiatives are aligned to our multi-jurisdictional environmental impacts. PSC is continuing to evolve its reporting of its carbon footprint and we continue to monitor proposed reporting disclosure requirements moving forward.

On 26 June 2023, the International Sustainability Standards Board (ISSB) issued its first two International Financial Reporting Standards (IFRS)

- Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and
- IFRS S2 Climate-related Disclosures (IFRS S2).

In Australia, this was quickly followed by Treasury releasing its Climate-related financial disclosure: Second consultation paper on 27 June 2023. With the release of this consultation paper, we now have a better indication of the detailed implementation and sequencing of standardised, ISSB aligned requirements for disclosing non-financial risks and opportunities in Australia with the focus on the disclosure of climate-related risk information. Specifically, this includes further information on suggested coverage, content, assurance requirements and timing of reporting. The transition timeframe that Australian businesses will likely be subject to starts in FY25. Now there is a clear path forward, PSC will work with our external assurance partner to ensure we will be 'assurance ready' for all future sustainability disclosures.

In New Zealand, the Aotearoa New Zealand Climate Standards remain in place and applicable for covered entities. We understand the External Reporting Board (XRB) is closely monitoring the ISSB developments, and we may see further alignment in due course.

## PSC's Emissions

The emissions reporting period across the Group spans the 12 month period from April 2022 to March 2023. For the first time, we have captured and included the emissions generated by our Hong Kong operations.

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. In FY22, PSC reported on our indirect emissions created by our staff air travel. In this year's reporting, we have also tracked our hotel and taxi/rideshare emissions as part of our Scope 3 reporting.

| GHG emissions scope 1 and 2 (tonnes CO2-e) | 2023 | QTR1 | QTR2 | QTR3 | QTR4 |
|---|---|---|---|---|---|
| Australia | 756 | 186 | 219 | 169 | 182 |
| New Zealand | 4 | 1 | 1 | 1 | 1 |
| United Kingdom | 201 | 51 | 42 | 45 | 63 |
| Hong Kong | 73 | 11 | 16 | 24 | 22 |
| **Scope 1 & 2 GHG emissions (tonnes CO2-e)** | **1,034** | **249** | **278** | **239** | **268** |

| Group-wide breakdown | 2023 | QTR1 | QTR2 | QTR3 | QTR4 |
|---|---|---|---|---|---|
| **Scope 1** | | | | | |
| Gas | 102 | 25 | 27 | 21 | 28 |
| Vehicle transport (personal transport) | 145 | 34 | 38 | 35 | 38 |
| **Scope 2** | | | | | |
| Electricity | 788 | 190 | 213 | 183 | 202 |
| **Scope 3** | | | | | |
| Vehicle transport - trains / taxis | 24 | 5 | 6 | 7 | 6 |
| Travel – flights | 962 | 168 | 212 | 411 | 171 |
| Travel – hotels | 41 | 8 | 13 | 10 | 10 |
| **Total global GHG emissions (tonnes CO2-e)** | **2,061** | **431** | **509** | **667** | **454** |

## PSC Australia and New Zealand Greenhouse Gas (GHG) Emissions

PSC's Australian and New Zealand businesses grew to 417 staff across 26 office locations. In the 12 months to 31 March 2023 in Australia and New Zealand:

- PSC's combined Scope 1 (Gas, Vehicle Transport) and Scope 2 (Electricity) emissions in Australia and New Zealand was 761 tonnes of GHG Emissions (CO2-e) which represented a 9% increase (63 tonnes) on the previous 12 month reporting period.
- Key considerations:
  1. The increase was mainly attributed to a 7% rise (42 tonnes) in Scope 2 electricity usage which was contributed to by;
     - Acquisitions resulting in the addition of 6 new offices and over 36 new staff members
     - our staff working from PSC offices for the entire 2023 reporting period, having completed the transition from remote working arrangements in early 2022. Previous reporting periods were characterised by staff partly or predominantly working remotely due to COVID-19 restrictions throughout 2020 and 2021.
  2. Scope 1 motor vehicle emissions increased by 24 tonnes (28%) on the prior year as restrictions on staff mobility were completely non-existent for the entire reporting period. Our staff frequently drove between branches and to visit clients and authorised representative offices after a prolonged period of restrictive travel.
  3. As predicted, we are reporting an increase in Scope 1 and Scope 2 emissions in 2023 following a full 12 months of conventional business operations.
- Our Australian and New Zealand staff air travel totalled 255 tonnes of GHG, representing a 567% (210 tonnes) increase on the corresponding prior 12 month period. Our Australian and New Zealand staff air travel remained significantly reduced during the prior reporting period due to the impact of COVID-19 and has increased to at least pre-COVID levels from the first quarter of 2022 as travel restrictions, both domestic and international, were eased.
- Our hotel and taxi/rideshare emissions were 41 tonnes and 8 tonnes of GHG respectively.
- Solar energy exported to the grid from PSC regional office buildings was 46 tonnes of GHG Emissions (CO2-e) which represents an increased offset of 11 tonnes on the previous 12 months.

# ESG STATEMENT (CONTINUED)



## PSC United Kingdom Greenhouse Gas (GHG) Emissions

PSC United Kingdom, including Dublin and Bermuda (PSC UK) grew to 369 staff across 8 office locations. In the 12 months to 31 March 2023:

- PSC's UK operations recorded a combined 201 tonnes of Scope 1 (Gas, Vehicle Transport) and Scope 2 (Electricity) GHG emissions (CO2-e) which represented a 73% increase (85 tonnes) on the previous 12 month reporting period.
- 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. The increase was mainly attributed to a 296% rise (53 tonnes) in Scope 1 gas emissions contributed to by:
     - PSC's UK Scope 1 and Scope 2 emissions for the previous reporting period represented a low baseline due to staff being required to work from home throughout most of 2021 and part of 2022 due to extended COVID-19 lockdowns and 'stay at home' orders.
     - Following the easing of COVID-19 restrictions in early 2022, there was a gradual return of staff to our offices throughout 2022, with occupancy returning to full staffing occupancy in most regional locations and at least 3 days a week for our London based offices.
     - Over the past 12 months, PSC has continued to work with landlords to provide improved energy reporting and also developed a refined data collection method. Whilst there remains some isolated challenges in sourcing energy usage data from some landlords in the UK, the comprehensiveness of the emissions captured in this 2023 report has improved significantly.
- PSC UK staff commercial air travel emissions rose by 633 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 prior reporting period before sharply increasing throughout 2022 as travel restrictions, both domestic and international, eased. Key drivers of air travel for the reporting period included:
  - The resumption of staff travel between our UK, Ireland and Bermuda offices.
  - Paragon's global reach requiring reintroducing international travel to reconnect with our clients and broker partners.
  - Return travel by staff to the Group's annual conference held in Sydney in November 2022.

## PSC Hong Kong Greenhouse Gas (GHG) Emissions

PSC Hong Kong businesses comprise 74 staff across 2 office locations. In the 12 months to 31 March 2023:

- PSC's combined Scope 1 (Gas, Vehicle Transport) and Scope 2 (Electricity) emissions in Hong Kong was 29 tonnes of GHG Emissions (CO2-e).
- Key consideration:
  - Hong Kong maintained most COVID-related restrictions until March 2023, with staff working remotely for periods of time during the reporting period. We recognise that subsequent reporting periods will reflect an increase in Scopes 1 and 2 emissions as business operations have now returned to pre-COVID status.
  - Our Hong Kong staff air travel totalled 4 tonnes of GHG Emissions (CO2-e). Our Hong Kong staff air travel remained significantly reduced for the majority of the reporting period due to the impact of local COVID-19 restrictions for both domestic and international travel. With air travel returning to pre-COVID levels during 2023, we anticipate our Hong Kong Scope 3 emissions in FY24 to be notably elevated from the FY23 reported level.
  - Our Hong Kong staff hotel and taxi/rideshare emissions totalled 40 tonnes and 2 tonnes of GHG respectively.

Despite PSC's group-wide GHG emissions falling well below the threshold for businesses to report their 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 FY24.

# OUR PEOPLE AND OUR COMMUNITIES

## Supporting our People

Australia/New Zealand/Hong Kong FY23 key initiatives:

- PSC's Australian Employee Assistance Program (EAP) continued to support our staff (and their families') wellbeing by providing a confidential private avenue for staff 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.
- Manager training to support staff experiencing or at risk of domestic violence.
- Over the past 12 months, PSC expanded its list of corporate partnerships to offer our Australian-based staff, authorised representatives and their dependent family member's, including exclusive retail store and gym membership discounts. PSC also maintained its partnerships with private healthcare providers in Australia and the UK which entitles our staff to PSC subsidised benefits in support of their health and wellbeing.
- Australian staff were offered company subsidised flu vaccinations for the winter influenza period.
- Ergonomic training for staff to promote a comfortable and supportive workplace that reduces the risk of musculoskeletal disorders and enhances overall health and wellbeing. Our Hong Kong staff benefit from discounts on all classes of insurance as well as discounted health checks.

UK/Ireland/Bermuda FY23 key initiatives:

- Throughout the past 12 months, our UK Culture Committees ran a number of staff activities including, office yoga, trivia nights, pancake and milkshake days, an Easter egg hunt, a football tournament, lunches to celebrate commemorative occasions such as International Women's' Day and the Royal Coronation.
- In the UK, there has been a continued emphasis on improving people's mental health and the UK Mental Health Awareness Week in May 2023 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 puppy therapy, mood board sessions and an office nail salon.
- Our UK businesses remained committed to staff welfare causes such as the UK's Cyclescheme, a cycle to work benefit which significantly reduces the costs of staff purchasing bicycles and accessories.

## Dedication to our Communities

It is our aim to help anyone from within PSC to be able to give back to the community. We are fortunate enough to have passionate and committed individuals making significant contributions to their community in order to benefit others. Over the years, our people in their own capacity and via the PSC Foundation have driven the support of familiar causes and vulnerable groups within our community. PSC's support includes volunteering at community events, the donation of vital equipment and merchandise, as well as cash grants. In FY23, PSC proudly partnered and supported local sporting clubs, community organisations and charitable causes across the globe including:

Australia/New Zealand/Hong Kong

- Australian Red Cross
- Dementia Australia & the Memory Walk and Jog for Dementia
- The Starlight Children's Foundation
- Royal Far West
- FightMND
- Australia's Biggest Morning Tea
- St. Mary's House of Welcome
- The Smith Family
- MS Australia (the MS Gong Ride)
- Menslink

United Kingdom/Ireland/Bermuda

- Blue Marine Foundation
- The Great Ormond Street Children's Hospital
- Gary Speed Charity Walk
- Golden Giving
- Cancer Research UK
- BACKUP North West
- The Orange Door Charity
- Share the Dignity
- Talent Tap and upReach.

# ESG STATEMENT (CONTINUED)



For the second year, our UK Business supported UK work experience charity programs including Talent Tap and upReach. Both organisations strive to make a real 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 have been able to provide students from social mobility cold spots with valuable experience of working in our offices in the city of London which they might have otherwise not been able to gain. In the UK we have also partnered with Community Activities Project Ealing (CAPE) to enable young persons in London opportunities to pursue a career in the insurance broking industry where they may not otherwise be considered due to poverty, poor mental health, social service intervention and/or institutional racism. The work CAPE carries out includes mentoring young people to help them realise and build upon their strengths, find networks and career opportunities to support their future.

## Supporting Our Clients

At PSC our commitment is to always act in the best interests of our clients in everything we do.

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 every detail about their business beyond just insurance and risk means PSC Insurance Brokers provide the right advice to suit our client's individual situations.

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

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

At PSC, we have a continued focus on building the awareness of our people to support vulnerable clients by maintaining internal policies to better identify and understand vulnerability, and how to best respond with sensitivity, dignity, respect and compassion. Over the past 12 months, there has been an emphasis on training our staff to offer a number of support services to prevent communication barriers when dealing clients who could be impacted by language barriers, a disability or limited literacy skills. Our staff are also encouraged to exercise flexibility with 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.

