PSC INSURANCE GROUP LIMITED

ABN: 81 147 812 164
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015

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

The directors present their report together with the financial report of the consolidated entity consisting of PSC Insurance Group Limited and the entities it controlled, for the financial year ended 30 June 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

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

Brian Austin (appointed 10 December 2010)

John Dwyer (appointed 10 December 2010)

Paul Dwyer (appointed 10 December 2010)

Antony Robinson (appointed 13 July 2015)

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

Company Secretary

Mr Stephen Abbott holds the office of Company Secretary (appointed 18 May 2015).

Principal activities

The principal activity of the consolidated entity is operating a diverse range of insurance intermediation businesses across Australia, the UK and New Zealand.

The consolidated entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Results

The consolidated profit after income tax and eliminating non-controlling interest attributable to the members of PSC Insurance Group Limited was $6,412,230 (2014: $5,250,874).

Review of operations

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

Statutory revenue increased from $40,560,513 to $52,071,674 and statutory net profit after tax attributable to owners of PSC Insurance Group Limited increased from $5,250,874 to $6,412,230.

Underlying operating revenue (excluding one off gains on sale of financial assets) from core operations increased 29.8% from $38.9m to $50.4m and underlying net profit before tax increased 24% from $9.5m to $11.8m. Underlying net profit after tax before depreciation and amortisation, increased 24.5% from $7.5m to $9.3m.

This result reflects the strong growth in the Australian underwriting agency and authorised representative network businesses. The UK Lloyd's broking business grew revenue marginally, assisted in AUD terms by favourable FX movements, and the Australian insurance broking grew revenue modestly in challenging market conditions.

During the year the consolidated entity acquired a controlling 72.1% interest in the London based reinsurance broking business Alsford Page & Gems Limited. The acquisition was completed in January 2015. The economic interest was acquired for a cash cost $1.6m and transaction costs were $0.2m.

The six month revenue contribution from Alsford Page & Gems Limited captured their peak renewal period of January, whereby approximately 65% of annual revenue is received in this six month period.

Operating expenses increased 32.4% from $28.2m to $37.3m. The largest costs remained employee related expenses. Underlying EBITDA margin remains strong at 28.3% and underlying NPATA margin remained steady at 16.6%.

The statutory results include a number of non-operating or non-recurring revenue and expense items. The revenue items include dividends and a subsequent capital gain on the sale of financial assets of $1.3m and cost items include transaction costs relating to the consideration of an Initial Public Offering of the Company's shares of $0.5m, transaction and litigation legal costs of $0.5m and $0.1m of other non-recurring costs.

Debtors and creditors have increased significantly as a result of the acquisition of Alsford Page & Gems Limited. Receivables from broking, reinsurance and underwriting agency operations have increased from $50.3m to $297.7m and payables have increased from $78.5m to $330.0m. As a reinsurance broker, Alsford Page & Gems Limited deals with larger size business and policies and the working capital cycle is materially longer than a retail insurance broking and underwriting agency business. This has inflated the size of client premium receivables and underwriter payables.

The debt balances have increased from $30.7m to $35.1m, the net increase funding the acquisition of Alsford Page & Gems Limited, an investment in the Johns Lyng Group and the purchase of a small life insurance trail book on the Gold Coast.

The majority of profits have been retained and the gearing as measured on a book value basis has reduced from 64% to 59%.

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

Significant changes in the state of affairs
During the year the consolidated entity acquired a controlling 72.1% interest in the London based reinsurance broker, Alsford Page & Gems Limited. This materially increased the scale of the entity's UK operations.

The parent entity also commenced a process whereby it is formally considering an Initial Public Offering of its shares. This process is continuing at the date of this financial report. As part of this process the parent entity issued a one for 14.21 share split on 24 April 2015 and converted to a public company on 5 June 2015 and became PSC Insurance Group Limited.

Apart from the above there were no other significant changes in the state of affairs of the consolidated entity.

After balance date events

- The consolidated entity acquired the client list of David Denson Pty Ltd on 1 July 2015 and have integrated this business into its Melbourne operations.
- The consolidated entity acquired the client list of Hamilton Brokers Pty Ltd on 6 July 2015 and have integrated this business into its Canberra operations.
- The consolidated entity acquired the general insurance business assets of Flagship Haven Limited on 1 July 2015 to expand its Hong Kong operations.
- On 15 October 2015 the consolidated entity signed an agreement to acquire the client list of TA Management Pty Ltd, with completion to occur after the date of this report.
- On 28 August 2015 the paid up share capital of the parent entity was reduced by the parent entity making a pro rata distribution 'in specie' of the shares in P Capital Pty Ltd, ACN 164 772 276, (being a wholly owned subsidiary of the parent entity) and the shares in PSC Risk Consultants Limited, company number 1630000, (being a partly owned subsidiary of the Company) to each shareholder in the parent entity.
- On 28 July 2015, the Board declared final dividends for 2015 of 2.36 cents per share, 100% franked. A portion of the dividend was allocated to offset shareholder loans, with the remainder paid in cash.

Likely developments

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

Environmental regulation

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

Dividend paid, recommended and declared

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

	2015 $	2014 $
(a) Dividends paid or declared by PSC Insurance Group Limited		
Dividends paid fully franked	1,550,000	-
(b) Dividends paid to non-controlling interests		
Dividends paid partially franked	1,164,358	395,075
(c) Dividend declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends in PSC Insurance Group Limited at 2.36 cents per share fully franked	3,613,650	
Since the end of the reporting period the directors have recommended / declared dividends to non-controlling interests	721,447	

Shares under option

The consolidated entity's subsidiary companies have unissued ordinary shares under option at the date of this report as follows:

Date option granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
31 October 2014	417	$707.74/share	31 October 2015
31 October 2014	1,111	$175.50/share	31 October 2015

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

Shares issued on exercise of options

There have been no amounts unpaid on shares issued on exercise of options.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of PSC Insurance Group Limited at any time during or since 1 July 2014 is provided below, together with details of the company secretary as at the year end.

