HALF-YEAR INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

Appendix 4D

Half Year Report for the six months to 31 December 2016

Name of entity. PSC INSURANCE GROUP LIMITED

ABN or equivalent company reference: 81 147 812 164

1. Reporting period

Report for the half year ended: 31 December 2016

Previous corresponding periods: Financial year ended 30 June 2016

Half- year ended 31 December 2015

2. Results for announcement to the market

		\$A '000
Revenues from ordinary activities (item 2.1)	up 33°	% to 36,705
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up 304	% to 5,005
Net profit for the period attributable to members (item 2.3)	up 304	% to 5,005
Dividends to members of the parent (item 2.4)	Amount per security	Franked amount per security
Interim dividend (2017)	2.0 cents	2.0 cents
Final dividend (2016)	2.5 cents	2.5 cents
Previous corresponding period (12 months 2016)	3.7 cents	3.7 cents
Record date for determining entitlements to the dividend (item 2.5)		17 March 2017

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

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

Group revenue has increased 33% on the prior corresponding period (pcp) to \$36.7 million. The increase in revenue of \$9.0 million was broad based across the Group, and largely the result of the contribution of acquisitions announced in financial year 2016. Acquisitions contributed approximately \$7.7 million of the increase, with consistent growth contributions across the existing operations. The depreciation of the UK pound over the period has impacted the translation to A\$.

Underlying¹ earnings before interest, tax, depreciation and amortisation (EBITDA) increased 51% on the pcp to \$10.2 million. The increased underlying EBITDA was \$3.4 million, with acquisitions contributing approximately \$2.2 million of this increase. Of the larger acquisitions completed in financial year 2016, the Australian Reliance and Reliance Partners businesses have settled in as expected and the Holman's acquisition in the UK has performed well. The Group expects continued improvement in these businesses over the coming years.

Underlying NPATA has increased to \$6.1 million, noting that the after tax amount of non-recurring costs and the non-cash amortisation charge have been adjusted for. Statutory NPAT attributable to members has increased significantly given improved operations, however also given the non-recurring IPO costs and roll up of non-controlling interests in the prior period.

The Group remains conservatively geared. We would expect that there is capacity for prudent increases in debt levels to fund the Group's growth and further acquisitions.

The half-year has been a period of integration and consolidation, and the Group's diversified businesses have continued to perform well overall. The acquisitions have performed to expectations and we believe will continue to improve in the coming years.

The Group has further focused on building its acquisition and new business pipeline of opportunities. We are confident this focus will lead to positive developments and outcomes for the Group in the near future.

The Directors have declared an increased fully franked interim dividend of 2.0 cents per share.

_

¹ Excluding ~ \$0.8m in non-recurring costs associated principally with acquisition related restructure costs, final IPO related costs and NED options costs.

3.	Net tangible assets per security	(item 3)		
		Current period	Previous corresponding	

Net tangible asset backing per ordinary security

Current period	Previous corresponding period
(0.1¢)	0.2¢

4. Details of entities over which control has been gained or lost during the period: (item 4)

Control gained over entitie	S	
Name of entities (item 4.1)	N/A	
Date(s) of gain of control (item 4.2)	N/A	
Contribution to consolidated profit activities after tax by the controlled in the current period on which contains.	d entities since the date(s)	N/A
Profit (loss) from ordinary activities controlled entities for the whole of corresponding period (item 4.3)		N/A

Loss of control of entities

Name of entities (item 4.1)	N/A	
Date(s) of loss of control (item 4.2)	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).		\$ NIL
Profit (loss) from ordinary activities controlled entities for the whole of corresponding period (item 4.3)		N/A

5. Dividends to members of the parent (item 5)

	Date of payment	Total amount of dividend
		\$A'000
Interim dividend year ended 30 June 2016	15/04/2016	\$2,700
Final dividend year ended 30 June 2016	18/10/2016	\$5,634

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend:	Current year (half-year 2016)	2.0 cents	2.0 cents	-
	Previous year (half-year 2015)	1.2 cents	1.2 cents	-

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities	\$4,508	\$2,700
Preference securities		
Other equity instruments		
Total	\$4,508	\$2,700

6. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

There are no dividend reinvestment plans currently i	n place.
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

7. The financial information provided in the Appendix 4D is based on the half-year condensed financial report (attached).

8. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

PSC INSURANCE GROUP LIMITED

ABN: 81 147 812 164 AND CONTROLLED ENTITIES

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016



PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

TABLE OF CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	5
Financial Report for the half-year ended 31 December 2016	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11
Directors' Declaration	24
Independent Auditor's Review Report	25

PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES ABN: 81 147 812 164 DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

The directors present their report together with the condensed financial report of the consolidated entity consisting of PSC Insurance Group Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2016 and independent review report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Brian Austin

John Dwver

Paul Dwyer

Antony Robinson

Melvyn Sims (appointed 8 August 2016)

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

Review of operations

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

Group revenue has increased 33% on the prior corresponding period (pcp) to \$36.7 million. The increase in revenue of \$9.0 million was broad based across the Group, and largely the result of the contribution of acquisitions announced in financial year 2016. Acquisitions contributed approximately \$7.7 million of the increase, with consistent growth contributions across the existing operations. The depreciation of the UK pound over the period has impacted the translation to A\$.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased 51% on the pcp to \$10.2 million. The increased underlying EBITDA was \$3.4 million, with acquisitions contributing approximately \$2.2 million of this increase. Of the larger acquisitions completed in financial year 2016, the Australian Reliance and Reliance Partners businesses have settled in as expected and the Holman's acquisition in the UK has performed well. The Group expects continued improvement in these businesses over the coming years.

Underlying NPATA has increased to \$6.1 million, noting that the after tax amount of non-recurring costs and the non-cash amortisation charge have been adjusted for. Statutory NPAT attributable to members has increased significantly given improved operations, however also given the non-recurring IPO costs and roll up of non-controlling interests in the prior period.

The Group remains conservatively geared. We would expect that there is capacity for prudent increases in debt levels to fund the Group's growth and further acquisitions.

The half-year has been a period of integration and consolidation, and the Group's diversified businesses have continued to perform well overall. The acquisitions have performed to expectations and we believe will continue to improve in the coming years.

The Group has further focused on building its acquisition and new business pipeline of opportunities. We are confident this focus will lead to positive developments and outcomes for the Group in the near future.

The Directors have declared an increased fully franked interim dividend of 2.0 cents per share.

¹ Excluding ~ \$0.8m in non recurring costs associated principally with acquisition related restructure costs, final IPO related costs and NED options costs.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the directors:

Paul Dwyer

Brian Austin

Director Melbourne Director

Date: 21 February 2017



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

AUDITOR'S INDEPENDENCE DECLARATION

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001;
 and
- (ii) no contraventions of APES 110 Code of Ethics for Professional Accountants.

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

F V RUSSO Partner

21 February 2017

PITCHER PARTNERS Melbourne

The lastness

CONDENSED CONSOLIDATED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Half-year