## Protecting our clients' information

Cyber Security has been a core focus across PSC in FY23. A number of major steps have been undertaken over the course of the last 12 months to strengthen our security and increase our preparedness to potential cyber attacks:

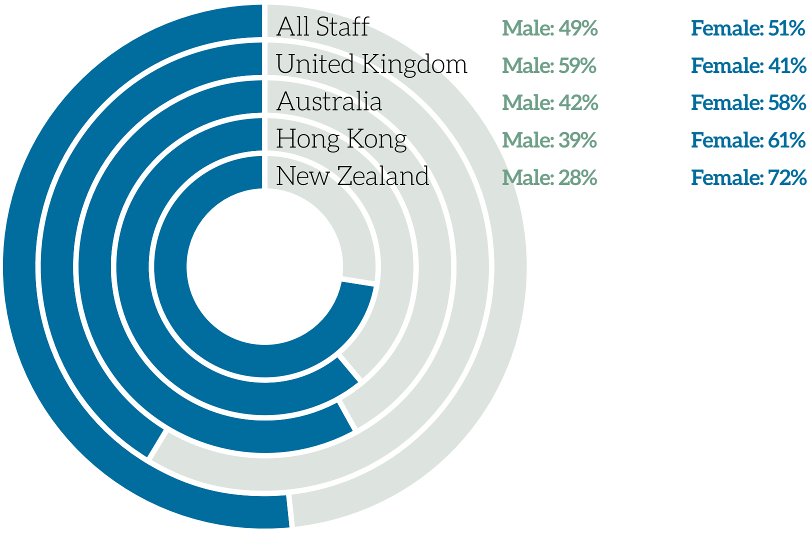
- Routine penetration testing to identify security gaps.
- External cyber awareness training and assessments completed by staff and Directors.
- Formulation of Group-wide cyber attack decision tree.
- Ransomware Scenario testing.
- Standardised Group cyber security standards.
- External cyber experts review of PSC protocols and procedures.

## Workplace Diversity and Inclusion

PSC maintains a strong commitment to promoting a Group wide culture which highly values equality and inclusiveness and believes strongly in creating working environments free from discrimination and harassment. The Company places a high value on 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 staff;
- the provision of flexible work practices and policies to support staff;
- attraction and retention of a diverse range of talented people.




The above graph provides an insight into the gender diversity across our businesses for the entire Group's operations across Australia, United Kingdom (including Ireland & Bermuda), New Zealand, and Hong Kong.

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 staff and Directors:

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

A review of the PSC Diversity and Inclusion Policy was undertaken during FY23, with updates to our recruitment, selection and succession processes. PSC is committed to maintaining pay equality for all staff working in like for like roles.

# ESG STATEMENT (CONTINUED)



## Gender Equality

Remuneration for all staff is reviewed annually 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 and regulations. 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 staff and Directors. Any measurable objectives adopted 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 staff within the Group to promote a safe work environment in which all staff and Directors can excel regardless of race, religion, age, disability, gender, sexual preference or marital status.

These principles were tested as part of PSC's second gender equality reporting submission (Australian employee data) to the Workplace Gender Equality Agency (WGEA) in May 2023 where we reported for the period 1 April 2022 – 31 March 2023. Pleasingly, we saw an improvement in most core gender equality metrics:

- 32% of leadership roles were held by female staff.
- 58% of internally advertised roles filled by females.
- 57% of externally advertised roles filled by females.
- 50% of promotions were awarded to females.

## Open and Transparent Workplace

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

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

## Staff Health and Wellbeing

Staff safety is of utmost importance to PSC and the Group sees the benefits of a continuous focus on providing safe workplaces for all staff across PSC's worldwide operating locations. PSC Safex provides our Australian businesses with specialised, consistent and efficient implementation of risk control and mitigation measures to reduce the likelihood and severity of workplace incidents . PSC also recognises our responsibility to ensure that staff enjoy a work-life balance as part of our commitment to promoting staff health and safety. PSC management considers the needs of the business and the preferences of our staff when considering flexible working arrangements. A number of our people have thrived from the opportunity to vary their working location and shift times to improve their work life balance and wellbeing.

## Parental Leave

As PSC continues to grow, an increasing number of staff take parental leave each year. PSC recognises the importance of family and that, following parental leave, staff may need to adjust their work patterns to assist them in handling their family responsibilities. To this end, PSC promotes flexibility in both job functionality and hours of work, where possible, to assist staff returning from parental leave.

## Integrating Staff from New Acquisitions

PSC has a long and successful history of growth through the acquisition of businesses which align to the ethos and culture of PSC. PSC welcomed new businesses and their staff into the PSC family in Australia, the United Kingdom and Hong Kong during FY23.

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

## Human Rights and Eradicating Modern Slavery

PSC's 2022 Group Modern Slavery Statement (published on the Australian Border Force and PSC Group websites) describes the steps taken by PSC during the financial year ending 30 June 2022 (FY22) to seek to minimise the risk of modern slavery occurring in the Group's businesses and supply chains. PSC's Modern Slavery Policy outlines the minimum standards expected of suppliers including:

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

PSC's Procurement Policy documents our Group-wide response to the threats of modern slavery practices across all subsidiary entity supply chains, worldwide. The Policy documents the expectations we place on suppliers to comply with all local and national laws and regulations on bribery, corruption, money laundering, prohibited business practices as well as human rights, fair employment practices, health and safety, discrimination, harassment and bullying. PSC's Procurement Policy also requires suppliers to agree to adhere to PSC's Code of Conduct and Whistleblower Policy when entering into new supplier agreements with PSC.

PSC continued to strengthen our modern slavery risk management in FY23 as we seek to proactively identify, mitigate and remedy modern slavery risks in our operations and supply chains. Over the past 12 months PSC has partnered with a specialist supply chain due-diligence company to expand on our procedures to identify potential suppliers subject to enforced domestic or international sanctions to expand and automate our supplier due-diligence from July 1 2023.

A full list of the planned focus areas for the next 12 months can be reviewed within the 2022 Modern Slavery Statement published on the PSC Group website.

PSC has grown to manage a global supply chain made up of more than 1000 Tier 1 suppliers, with 80% based in Australia and the UK in FY22. Despite both jurisdictions retaining a low risk rating of Modern Slavery contraventions according to the 2018 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 65% 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. 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 2023 statement.

PSC also completed an internal assessment at the end of 2022 and identified the risk of modern slavery in PSC human resource operations as low. All businesses in PSC monitor and address human rights issues in our operations under the PSC Code of Conduct as well as the PSC Diversity Policy.

We look forward sharing enhanced supplier insights in our 2023 Modern Slavery Statement.

# 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 to:

- 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 to:

- 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 to:

- Appoint the external auditor and determine its remuneration and terms of appointment,
- Ensure effective independent 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 to:

- 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 | 13 years |
| Paul Dwyer – Deputy Chairman, Independent Non-Executive Director | 13 years |
| John Dwyer – Executive Director | 13 years |
| Antony Robinson – Managing Director | 8 years |
| Melvyn Sims – Independent Non-Executive Director | 7 years |
| Tara Falk – Executive Director | 4 years |
| James Kalbassi – Executive Director | 2 years |
| Jo Dawson – Independent Non-Executive Director | 2 years |

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

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, Anti-Corruption and Bribery, Whistleblower, and Securities Trading policies which apply to all Directors, officers, employees, contractors or consultants of the Group. 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 51%.

## 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 across many businesses in the financial services sector.

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, including independence, and the periodic rotation of that role.
- Review of risk management assessment and the Group's Risk Management Policy and internal financial controls.
- Meeting quarterly throughout the year.

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. 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.
- 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.
- Technology Risk – the risk of infrastructure failure and the inability to meet business needs and prevent unauthorised access to the Group's systems.

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 Legal, Governance and Compliance. This committee provides a written report to each full Board Meeting via the Group Manager Legal, Governance and Compliance. The Group Manager Legal, 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 (Deputy Chairman)

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 2023 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 $55,757,000 (2022: $26,658,000).

## 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 $246.8m to $314.5m and statutory net profit after tax attributable to owners of PSC Insurance Group Limited increased from $26.7m to $55.8m. Underlying operating revenue increased 17% from $254.3m to $298.6m, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 19% from $93.5m to $111.0m and underlying net profit after tax before amortisation (NPATA), increased 23% from $64.0m to $78.4m.

The Group remains well capitalised with a sound balance sheet position.

## 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 entered into a binding agreement to acquire a Company. Please refer to Note 39 subsequent events for full details.

## Likely developments

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

## 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:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **(a) Dividends paid or declared by PSC Insurance Group Limited** | | |
| Dividends paid partially franked | 44,840,450 | 35,868,827 |
| **(b) Dividends paid to Non-controlling interests** | | |
| Dividends paid partially franked | 330,584 | 522,499 |
| **(c) Dividend declared after the reporting period and not recognised** | | |
| Since the end of the reporting period the directors have recommended / declared dividends of 8.3 cents per share franked to 60 percent (2022: 7.5 cents per share franked to 60 percent) | 29,521,765 | 26,210,642 |
| 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 are as follows:

| Name of option holder | Date option granted | Number of unissued ordinary shares under option | Vesting date | Issue price of shares | Expiry date of the options |
|---|---|---|---|---|---|
| Antony Robinson | 11/11/22 | 2,000,000 | 10/11/24 | $6.50 per share | 31/03/25 |

The fair value of the options was $760,415. The vesting condition is that Mr Robinson remains a member of the KMP as at the vesting date.

## Shares issued on exercise of options

Antony Robinson's 8,000,000 options were exercised for 2,796,725 shares on 30 August 2022, by way of a cashless exercise as permitted by the Group's LTIP - 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 2022 is provided below, together with details of the company secretary as at the year end.

| Director | Expertise, experience and qualifications |
|---|---|
| **Brian Austin**<br>**Non-Executive Chairman**<br><br>*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**<br>**Non-Executive Director and Deputy Chairman**<br>Dip Fin Serv (Ins)<br><br>*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**<br>**Managing Director**<br>B Com (Melb), ASA, MBA (Melb)<br><br>*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**<br>**Executive Director**<br>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**<br>**Non-Executive Director**<br>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**<br>**Executive Director** | Tara Falk was appointed to the Board on 8 October 2019. Ms Falk has over 30 years in the insurance industry and is co-founder and co-CEO of Paragon International Insurance Brokers Ltd. Ms Falk has extensive experience in all operations of running a specialist Lloyd's insurance broker, working with leading insurers in Lloyd's, Europe, Bermuda and the United States. Ms Falk is involved with the placement of complex insurance programmes for many large professional service firms around the world and is also on the Board of LIIBA, London & International Insurance Brokers' Association. |
| **James Kalbassi**<br>**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. |

| Director | Expertise, experience and qualifications |
|---|---|
| **Jo Dawson**<br>**Non-Executive Director**<br>B Com (Melb), CA, FAICD<br><br>*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, and Chair of EL&C Baillieu Ltd (stockbrokers). Her current Non-Executive Directorships include Vision Super, Bank First Ltd, Generation  Life Ltd and PetSure (Australia) Pty Ltd. Ms Dawson is also a former Director of ASX listed company Templeton Global Growth Fund Ltd (TGGF). |

| Company Secretary | Expertise, experience and qualifications |
|---|---|
| **Stephen Abbott**<br>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 | 3 | - | - |
| 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 | 3,599,290 | 2,000,000 |
| 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.

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Amounts paid/payable to Ernst & Young (Melbourne) for non-audit services: | | |
| Taxation Services | 18,665 | 40,250 |
| Consultation Services | 159,800 | - |
| | **178,465** | **40,250** |
| Amounts paid/payable to non-related auditors of group entities for non-audit services: | | |
| Taxation Services | 46,032 | 46,714 |
| Agreed upon procedures | 208,395 | 88,068 |
| | **254,427** | **134,782** |
| **Total Amount Paid/Payable** | **432,892** | **175,032** |

## 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 2023 financial year 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 2023.

**Management and Board Changes**

There has been no changes to the KMP over the 2023 financial year.

**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:

- PSC needs its remuneration to be differentiated for attraction and retention of high quality people.
- PSC 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 PSC shares. This only has value to the extent of share price appreciation, where the PSC 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 PSC 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, as an entrepreneurial organisation, 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. For example, to harness ongoing value in our Paragon business, we offer each of Tara Falk and James Kalbassi an annual 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.

**FY23 Remuneration**

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

Antony Robinson (Managing Director) notified PSC on 30 August 2022 that he wished to exercise his 8,000,000 31/12/2022 options issued to him on 16 May 2019 by way of cashless exercise. These options were issued under the PSC's Long Term Incentive Plan (LTIP) and were approved by shareholders at the EGM held 31 March 2020. The cashless exercise is permitted under PSC's LTIP whereby, on exercise of the options, PSC will only allot and issue or transfer that number of plan shares to the participant that are equal in value to the difference between the exercise price otherwise payable in relation to the options and the then market value of the plan shares as at the time of the exercise. After calculating the VWAP of PSI shares on the 5 trading days to 30 August 2022, 2,796,725 shares issued to Mr. Robinson as a result of the exercise. Mr Robinson agreed to enter into a voluntary escrow arrangement that will see the full 2,796,725 shares held in escrow to 31 March 2024.

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**

Melbourne

Date: 23 August 2023

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT

### Remuneration Report (Audited)

The Directors present the Group's remuneration report (report) for the year ended 30 June 2023 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 |

**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 July 2022, the Group set the following maximum annual Non-Executive Directors' fees:

- Chairman: $350,000 per annum inclusive of superannuation;
- Non-Executive Directors (Australia based): $121,550 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 Non-Executive Directors by resolution. The remuneration received by the Non-Executive Directors for the year ended 30 June 2023 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).