Director	Expertise, experience and qualifications
Brian Austin **Chairman & Executive Director** Member of Remuneration and Nomination Committee	Brian Austin was appointed to the Board on 10 December 2010. With over 30 years industry experience, Mr Austin has held senior executive positions in the insurance industry, including CEO of Oamps Insurance Brokers Limited. Over that time Mr Austin has been instrumental in setting the strategy of capital raising and acquisitions. The executive positions Mr Austin has held has enabled him to develop a global network of key relationships that allow the future growth strategies of the entity to be pursued with much confidence.
Paul Dwyer **Managing Director** Dip Fin Serv (Ins) Member of Audit and Risk Management Committee	Paul Dwyer was appointed to the Board on 10 December 2010. Prior to being the Founder of PSC Insurance Group, Mr Dwyer held a senior executive position with Oamps Insurance Brokers Limited and previous to that role was a Regional Underwriter with CGU. As Group Managing Director and Founder of the PSC Insurance Group, Mr Dwyer's focus remains the strategic direction of the entity, exploring acquisition and organic growth opportunities and to manage and work with the executive and staff within the entity to continually improve business operations. Mr Dwyer continues to drive the business ensuring that the finances and decision-making are robust, in order to deliver the financial outcomes of the Company.
John Dwyer **Executive Director** Dip Fin Serv (Ins)	John Dwyer was appointed to the Board on 10 December 2010. Mr Dwyer has over 30 years experience in the insurance industry, spending time with QBE as a Regional Underwriting Manager, commencing a joint venture with Oamps Insurance Brokers Limited and eventually becoming Eastern Region Manager (NSW & ACT). As Director of Broking across the PSC Insurance Group, Mr Dwyer brings specialist business integration and practical operational skills pivotal to a growing business.
Antony Robinson **Non-executive Director** *B Com (Melb), ASA, MBA (Melb)* Chair of Audit and Risk Management Committee and Remuneration and Nomination Committee	Antony Robinson was appointed to the Board on 13 July 2015. Mr Robinson has significant experience in wealth management and insurance, including Managing Director of Centrepoint Alliance Limited, Chief Executive Officer and Executive Director of IOOF Holdings Ltd and OAMPS Limited, joint Managing Director of Falkiners Stockbroking, Managing Director of WealthPoint, and senior executive positions at Link Telecommunications and Mayne Nickless. Mr Robinson is a Director of three ASX listed entities being Oncard International Limited, Bendigo and Adelaide Bank Limited and Treasury Group Limited and holds a number of directorships of private companies, including River Capital Pty Limited.
Stephen Abbott *BBus, CA, CTA*	Stephen Abbott was appointed Company Secretary 18 May 2015, having joined the PSC Insurance Group in March 2012. Mr Abbott has over 35 years experience in accounting and finance both within industry and commerce and professional services firms with the last 10 years in insurance broking.

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	
	Eligible to attend	**Attended**
Paul Dwyer	3	3
John Dwyer	3	3
Brian Austin	3	3
Antony Robinson	-	-

The Audit Committee comprising Antony Robinson and Paul Dwyer was established on 1 June 2015. No meetings were held during the year.

The Remuneration and Nomination Committee comprising Brian Austin and Antony Robinson was established on 1 June 2015. No meetings were held during the year.

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

Directors' relevant interests in:	Ordinary shares of PSC Insurance Group Limited	Options over shares in PSC Insurance Group Limited
Paul Dwyer	76,443,099	-
John Dwyer	38,328,797	-
Brian Austin	38,471,438	-
Antony Robinson	-	-

Indemnification and insurance of directors, officers and auditors
During or since the end of the year, the consolidated entity has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the consolidated entity.

Further disclosure required under section 300(9) of the Corporations Law is prohibited under the terms of the contract.

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the consolidated entity.

Proceedings on behalf of the consolidated entity
No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

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.

Signed in accordance with a resolution of the directors.

....	....
Paul Dwyer	**John Dwyer**
Director	**Director**
Melbourne	Melbourne
Date 30 October 2015	**Date** 30 October 2015

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of PSC Insurance Group Limited.

In relation to the independent audit for the year ended 30 June 2015, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

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

FRANK RUSSO
Partner
Date 30 October 2015

Pitcher Partners
PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015	2014
Revenue and other income		**$**	**$**
Fee and commission income	3	48,772,021	37,918,190
Other revenue	3	1,674,132	934,670
Other income	3	1,625,521	1,707,653
	3	**52,071,674**	**40,560,513**
Less: expenses			
Administration and other expenses	4	(6,204,264)	(4,273,616)
Depreciation and amortisation expense	4	(633,251)	(725,207)
Employee benefits expense	4	(23,829,728)	(17,610,053)
Occupancy expense		(2,182,556)	(1,747,547)
Finance costs	4	(2,333,348)	(2,140,213)
Employee contractors		(2,144,530)	(2,031,895)
Information technology costs		(1,888,137)	(1,697,507)
Professional fees		(1,029,812)	(831,990)
Share of Net Loss in Associate	12	(47,370)	-
		(40,292,996)	**(31,058,028)**
Profit before income tax expense		**11,778,678**	**9,502,485**
Income tax expense	5	(3,119,797)	(2,775,337)
Net profit from continuing operations		**8,658,881**	**6,727,148**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		886,077	134,854
Other comprehensive income for the year		886,077	134,854
Total comprehensive income		**9,544,958**	**6,862,002**
Profit is attributable to:			
- Owners of PSC Insurance Group Limited		6,412,230	5,250,874
- Non-controlling interests		2,246,651	1,476,274
		8,658,881	**6,727,148**
Total comprehensive income is attributable to:			
- Owners of PSC Insurance Group Limited		7,298,307	5,385,728
- Non-controlling interests		2,246,651	1,476,274
		9,544,958	**6,862,002**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	2015	2014
Current assets		**$**	**$**
Cash and cash equivalents	7	57,900,371	39,563,641
Receivables	8	301,127,985	53,508,494
Other assets	9	1,781,255	185,939
Total current assets		**360,809,611**	**93,258,074**
Non-current assets			
Receivables	8	475,131	-
Other financial assets	10	638,188	3,935,353
Property, plant and equipment	13	1,090,832	1,034,020
Deferred tax assets	5	229,187	-
Intangible assets	14	38,508,388	37,756,080
Total non-current assets		**40,941,726**	**42,725,453**
Total assets		**401,751,337**	**135,983,527**
Current liabilities			
Payables	15	336,107,858	81,762,877
Borrowings	16	5,580,703	5,352,240
Provisions	17	1,431,275	915,037
Current tax liabilities	5	3,424,070	1,500,608
Other liabilities	18	1,043,600	1,764,874
Total current liabilities		**347,587,506**	**91,295,636**
Non-current liabilities			
Borrowings	16	29,563,895	25,339,750
Provisions	17	153,696	142,524
Deferred tax liabilities	5	-	961,110
Other liabilities	18	-	886,138
Total non-current liabilities		**29,717,591**	**27,329,522**
Total liabilities		**377,305,097**	**118,625,158**
Net assets		**24,446,240**	**17,358,369**
Equity			
Share capital	19	3,599,216	3,599,216
Reserves	20	1,171,558	255,847
Retained earnings	20	15,304,926	10,770,136
Equity attributable to owners of PSC Insurance Group Limited		**20,075,700**	**14,625,199**
Non-controlling interests	21	4,370,540	2,733,170
Total equity		**24,446,240**	**17,358,369**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