	пан-уеаг	
	31-Dec	31-Dec
	2016	2015
	\$'000	\$'000
Revenue and other income		
Fee and commission income	34,462	26,896
Other revenue	2,243	760
	36,705	27,656
Less: expenses		
Administration and other expenses	(3,967)	(5,051)
Depreciation and amortisation expense	(630)	(403)
Employee benefits expense	(18,383)	(14,570)
Occupancy expense	(1,508)	(1,190)
Finance costs	(881)	(1,007)
Employee contractors	(1,102)	(813)
Information technology costs	(1,624)	(1,135)
Professional fees	(760)	(292)
	(28,855)	(24,461)
Profit before income tax expense	7,850	3,195
Income tax expense	(2,657)	(1,114)
Net profit from continuing operations	5,193	2,081
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange differences on translation of foreign operations	(630)	(133)
Other comprehensive income for the period	(630)	(133)
Total comprehensive income	4,563	1,948
·	<u> </u>	
Profit is attributable to:		
- Members of the parent	5,005	1,239
- Non-controlling interests	188	842
·	5,193	2,081
Total comprehensive income is attributable to:		
- Members of the parent	4,375	1,106
- Non-controlling interests	188	842
	4,563	1,948
· · · · · · · · · · · · · · · · · · ·	<u> </u>	<u>, , , , , , , , , , , , , , , , , , , </u>
Earnings per share for profit attributable to the equity holders of the parent entity:		
Diluted earnings per share	2.3 cents	1.4 cents
Basic earnings per share	2.3 cents	1.4 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Half-yea	ar
		31-Dec	30-Jun
		2016	2016
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		80,054	87,252
Receivables		282,993	339,384
Other assets		1,244	1,813
Total current assets		364,291	428,449
Non-current assets			
Receivables		4,944	5,245
Other financial assets		2,557	1,955
Equity Accounted investments	8	7,406	7,515
Property, plant and equipment		11,800	1,749
Deferred tax assets		248	-
Intangible assets	6	67,152	67,377
Total non-current assets		94,107	83,841
Total assets		458,398	512,290
Current liabilities			
Payables		336,478	397,678
Borrowings		528	566
Provisions		1,865	2,109
Current tax liabilities		2,751	551
Other liabilities		12,238	10,698
Total current liabilities		353,860	411,602
Non-current liabilities			
Borrowings		36,698	26,154
Provisions		343	304
Deferred tax liabilities		-	1,381
Other liabilities		597	5,046
Total non-current liabilities		37,638	32,885
Total liabilities		391,498	444,487
Net assets		66,900	67,803
			07,803
Equity			
Share capital	4	85,194	85,194
Reserves		(38,202)	(37,740)
Retained earnings		18,291	18,920
Equity attributable to owners of PSC Insurance Group Limited		65,283	66,374
Non-controlling interests		1,617	1,429
Total equity		66,900	67,803

ABN: 81 147 812 164

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated	Share capital	Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	\$ ′000	\$ ′000	\$ ′000	\$ ′000	\$ ′000
Balance as at 1 July 2015	3,599	1,172	15,305	4,370	24,446
Profit for the half-year	-	-	1,239	842	2,081
Exchange differences on translation of foreign operations, net of tax	-	(133)	-	-	(133)
Total comprehensive income for the half-year	-	(133)	1,239	842	1,948
Transactions with owners in their capacity as owners:					
Movement in interests in controlled entities	-	-	2,697	(4,093)	(1,396)
In specie distributions	(1,813)	-	-	-	(1,813)
Retail Share Capital Raised	43,000	-	-	-	43,000
Share Capital Issue Costs	(2,479)	-	-	-	(2,479)
Other share issues	1,144	-	-	-	1,144
Employee share issues	1,467	109	-	-	1,576
Dividends paid	-	-	(3,856)	(1,079)	(4,935)
Total transactions with owners	41,319	109	(1,159)	(5,172)	35,097
Balance as at 31 December 2015	44,918	1,148	15,385	40	61,491

Movements in interests in controlled entities includes, but is not limited to acquisitions of non-controlling interests, in entities already controlled by the Group, in return for in specie shares.

ABN: 81 147 812 164

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd) FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated	Share capital	Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	\$′000	\$′000	\$'000	\$'000	\$′000
Balance as at 1 July 2016	85,194	(37,740)	18,920	1,429	67,803
Profit for the half-year	-	-	5,005	188	5,193
Exchange differences on translation of foreign operations, net of tax	-	(630)	-	-	(630)
Total comprehensive income for the half-year	-	(630)	5,005	188	4,563
Transactions with owners in their capacity as owners:					
Employee share issues	-	168	-	-	168
Dividends paid	-	-	(5,634)	-	(5,634)
Total transactions with owners	-	168	(5,634)	-	(5,466)
Balance as at 31 December 2016	85,194	(38,202)	18,291	1,617	66,900