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.

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT

### 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 of the Paragon business from an agreed base amount between financial years.  The incentive will be paid  no later than 90 days after 30 June 2023 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 – long-term incentive

Loan funded shares require the executive to pay back the loan. 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.

No KMP executives were offered loan funded shares in FY23.

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:<br>25% of shares vest on 3rd anniversary of grant<br>25% of shares vest on 4th anniversary of grant<br>25% of shares vest on 5th anniversary of grant<br>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 | Current LTI |
|---|---|---|---|---|
| Antony Robinson | MD | $600,000 | - | 2,000,000 Options |
| John Dwyer | ED | $350,000 | - | - |
| Tara Falk | ED,<br>co CEO Paragon | $519,921 (GBP 291,000) | 7.5% of the improvement in Paragon EBITDA from agreed base | 1,500,000 Loan Funded Shares |
| James Kalbassi | ED,<br>co CEO Paragon | $519,921 (GBP 291,000) | 7.5% of the improvement in Paragon EBITDA from agreed base | 1,500,000 Loan Funded Shares |
| Joshua Reid | CFO | $450,000 | - | 1,570,299 Loan Funded Shares |

# 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 2023 and 2022 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] | 2023 | 350,000 | - | - | 350,000 |
| | 2022 | 350,000 | - | - | 350,000 |
| Paul Dwyer[2] | 2023 | 110,000 | - | - | 110,000 |
| | 2022 | 100,000 | - | - | 100,000 |
| Melvyn Sims | 2023 | 160,800 | - | - | 160,800 |
| | 2022 | 164,986 | - | - | 164,986 |
| Jo Dawson | 2023 | 110,000 | - | 11,550 | 121,550 |
| | 2022 | 100,000 | - | 10,000 | 110,000 |
| **Total** | **2023** | **730,800** | **-** | **11,550** | **742,350** |
| Total | 2022 | 714,986 | - | 10,000 | 724,986 |

**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 | 2023 | 578,000 | - | 22,000 | 14,220 | 253,472 | 867,692 |
| | 2022 | 578,000 | - | 22,000 | 11,170 | - | 611,170 |
| John Dwyer[3] | 2023 | 350,000 | - | - | - | - | 350,000 |
| | 2022 | 350,000 | - | - | - | - | 350,000 |
| Tara Falk | 2023 | 519,921 | 150,627 | - | - | 287,431 | 957,979 |
| | 2022 | 522,392 | 137,489 | - | - | 95,810 | 755,691 |
| James Kalbassi | 2023 | 519,921 | 150,627 | - | - | 287,431 | 957,979 |
| | 2022 | 522,392 | 137,489 | - | - | 95,810 | 755,691 |
| **Total** | **2023** | **1,967,842** | **301,254** | **22,000** | **14,220** | **828,334** | **3,133,650** |
| Total | 2022 | 1,972,784 | 274,978 | 22,000 | 11,170 | 191,620 | 2,472,552 |
| | | | | | | | |
| **Other KMP** | | | | | | | |
| Joshua Reid | 2023 | 437,553 | - | 27,500 | 14,612 | 60,525 | 540,190 |
| | 2022 | 364,462 | - | 27,116 | 9,835 | 68,906 | 470,319 |
| **Former Other KMP** | | | | | | | |
| Rohan Stewart | 2022* | 19,726 | - | - | - | - | 19,726 |
| **Total** | **2023** | **437,553** | **-** | **27,500** | **14,612** | **60,525** | **540,190** |
| Total | 2022 | 384,188 | - | 27,116 | 9,835 | 68,906 | 490,045 |

* 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.

**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 exercised options from a grant in 2019 and in 2022, was issued 2,000,000 additional options following shareholder approval at the 2022 AGM. 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).

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT

**(a) Historical performance of the Group**

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

**Table 6: Key performance indicators**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Opening Share Price | 4.14 | 3.53 | 2.54 | 2.59 | 2.86 |
| Closing Share Price | 5.50 | 4.14 | 3.53 | 2.54 | 2.59 |
| Change in Share Price | 1.36 | 0.61 | 0.99 | (0.05) | (0.27) |
| Dividend per Share | 0.135 | 0.12 | 0.11 | 0.09 | 0.08 |
| Total Return | 1.50 | 0.73 | 1.10 | 0.04 | (0.19) |
| Total Return % | 36% | 21% | 43% | 2% | (7%) |
| Dividends - Cash ($'000) | 44,840 | 35,869 | 28,314 | 23,196 | 18,625 |

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

The tables below present the options currently on foot and exercised during the 2023 financial year.

**Table 7: Options detail**

| Name | Grant Date | Expiry Date | Exercise Price $ | Balance at 1/7/22 | Granted | Vested & exercised | Lapsed/ forfeited | Balance at 30/6/23 | % Exercised |
|---|---|---|---|---|---|---|---|---|---|
| Antony Robinson | 16/5/19 | 31/12/22 | 3.00 | 3,500,000 | - | (3,500,000) | - | - | 100% |
| Antony Robinson | 16/5/19 | 31/12/22 | 3.25 | 1,500,000 | - | (1,500,000) | - | - | 100% |
| Antony Robinson | 16/5/19 | 31/12/22 | 3.50 | 1,500,000 | - | (1,500,000) | - | - | 100% |
| Antony Robinson | 16/5/19 | 31/12/22 | 3.75 | 1,500,000 | - | (1,500,000) | - | - | 100% |
| Antony Robinson* | 11/11/22 | 31/03/25 | 6.50 | - | 2,000,000 | - | - | 2,000,000 | 0% |

* The fair value of the options was $760,415. The vesting condition is that Mr Robinson remains a member of the KMP as at the vesting date.

**(b) Details of Loan funded shares**

The table below presents loan funded shares currently on foot.

**Table 8: Loan funded shares detail**

| Name | Grant Date | Expiry Date | Balance at 1/7/22 | Granted | Vested & exercised | Lapsed/ forfeited | Balance at 30/6/23 | % Exercised |
|---|---|---|---|---|---|---|---|---|
| Joshua Reid | 15/12/15 | 30/6/25 | 1,000,000 | - | - | - | 1,000,000 | 0% |
| Joshua Reid | 28/9/18 | 30/6/24 | 170,299 | - | - | - | 170,299 | 0% |
| Joshua Reid | 6/1/21 | 30/6/25 | 400,000 | - | - | - | 400,000 | 0% |
| Tara Falk | 18/2/22 | Up to 6 yrs | 1,500,000 | - | - | - | 1,500,000 | 0% |
| James Kalbassi | 18/2/22 | Up to 6 yrs | 1,500,000 | - | - | - | 1,500,000 | 0% |

**(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 2023 is as follows:

**Table 9: Share capital key management personnel**

| | Balance 1/07/22 | Net (sale) / purchase of shares | Exercise of options | LTIP allocation | Balance 30/06/23 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Brian Austin | 32,277,966 | - | - | - | 32,277,966 |
| Paul Dwyer | 57,174,852 | - | - | - | 57,174,852 |
| Antony Robinson* | 802,565 | - | 2,796,725 | - | 3,599,290 |
| John Dwyer | 34,571,351 | - | - | - | 34,571,351 |
| Melvyn Sims | 306,653 | - | - | - | 306,653 |
| Tara Falk | 8,786,200 | - | - | - | 8,786,200 |
| James Kalbassi | 7,662,587 | - | - | - | 7,662,587 |
| Jo Dawson | 10,000 | - | - | - | 10,000 |
| **Other Key Management Personnel** | | | | | |
| Joshua Reid | 1,570,299 | - | - | - | 1,570,299 |
| | **143,162,473** | **-** | **2,796,725** | **-** | **145,959,198** |

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

| | Block A | Block B | Block C | Block D | Total |
|---|---|---|---|---|---|
| Number of options able to be exercised | 3,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 8,000,000 |
| Option exercise price per option | $3.00 | $3.25 | $3.50 | $3.75 | |
| 5 day volume-weighted average share price at exercise | $5.0449 | $5.0449 | $5.0449 | $5.0449 | |
| Number of shares issued | 1,418,690 | 533,678 | 459,345 | 385,012 | 2,796,725 |

**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.

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT

**G. Other transactions with Key Management Personnel**

Fuse Recruitment Pty Ltd (Recruitment) is a related party as John Dwyer and Paul Dwyer or their closely related entities are shareholders. Territory Property Holdings Pty Ltd (Occupancy) is a related party as Brian Austin and Paul Dwyer are Directors and shareholders. DWF LLP (Legal fees) 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 2023 are as follows:

| Service received | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Recruitment fees | 450,850 | 305,243 |
| Occupancy | 68,592 | - |
| Legal fees | 390,670 | 882,347 |

All the above services received from identified related parties of key management personnel were in the normal course of business, on terms and conditions no more favourable than those that it is reasonable to expect the party would have adopted if dealing at arms-length with an unrelated person. The outstanding balance of the above services is $17,675 (2022: $nil).

The Group provided insurance services to related parties of a Director totalling $14,436 (2022: $37,410). 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 (2022 $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**

No remuneration consultant was engaged during the course of the 2023 financial year.

Signed in accordance with a resolution of the directors.

**Brian Austin**
**Chairman**
Melbourne
Date: 23 August 2023

**Antony Robinson**
**Managing Director**
Melbourne
Date: 23 August 2023

# AUDITORS INDEPENDENCE DECLARATION



Building a better working world

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## 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 2023, 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
23 August 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2023

| | Notes | 30-Jun 2023 $'000 | 30-Jun 2022 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| Fee and commission income | 3 | 289,574 | 251,146 |
| Other revenue | 3 | 926 | 848 |
| Interest income | 3 | 5,071 | 296 |
| Share of equity accounted results | 3 | (251) | 605 |
| Gain / (loss) on financial instruments | 3 | 16,987 | (6,616) |
| Investment income | 3 | 2,196 | 478 |
| | 3 | **314,503** | **246,757** |
| **Expenses** | | | |
| Administration and other expenses | | (49,172) | (38,903) |
| Depreciation expense - property, plant and equipment | 4 | (2,071) | (2,090) |
| Depreciation expense - right-of-use assets | 4 | (5,624) | (5,723) |
| Amortisation expense | 4 | (14,718) | (12,564) |
| Employee benefits expense | 4 | (138,659) | (121,217) |
| Finance costs | 4 | (8,983) | (8,038) |
| Finance costs - lease liabilities | 4 | (1,163) | (1,398) |
| Expected credit losses | 4 | (48) | (232) |
| Employee contractors | | (3,296) | (2,863) |
| Information technology costs | | (6,183) | (5,082) |
| Professional fees | | (4,877) | (4,276) |
| | | **(234,794)** | **(202,386)** |
| **Profit before income tax expense** | | **79,709** | **44,371** |
| Income tax expense | 5 | (23,306) | (17,035) |
| **Net profit from continuing operations** | | **56,403** | **27,336** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | 21,135 | (11,372) |
| **Other comprehensive income for the year** | | **21,135** | **(11,372)** |
| **Total comprehensive income** | | **77,538** | **15,964** |
| Profit is attributable to: | | | |
| • Owners of PSC Insurance Group Limited | | 55,757 | 26,658 |
| • Non-controlling interests | | 646 | 678 |
| | | **56,403** | **27,336** |
| Total comprehensive income is attributable to: | | | |
| • Owners of PSC Insurance Group Limited | | 76,892 | 15,286 |
| • Non-controlling interests | | 646 | 678 |
| | | **77,538** | **15,964** |
| Earnings per share for profit attributable to the equity holders of the parent entity: | | | |
| Basic earnings per share | 32 | 15.8 cents | 8 cents |
| Diluted earnings per share | 32 | 15.7 cents | 7.8 cents |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2023