Consolidated Entity	Share capital	Reserves	Retained Earnings	Non-controlling Interest	Total Equity
Balance as at 1 July 2013	3,599,216	120,993	5,854,936	1,802,687	11,377,832
Profit for the year	-	-	5,250,874	1,476,274	6,727,148
Exchange differences on translation of foreign operations, net of tax	-	134,854	-	-	134,854
Total comprehensive income for the year	-	134,854	5,250,874	1,476,274	6,862,002
Transactions with owners in their capacity as owners:					
Contributions	-	-	-	173,809	173,809
Buy-backs	-	-	-	(68,575)	(68,575)
Dividends paid	-	-	-	(395,075)	(395,075)
Movement in interests in controlled entities	-	-	(335,674)	-	(335,674)
Movement in non-controlling interests	-	-	-	(255,950)	(255,950)
Total transactions with owners	-	-	(335,674)	(545,791)	(881,465)
Balance as at 30 June 2014	3,599,216	255,847	10,770,136	2,733,170	17,358,369

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont)
FOR THE YEAR ENDED 30 JUNE 2015

Consolidated Entity	Share capital	Reserves	Retained Earnings	Non-controlling Interest	Total Equity
Balance as at 1 July 2014	3,599,216	255,847	10,770,136	2,733,170	17,358,369
Profit for the year	-	-	6,412,230	2,246,651	8,658,881
Exchange differences on translation of foreign operations, net of tax	-	886,077	-	-	886,077
Total comprehensive income for the year	-	886,077	6,412,230	2,246,651	9,544,958
Transactions with owners in their capacity as owners:					
Non-controlling interest arising from business combination	-	-	-	555,077	555,077
Movement in interests in controlled entities	-	-	(327,440)	-	(327,440)
Employee share scheme	-	29,634	-	-	29,634
Dividends paid	-	-	(1,550,000)	(1,164,358)	(2,714,358)
Total transactions with owners	-	29,634	(1,877,440)	(609,281)	(2,457,087)
Balance as at 30 June 2015	3,599,216	1,171,558	15,304,926	4,370,540	24,446,240

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015	2014
		$	$
Cash flow from Operating activities			
Receipts from customers		54,821,427	41,376,386
Payments to suppliers and employees		(45,096,133)	(32,977,307)
Dividends received		129,246	56,493
Interest received		957,164	690,778
Interest paid		(2,333,348)	(2,140,213)
Income tax paid		(2,058,620)	(1,630,129)
Operating cash before movement in customer trust accounts		6,419,737	5,376,008
Net movement in customer trust accounts		(429,788)	10,874,749
Net cash provided by operating activities	22(b)	5,989,949	16,250,757
Cash flow from investing activities			
Payment for property, plant and equipment		(396,439)	(487,729)
Acquisition of APG Ltd net of cash acquired	22(c)	9,705,941	-
Payment for intangibles		(496,634)	-
Payment for other investments		(1,916,327)	(5,171,975)
Payment for other financial assets		(1,094,515)	(2,248,000)
Proceeds from sale of shares held for resale		5,553,413	-
Net cash flow provided by (used in) investing activities		11,355,439	(7,907,704)
Cash flow from financing activities			
Proceeds from borrowings		8,227,608	23,029,545
Repayments of borrowings		(5,677,841)	(17,945,171)
Dividends paid		(2,714,358)	(395,075)
Loans to shareholders and director related entities		(745,419)	(2,006,328)
Net cash provided by (used in) financing activities		(910,010)	2,682,971
Reconciliation of cash			
Cash at beginning of the financial year		39,563,641	27,867,328
Net increase in cash		16,435,378	11,026,024
Effect of exchange rate fluctuation on cash held		1,901,352	670,289
Cash at end of financial year	22(a)	**57,900,371**	**39,563,641**

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

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

The financial report covers PSC Insurance Group Limited and controlled entities as a consolidated entity. PSC Insurance Group Limited is a company limited by shares, incorporated and domiciled in Australia. PSC Insurance Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors as at the date of the directors' report.

Compliance with IFRS

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

Historical cost convention

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

Significant accounting estimates

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

(b) Going concern

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

(c) Principles of consolidation

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

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

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

Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

Details of the consolidated entity's controlling and non-controlling interests are detailed in Note 21.

(d) Revenue

Commission, brokerage and fees are recognised when the related service has been provided and it is probable that the group will be compensated for services rendered and the amount of consideration for such services can be reliably measured. An allowance is made for anticipated lapses and cancellations.

Interest income is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

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

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

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

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

(e) Cash and cash equivalents

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

Cash held on trust is held for insurance premiums received from policyholders which will ultimately be paid to underwriters.

Cash held on trust cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policyholders.

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

(f) Receivables from broking, reinsurance and underwriting agency operations

Receivables from broking, reinsurance and underwriting agency operations are initially recognised based on the invoiced amount to customers. After initial recognition, provision is made for lapses or cancellations of insurance policies or other matters that may lead to non-cancellation.

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

Invoices are generally due for settlement within 14 to 60 days. Collectability of trade receivables is reviewed on an ongoing basis.

(g) Property, plant and equipment

Each class of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amounts of all property, plant and equipment are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

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

The useful lives for each class of assets are:

	Depreciation rate	Depreciation basis
Leasehold improvements at cost	2.5% – 30%	Straight line and diminishing value
Office equipment at cost	2% - 67%	Straight line and diminishing value
Computer equipment at cost	10% - 67%	Straight line and diminishing value

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) Business combinations

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquire. Deferred consideration payable is measured at fair value. Contingent consideration to be transferred by the acquirer is recognised at the 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 fair value of the acquirer's interest 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 statement of comprehensive income.

Acquisition related costs are expensed as incurred.

(j) Intangibles

Goodwill

Goodwill is initially measured 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.

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

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

Identifiable intangible assets

Identifiable intangible assets acquired separately or in a business combination (mainly customer lists) are initially measured at cost.

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and provision for impairment.

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

(k) Impairment of non-financial assets

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

(l) Income tax

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

Deferred tax balances

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

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

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

Tax consolidation

There are three tax consolidated groups across the consolidated entity. The following tax consolidated groups exist as at 30 June 2015:

1. PSC Insurance Group Limited – Tax Parent
   McKenna Hampton Insurance Brokers Pty Ltd – joined 1 July 2012
   P Capital Pty Ltd – joined 11 July 2013
   PSC Group Holdings Pty Ltd - joined 1 July 2012
   PSC Holdings (Aust) Pty Ltd - joined 1 July 2012
   PSC Insurance Brokers Pty Ltd - joined 1 July 2012
   PSC Insurance Services Pty Ltd - joined 1 July 2012
   PSC International Pty Ltd - joined 1 July 2012
   PSC McKenna Hampton Insurance Brokers Pty Ltd - joined 1 July 2012 and exited 31 January 2014
   PSC UK Pty Ltd - joined 1 July 2012
   PSC Foundation Pty Ltd - joined 24 March 2014

2. PSC Insurance Pty Ltd - Tax Parent
   PSC Insurance Brokers (Aust) Pty Ltd - joined 1 November 2009
   Breeze Underwriting (Aust) Pty Ltd - joined 9 January 2014
   PSC Insurance Brokers (Melbourne) Pty Ltd - joined 7 March 2014

3. Professional Services Corporation Pty Ltd - Tax parent
   PSC Share Nominees Pty Ltd - joined 1 December 2010

The three tax-consolidation groups have entered a tax funding agreement such that:

- Each entity recognises their own current and deferred tax amounts in respect of the transactions, events and balances of the entity.
- The parent entity assumes the current tax liability and any deferred tax assets relating to tax losses, arising in the subsidiary, and recognises a contribution to (or distribution from) the subsidiaries.