ABN: 81 147 812 164

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year	
	31-Dec-16	31-Dec-15
	\$ ′000	\$ ′000
Cash flow from Operating activities	44.076	20.222
Receipts from customers	41,976	29,389
Payments to suppliers and employees	(32,756)	(23,153)
Dividends received	-	50
Interest received	638	444
Interest paid	(881)	(1,007)
Income tax paid	(2,087)	(1,657)
Operating cash before movement in customer trust accounts	6,890	4,066
Net movement in customer trust accounts	(4,276)	106
Net cash provided by operating activities	2,614	4,172
Cash flow from investing activities	(10, 170)	(405)
Payment for property, plant and equipment	(10,479)	(495)
Payment for intangibles	(3,386)	(3,520)
Proceeds from loans	1,100	- (625)
Payment for other investments	(493)	(625)
Payment for other financial assets	(12.250)	(625)
Net cash flow (used in) investing activities	(13,258)	(5,265)
Cash flow from financing activities		
Proceeds from borrowings	11,569	6,950
Repayments of borrowings	(1,063)	(39,754)
Share Issues : Market	-	43,000
Capital Raising costs		(2,329)
Dividends paid	(5,634)	(4,936)
Loans to shareholders and director related entities	205	412
Net cash provided by financing activities	5,077	3,343
Reconciliation of cash		
Cash at beginning of the half-year	87,252	57,900
Net (decrease) / increase in cash held	(5,567)	2,250
Effect of exchange rate fluctuation on cash held	(1,631)	(143)
Cash at end of the half-year	80,054	60,007

ABN: 81 147 812 164

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by PSC Insurance Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers PSC Insurance Group Limited and controlled entities as a consolidated entity. PSC Insurance Group Limited is a company limited by shares, incorporated and domiciled in Australia. The address of PSC Insurance Group Limited's registered office and principal place of business is Level 4, 96 Wellington Parade, East Melbourne, VIC 3002. PSC Insurance Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 21st February 2017.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year 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.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2016 and the corresponding half-year.

(b) 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 report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(c) Fair value compared with carrying amounts

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

(d) Accounting standards issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the consolidated entity but applicable in future reporting periods is set out below.

ABN: 81 147 812 164

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Cont.)

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

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

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

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

AASB 15: Revenue from Contracts with Customers,

AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15 and

AASB 2016-3: Amendments to Australian Accounting Standards - Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

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

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

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

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

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

ABN: 81 147 812 164

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Cont.)

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

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

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

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

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

ABN: 81 147 812 164

NOTE 2: SIGNIFICANT OR UNUSUAL EXPENSE ITEMS

		Half-year	
		31-Dec 2016 \$'000	31-Dec 2015 \$'000
IPO and post IPO Costs:	(a)	211	1,900
Legal costs (various)	(b)	54	23
Acquisition related restructure costs	(c)	243	82
Deferred consideration adjustment on Business combinations	(d)	94	3
Share based payment expense (N-E Directors)	(e)	168	95
Other	(f)	60	35
		830	2,138

The above items affecting the profit of the group are considered unusual because of their nature.

- (a) Costs in this reporting period relate to a once off contractual payment after delivery of IPO forecast.
- (b) Legal costs relate to various non transaction, non-recurring legal costs.
- (c) Costs related to the restructure and changes to acquired businesses.
- (d) Adjustments required under AASB3 after determining final amounts payable on sale and purchase agreements.
- (e) Share based payment expenses crystallise as a result of options granted to Non-Executive Board members.
- (f) Other expenses including once off office closure and move costs, and a bad debt expense.