| | Notes | 30-Jun 2023 $'000 | 30-Jun 2022 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 71,370 | 106,110 |
| Financial assets - trust cash | 8 | 274,791 | 241,289 |
| Receivables | 9 | 11,547 | 10,264 |
| Contract assets - broking | 10 | 71,300 | 62,287 |
| Financial assets - derivatives | 11 | 1,049 | - |
| Other assets | 12 | 9,987 | 7,399 |
| **Total current assets** | | **440,044** | **427,349** |
| **Non-current assets** | | | |
| Receivables | 9 | 707 | 1,022 |
| Financial assets - investments in shares and unit trusts | 13 | 60,359 | 44,755 |
| Equity accounted investments | 14 | 24,025 | 9,236 |
| Property, plant and equipment | 15 | 16,861 | 17,354 |
| Intangible assets | 16 | 519,892 | 457,295 |
| Right of use assets | 17 | 18,525 | 19,818 |
| Financial assets - derivatives | 11 | 52 | - |
| **Total non-current assets** | | **640,421** | **549,480** |
| **Total assets** | | **1,080,465** | **976,829** |
| **Current liabilities** | | | |
| Payables | 18 | 299,362 | 263,241 |
| Provisions | 20 | 6,413 | 5,461 |
| Current tax liabilities | 5 | 6,510 | 6,316 |
| Financial liabilities - derivatives | 21 | - | 906 |
| Lease liabilities | 22 | 6,191 | 4,842 |
| Contract liabilities - deferred revenue | 23 | 12,291 | 7,653 |
| Amounts payable to vendors | 24 | 13,471 | 35,834 |
| **Total current liabilities** | | **344,238** | **324,253** |
| **Non-current liabilities** | | | |
| Payables | 18 | 789 | - |
| Borrowings | 19 | 213,693 | 186,979 |
| Provisions | 20 | 691 | 541 |
| Deferred tax liabilities | 5 | 40,667 | 32,077 |
| Lease Liabilities | 22 | 15,850 | 18,459 |
| Contract liabilities - deferred revenue | 23 | 412 | 360 |
| Amounts payable to vendors | 24 | 8,396 | 5,395 |
| **Total non-current liabilities** | | **280,498** | **243,811** |
| **Total liabilities** | | **624,736** | **568,064** |
| **Net assets** | | **455,729** | **408,765** |
| **Equity** | | | |
| Share capital | 25 | 425,981 | 411,661 |
| Reserves | 26 | (25,392) | (46,890) |
| Retained earnings | 26 | 53,074 | 42,157 |
| **Equity attributable to owners of PSC Insurance Group Limited** | | **453,663** | **406,928** |
| Non-controlling interests | 28 | 2,066 | 1,837 |
| **Total equity** | | **455,729** | **408,765** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2023

| | 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 | - | - | - | 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** |

| | Share capital $'000 | Reserves $'000 | Retained Earnings $'000 | Non-controlling Interest $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| **Balance as at 1 July 2022** | **411,661** | **(46,890)** | **42,157** | **1,837** | **408,765** |
| Profit for the year | - | - | 55,757 | 646 | 56,403 |
| Exchange differences on translation of foreign operations, net of tax | - | 21,135 | - | - | 21,135 |
| **Total comprehensive income for the year** | **-** | **21,135** | **55,757** | **646** | **77,538** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Capital issuing costs | (53) | - | - | - | (53) |
| Shares in lieu of cash for acquisition of subsidiary | 12,799 | - | - | - | 12,799 |
| Dividend reinvestment | 1,574 | - | - | - | 1,574 |
| Non-controlling interest arising from business combination (Note 30) | - | - | - | 1,075 | 1,075 |
| Changes to non-controlling interests relating to increases in controlled entities | - | (2,067) | - | (906) | (2,973) |
| Employee share issues and options granted | - | 2,814 | - | - | 2,814 |
| Put options over non-controlling interests | - | (384) | - | (255) | (639) |
| Dividends paid | - | - | (44,840) | (331) | (45,171) |
| **Total transactions with owners** | **14,320** | **363** | **(44,840)** | **(417)** | **(30,574)** |
| **Balance as at 30 June 2023** | **425,981** | **(25,392)** | **53,074** | **2,066** | **455,729** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2023

| | Notes | 30-Jun 2023 $'000 | 30-Jun 2022 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 297,103 | 260,179 |
| Payments to suppliers and employees | | (193,388) | (169,999) |
| Trust distributions / dividends received | | 2,811 | 764 |
| Interest received | | 5,031 | 244 |
| Interest paid | | (8,043) | (7,219) |
| Income tax paid | | (20,783) | (14,903) |
| **Net cash provided by operating activities** | 29 (b) | **82,731** | **69,066** |
| **Cash flow from investing activities** | | | |
| Payments for deferred consideration/business acquisitions | | (69,041) | (60,578) |
| Payment for property, plant and equipment | | (1,291) | (1,262) |
| Proceeds from sale of financial assets | | 142 | - |
| Payment for financial assets | | (21) | (75) |
| Payment for other investments | | (235) | (648) |
| Payment for associate investments | | (16,335) | - |
| Proceeds from sale of equity investments | | - | 855 |
| Net (payments) / proceeds from derivatives | | (715) | 404 |
| **Net cash flow used in investing activities** | | **(87,496)** | **(61,304)** |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | | 20,000 | 98,740 |
| Repayments of borrowings | | - | (84,460) |
| Capital issued | | - | 80,000 |
| Capital issuing costs | | (54) | (1,487) |
| Proceeds from converted loan funded shares | | - | 250 |
| Payment of lease liabilities | | (6,394) | (6,700) |
| Dividends paid | | (43,597) | (35,867) |
| Repayments of related parties loans and receivables | | (1,531) | (289) |
| Proceeds from related parties loans and receivables | | 585 | 574 |
| **Net cash (used in) / provided by financing activities** | | **(30,991)** | **50,761** |
| **Reconciliation of cash** | | | |
| Cash at beginning of the year | | 106,110 | 47,824 |
| Net (decrease) / increase in cash held | | (35,756) | 58,523 |
| Effect of exchange rate fluctuation on cash held | | 1,016 | (237) |
| **Cash at end of the year** | 29 (a) | **71,370** | **106,110** |

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

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2023

## 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 2022 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, excluding any amounts that are highly probable of significant reversal, and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services. The Group's revenue does not have a significant financing component so the transaction (invoice) price is considered to have no difference between the promised consideration and the cash selling price.

*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. This generally coincides with Invoice date on the basis that: (a) the Group acts primarily as an agent of the customer when acting in the capacity as a broker, and as an agent of the insurer while acting in the capacity as an agent; (b) the Group's performance obligations are distinct from those of the insurer; and (c) the Group's performance obligations are predominantly completed prior to the inception of the insurance policy, the invoice date is the relevant date to recognise the revenue.

The performance obligation relating to commission, brokerage and fee income relates to the provision of insurance broking services. Broking services include, through close relationship management, identification and assessment of insurable risks and risk appetite of customers and sourcing relevant insurance products from insurers and underwriters which meets the needs, and price point of the customer. For agencies services are provided to brokers (the customer), through assessment of risk profile and pricing of policies requested by brokers. Revenue is constrained to reflect potential lapses and cancellations based on past experiences and future expectations.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



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

*Other revenue and Other fees*
Other revenue and Other fees are recognised when the right to receive payment is established. This includes, but is not limited to professional services fees, for services provided, from strategic partners such as insurers, premium funders and underwriting agencies.

*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 "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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



**(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.

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*
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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

*(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 may be 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

*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 2023**

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 2023

## 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% (2022: 2.5%) and expense growth rate of 2.5% (2022: 2.5%) for cash flows in year two to five and a terminal value growth rate of 2%-2.5% (2022: 2%). A post-tax discount rate of 10%-11% (2022: 8%-11%) 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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Fee and commission income** | | |
| Commission income | 215,107 | 183,871 |
| Fee income | 57,817 | 52,793 |
| Other fees | 16,650 | 14,482 |
| | **289,574** | **251,146** |
| | | |
| **Other revenue** | **926** | **848** |
| | | |
| **Interest income** | **5,071** | **296** |
| | | |
| **Share of equity accounted results** | **(251)** | **605** |
| | | |
| **Gain / (loss) on financial instruments** | | |
| Gain / (loss) on fair value adjustments | 14,968 | (5,888) |
| Gain / (loss) on derivatives | 1,951 | (1,411) |
| Disposal of investment in associates | 68 | 683 |
| | **16,987** | **(6,616)** |
| | | |
| **Investment Income** | | |
| Dividend income and trust distributions | 2,196 | 478 |
| | | |
| | **314,503** | **246,757** |

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 2022 has been recognised in fee and commission income during the year ended 30 June 2023.

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 2023

## NOTE 4: OPERATING PROFIT

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Profit before income tax has been determined after: | | |
| Finance costs | 8,983 | 8,038 |
| Finance costs - lease liabilities | 1,163 | 1,398 |
| **Total finance costs** | **10,146** | **9,436** |
| **Depreciation:** | | |
| • Leasehold Improvements | 530 | 899 |
| • Building | 183 | 182 |
| • Motor Vehicles | 5 | 4 |
| • Office Equipment | 288 | 259 |
| • Computer Equipment | 1,065 | 746 |
| | **2,071** | **2,090** |
| • Right of use assets | 5,624 | 5,723 |
| **Total depreciation** | **7,695** | **7,813** |
| **Amortisation of non-current assets** | | |
| • Identifiable intangibles | 14,718 | 12,564 |
| **Total depreciation and amortisation expense** | **22,413** | **20,377** |
| Rental expense | 1,018 | (239) |
| Foreign currency exchange losses / (gains) | 788 | (285) |
| **Employee benefits** | | |
| • Superannuation | 8,111 | 6,966 |
| • Other Employee benefits | 130,548 | 114,251 |
| **Total employee benefits** | **138,659** | **121,217** |
| **Administration and other expenses includes:** | | |
| Acquisition legal and professional fees | 1,788 | 1,357 |
| Other acquisition and transactions related costs | 92 | 323 |
| Employment costs | 243 | 940 |
| Unrealised loss / (gain) on foreign exchange | 5,863 | (5,192) |
| Realised loss / (gain) on foreign exchange | 788 | (285) |
| Net loss on deferred consideration | 8,921 | 16,971 |
| Share-based payment expense | 2,814 | 1,732 |
| Other | 1,593 | 3,348 |
| **Expected credit losses:** | 48 | 232 |
| **(Gain) / Loss on financial instruments includes:** | | |
| (Gain) / loss on fair value adjustments | (14,968) | 5,888 |
| (Gain) / loss on derivatives | (1,951) | 1,411 |
| Disposal of investment in associates | (68) | (683) |
| **Total** | **5,163** | **26,042** |

## NOTE 5: INCOME TAX

**(a) Components of tax expense**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Current tax | 20,271 | 17,609 |
| Deferred tax | 2,381 | 1,144 |
| Under / (over) provision in prior years | 654 | (1,718) |
| | **23,306** | **17,035** |

**(b) Prima facie tax payable**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Prima facie income tax payable on profit before income tax at 30.0% (2022: 30.0%) | 23,913 | 13,311 |
| Add tax effect of: | | |
| • Other non-allowable items | - | 811 |
| • Gross up of franking credits | 20 | 10 |
| • Non assessable gain / non deductible loss on business acquisition rise and fall | 1,913 | 3,377 |
| • Amortisation | 185 | 152 |
| • Share based payments | 844 | 520 |
| • Inter-entity dividends | 219 | 319 |
| • Capital allowances | - | 12 |
| • Income tax losses not recognised | 31 | - |
| • Net equity accounted results | 197 | (59) |
| • Under / (over) provision for income tax in prior years | 654 | (1,718) |
| | **4,063** | **3,424** |
| Less tax effect of: | | |
| • Overseas tax rate differential | 3,002 | 630 |
| • Net trust distributions | 538 | (930) |
| • Other non-assessable items | 1.130 | - |
| | **4,670** | **(300)** |
| **Income tax expense attributable to profit** | **23,306** | **17,035** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 5: INCOME TAX (Continued)

**(c) Current tax**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Current tax relates to the following: | | |
| • Opening balance | 6,316 | 5,081 |
| • Income tax | 20,271 | 17,609 |
| • Tax payments | (20,783) | (14,903) |
| • Under / (over) provisions | 654 | (1,718) |
| • Exchange translation difference | 52 | 247 |
| **Current tax liabilities** | **6,510** | **6,316** |

**(d) Deferred tax**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Deferred tax relates to the following: | | |
| • Tax losses carried forward | (112) | (292) |
| • Employee benefits | (2,116) | (1,799) |
| • Income provisions | (1,486) | (1,355) |
| • Other | (738) | 644 |
| • Accrued expenses | (226) | (571) |
| • Listing and share issue expenses | - | (982) |
| • Fair value adjustments | 6,349 | 1,892 |
| • Customer Lists | 30,109 | 24,569 |
| • Accrued income | 8,657 | 8,634 |
| • Right of use asset | (241) | (227) |
| • Unrealised foreign exchange (gain) / loss | (205) | 1,149 |
| • Capital allowances | 676 | 415 |
| **Net deferred tax liabilities** | **40,667** | **32,077** |

## NOTE 6: DIVIDENDS

**(a) Dividends paid or declared**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Dividends paid at 12.7 cents per share by PSC Insurance Group franked to 60 percent (2022: 11.0 cents per share franked to 70 percent). | 44,840 | 35,869 |
| Dividends paid to non-controlling interests | 331 | 522 |
| | **45,171** | **36,391** |

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Since the end of the reporting period the directors have recommended / declared dividends of 8.3 cents per share franked to 60 percent (2022: 7.5 cents per share franked to 60 percent) | 29,522 | 26,211 |
| | **29,522** | **26,211** |

**(c) Franking account**

| | 2023 $'000 | 2022 $'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. | 1,817 | 295 |