The tax-consolidated groups have also entered tax sharing agreements to limit the liability of subsidiaries in the tax consolidated group arising under joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

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

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

(n) Provision

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

(o) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the 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 and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) 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.

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

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The consolidated entity makes contributions to defined contribution superannuation plans 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.

(iv) Share-based payments

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

(v) Bonus plan

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

(vi) Termination benefits

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

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

(p) Borrowing costs

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

Borrowing costs are expensed as incurred.

(q) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

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

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

(r) Interests in joint ventures

Joint venture entities

The consolidated entity's interest in joint venture entities are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture entity is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. Details relating to the joint venture entity are set out in Note 12.

(s) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and Balances

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

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

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

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

Entities that have a functional currency different from the presentation currency 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.

(t) Segment reporting

Determination and presentation of operating segments

The consolidated entity determines and presents operating segments based on information that is internally provided to the Chief Operating Officer, who is the consolidated entity's chief operating decision maker.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's components. All operating segment results are regularly reviewed by the consolidated entity's Chief Operating Officer to make decisions about resources to be allocated to the segment and to assess its performance. Refer to note 30 for details on how management determine the operating segments.

Segment results that are reported to the consolidated entity's Chief Operating Officer include items directly attributable to a segment, as well as these that can be allocated on a reasonable basis.

(u) Goods and services tax (GST)

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

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

(v) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(w) Accounting standards issued but not yet effective at 30 June 2015

AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

AASB 9 Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in AASB 139 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'brightline' effectiveness test that offset for hedging must be in the range 80-125%).
- Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The available-for-sale investments held will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing. The impairment loss recognised in the current year financial statements in relation to these investments was nil. Other impacts on the reported financial position and performance have not yet been determined.

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. These calculations are based on projected cash flows approved by management covering a period of 5 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 5% (2014: 5%) for cash flows in year two to five and which is based on the historical average and a terminal value growth rate of 2% (2014: 2%) a pre-tax discount rate of 16.67% (2014: 16.67%) to determine value-in-use.

(c) Income Tax

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

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

(d) Deferred consideration

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

(e) Intangible assets

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

(f) Employee benefits

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

	2015	2014
NOTE 3: REVENUE AND OTHER INCOME	**$**	**$**
Fee and commission income		
Commission income	33,486,103	24,645,378
Fees income	12,157,580	10,802,869
Other fees	3,128,338	2,469,943
	48,772,021	37,918,190
Other revenue		
Dividend income	129,246	56,493
Interest income	957,164	690,778
Other revenue	587,722	187,399
	1,674,132	934,670
Other Income		
Gain on fair value adjustments	-	1,687,353
Profit on sale of shares	1,148,545	20,300
Gain on net assets exceeding consideration paid	476,976	-
	1,625,521	1,707,653
	52,071,674	40,560,513

NOTE 4: OPERATING PROFIT

Profit before income tax has been determined after:		
Finance costs	2,333,348	2,140,213
Depreciation		
Leasehold Improvements	63,849	78,725
Motor Vehicles	-	5,975
Office Equipment	108,738	161,304
Computer Equipment	234,931	297,070
	407,518	543,074

NOTE 4: OPERATING PROFIT (Cont)		**2015 $**	**2014 $**
Amortisation of non-current assets			
- Client lists		225,733	182,133
Bad and doubtful debts		(1,992)	31,219
Rental expense on operating leases		1,962,887	1,415,035
Foreign currency translation losses / (gains)		76,450	(80,806)
Employee benefit expenses			
Share-based payments		29,634	-
Other employee benefits		23,800,094	17,610,053
		23,829,728	17,610,053
Administration and other expenses includes significant non-recurring expenses, comprising:			
Project Pebble	(a)	531,445	-
Transaction costs relating to business combinations	(b)	290,170	-
Legal settlement costs	(c)	219,777	-
Employee termination costs	(d)	-	417,958

(a) Project Pebble expenses are one off costs, including but not limited to additional staffing and advisor fees, relating to the preparation for a potential initial public offering.

(b) Transaction costs represent the stamp duty payable on the purchase of Gordon Wilson & Associates Pty Limited and the legal costs incurred in the acquisition of Alsford Page and Gem Limited.

(c) Legal Settlement costs relate to a restraint of trade dispute a former employee.

(d) Employee termination costs represent one-off costs associated with the termination of employees during the year.

NOTE 5: INCOME TAX	**2015 $**	**2014 $**
(a) Components of tax expense		
Current tax	4,041,006	1,903,521
Deferred tax	(742,913)	1,041,249
Under/(over) provision in prior years	(178,296)	(169,433)
	3,119,797	2,775,337

NOTE 5: INCOME TAX (Cont)	2015 $	2014 $
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (2014: 30.0%)	3,533,606	2,850,746
Add tax effect of:		
- Elimination of intercompany dividends	1,172,652	527,399
- Other non-allowable items	165,668	219,722
- Gross up of franking credits	519,182	230,087
- Tax losses not recognised	-	42,210
- Deferred tax balances transferred	42,811	-
	1,900,313	1,019,418
Less tax effect of:		
- Overseas tax rate differential	373,172	123,618
- Over provision for income tax in prior years	178,296	169,433
- Net capital loss	32,045	-
- Franking credit offset	1,730,609	766,957
- Deferred tax balances transferred	-	34,819
	2,314,122	1,094,827
Income tax expense attributable to profit	3,119,797	2,775,337

(c) Current tax

Current tax relates to the following:

	2015 $	2014 $
Opening balance	1,500,608	1,378,079
Income tax	4,041,006	1,903,521
Tax payments	(2,058,620)	(1,630,129)
Under / (over) provisions	(178,296)	(169,433)
Other	-	18,570
Net balance transferred on purchase / sale of business	119,372	-
Current tax liabilities / (assets)	3,424,070	1,500,608