ABN: 81 147 812 164

NOTE 3: DIVIDENDS		
	31-Dec	30-Jun
	2016	2016
	\$′000	\$' 000
(a) Dividends paid or declared		
Dividends paid fully franked	5,634	6,505
Dividends paid to non-controlling interests partially franked		1,131
	5,634	7,636
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends of		
2.0 cents per share (2016: 2.5 cents per share) fully franked	4,508	5,634
Since the end of the reporting period the directors have recommended / declared dividends to non-controlling interests	_	_
non conditioning intercests	4,508	5,634
	31-Dec	30-Jun
	2016	2016
NOTE 4: SHARE CAPITAL	\$′000	\$' 000
(a) Issued and paid-up capital		
225,378,110 Ordinary shares fully paid (2016: 225,378,110)	85,194	85,194
Fully paid ordinary shares carry one vote per share and have the right to dividends.		
(b)Movements in shares on issue	No of shares	\$'000
31 December 2016		
Beginning of half-year	225,378,110	85,194
End of half-year	225,378,110	85,194

	Parent Equity Half-Year 31-Dec-16		Parent Half-Y 31-De	/ear
	No of Shares	\$′000	No of Shares	\$′000
Beginning of the half-year	225,378,110	85,194	153,243,334	3,599
Share Consolidation	-	-	(14,106,486)	-
Retail offer and Chairman's List	-	-	43,000,000	43,000
In Specie sale of Demerged entities	-	-	-	(1,813)
In Specie share-issue for acquisition of former non- controlling interests *	-	-	39,276,065	-
Employees share issues	-	-	1,467,393	1,467
Other Share Options	-	-	1,000,000	
Other share issues	-	-	1,144,478	1,144
Share Capital Issue Costs				(2,479)
End of the half-year	225,378,110	85,194	225,024,784	44,918

(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.

NOTE 5: SEGMENT INFORMATION

(a) Description of segments

The Group has two reportable segments as described below:

- Australasia

The Group's Australasian operations represent broking, reinsurance and underwriting operations present in Australia and New Zealand.

- United Kingdom

The Group's United Kingdom operations represent its insurance broking, reinsurance and underwriting operations present in the United Kingdom.

All these operating segments have been identified based on internal reports reviewed by the Group in order to allocate resources to the segment and assess its performance.

(b) Segment information

The Group 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.

Amounts of segment information are 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.

NOTE 5: SEGMENT INFORMATION (Cont.)

31 December 2016	Segment 1 - Australia/NZ	Segment 2 – United Kingdom	Total
	\$'000	\$'000	\$'000
Segment revenue			
Total segment revenue			
Segment revenue from external source *	27,637	8,430	36,067
Segment result			
Total segment result	5,591	(398)	5,193
Segment result from external source	5,591	(398)	5,193
Items included within the segment result:			
Interest income *	625	13	638
Interest expense	(793)	(88)	(881)
Depreciation and amortisation expense	(573)	(57)	(630)
Income tax expense	(2,774)	117	(2,657)
Total segment assets	188,908	269,490	458,398
Total segment assets include:			
Investments in equity accounted associates and joint ventures	7,380	26	7,406
Additions to non-current assets other than financial instruments and deferred tax assets	10,779	208	10,987
Total segment liabilities	132,763	258,735	391,498

Included in additions to non-current assets is the acquisition of 96 Wellington Parade, East Melbourne. The property was acquired for \$10.1m, including transaction costs, and settled on 16 December 2016. This property is now The Group's principal place of business.

NOTE 5: SEGMENT INFORMATION (Cont.)

31 December 2015	Segment 1 - Australia/NZ/ Asia	Segment 2 – United Kingdom	Total
	\$'000	\$'000	\$'000
Segment revenue			
Total segment revenue *	17,963	9,249	27,212
Segment revenue from external source	17,963	9,249	27,212
Segment result			
Total segment result	1,783	298	2,081
Segment result from external source	1,783	298	2,081
Items included within the segment result:			
Interest income *	436	8	444
Interest expense	(764)	(243)	(1,007)
Depreciation and amortisation expense	(353)	(50)	(403)
Income tax expense	(1,005)	(109)	(1,114)
Total segment assets	141,137	244,471	385,608
Total segment assets include:			
Investments in equity accounted associates and joint ventures	-	-	-
Additions to non-current assets other than financial instruments and deferred tax assets	5,844	21	5,865
Total segment liabilities	80,792	243,325	324,117