## NOTE 7: CASH AND CASH EQUIVALENTS

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Cash on hand | 31 | 31 |
| Cash at bank | 34,495 | 61,592 |
| Cash on deposit | 36,844 | 44,487 |
| | **71,370** | **106,110** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



## NOTE 8: FINANCIAL ASSETS - TRUST CASH

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Cash held on trust | 274,791 | 241,289 |
| | **274,791** | **241,289** |

## NOTE 9: RECEIVABLES

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Other receivables | 11,406 | 9,050 |
| Related parties loans and receivables | 141 | 1,214 |
| | **11,547** | **10,264** |
| **Non - Current** | | |
| Related parties loans and receivables | **707** | **1,022** |

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **(b) Ageing of Receivables** | | |
| • 0-30 Days | 5,200 | 6,361 |
| • 30-60 Days | 32 | 213 |
| • 60-90 Days | 214 | 6 |
| • Over 90 Days | 5,960 | 2,470 |
| | **11,406** | **9,050** |

## NOTE 10: CONTRACT ASSETS - BROKING

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Contract assets | 71,300 | 62,287 |
| | **71,300** | **62,287** |

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| *Derivatives not designated as hedging instruments* | | |
| Foreign exchange forward contracts | 1,049 | - |
| **Non Current** | | |
| *Derivatives not designated as hedging instruments* | | |
| Foreign exchange forward contracts | 52 | - |
| **Total derivatives** | **1,101** | **-** |

## NOTE 12: OTHER ASSETS

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Prepayments | 7,563 | 6,644 |
| Bonds and deposits | 2,424 | 755 |
| **Total other assets** | **9,987** | **7,399** |

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Non - Current** | | |
| *Financial assets* | | |
| Other shares and units held | 5,821 | 5,228 |
| Shares in listed corporations | 54,538 | 39,527 |
| **Total financial assets** | **60,359** | **44,755** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 14: EQUITY ACCOUNTED INVESTMENTS

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Non - Current** | | |
| Equity accounted associates | **24,025** | **9,236** |

During the year the Group acquired an equity share in Bay Building Group Pty Ltd for $12.03m and Eldin Risk Partners Limited for $3.75m.

**(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 | 2023 | 2022 |
| Bay Building Group Pty Ltd | 40.00% | 0.00% |
| BCS Broking Pty Ltd | 50.00% | 50.00% |
| Eldin Risk Partners Limited | 40.00% | 0.00% |
| Just Motorsport Limited | 35.03% | 35.03% |
| Just Business Cover Ltd (UK) | 42.50% | 42.50% |
| PSC Bloodstock Services Pty Ltd | 50.00% | 50.00% |
| PSC Insurenet JV Pty Ltd | 50.00% | 50.00% |
| PSC Property Lync Insurance Brokers Pty Ltd | 50.00% | 50.00% |
| RP-Baulkham Hills Pty Ltd | 50.00% | 50.00% |
| RP-Broadbeach Pty Ltd (Note 28)* | 100.00% | 50.00% |
| RP-Bundoora Pty Ltd | 50.00% | 50.00% |
| RP-Cannington Pty Ltd | 50.00% | 50.00% |
| RP-Carlton Pty Ltd | 50.00% | 50.00% |
| RP-Exchange Insurance Pty Ltd | 50.00% | 50.00% |
| RP-Fremantle Pty Ltd | 50.00% | 50.00% |
| RP Hoppers Crossing Pty Ltd | 50.00% | 50.00% |
| RP-My Insurance Kit Pty Ltd | 50.00% | 50.00% |
| RP-Ipswich Pty Ltd | 50.00% | 50.00% |
| RP-Melbourne Pty Ltd | 50.00% | 50.00% |
| RP-Nerang Pty Ltd | 50.00% | 50.00% |
| RP-Newcastle Pty Ltd (Note 28)* | 100.00% | 50.00% |
| RP-Penrith Pty Ltd (Note 28)* | 100.00% | 50.00% |
| RP Professional Risk Pty Ltd | 50.00% | 50.00% |
| RP-Quayside Pty Ltd (formally RP-Rockingham Pty Ltd) | 50.00% | 50.00% |
| RP Randwick Pty Ltd | 50.00% | 50.00% |
| RP-South Perth Pty Ltd | 50.00% | 50.00% |
| RP-Tullamarine Pty Ltd | 50.00% | 50.00% |

* The companies are no longer accounted for as associates now that the Group owns 100%.

**(b) Investment in Associates**

During the period the Group acquired a 40% interest in Bay Building Group Pty Ltd (BBG), which is an insurance building group that offers fully integrated repair solutions encompassing both building and restoration services. With operations across all of Australia they provide services to some of Australia's leading insurance companies. BBG is a private entity that is not listed on any public exchange. The Group's interest in BBG is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Group's investment in BBG:

| | 2023<br>$'000 |
|---|---|
| Current assets | 28,459 |
| Non-current assets | 6,463 |
| Current liabilities | (21,960) |
| Non-current liabilities | (5,320) |
| **Equity** | **7,642** |
| Group's share in equity - 40% | 3,057 |
| Goodwill | 8,635 |
| **Group's carrying amount of investment** | **11,692** |
| **Total comprehensive income for the period (continuing operations)** | **(818)** |
| **Group's share of profit for the period** | **(327)** |

## NOTE 15: PROPERTY, PLANT AND EQUIPMENT

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Leasehold improvements** | | |
| Leasehold improvements at cost | 6,259 | 5,548 |
| Accumulated depreciation | (4,634) | (3,664) |
| | **1,625** | **1,884** |
| **Land and Buildings** | | |
| Land and buildings | 12,035 | 12,031 |
| Accumulated depreciation | (365) | (182) |
| | **11,670** | **11,849** |
| **Artwork** | | |
| Artwork | 137 | 127 |
| Accumulated depreciation | - | - |
| | **137** | **127** |
| **Plant and equipment** | | |
| Motor vehicles at cost | 63 | 38 |
| Accumulated depreciation | (32) | (27) |
| | **31** | **11** |
| Office equipment at cost | 6,762 | 5,276 |
| Accumulated depreciation | (5,099) | (3,706) |
| | **1,663** | **1,570** |
| Computer equipment at cost | 9,475 | 8,292 |
| Accumulated depreciation | (7,740) | (6,379) |
| | **1,735** | **1,913** |
| **Total plant and equipment** | **3,429** | **3,494** |
| **Total property, plant and equipment** | **16,861** | **17,354** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 15: PROPERTY, PLANT AND EQUIPMENT (Continued)

**(a) Reconciliations**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Leasehold improvements** | | |
| Carrying amount at beginning of year | 1,884 | 2,642 |
| Additions | 206 | 182 |
| Additions through acquisition of entities/operations | 9 | - |
| Depreciation expense | (530) | (899) |
| Net foreign currency movements arising from foreign operation | 56 | (41) |
| **Carrying amount end of year** | **1,625** | **1,884** |
| **Land and buildings (b)** | | |
| Carrying amount at beginning of year | 11,849 | 12,000 |
| Additions | 4 | 31 |
| Depreciation expense | (183) | (182) |
| **Carrying amount end of year** | **11,670** | **11,849** |
| **Artwork** | | |
| Carrying amount at beginning of year | 127 | 123 |
| Additions | - | 8 |
| Net foreign currency movements arising from foreign operation | 10 | (4) |
| **Carrying amount end of year** | **137** | **127** |
| **Plant and equipment** | | |
| **Motor vehicles** | | |
| Carrying amount at beginning of year | 11 | 15 |
| Additions | 25 | - |
| Depreciation expense | (5) | (4) |
| **Carrying amount end of year** | **31** | **11** |
| **Office equipment** | | |
| Carrying amount at beginning of year | 1,570 | 1,391 |
| Additions | 320 | 330 |
| Additions through acquisition of entities/operations | 29 | 120 |
| Depreciation expense | (288) | (259) |
| Net foreign currency movements arising from foreign operation | 32 | (12) |
| **Carrying amount end of year** | **1,663** | **1,570** |
| **Computer equipment** | | |
| Carrying amount at beginning of year | 1,913 | 2,159 |
| Additions | 772 | 712 |
| Additions through acquisition of entities/operations | 12 | 56 |
| Depreciation expense | (1,064) | (746) |
| Net foreign currency movements arising from foreign operation | 102 | (268) |
| **Carrying amount end of year** | **1,735** | **1,913** |
| **Total plant and equipment** | **3,429** | **3,494** |
| **Total property, plant and equipment** | **16,861** | **17,354** |

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Goodwill at cost | 399,533 | 357,136 |
| | | |
| Identifiable intangible assets at cost | 169,242 | 133,035 |
| Accumulated amortisation and impairment | (48,883) | (32,876) |
| | **120,359** | **100,159** |
| **Total intangible assets** | **519,892** | **457,295** |

**(a) Reconciliations**

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| *Goodwill at cost* | | |
| Opening balance | 357,136 | 333,254 |
| Additions (a) | 25,403 | 31,582 |
| Net foreign currency movement arising from foreign operations | 16,994 | (7,700) |
| **Closing balance** | **399,533** | **357,136** |
| *Identifiable Intangible assets at cost* | | |
| Opening balance | 100,159 | 87,626 |
| Additions through business combination (a) | 18,216 | 18,703 |
| Acquired through business combination | 292 | - |
| Other additions | 12,339 | 9,002 |
| Amortisation expense | (14,718) | (12,564) |
| Net foreign currency movement arising from foreign operations | 4,071 | (2,608) |
| **Closing balance** | **120,359** | **100,159** |
| **Total intangible assets** | **519,892** | **457,295** |

a. Additional goodwill and identifiable intangible assets relate to the business acquisitions in Note 30.

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 2023 (2022: 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 2023

## NOTE 16: INTANGIBLE ASSETS (Continued)

The Group performed its annual impairment test in June 2023 and June 2022. 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 2023, 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 $486m as at 30 June 2023 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 $149.46m. The post-tax discount rate applied to cash flow projections is 10% (2022: 9.5%) and the terminal value cash flows beyond the five-year period valued with a 2.5% (2022: 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 $115.27m as at 30 June 2023 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 $8.89m. The post-tax discount rate applied to cash flow projections is 10% (2022: 9.5%) and the terminal value cash flows beyond the five-year period valued with a 2.5% (2022: 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 $446.7m as at 30 June 2023 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 $241.18m. The post-tax discount rate applied to cash flow projections is 11% (2022: 9.5%) and the terminal value cash flows beyond the five-year period valued with a 2% (2022: 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:

| | 2023<br>% | 2022<br>% |
|---|---|---|
| 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% to 2.5% | 2% |
| Discount rate (pre tax) | 11% to 16% | 10% to 15% |
| Discount rate (post tax) | 10% to 11% | 8% to 11% |

## NOTE 17: RIGHT OF USE ASSETS

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Non-Current** | | |
| Right of use assets | 18,525 | 19,818 |
| | **18,525** | **19,818** |

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

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening balance 1 July | 19,818 | 20,516 |
| Additions | 4,331 | 5,025 |
| Depreciation expense | (5,624) | (5,723) |
| **Closing balance at 30 June** | **18,525** | **19,818** |

The following are the amounts recognised in profit or loss:

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Depreciation expense of right-of-use assets | (5,624) | (5,723) |
| Interest expense on lease liabilities | (1,163) | (1,398) |
| Expense relating to short-term leases or low-value assets (included in Administration and other expenses) | (1,018) | 239 |
| **Total amount recognised in profit or loss** | **(7,805)** | **(6,882)** |

The Group had total cash outflows for leases of $6.4m in 2023 (2022: $6.7m). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 31.