NOTE 5: INCOME TAX (Cont)	2015 $	2014 $
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Tax losses carried forward	876,997	257,484
Employee benefits	377,083	317,268
Provision for doubtful debts	66,488	36,600
Accrued expenses	267,935	81,934
Excess franking credits converted to tax losses	-	286,837
	1,588,503	980,123
Deferred tax liabilities		
The balance comprises:		
Financial assets at fair value through profit or loss	-	506,206
Deferred income	1,345,572	1,184,754
Other	13,744	250,273
	1,359,316	1,941,233
Net deferred tax assets / (liabilities)	229,187	(961,110)
(e) Deferred income tax (revenue) / expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	(495,135)	(24,249)
(Decrease) / increase in deferred tax liabilities	(247,778)	1,065,498
(Increase) in deferred tax assets on purchase of business and assumption of employee benefit liabilities	(447,384)	-
	(1,190,297)	1,041,249

NOTE 6: DIVIDENDS	2015 $	2014 $
(a) Dividends paid or declared		
Dividends paid at 15.38 cents per share by PSC Insurance Group fully franked	1,550,000	-
Dividends paid to non-controlling interests	1,164,358	395,075
	2,714,358	395,075
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended / declared dividends of 2.36 cents per share (2014:$NIL) fully franked	3,613,650	-
Since the end of the reporting period the directors have recommended / declared dividends to non-controlling interests	721,447	-
	4,335,097	-
(c) Franking account		
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	3,661,901	2,662,767

NOTE 7: CASH AND CASH EQUIVALENTS

Cash on hand	15,152	20,419
Cash at bank	5,495,321	1,379,417
Cash on deposit	922,000	600,000
Cash held on trust	51,467,898	37,563,805
	57,900,371	39,563,641

NOTE 8: RECEIVABLES	2015 $	2014 $
CURRENT		
Receivables from broking, reinsurance and underwriting agency operations	297,705,532	50,371,513
Impairment loss	(286,906)	(100,412)
	297,418,626	50,271,101
Other receivables	347,947	345,300
Loans to director related entities	3,361,412	2,892,093
	301,127,985	53,508,494
NON-CURRENT		
Loans to director related entities	475,132	-

(a) Provision for impairment

(i) Receivables from broking and underwriting agency operations

Trade receivables are non-interest bearing with 14-60 day terms. An impairment loss is recognised when there is objective evidence that an amount being carried as receivable is impaired. The impairment losses have been included within administration and other expenses in the consolidated statement of comprehensive income. All trade receivables that are not impaired are expected to be received within trading terms.

(ii) Receivables from reinsurance operations

Trade receivables are non-interest bearing with 30-60 day terms. An impairment loss is recognised when the actual profit is quantifiable or when there is objective evidence that an amount being carried as receivable is impaired.

(iii) Other receivables and loans receivables

An impairment loss is recognised when there is objective evidence that an individual receivable is impaired. The impairment losses have been included within administration and other expenses in the consolidated statement of comprehensive income. All advances and loan receivables that are not impaired are expected to be received within payment terms.

	2015 $	2014 $
Movements in the provision for impairment were:		
Opening balance 1 July	100,412	71,963
Charge for the year	(1,992)	31,219
Amounts written off	(32,420)	(6,574)
Provision acquired through business combination	215,930	-
Foreign exchange translation	4,975	3,804
Closing balance at 30 June	286,906	100,412

NOTE 8: RECEIVABLES (Cont)	**2015**	**2014**
	$	**$**
(b) Aging of Receivables		
- 0-30 Days	99,114,195	36,404,782
- 30-60 Days	16,430,085	7,978,455
- 60-90 Days	26,442,420	4,485,527
- Over 90 Days	155,718,832	1,502,749
	297,705,532	50,371,513

NOTE 9: OTHER CURRENT ASSETS

CURRENT		
Prepayments	541,033	55,641
Bonds and deposits	361,062	13,410
Accrued income	228,751	116,888
Capitalised Project Pebble costs	650,408	-
	1,781,254	185,939

** Capitalised Project Pebble costs represent costs incurred for preparing the company for IPO. These costs will be capitalised against equity on successful listing.

NOTE 10: OTHER FINANCIAL ASSETS

NON CURRENT		
Financial assets at fair value through profit or loss classified as held for trading		
Shares in listed corporations (a)	-	3,935,353
Total financial assets at fair value through profit and loss	-	3,935,353
Financial assets held at cost		
Other shares and Units held	638,188	-
Total financial assets held at cost	638,188	3,935,353

(a) Shares in listed corporations are valued at fair value by reference to quoted prices on Australian Stock Exchange.

NOTE 11: EQUITY ACCOUNTED INVESTMENTS

NON-CURRENT		
Equity accounted joint ventures	-	-
	-	-

NOTE 12: JOINT VENTURES

(a) Joint ventures

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

Interests are held in the following joint ventures:

Joint Ventures	Equity instrument	Ownership interest	
		2015	2014
Trump Aviation Unit Trust ('TAUT') Balance date: 30 June 2015	Trust units	50%	0%
Trump Aviation Pty Ltd (Trustee for TAUT) Balance date: 30 June 2015	Ordinary shares	50%	0%

All voting power is reflective of the ownership interest.

(b) Summarised financial information for joint ventures

2015	Trump Aviation Unit Trust
	$
Cash and cash equivalents	10,482
Other current assets	163,344
Total current assets	173,826
Total non-current assets	950,000
Other current liabilities	69,288
Total current liabilities	69,288
Other non-current liabilities	1,101,908
Total non-current liabilities	1,101,908
Net assets	(47,370)
Revenues	229,654
Other Expenses	(324,393)
Total comprehensive income	(94,739)

NOTE 12: JOINT VENTURES (Cont)

Reconciliation to carrying amount of interest in joint venture

Opening net assets	-
Add: Current year profit	(94,739)
Add: Other comprehensive income	-
Less: Dividend paid	-
Closing net assets	(94,739)
Consolidated entity's % share of net assets	50%
Carrying amount of investment	-

	2015	2014
NOTE 13: PROPERTY, PLANT AND EQUIPMENT	**$**	**$**
Leasehold improvements		
Leasehold improvements at cost	1,085,157	453,329
Accumulated depreciation	(866,050)	(227,354)
	219,107	225,975
Plant and equipment		
Motor vehicles at cost	-	-
Accumulated depreciation	-	-
	-	-
Office equipment at cost	1,515,568	1,290,980
Accumulated depreciation	(1,138,697)	(900,821)
	376,871	390,159
Computer equipment at cost	1,415,847	1,019,097
Accumulated depreciation	(920,993)	(601,211)
	494,854	417,886
Total plant and equipment	871,725	808,045
Total property, plant and equipment	1,090,832	1,034,020

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (Cont)

(b) Reconciliations

Leasehold improvements		
Carrying amount at beginning of year	225,975	235,338
Additions	56,349	20,378
Disposals	-	(9,284)
Additions through acquisition of entities/operations	-	58,223
Depreciation expense	(63,849)	(78,725)
Net foreign currency movements arising from foreign operation	632	45
Carrying amount end of year	219,107	225,975
Plant and equipment		
Motor vehicles		
Carrying amount at beginning of year	-	40,101
Disposals	-	(35,805)
Depreciation expense	-	(5,975)
Net foreign currency movements arising from foreign operation	-	1,679
Carrying amount end of year	-	-
Office equipment		
Carrying amount at beginning of year	390,159	436,858
Additions	78,951	88,242
Additions through acquisition of entities/operations	-	12,806
Depreciation expense	(108,738)	(161,304)
Net foreign currency movements arising from foreign operation	16,499	13,557
Carrying amount end of year	376,871	390,159