NOTE 6: INTANGIBLE ASSETS	31-Dec 2016 \$'000	30-Jun 2016 \$'000
Goodwill at cost	52,723	52,770
Goodwill on consolidation at cost	8,955	8,955
Client lists at cost	7,189	7,089
Accumulated amortisation and impairment	(1,715)	(1,437)
	5,474	5,652
Total intangible assets	67,152	67,377
(a) Reconciliations		
Reconciliation of the carrying amounts of intangible assets at the beginning and end of the period		
Goodwill at cost		
Opening balance	52,770	32,964
Additions (a)	407	20,303
Net foreign currency movement arising from foreign operations	(454)	(497)
Closing balance	52,723	52,770
Goodwill on consolidation at cost		
Opening balance	8,955	4,390
Additions	<u> </u>	4,565
Closing balance	8,955	8,955
Client lists at cost		
Opening balance	5,652	1,154
Additions (a)	100	4,956
Amortisation expense	(278)	(458)
Closing balance	5,474	5,652
Total intangible assets	67,152	67,377

⁽a) Additional goodwill and customer lists arise from acquisition of businesses during the period.

ABN: 81 147 812 164

NOTE 7: BUSINESS COMBINATIONS

1. Assured Cover Pty Ltd - On 18 July 2016, the consolidated entity acquired the business of Assured Cover Pty Ltd, an insurance consulting firm in Sydney. The fair value of the client list is being determined and will be disclosed at the next reporting date. Accounting numbers in this report are provisional.

	31-Dec
	2016
	\$'000
Consideration and costs paid	221
Contingent consideration	73
Deferred consideration	74
Total consideration	368

Contingent consideration is based on assessment of General Business income thirty days after the first anniversary of completion date, against contractual benchmarks.

Contingent consideration is on a rise or fall basis, using a factor of 1.75, measured against the following agreed benchmarks:

- General Business income - \$ 210,000

(a) Contribution since acquisition

Since the acquisition date the business of Assured Cover Pty Ltd has contributed revenue of \$105,000. Profit after tax since acquisition date is estimated at \$56,000. Acquisition was completed on 2 August 2016. Had it completed on 1 July, the difference would not be material.

(b) Transaction costs

Transaction costs of \$6,000 were incurred in relation to the acquisition. These costs are included within administration and other expenses in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(c) Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

Reco	ognised on acquisition at fair value
	\$'000
Identifiable intangible assets	100
Net identifiable assets acquired	100
Add: goodwill	268
Total purchase consideration	368
(d) Goodwill on acquisition	\$'000
Total consideration paid / payable	368
Total net identifiable (assets)/liabilities acquired	(100)
	268

The goodwill on acquisition comprise including expected synergies from combining the business and intangible value of the acquired brand of Assured Cover Pty Ltd with the Group.

ABN: 81 147 812 164

NOTE 8: INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

(a) Associates and joint ventures

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

- 1 **RP-Parramatta Pty Ltd** On 14 December 2016, the consolidated entity acquired 50% of the shares of RP-Parramatta Pty Ltd for cash consideration of \$219,636. As a consequence, the consolidated entity obtained significant influence over RP-Parramatta Pty Ltd.
- 2 **RP-Penrith Pty Ltd** On 14 December 2016, the consolidated entity acquired 50% of the shares of RP-Penrith Pty Ltd for cash consideration of \$250,567. As a consequence, the consolidated entity obtained significant influence over RP-Penrith Pty Ltd.
- 2 **RP-Oakleigh Pty Ltd** On 14 September 2016, the consolidated entity disposed 50% of the shares of RP-Oakleigh Pty Ltd for \$235,251 cash and \$157,000 non-cash consideration totaling \$392,251.