## NOTE 18: PAYABLES

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Current** | | |
| *Unsecured liabilities* | | |
| Trade creditors | 2,875 | 3,829 |
| Payables from broking, reinsurance and underwriting agency operations | 275,014 | 241,309 |
| Sundry creditors and accruals | 21,473 | 18,103 |
| | **299,362** | **263,241** |
| **Non - Current** | | |
| Related party payables | 789 | - |
| **Total payables** | **300,151** | **263,241** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 19: BORROWINGS

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Non - Current** | | |
| *Secured liabilities* | | |
| *Bank loans* | 213,693 | 186,979 |
| **Total borrowings** | **213,693** | **186,979** |

**(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 ($78,601,372)

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

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Employee benefits | 6,413 | 5,461 |
| **Non - Current** | | |
| Employee benefits | 691 | 541 |
| **Total employee benefits liability** | **7,104** | **6,002** |

## NOTE 21: FINANCIAL LIABILITIES - DERIVATIVES

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| *Derivatives not designated as hedging instruments* | | |
| Foreign exchange forward contracts | - | 906 |
| **Total derivatives** | **-** | **906** |

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Lease liabilities | 6,191 | 4,842 |
| **Non - Current** | | |
| Lease liabilities | 15,850 | 18,459 |
| **Total lease liabilities** | **22,041** | **23,301** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 23: CONTRACT LIABILITIES - DEFERRED REVENUE

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Contract liabilities | 12,291 | 7,653 |
| **Non - Current** | | |
| Contract liabilities | 412 | 360 |
| **Total contract liabilities** | **12,703** | **8,013** |

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Current** | | |
| Amounts payable to vendors | 13,471 | 35,834 |
| **Non - Current** | | |
| Amounts payable to vendors | 8,396 | 5,395 |
| **Total amounts payable to vendors** | **21,867** | **41,229** |

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**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| 355,683,921 Ordinary shares fully paid (2022: 348,955,012) | **425,981** | **411,661** |

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 |
|---|---|---|
| **2023** | | |
| Beginning of financial year | 348,955,012 | 411,661 |
| Capital issuing costs | - | (53) |
| Shares in lieu of cash for acquisition of subsidiary | 2,772,461 | 12,799 |
| Dividend reinvestment | 327,052 | 1,574 |
| Loan funded shares | 832,671 | - |
| Converted options | 2,796,725 | - |
| **End of financial year** | **355,683,921** | **425,981** |
| **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** |

**(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 2023, management paid dividends of:

- Dividends paid by PSC Insurance Group Limited $44,840,450 (2022: $35,868,827)
- Dividends paid to non-controlling interests $330,584 (2022: $522,499)

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 2023

## NOTE 26: RESERVES AND RETAINED EARNINGS

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Share-based payment reserve | 7,399 | 4,585 |
| Foreign currency translation reserve | 11,300 | (9,835) |
| Revaluation surplus | 1,443 | 1,443 |
| Put option reserve over non-controlling interest | (384) | - |
| Non-controlling interest reserve | (45,150) | (43,083) |
| **Reserves** | **(25,392)** | **(46,890)** |
| **Retained Earnings** | **53,074** | **42,157** |

**(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**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Opening balance | 4,585 | 2,853 |
| Fair value of options and performance share rights recognised as an expense during the year | 2,814 | 1,732 |
| **Closing balance** | **7,399** | **4,585** |

**(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**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Opening balance | (9,835) | 1,537 |
| Exchange differences on translation of foreign operations | 21,135 | (11,372) |
| **Closing balance** | **11,300** | **(9,835)** |

**(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**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening balance | 1,443 | 1,443 |
| **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.

**(ii) Movements in reserves**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening Balance | (43,083) | (43,083) |
| Non-controlling interest arising from business combinations | (2,067) | - |
| **Closing balance** | **(45,150)** | **(43,083)** |

**(e) Retained Earnings**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening balance | 42,157 | 51,368 |
| Net profit | 55,757 | 26,658 |
| Dividends provided for or paid | (44,840) | (35,869) |
| **Closing balance** | **53,074** | **42,157** |

## 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 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:

| | 2023 | 2022 |
|---|---|---|
| Opening balance 1 July | 8,000,000 | 8,600,000 |
| Exercised during the year (a) | (8,000,000) | (600,000) |
| Granted during the year (b) | 2,000,000 | - |
| **Outstanding at 30 June** | **2,000,000** | **8,000,000** |
| Exercisable at 30 June | - | 8,000,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 27: SHARE-BASED PAYMENTS (Continued)

(a) The options were exercised on 30 August 2022, by way of a cashless exercise as permitted by the Group's LTIP.

| | Block A | Block B | Block C | Block D | Total |
|---|---|---|---|---|---|
| Number of options able to be exercised | 3,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 8,000,000 |
| Option exercise price per option | $3.00 | $3.25 | $3.50 | $3.75 | |
| 5 day volume-weighted average share price at exercise | $5.0449 | $5.0449 | $5.0449 | $5.0449 | |
| Number of shares issued | 1,418,690 | 533,678 | 459,345 | 385,012 | 2,796,725 |

(b) Unissued ordinary shares of PSC Insurance Group Limited under option at 30 June 2023 are:

| Name of option holder | Date option granted | Number of unissued ordinary shares under option | Vesting date | Issue price of shares | Expiry date of the options |
|---|---|---|---|---|---|
| Antony Robinson | 11/11/22 | 2,000,000 | 10/11/24 | $6.50 per share | 31/03/25 |

The fair value of the options was $760,415. The vesting condition is that Mr Robinson remains a member of the KMP as at the vesting date.

Expected volatility of 31.85%, dividend yield of 2.62%, risk free interest rate of 3.20% and a spot price of $4.85 were used in the calculation of options issued.

The exercise prices for options outstanding at the end of the year was $6.50 (2022: $3.00 to $3.75).

$253,472 of expense was recognised during the year for the above options (2022: $nil).

**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:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Expense arising from equity-settled share-based payment transactions | 2,814 | 1,732 |
| **Total expense arising from loan funded share-based transactions** | **2,814** | **1,732** |

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

| | 2023 | 2022 |
|---|---|---|
| Opening balance | 16,335,007 | 7,213,741 |
| Issued during the year (a) | 998,171 | 9,206,415 |
| Forfeited during the year (b) | (165,500) | - |
| Loan repaid | - | (85,149) |
| **Closing balance** | **17,167,678** | **16,335,007** |

(a) Issued during the year

- 150,000 fully paid shares were issued on 3 August 2022 at a share price of $4.20, expiring in 3 years.
- 60,000 fully paid shares were issued on 12 October 2022 at a share price of $4.42, expiring in 3 years.
- 600,000 fully paid shares were issued on 5 December 2022 at a share price of $4.80, expiring in 4 years.
- 188,171 fully paid shares were issued on 3 February 2023 at a share price of $4.73, expiring in 5 years.

Average weighted expected volatility of 31.62%, dividend yield of 2.74% and a risk free interest rate of 3.24% were used in the calculations of shares issued.

(b) Forfeited during the year

- 65,500 loan funded shares were forfeited on 5 December 2022.
- 100,000 loan funded shares were forfeited on 3 February 2023

## NOTE 28: INTERESTS IN SUBSIDIARIES

**(a) Subsidiaries**

| Subsidiaries of the Group | Country of incorporation | Ownership interest held by group | | Ownership interest held by NCI | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| 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 Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| AWIB Pty Ltd | Australia | 100.00% | 100.00% | 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 Limited | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll & Partners Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll Harvey Insurance Brokers Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll London Markets Holdings Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll London Markets Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll Insurance Brokers Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Carroll Insurance Group Limited | 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% |
| PSC Life Pty Ltd (formally Certus Life Pty Ltd) | Australia | 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% |
| Charter Union Insurance Brokers Ltd** | Hong Kong | 100.00% | 0.00% | 0.00% | 0.00% |
| Chase Global UK Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Chase Surety Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| Chase UK Holdings 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 Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Eden Software Pty Ltd | Australia | 75.00% | 75.00% | 25.00% | 25.00% |
| Ensurance UK Limited** | United Kingdom | 100.00% | 0.00% | 0.00% | 0.00% |
| Fenchurch Insurance Risk Management Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Globe Insurance Consultants Ltd | Hong Kong | 0.00% | 100.00% | 0.00% | 0.00% |
| Globe Limited | Hong Kong | 100.00% | 100.00% | 0.00% | 0.00% |
| Insurance Holdings Ltd | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Medical & General Insurance Brokers Pty Ltd (formally Insurance Marketing Group of Australia Pty Ltd) | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| JHR Corporate Risk Services 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 2023

## 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 | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| 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% |
| ACN 095 612 276 Pty Ltd (formally 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 Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Paragon International Insurance Brokers Limited | 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 AMGI WSC Pty Ltd** | Australia | 82.69% | 0.00% | 17.31% | 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 | 100.00% | 70.00% | 0.00% | 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% |
| The PSC Foundation Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Network 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 (Adelaide) Pty Ltd (formally PSC Wright Fahey Pty Ltd) | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Insurance Brokers (Aust) Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Insurance Brokers (Brisbane) Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Insurance Brokers (Darwin) Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Insurance Brokers 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 Tasmania Pty Ltd* | Australia | 60.00% | 0.00% | 40.00% | 0.00% |
| PSC Insurance Brokers (Sunshine Coast) Pty Ltd (formally RP-Maroochydore 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% | 100.00% | 0.00% | 0.00% |
| PSC Insurance Services Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC International Holdings Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC International Holdings (HK) Pty Ltd (formally Charter Gilman Insurance Holdings Limited) | 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 Ltd | New Zealand | 100.00% | 80.00% | 0.00% | 20.00% |
| 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% |

| Subsidiaries of the Group | Country of incorporation | Ownership interest held by group | | Ownership interest held by NCI | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| PSC Nominees Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC NZ Holdings Ltd | New Zealand | 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 Limited (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 Trade Credit Risk Pty Ltd* | Australia | 90.00% | 0.00% | 10.00% | 0.00% |
| PSC UK Holdings Limited | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC UK Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Workers Compensation Services Pty Ltd | Australia | 100.00% | 75.00% | 0.00% | 25.00% |
| PSC Workers Compensation Holdings 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-Broadbeach Pty Ltd* | Australia | 100.00% | 50.00% | 0.00% | 50.00% |
| RP-Canning Vale Pty Ltd | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC Paragon Insurance Brokers Pty Ltd (formally RP-Morayfield Pty Ltd ) | Australia | 70.00% | 100.00% | 30.00% | 0.00% |
| RP-Newcastle Pty Ltd* | Australia | 100.00% | 50.00% | 0.00% | 50.00% |
| ACN 615 515 369 Pty Ltd (formally RP-Parramatta Pty Ltd) | Australia | 100.00% | 100.00% | 0.00% | 0.00% |
| RP-Penrith Pty Ltd* | Australia | 100.00% | 50.00% | 0.00% | 50.00% |
| RP-Randwick 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% |
| PSC Holdings Retail Limited (formally Turner Financial Services Limited) | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| PSC UK Insurance Brokers Limited (formally Turner Insurance Services Limited ) | United Kingdom | 100.00% | 100.00% | 0.00% | 0.00% |
| Turner Rawlinson & Company Limited** | United Kingdom | 100.00% | 0.00% | 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 2023 financial year
2 - ** Entity acquired during the 2023 financial year

**(b) Reconciliation of the Non-controlling interest**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Accumulated NCI at the beginning of the year | 1,837 | 1,115 |
| Profit or loss allocated to NCI during the year | 646 | 678 |
| Put option reserve revaluation | (255) | - |
| Increase in non-controlling interest | 169 | 566 |
| Dividends paid to NCI | (331) | (522) |
| **Accumulated NCI at the end of the year** | **2,066** | **1,837** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## 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:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Cash on hand | 31 | 31 |
| Cash at bank | 34,495 | 61,592 |
| Cash on deposit | 36,844 | 44,487 |
| | **71,370** | **106,110** |

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Profit from ordinary activities after income tax | 56,403 | 27,336 |
| **Add/(Less) items classified as investing/financing activities** | | |
| Loss on deferred consideration | 8,921 | 16,971 |
| **Adjustments and non - cash items** | | |
| *Non-cash items* | | |
| Depreciation and amortisation | 22,413 | 20,377 |
| Expected credit loss | 460 | 277 |
| Foreign currency translation losses / (gains) | 5,863 | (5,192) |
| Fair value adjustment of shares | (14,996) | 5,888 |
| Share-based payment expense | 2,814 | 1,732 |
| Equity accounted result | 251 | (605) |
| Derivative (gains) / losses | (1,951) | 1,411 |
| Other | (37) | 29 |
| Disposal of investment in associates | (68) | (683) |
| **Net cash flows from operations before change in assets and liabilities** | **80,073** | **67,541** |
| **Change in assets and liabilities** | | |
| (Increase) in receivables | (2,373) | (1,745) |
| (Increase) in contract / other assets | (6,837) | (2,958) |
| Increase in payables | 591 | 3,194 |
| Increase in provisions | 724 | 144 |
| Increase in other liabilities | 4,690 | 2,455 |
| (Decrease)/increase income taxes payable | (180) | 1,235 |
| Increase/(decrease) in deferred tax balances | 6,043 | (800) |
| **Net cash flow from operating activities** | **82,731** | **69,066** |

**(c) Acquisitions**

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

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Cash and cash equivalents | 2,981 | - |
| Financial assets - trust cash | 18,272 | - |
| Contract assets - broking | 2,950 | - |
| Property, plant and equipment | 50 | 176 |
| Identifiable Intangibles | 18,216 | 18,703 |
| Acquired intangibles | 292 | - |
| Receivables | 10 | - |
| Other assets | 284 | |
| Right of use assets | 162 | - |
| Lease Liabilities | (176) | - |
| Payables | (20,064) | - |
| Income tax payable | (377) | - |
| Provisions | (337) | (628) |
| Net deferred tax balances | (5,898) | (5,400) |
| **Net Identifiable assets acquired** | **16,365** | **12,851** |
| **Net assets exceeding consideration paid** | **7,300** | **24,778** |
| Consideration paid in cash | (23,665) | (37,629) |
| Cash acquired | 2,981 | - |
| **Net cash dispensed** | **(20,684)** | **(37,629)** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 29: CASH FLOW INFORMATION (continued)