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (Cont)

(b) Reconciliations (Cont)

Computer equipment		
Carrying amount at beginning of year	417,886	465,303
Additions	261,139	236,909
Disposals	-	(1,558)
Additions through acquisition of entities/operations	37,311	9,307
Depreciation expense	(234,931)	(297,070)
Net foreign currency movements arising from foreign operation	13,449	4,995
Carrying amount end of year	494,854	417,886
Total plant and equipment	871,725	808,045
Total property, plant and equipment	1,090,832	1,034,020

NOTE 14: INTANGIBLE ASSETS

Goodwill at cost	32,963,827	32,421,785
Goodwill on consolidation at cost	4,390,465	4,390,465
Client lists at cost	2,133,013	1,697,013
Accumulated amortisation and impairment	(978,917)	(753,183)
	1,154,096	943,830
Total intangible assets	38,508,388	37,756,080

NOTE 14: INTANGIBLE ASSETS (Cont)

(a) Reconciliations

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

Goodwill at cost		
Opening balance	32,421,785	29,551,981
Additions (a)	60,635	2,582,415
Net foreign currency movement arising from foreign operations	481,407	287,389
Closing balance	32,963,827	32,421,785
Goodwill on consolidation at cost		
Opening balance	4,390,465	4,399,469
Disposals	-	(9,004)
Closing balance	4,390,465	4,390,465
Client lists at cost		
Opening balance	943,830	922,510
Additions (b)	435,999	222,447
Disposals	-	(18,993)
Amortisation expense	(225,733)	(182,133)
Closing balance	1,154,096	943,830
Total intangible assets	38,508,388	37,756,080

(a) Additional goodwill recognised for Gordon Wilson & Associates Pty Ltd acquired on 28 August 2013 that was originally provisionally accounted.

(b) Acquisition of customer lists from Parkhill General Insurance Pty Ltd ($75,999) and WMS Risk Solutions Pty Ltd ($360,000).

NOTE 14: INTANGIBLE ASSETS (Cont)

The consolidated entity performs, on an annual basis, impairment testing for goodwill and any identifiable intangible assets (customer relationships) which have impairment indicators. There was no impairment provision for the year ended 30 June 2015 (2014: 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 on the approved budget of the tested CGUs with a terminal value: and

• Fair value - based on the Groups estimates of sustainable earnings before interest expense, tax and amortization (EBITA) for each CGU multiplied by an earnings muliple appropriate for similar businesses less costs to sell.

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

	2015	2014
	%	%
Revenue growth	5% pa for first 5 years	5% pa for first 5 years
Cost growth	3% pa for first 5 years	3% pa for first 5 years
Terminal growth rate (EBITDA)	2%	2%
Discount rate (pre tax)	16.67%	16.67%

Sensitivity analysis has been conducted and no reasonable change in the key assumptions of the value in use calculations would result in impairment

NOTE 15: PAYABLES	**2015**	**2014**
	$	**$**
CURRENT		
Unsecured liabilities		
Trade creditors	1,664,213	1,184,744
Payables from broking, reinsurance and underwriting agency operations	329,954,228	78,457,384
Sundry creditors and accruals	3,937,585	1,767,949
Loans from directors	551,832	352,800
	336,107,858	81,762,877

NOTE 16: BORROWINGS	**2015 $**	**2014 $**
CURRENT		
Secured liabilities		
Bank loans	5,580,703	5,352,240
	5,580,703	5,352,240
NON CURRENT		
Secured liabilities		
Bank loans	29,563,895	25,339,750
	29,563,895	25,339,750

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

The consolidated entity has two primary funding facilities and two smaller standalone debt funding facilities:

- PSC Insurance Group Limited - Revolving Funding Facility (Macquarie Bank Limited) - Limit $23,130,000
- PSC Insurance Brokers (Aust) Pty Ltd - Loan Facility (Hunter Premium Funding) - Limit $12,000,000
- PSC Insurance Group Limited - Fully Drawn Advance (Macquarie Bank Limited) - Limit $1,870,000
- Insurance Holdings Ltd - Loan Facility (Clydesdale Bank) - Limit £ 1,250,000

The key terms and conditions of the primary facilities are as follows:

Macquarie Bank Limited (MBL) Revolving Fund Facility

Security was granted in favour of MBL in accordance with the requirements of the MBL Facility including a registered first ranking security over all assets and undertakings of the parent entity and certain wholly owned subsidiaries of the parent entity and a registered first ranking security over the shares held by the parent entity and certain wholly owned subsidiaries of the parent entity in certain subsidiaries within the PSC Insurance Group. Other security includes unlimited guarantees and indemnities from certain directors of the parent entity and certain wholly owned subsidiaries of the parent entity, negative pledges from each of the current shareholders in the parent entity in respect of shares held by them in the parent entity and entry into various other documents in relation to securing repayment of the amounts owed by the PSC Insurance Group under the MBL Facility.

The MBL Facility 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 drawn 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 repayment terms of the MBL facility is three capital payments per annum (payable on 15 February, 15 August and 15 November). The current annual capital repayment obligation is $2,000,000. Interest is paid monthly.

Clydesdale Bank Facility

Insurance Holdings Limited ("IHL") have a £1.25m, 5 year facility agreement with Clydesdale Bank Plc. The agreement provides for a Cross Guarantee and Mortgage Debenture over the assets of IHL, and all trading subsidiaries as security. The loan was to refinance the existing indebtedness of IHL and to fund a share buy back from a retiring Director.

The Clydesdale Facility contains a number of representation, warranties and undertakings, including financial covenants and reporting obligations. The financial covenants cover IHL's rolling EBITDA to loan value ratio, its interest ratio, cashflow cover, capital expenditure cover, and a specific covenant on dividend distribution. These covenants have to be met quarterly and have been met during the Facility term to date.

The repayment terms of the Clydesdale Facility are that amortisation of the loan is at £50k per quarter plus interest over the 5 year term, with the balance of £250k being repaid on expiry. Interest is payable at 4% over UK LIBOR.

NOTE 16: BORROWINGS (Cont)

Hunter Premium Funding Facility

PSC Insurance Brokers (Aust) Pty Ltd ("PIBA") has granted Hunter a registered first ranking general security interest over the assets and undertakings of PIBA. Certain subsidiaries have provided a Guarantee in favour of PIBA for the Hunter Facility.