The above acquisitions represent investments in entities holding client lists. Information regarding RP-Penrith Pty Ltd and RP-Parramatta Pty Ltd is set out below.

(a) Movements in holdings in Associated Companies in the half -year*

			Ownership in	terest
Associates Nature of relationship	Nature of relationship	Principal place of business	31-Dec 2016	30-Jun 2016
Shares - RP Parramatta	Investments in entities holding client lists	Australia	50%	0%
Shares - RP Penrith	Investments in entities holding client lists	Australia	50%	0%
Shares - RP Oakleigh	Investments in entities holding client lists	Australia	0%	50%

^{*}Full disclosure at half year is not specifically required by AASB 134, but the above detail is provided to expand on significant change since the end of the last annual reporting period as significant to an understanding of the changes in the financial position and performance of the entity since the end of the last annual reporting period.

(b) Summarised financial information for associates and joint ventures acquired in half year

31 December 2016	RP- Parramatta	RP- Penrith Pty Ltd	Total
	\$'000	\$'000	\$'000
Identifiable Intangible assets	501	439	940
Net Assets	501	439	940
Group's % share of net assets	50%	50%	50%
Group's share of net assets	251	220	471
Half-year ended 31 December 2016	_		
Profit/loss from continuing operations	-	-	

ABN: 81 147 812 164

NOTE 8: INTERESTS IN ASSOCIATES AND JOINT	ARRANGEMENTS (Cont.)		
		31-Dec	30-Jun
		2016	2016
Associated Companies	Balance Date	\$′000	\$′000
Non-controlling interests in UK broking businesses	28 February 2015	26	27
Investments in entities holding client lists	31 December 2016	7,380	7,488
		7,406	7,515
Movements in associated			
Reconciliation of interests in Associates			
Opening balance		7,515	13
Additions		470	7,502
Disposals (a)		(578)	-
Net foreign currency movement arising from foreign op	perations	(1)	
Closing balance		7,406	7,515

⁽a) Disposals include sale of interests and sales of client lists.

NOTE 9: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

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

Deferred consideration liabilities measured and recognised at fair value have been determined to be Level 3.

Half-year ended 31 De	cember 2016	Total	Level 1	Level 2	Level 3
		\$′000	\$′000	\$'000	\$'000
	Financial liabilities				
	Deferred cash consideration	12,472		<u>-</u>	12,472
	Total	12,472			12,472
Full-year ended 30 Jui	ne 2016	Total	Level 1	Level 2	Level 3
		\$'000	\$'000	\$′000	\$′000
	Financial liabilities				
	Deferred cash consideration	15,350		<u> </u>	15,350
	Total	15,350	<u> </u>		15,350

(b) Valuation technique and significant unobservable inputs

The deferred consideration is based on management's best and most probable estimate of the business's performance earnings targets.

(c) Reconciliation of recurring level 3 fair value movements

	31-Dec	30-Jun
	2016	2016
	\$'000	\$'000
Deferred consideration		
Opening balance	15,350	893
Additional deferred consideration from business acquisition	618	14,654
Payments / share issues	(3,386)	(197)
Net foreign currency movements arising from foreign operations	(110)	-
Closing balance	12,472	15,350

Deferred consideration is included in other liabilities in the Condensed Statement of Financial Position.

ABN: 81 147 812 164

DIRECTORS DECLARATION

The directors declare that:

- 1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 11 to 23, are in accordance with the *Corporations Act 2001*, including:
- (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance for the half-year ended on that date.
- 2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that PSC Insurance Group Limited will be able to pay its debts as and when they become due and payable.

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

Paul Dwyer

Director

Brian Austin Director

Melbourne

Date:

21 February 2017



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

TO THE MEMBERS OF PSC INSURANCE GROUP LIMITED

We have reviewed the accompanying half-year financial report of PSC Insurance Group Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of PSC Insurance Group Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PSC Insurance Group Limited and controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

F V RUSSO Partner

21 February 2017

PITCHER PARTNERS Melbourne

When Partner

-26-