**(d) Loan facilities**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Loan facilities | 282,515 | 276,601 |
| Amount utilised | 213,693 | 186,979 |
| **Unused loan facility** | **68,822** | **89,622** |

**(e) Reconciliation of liabilities arising from financing activities**

| Borrowings | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Balance at the beginning of the year | 186,979 | 176,679 |
| Drawdowns | 20,000 | 98,740 |
| Payments made | - | (84,460) |
| Foreign currency movements | 6,714 | (3,980) |
| **Balance at the end of the year** | **213,693** | **186,979** |

| Leases Liabilities | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Balance at the beginning of the year | 23,301 | 23,231 |
| Additions | 3,508 | 5,450 |
| Payments made | (6,394) | (6,700) |
| Finance costs | 1,163 | 1,398 |
| Foreign currency movements | 463 | (78) |
| **Balance at the end of the year** | **22,041** | **23,301** |

## NOTE 30: BUSINESS COMBINATIONS

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Cash consideration | 23,665 | 37,629 |
| Equity consideration | 5,769 | - |
| Contingent consideration | 11,220 | 6,636 |
| **Total purchase consideration** | **40,654** | **44,265** |
| **Fair value of non-controlling interests** | **1,114** | **170** |

**Acquisitions for the year ended 30 June 2023**

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



## NOTE 30: BUSINESS COMBINATIONS (continued)

**(a) Consideration paid/payable**

| 2023 | Charter Union Insurance Brokers Ltd $'000 | Trade Credit Risk Pty Ltd $'000 |
|---|---|---|
| Cash consideration paid | 5,560 | 4,073 |
| Equity Consideration | - | 460 |
| Contingent consideration | 2,536 | 959 |
| **Total purchase consideration** | **8,096** | **5,492** |
| Ownership share | 100% | 90% |
| Acquisition vehicle | (i) | (ii) |
| Date of acquisition | 12/8/2022 | 9/11/2022 |
| Fair value of previously held equity interest | - | - |
| Fair value of non-controlling interest | - | 186 |
| **Total non-controlling interest** | **-** | **186** |

**(b) Identifiable assets and liabilities acquired**

| 2023 | Charter Union Insurance Brokers Ltd $'000 | Trade Credit Risk Pty Ltd $'000 |
|---|---|---|
| • Cash and Cash equivalents | 801 | - |
| • Other financial assets - trust cash | 1,877 | - |
| • Contract assets | 531 | - |
| • Property, plant and equipment | 18 | - |
| • Identifiable intangibles (client lists and brand names) | 4,100 | 2,715 |
| • Acquired intangibles | - | - |
| • Trade and other receivables | 10 | - |
| • Other assets | 134 | - |
| • Right of use assets | - | - |
| • Lease Liabilities | - | - |
| • Net deferred tax liabilities | (1,974) | (796) |
| • Trade and other payables | (1,892) | - |
| • Income tax payable | (9) | - |
| • Provisions | (9) | (62) |
| | **3,587** | **1,857** |

The Group purchased 70% of Aviation Marine General Insurance Pty Ltd (AMGI). Subsequently AMGI acquired 100% of WSC Insurance Brokers Pty Ltd (WSC). Therefore, the minority interest owner in AMGI has a NCI in WSC.

The net assets for Charter Union Insurance Brokers Ltd and Ensurance UK Limited are based on a provisional assessment of their fair value at reporting date.

| Aviation Marine General Insurance Pty Ltd $'000 | WSC Insurance Brokers Pty Ltd $'000 | Ensurance UK Limited $'000 | Turner Rawlinson & Company Limited $'000 | Total Group $'000 |
|---:|---:|---:|---:|---:|
| - | 3,236 | 5,277 | 5,519 | 23,665 |
| 2,484 | - | 1,973 | 852 | 5,769 |
| 942 | 1,261 | 452 | 5,070 | 11,220 |
| **3,426** | **4,497** | **7,702** | **11,441** | **40,654** |
| 70% | 100% | 100% | 100% | |
| (i) | (ii) | (i) | (i) | |
| 8/12/2022 | 10/2/2023 | 9/3/2023 | 28/4/2023 | |
| - | (115) | - | - | (115) |
| 666 | 377 | - | - | 1,229 |
| **666** | **262** | **-** | **-** | **1,114** |

| Aviation Marine General Insurance Pty Ltd $'000 | WSC Insurance Brokers Pty Ltd $'000 | Ensurance UK Limited $'000 | Turner Rawlinson & Company Limited $'000 | Total Group $'000 |
|---:|---:|---:|---:|---:|
| 125 | - | 444 | 1,611 | 2,981 |
| - | - | 15,476 | 919 | 18,272 |
| 158 | - | 1,962 | 299 | 2,950 |
| - | - | 7 | 25 | 50 |
| 2,868 | 3,241 | 1,705 | 3,587 | 18,216 |
| 226 | - | 66 | - | 292 |
| - | - | - | - | 10 |
| 9 | 3 | 69 | 69 | 284 |
| 55 | - | - | 107 | 162 |
| (57) | - | - | (119) | (176) |
| (826) | (972) | (426) | (904) | (5,898) |
| (131) | - | (16,847) | (1,194) | (20,064) |
| (94) | - | - | (274) | (377) |
| (115) | (151) | - | - | (337) |
| **2,218** | **2,121** | **2,456** | **4,126** | **16,365** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



## NOTE 30: BUSINESS COMBINATIONS (continued)

**(c) Goodwill on acquisition**

| 2023 | Charter Union Insurance Brokers Ltd $'000 | Trade Credit Risk Pty Ltd $'000 |
|---|---|---|
| Total consideration paid / payable | 8,096 | 5,492 |
| Total net identifiable assets acquired | 3,587 | 1,857 |
| Fair value of previously held equity interest | - | - |
| Non-controlling interests acquired | - | 186 |
| **Goodwill on acquisition (Excess over consideration paid / payable)** | **4,509** | **3,821** |

**(d) Financial performance since acquisition date**

| 2023 | Charter Union Insurance Brokers Ltd $'000 | Trade Credit Risk Pty Ltd $'000 |
|---|---|---|
| Revenue | 3,390 | 1,583 |
| EBITDA | 1,052 | 754 |
| Profit after tax | 878 | 528 |
| *Financial performance if held for 12 months* | | |
| Revenue | 3,964 | 2,275 |
| EBITDA | 1,110 | 842 |
| Profit after tax | 927 | 589 |
| Goodwill on acquisition | 4,509 | 3,821 |
| Identifiable intangibles | 4,100 | 2,715 |
| | **8,609** | **6,536** |

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 $11.2m 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 $0.04m (2022: $0.06m) 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.

| Aviation Marine General Insurance Pty Ltd $'000 | WSC Insurance Brokers Pty Ltd $'000 | Ensurance UK Limited $'000 | Turner Rawlinson & Company Limited $'000 | Total Group $'000 |
|---|---|---|---|---|
| 3,426 | 4,497 | 7,702 | 11,441 | 40,654 |
| 2,218 | 2,121 | 2,456 | 4,126 | 16,365 |
| - | (115) | - | - | (115) |
| 666 | 377 | - | - | 1,229 |
| **1,874** | **2,638** | **5,246** | **7,315** | **25,403** |

| Aviation Marine General Insurance Pty Ltd $'000 | WSC Insurance Brokers Pty Ltd $'000 | Ensurance UK Limited $'000 | Turner Rawlinson & Company Limited $'000 | Total Group $'000 |
|---|---|---|---|---|
| 1,229 | 945 | 1,528 | 568 | 9,243 |
| 718 | 445 | 376 | 232 | 3,577 |
| 503 | 312 | 305 | 188 | 2,714 |
| | | | | |
| 1,963 | 2,418 | 4,570 | 3,197 | 18,387 |
| 903 | 991 | 1,229 | 1,279 | 6,354 |
| 632 | 694 | 995 | 1,036 | 4,873 |
| 1,874 | 2,638 | 5,246 | 7,315 | 25,403 |
| 2,868 | 3,241 | 1,705 | 3,587 | 18,216 |
| **4,742** | **5,879** | **6,951** | **10,902** | **43,619** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## 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**

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Not later than one year | 7,449 | 6,448 |
| Later than one year and not later than five years | 14,114 | 15,355 |
| Greater than five years | 2,848 | 4,043 |
| **Aggregate lease expenditure contracted for at reporting date** | **24,411** | **25,846** |

**(b) Contingent liabilities**

The company has considered all known matters of litigation and has assessed the nature, likelihood and potential financial impact, including recovery from third parties, including insurers. Based on this assessment 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. Based on this assessment, no provisions have been raised for any current legal matters.

## NOTE 32: EARNINGS PER SHARE

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Reconciliation of earnings used in calculating earnings per share: | | |
| Profit from continuing operations attributable to owners of PSC Insurance Group Limited | 55,757 | 26,658 |
| Profit used in calculating basic earnings per share | 55,757 | 26,658 |
| Profit used in calculating diluted earnings per share | 55,757 | 26,658 |
| Earnings used in calculating diluted earnings per share | 55,757 | 26,658 |

| | 2023<br>No of Shares | 2022<br>No of Shares |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 353,221,431 | 331,696,644 |
| Effect of dilutive securities: | | |
| Share options | 1,274,725 | 8,000,000 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 354,496,156 | 339,696,644 |

## 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:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| **Financial assets** | | |
| *Amortised cost:* | | |
| Cash and cash equivalents | 71,370 | 106,110 |
| Bonds and deposits | 2,424 | 755 |
| Financial assets - trust cash | 274,791 | 241,289 |
| Other receivables | 11,406 | 9,050 |
| Related parties loans and receivables | 848 | 2,236 |
| *Fair value through profit or loss:* | | |
| Derivatives | 1,101 | - |
| Financial assets - investments in shares and unit trusts | 60,359 | 44,755 |
| | **422,299** | **404,195** |
| **Financial liabilities** | | |
| *Amortised cost:* | | |
| Trade creditors | 2,875 | 3,829 |
| Payables from broking, reinsurance and underwriting agency operations | 275,014 | 241,309 |
| Sundry creditors and accruals | 21,473 | 18,103 |
| Related party payables | 789 | - |
| Lease liabilities | 22,041 | 23,301 |
| Borrowings | 213,693 | 186,979 |
| *Fair value through profit or loss:* | | |
| Derivatives | - | 906 |
| Amounts payable to vendors - contingent consideration | 21,867 | 41,229 |
| | **557,752** | **515,656** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## 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 three market securities, held at fair value.

Price sensitivity at 30 June 2023 at +/- 10% represents exposure of $5,454,000 (2022: $3,953,000).

**(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:

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| + / - 10% | | |
| Impact on profit after tax | 2,721 | 981 |
| Impact on equity | 4,286 | 2,895 |

**(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:<br>- 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:<br>- 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:<br>- 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 | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening Balance | 5,228 | 4,768 |
| Additional holdings | 21 | 75 |
| Fair value adjustments - unrealised | 572 | 385 |
| **Closing balance** | **5,821** | **5,228** |

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 | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Opening balance | 41,229 | 35,830 |
| Additions from acquisitions | 11,220 | 6,636 |
| Other additions | 4,137 | 1,754 |
| Deferred cash payments | (40,883) | (17,193) |
| Deferred share issues | (4,680) | (1,200) |
| Revaluations | 8,921 | 16,971 |
| Net foreign currency movement arising from foreign operations | 1,923 | (1,569) |
| **Closing balance** | **21,867** | **41,229** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## 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 % |
|---|---|---|---|---|
| **2023** | | | | |
| **(i) Financial assets (variable)** | | | | |
| Cash | 71,370 | - | 71,370 | 1.46% |
| Bonds and deposits | - | 2,424 | 2,424 | |
| Cash held on trust | 274,791 | - | 274,791 | 1.46% |
| Other receivables | - | 11,406 | 11,406 | |
| Derivatives | - | 1,101 | 1,101 | |
| Loans to related entities | 848 | - | 848 | 2.63% |
| Financial assets - investments in shares and unit trusts | - | 60,359 | 60,359 | |
| **Total financial assets** | **347,009** | **75,290** | **422,299** | |
| **(ii) Financial liabilities (variable)** | | | - | |
| Trade creditors | - | 2,875 | 2,875 | |
| Payables from broking, reinsurance and underwriting agency operations | - | 275,014 | 275,014 | |
| Sundry creditors and accruals | - | 21,473 | 21,473 | |
| Related party payables | - | 789 | 789 | |
| Lease Liabilities | 22,041 | - | 22,041 | |
| Borrowings | 213,693 | - | 213,693 | 4.20% |
| Amounts payable to vendors - contingent consideration | 8,396 | 13,471 | 21,867 | |
| **Total financial liabilities** | **244,130** | **313,622** | **557,752** | |
| **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** | |

| Financial Instruments | Interest-bearing $'000 | Non-interest bearing $'000 | Total carrying amount $'000 | Weighted average effective interest rate % |
|---|---|---|---|---|
| **(ii) Financial liabilities (variable)** | | | | |
| Trade creditors | - | 3,829 | 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** | |