The Hunter Facility contains a number of representations, warranties and undertakings (including financial covenants and reporting obligations) from PIBA that are customary for a facility of this nature, including covenants ensuring that PIBA's EBITDA to loan value ratio, and its interest cover ratio, does not fall below agreed levels. These covenants have been met during the year.

The repayment terms of the Hunter facility is a single annual capital repayment. In 2015 the repayment obligation was $1,300,000, this repayment obligation progressively increases to $1,600,000 in 2022. Interest is paid monthly.

NOTE 17: PROVISIONS	2015 $	2014 $
CURRENT		
Employee benefits provision	1,431,275	915,037
NON CURRENT		
Employee benefits	153,696	142,524
Total employee benefits liability	1,584,971	1,057,561

NOTE 18: OTHER LIABILITIES

CURRENT		
Deferred income	82,008	209,874
Amounts payable to vendors (a)	892,612	1,555,000
Dividends Payable	68,980	-
	1,043,600	1,764,874
NON-CURRENT		
Amounts payable to vendors (a)	-	886,138

(a) Amounts payable to vendors represents deferred consideration expected to be made to vendors for acquisitions. The consideration payable is calculated based on a multiple of revenue as defined in the purchase agreement.

	2015	2014
NOTE 19: SHARE CAPITAL	**$**	**$**
(a) Issued and paid-up capital		
153,243,334 Ordinary shares fully paid (2014: 10,075,004)	3,599,216	3,599,216

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

	Parent Entity	
(b)Movements in shares on issue	**No of shares**	**$**
2015		
Beginning of financial year	10,075,004	3,599,216
Share Split*	143,168,330	-
End of financial year	153,243,334	3,599,216
2014		
Beginning of financial year	10,075,004	3,599,216
End of financial year	10,075,004	3,599,216

* During the year, the Board issued a one for 14.21 share split in preparation for a potential Initial Public Offering (IPO)

(c) Rights of each type of share

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

(d) Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

During 2015, management paid dividends of:

- Dividends paid by PSC Insurance Group Limited $1,550,000 (2014:NIL)
- Dividends paid to non-controlling interests $1,164,358 (2014: $395,075)

Management manages capital by proactively assessing future funding needs and determining the best funding measures, principally through retained earnings and debt facilities. When considering prudent gearing levels, the consolidated entity considers its gross debt levels against the forecast levels of EBITDA and free cash flow, and looks to ensure the debt to EBITDA does not exceed a threshold of 3 times. The consolidated entity also considers the gearing ratio being net debt / total capital. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents and total capital includes net debt and book equity. The target for the consolidated entity's gearing ratio is between 50% to 70%.

NOTE 20: RESERVES AND RETAINED EARNINGS	2015 $	2014 $
Share-based payment reserve	29,634	-
Foreign currency translation reserve	1,141,924	255,847
	1,171,558	255,847
Retained Earnings	15,304,926	10,770,136

(a) Share-based payment 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.

Movements in reserve		
Opening balance	-	-
Fair value of options and performance share rights issued during the year	29,634	-
Closing balance	29,634	-

Employee share options have been valued using a Black Scholes model with volatility of 20% and a risk free rate of 2.53%. Employee share options are granted at a nominal value and expire after 12 months. Total number of unissued ordinary shares under option total 1,528 and have a combined exercise price of $490,108.08.

(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		
Opening balance	255,847	120,993
Exchange differences on translation of foreign operations	886,077	134,854
Closing balance	1,141,924	255,847

(c) Retained Earnings		
Retained earnings at beginning of year	10,770,136	5,854,936
Other movement in retained earnings	(327,440)	(335,674)
Net profit	6,412,230	5,250,874
Dividends provided for or paid	(1,550,000)	-
	15,304,926	10,770,136

NOTE 21: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

Subsidiaries of the group	Country of incorporation	Ownership interest held by group		Ownership interest held by NCI	
		2015	2014	2015	2014
ACN 151 774 668 Pty Ltd	Australia	75.0%	75%	25.0%	25%
Alsford Page & Gems Limited	United Kingdom	72.1%	***	27.9%	***
Alsford Page & Gems (Holdings) Limited	United Kingdom	72.1%	***	27.9%	***
Austrans Pacific Pty Ltd	Australia	100.0%	**	0.0%	**
Breeze Reinsurance Pty Ltd	Australia	100.0%	**	0.0%	**
Breeze Underwriting (Aust) Pty Ltd	Australia	90.3%	90.3%	9.7%	9.7%
Breeze Underwriting Limited	United Kingdom	80.0%	76%	20.0%	24%
Carroll & Partners Limited	United Kingdom	84.2%	80%	15.8%	20%
Certus Life Pty Ltd	Australia	80.0%	80%	20.0%	20%
Certus Life Canberra Pty Ltd	Australia	93.1%	**	7.0%	**
Certus Life Melbourne Pty Ltd	Australia	100.0%	**	0.0%	**
Chase Underwriting Pty Ltd	Australia	70.0%	70%	30.0%	30%
Chase Surety Pty Ltd	Australia	56.0%	**	44.0%	**
Deskhaven Pty Ltd	Australia	70.0%	70%	30.0%	30%
Fenchurch Insurance Risk Management Limited	United Kingdom	84.2%	80%	15.8%	20%
Insurance Holdings Limited	United Kingdom	84.2%	80%	15.8%	20%
Just Equestrian Insurance Services Limited	United Kingdom	29.5%	28%	70.5%	72%
Just Leisure Insurance Services Limited	United Kingdom	29.5%	28%	70.5%	72%
Just Motorsport Limited	United Kingdom	29.5%	28%	70.5%	72%
McKenna Hampton Insurance Brokers Pty Ltd	Australia	100.0%	100%	0.0%	0%
P Capital Pty Ltd	Australia	100.0%	100%	0.0%	0%
Professional Services Corporation Pty Ltd	Australia	93.0%	93%	7.0%	7%
PSC Coast Wide Newcastle Pty Ltd	Australia	50.0%	50%	50.0%	50%
PSC Coastwide Insurance Services Pty Ltd	Australia	70.0%	70%	30.0%	30%
PSC Connect NZ Limited	New Zealand	75.0%	75%	25.0%	25%
PSC Connect Pty Ltd	Australia	75.0%	75%	25.0%	25%
PSC Foundation Pty Ltd	Australia	100.0%	100%	0.0%	0%
PSC Group Holdings Pty Ltd	Australia	100.0%	100%	0.0%	0%
PSC Holdings (Aust) Pty Ltd	Australia	100.0%	100%	0.0%	0%
PSC Insurance Brokers (Aust) Pty Ltd	Australia	90.3%	90.3%	9.7%	9.7%
PSC Insurance Brokers (Brisbane) Pty Ltd	Australia	75.0%	75%	25.0%	25%
PSC Insurance Brokers (Darwin) Pty Ltd	Australia	75.0%	75%	25.0%	25%
PSC Insurance Brokers (Melbourne) Pty Ltd	Australia	90.3%	90.3%	9.7%	9.7%
PSC Insurance Brokers (Wagga) Pty Ltd	Australia	77.8%	77.8%	22.2%	22.2%
PSC Insurance Brokers Pty Ltd	Australia	100.0%	100%	0.0%	0%
PSC Insurance Pty Ltd	Australia	90.3%	90.3%	9.7%	9.7%
PSC Insurance Services Pty Ltd	Australia	100.0%	100%	0.0%	0%
PSC International Pty Ltd	Australia	100.0%	100%	0.0%	0%