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:

| | Increase / decrease in basis points | (Increased) / decreased impact on profit after tax and equity |
|---|---|---|
| **2023** | +250 | (1,800) |
| | -250 | 1,800 |
| **2022** | +250 | (2,344) |
| | -250 | 2,344 |

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



## NOTE 33: FINANCIAL RISK MANAGEMENT (continued)

**(g) Fair value compared with carrying amounts**

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

**(h) Maturity analysis**

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

| | < 6 Months<br>$'000 | 6-12 Months<br>$'000 | 1-5 years<br>$'000 | Carrying amount<br>$'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Cash and cash equivalents | 71,370 | - | - | 71,370 |
| Financial assets - trust cash | 274,791 | - | - | 274,791 |
| Receivables | 11,406 | - | - | 11,406 |
| Financial assets - investments in shares and unit trusts | - | - | 60,359 | 60,359 |
| Derivatives | 525 | 525 | 52 | 1,101 |
| Payables | (129,256) | (145,758) | - | (275,014) |
| Borrowings | - | - | (213,693) | (213,693) |
| Lease Liabilities | (3,096) | (3,096) | (15,850) | (22,041) |
| Amounts payable to vendors | (7,198) | (6,273) | (8,396) | (21,867) |
| **Net maturities** | **218,542** | **(154,602)** | **(177,528)** | **(113,588)** |

| | < 6 Months<br>$'000 | 6-12 Months<br>$'000 | 1-5 years<br>$'000 | Carrying amount<br>$'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 |
| 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)** |

## NOTE 34: DIRECTORS' AND EXECUTIVES' COMPENSATION

Key management personnel during the year are the Directors 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 |

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| *Compensation by category* | | |
| Short-term employment benefits | 3,437,449 | 3,346,936 |
| Post-employment benefits | 61,050 | 59,116 |
| Other long-term employment benefits | 28,832 | 21,005 |
| Long-term incentive plans | 888,859 | 260,526 |
| | **4,416,190** | **3,687,583** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## 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 (Recruitment) is a related party as John Dwyer and Paul Dwyer or their closely related entities are shareholders. Territory Property Holdings Pty Ltd (Occupancy) is a related party as Brian Austin and Paul Dwyer are Directors and shareholders. DWF LLP (Legal fees) is a related party as Mel Sims is a Partner at the Company.

| Related party | Service received | 2023 | 2022 |
|---|---|---|---|
| | | $ | $ |
| Fees Paid or Payable to associates (ex GST): | | | |
| Fuse Recruitment Pty Ltd | Recruitment Fees | 450,850 | 305,243 |
| Territory Property Holdings Pty Ltd | Occupancy | 68,592 | - |
| DWF LLP | Legal fees | 390,670 | 882,347 |

All the above services received from identified related parties of key management personnel were in the normal course of business, on terms and conditions no more favourable than those that it is reasonable to expect the party would have adopted if dealing at arms-length with an unrelated person. The outstanding balance of the above services is $17,675 (2022: $nil).

The Group provided insurance services to related parties of a Director totalling $14,436 (2022: $37,410). 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 (2022 $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)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | 570,000 | 488,000 |
| Fees for assurance services that are required by legislation to be provided by the auditor | 150,000 | 184,000 |
| Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm | | |
| Fees for other services | | |
| • Tax compliance | 18,665 | 40,250 |
| • Consulting Services | 159,800 | - |
| **Total fees to Ernst & Young (Australia)** | **898,465** | **712,250** |

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Fees for auditing the financial report of any controlled entities | 880,000 | 649,051 |
| Fees for other services | | |
| • Tax compliance | - | 46,714 |
| • Agreed upon procedures | - | 88,068 |
| **Total fees to other overseas member firms of Ernst & Young** | **880,000** | **783,832** |
| | | |
| **Total auditor's remuneration** | **1,778,465** | **1,496,082** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023

## NOTE 37: PARENT ENTITY INFORMATION

**(a) Summarised statement of financial position**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 494,777 | 456,286 |
| Non-current assets | 76,818 | 76,272 |
| **Total assets** | **571,595** | **532,558** |
| **Liabilities** | | |
| Current liabilities | 3,490 | 3,114 |
| Non-current liabilities | 127,483 | 106,679 |
| **Total liabilities** | **130,973** | **109,793** |
| **Net assets** | **440,622** | **422,765** |
| **Equity** | | |
| Share capital | 431,779 | 417,460 |
| Reserves | 7,227 | 4,088 |
| Retained earnings | 1,616 | 1,217 |
| **Total equity** | **440,622** | **422,765** |

**(b) Summarised statement of comprehensive income**

| | 2023 $'000 | 2022 $'000 |
|---|---|---|
| Profit for the year | 45,374 | 35,310 |
| **Total comprehensive income for the year** | **45,374** | **35,310** |

**(c) Parent entity guarantees**

There are no Parent entity guarantees currently in place.

## 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, Travel and Medical Indemnity Australia.
- **United Kingdom:** Businesses including Paragon International Insurance Brokers, Paragon Bermuda, Carrolls, Breeze Underwriting (UK), Chase Underwriting (UK), Ensurance (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.

| 2023 | Distribution $'000 | Agency $'000 | UK $'000 | Group $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| Commission income | 65,344 | 20,076 | 129,687 | - | 215,107 |
| Fee income | 48,651 | 2,276 | 6,890 | - | 57,817 |
| Other fees | 11,078 | 1,121 | 4,451 | - | 16,650 |
| Other revenue | 137 | - | 789 | - | 926 |
| Interest income | 2,941 | 263 | 363 | 1,504 | 5,071 |
| Share of equity accounted results | - | - | 103 | (354) | (251) |
| Gain / (loss) on financial instruments | - | - | 2,019 | 14,968 | 16,987 |
| Investment income | - | - | - | 2,196 | 2,196 |
| **Total segment revenue** | **128,151** | **23,736** | **144,302** | **18,314** | **314,503** |
| **Segment revenue from external source** | **128,151** | **23,736** | **144,302** | **18,314** | **314,503** |
| *Segment result* | | | | | |
| Total segment result | 29,942 | 9,121 | 26,063 | (8,723) | 56,403 |
| **Segment result from external source** | **29,942** | **9,121** | **26,063** | **(8,723)** | **56,403** |
| *Items included within the segment result:* | | | | | |
| Depreciation expense - property, plant and equipment | (775) | (172) | (687) | (437) | (2,071) |
| Depreciation expense - right-of-use assets | (2,513) | (347) | (2,764) | - | (5,624) |
| Amortisation expense | (7,264) | (205) | (7,219) | (30) | (14,718) |
| Interest expense | (165) | - | (28) | (8,790) | (8,983) |
| Interest expense - lease liabilities | (304) | (86) | (773) | - | (1,163) |
| Income tax expense | (12,245) | (3,510) | (7,060) | (491) | (23,306) |
| **Total segment assets** | **226,615** | **29,703** | **228,045** | **596,102** | **1,080,465** |
| **Total segment liabilities** | **207,179** | **23,350** | **187,846** | **206,361** | **624,736** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For The Year Ended 30 June 2023



## NOTE 38: SEGMENT INFORMATION (continued)

| 2022 | Distribution $'000 | Agency $'000 | UK $'000 | Group $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| Commission income | 52,872 | 17,397 | 113,602 | - | 183,871 |
| Fee 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 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** |

## 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) Acquisitions**
Ensurance Ltd - On 8th August 2023, the Group announced that it has entered into a binding scheme implementation deed to acquire all of the shares in the capital of Ensurance Ltd (ASX:ENA) (ENA). Purchase price to be the greater of $25.2 million and 5,000,000 fully paid ordinary shares in PSC (Shares). This will be satisfied by way of issue of 5,000,000 PSC Shares to ENA shareholders, with any difference between the value of those shares and the purchase price of $25.2 million to be paid in cash. Implementation of the Scheme is targeted for late November 2023 and is subject to a number of customary conditions.

**(b) Final dividend**
On 23 August 2023, the Board declared a final dividend for 2023 of 8.3 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 97 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 2023 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 2023.

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

..................................................

**Antony Robinson**
**Director**

Melbourne
Date: 23 August 2023

# INDEPENDENT AUDITOR'S REPORT



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

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of PSC Insurance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 $520 million of goodwill and other intangibles, which collectively represent 48% of its total assets. These assets are the result of acquisitions undertaken in the current and previous periods.<br><br>In assessing the valuation of goodwill and other intangibles, the Group performs an annual impairment assessment, or more frequently, if impairment indicators are present.<br><br>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:<br>▶ determination of Cash Generating Units (CGUs)<br>▶ forecast cash flows, including assumptions on revenue and expense growth<br>▶ terminal growth rates<br>▶ discount rates<br><br>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.<br><br>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:<br>▶ Tested the mathematical accuracy of the impairment model;<br>▶ Assessed whether the forecast cash flows were consistent with the most recent Board approved cash flow forecasts;<br>▶ We involved our valuation specialists to assist in assessing the appropriateness of key assumptions utilised in the model, including discount and terminal growth rates;<br>▶ We assessed the appropriateness of the implied EBIT multiples with reference to comparable companies;<br>▶ We performed our own sensitivity analyses around key assumptions;<br>▶ Assessed the historical forecasting accuracy of the prior year by performing a comparison to actual results; and<br>▶ We assessed the Group's determination of the CGUs to which goodwill is allocated and assessed the adequacy of the disclosure included in the Notes to 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.<br>The accounting for business combinations is complex and requires significant judgment in determining:<br>▶ the value of identifiable intangible assets<br>▶ fair value of other net assets acquired<br>▶ goodwill acquired<br>▶ total consideration payable, including estimating components of deferred consideration.<br>Accordingly, we considered this to be a key audit matter.<br>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:<br>▶ Assessed the purchase price accounting with reference to the signed sale and purchase agreements relating to each business acquisition;<br>▶ 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;<br>▶ Tested the mechanical accuracy of management's models; and<br>▶ Tested the calculation of the total consideration payable as at acquisition date.<br>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 2023 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)



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## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 36 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of PSC Insurance Group Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Ernst & Young

Ernst & Young

T M Dring
Partner
23 August 2023

# SHAREHOLDER INFORMATION



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

## Shareholding Analysis

**(a) Distribution of Shareholders**

At 11 August 2023, the distribution of shareholdings was as follows:

| Range | Securities | % | No. of holders | % |
|---|---|---|---|---|
| 100,001 and Over | 339,368,110 | 95.41 | 164 | 7.23 |
| 10,001 to 100,000 | 13,039,416 | 3.67 | 391 | 17.23 |
| 5,001 to 10,000 | 1,506,600 | 0.42 | 194 | 8.55 |
| 1,001 to 5,000 | 1,425,313 | 0.40 | 543 | 23.93 |
| 1 to 1,000 | 344,482 | 0.10 | 977 | 43.06 |
| **Total** | **355,683,921** | **100.00** | **2,269** | **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 11 August 2023 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 11 August 2023, there were 2,269 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 11 August 2023):**

| Rank | Shareholder | Number of Shares |
|---|---|---|
| 1 | McHalem No 2 Pty Ltd | 55,714,555 |
| 2 | HSBC Custody Nominees (Australia) Limited | 46,007,279 |
| 3 | J P Morgan Nominees Australia Pty Limited | 36,685,644 |
| 4 | Glendale Dwyer Pty Ltd | 33,654,315 |
| 5 | Austin Superannuation Pty Ltd | 32,277,966 |
| 6 | Citicorp Nominees Pty Limited | 20,138,330 |
| 7 | National Nominees Limited | 17,843,718 |
| 8 | BNP Paribas Noms Pty Ltd | 6,706,830 |
| 9 | Rubi Holdings Pty Ltd | 5,000,000 |
| 10 | Namarong Investments Pty Ltd | 4,500,000 |
| 11 | Walker Insurance & Financial Services Pty Ltd | 4,492,168 |
| 12 | Mr Michael David Gunnion & Mrs Debra Lee Gunnion | 3,524,226 |
| 13 | Locust Fund Pty Ltd | 3,213,078 |
| 14 | Rowena House Pty Ltd | 2,796,725 |
| 15 | BNP Paribas Nominees Pty Ltd | 2,260,814 |
| 16 | UYB Com Pty Ltd | 2,142,479 |
| 17 | BNG Family Pty Ltd | 1,961,156 |
| 18 | Dead Grateful Pty Ltd | 1,925,898 |
| 19 | HSBC Custody Nominees (Australia) Limited - A/C 2 | 1,925,503 |
| 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