NOTE 21: INTERESTS IN SUBSIDIARIES (Cont)

(a) Subsidiaries (cont)

PSC JLG Investment Pty Ltd	Australia	90.3%	**	9.7%	**
PSC McKenna Hampton Insurance Brokers Pty Ltd	Australia	86.5%	86.5%	13.5%	13.5%
PSC Nominees Pty Ltd	Australia	90.3%	90.3%	9.7%	9.7%
PSC Risk Consultants Limited	Hong Kong	65.0%	65%	35.0%	35%
PSC Share Nominees Pty Ltd	Australia	93.1%	93.1%	7.0%	7%
PSC UK Pty Ltd	Australia	100.0%	100%	0.0%	0%
PSC Wright Fahey Pty Ltd	Australia	46.1%	46.1%	53.9%	53.9%
The Lead Agency Pty Ltd	Australia	70.0%	70%	30.0%	30%
UK Facilities Limited	United Kingdom	84.2%	63%	15.8%	37%
Upper Hillwood Holdings Limited	United Kingdom	72.1%	***	27.9%	***

** Entity incorporated in 2015
*** Entity acquired in 2015

	2015	2014
(b) Reconciliation of the non-controlling interest		
Accumulated NCI at the beginning of the year	2,733,170	1,802,687
Profit or loss allocated to NCI during the year	2,246,651	1,476,274
Contributions	555,077	173,809
Purchase of additional ownership interest in a subsidiary from NCI	-	(68,575)
Disposal of ownership interest in a subsidiary without loss of control	-	(255,950)
Dividends paid to NCI	(1,164,358)	(395,075)
Accumulated NCI at the end of the year	4,370,540	2,733,170

(c) Disposal of ownership interest without loss of control

Proceeds received from disposal of 6.95% ownership interest	-	300,000
Carrying amount of NCI disposed of	-	142,937
Increase in equity attributable to parent recognised in NCI reserve within equity	-	157,063

NOTE 22: CASH FLOW INFORMATION

	2015	2014
	$	$
(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:		
Cash on hand	15,152	20,419
Cash at bank	5,495,321	1,379,417
Cash on deposit	922,000	600,000
Cash held on trust	51,467,898	37,563,805
	57,900,371	39,563,641

	2015	2014
(b) Reconciliation of net profit after tax to net cash flows from operations		
Profit from ordinary activities after income tax	8,658,881	6,727,148
Adjustments and non-cash items		
Depreciation and amortisation	633,251	725,207
Fair value adjustment of shares	-	(1,687,353)
Bad and doubtful debts	(1,992)	31,219
Foreign currency translation (gains)/losses	76,450	(80,806)
(Gain) on sale of shares	(1,148,545)	-
(Gain) on net assets exceeding consideration paid	(476,976)	-
Net cash flows from operations before change in assets and liabilities	7,741,069	5,715,415
Change in assets and liabilities		
(Increase)/decrease in receivables	(52,312,452)	(2,043,092)
(Increase)/decrease in other assets	(989,252)	78,601
Increase/(decrease) in payables	50,356,317	11,185,293
Increase/(decrease) in provisions	326,567	176,893
(Decrease)/Increase in deferred income	(127,866)	(26,761)
Increase/(decrease) in income taxes payable	1,738,479	122,529
(Increase)/decrease in deferred tax liabilities	(742,913)	1,041,249
Net cash flow from operating activities	5,989,949	16,250,757

NOTE 22: CASH FLOW INFORMATION (Cont)

(c) Acquisitions

During the period the consolidated group obtained control of Alsford Page and Gem Limited. The fair value of assets acquired and liabilities assumed were as follows:

	2015 $	2014 $
Cash	11,285,297	
Trade receivables	194,837,720	
Other assets	270,632	
Trade and other creditors	(200,494,352)	
Provisions	(267,085)	
Deferred tax balances	134,864	
Bank loan	(1,902,841)	
Other payables	(1,807,901)	
Net Identifiable assets acquired	2,056,334	
(Gain) on net assets exceeding consideration paid	(476,976)	
Consideration paid	(1,579,358)	
Cash acquired	11,285,297	
Net cash acquired	9,705,939	

(d) Loan facilities

	2015 $	2014 $
Loan facilities	39,566,735	32,682,365
Amount utilised	35,144,598	30,691,990
Unused loan facility	4,422,137	1,990,375

NOTE 23: BUSINESS COMBINATIONS

	2015
	$
Consideration and costs paid	1,579,358
Shares issued as consideration	-
Deferred consideration	-
Total consideration	1,579,358
Fair value of non-controlling interest	555,077
Fair value of previously held equity interest	-
Total	555,077

On 16 January 2015, the consolidated entity completed acquisition of 72.1% of Alsford Page and Gems Limited, an established reinsurance business in the United Kingdom. The effective date of the acquisition was 1 January 2015.

The business combination was undertaken in order to expand the group's existing presence in the United Kingdom.

The acquisition was completed via a shareholding agreement that result in PSC ownership of 72.1% of the Alsford Page and Gems Limited business.

(a) Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:	Recognised on acquisition at fair value
- Cash	11,285,297
- Trade receivables	194,837,720
- Other assets	270,632
- Trade and other creditors	(200,494,352)
- Provisions	(267,085)
- Deferred tax balances	134,864
- Bank loan	(1,902,841)
- Other payables	(1,807,901)
Net identifiable assets acquired	2,056,334
Consideration paid	1,579,358
Excess of net assets over consideration paid	476,976

In applying AASB3 the accounting resulted in an excess of net assets acquired over consideration paid. This discount on net assets arose as there was a short-term funding requirement for the business that has been met by PSC Insurance Group Limited.

NOTE 23: BUSINESS COMBINATIONS (Cont)

	2015
	$
(b) Purchase consideration - cash outflow	
Less: Cash balances acquired	
Cash (includes cash held on trust)	11,285,294
Net cash balance acquired	11,285,294
Outflow of cash - investing activities	(1,579,358)
Net cash acquired	9,705,936

(c) Contribution since acquisition

Since the acquisition date Alsford Page & Gems Limited has contributed revenue of $6.5m (£3.3m) and profit after tax of $2.4m (£0.8m) which is included within the consolidated profit. Had the combination occurred from the beginning of the year, revenue for the consolidated entity would have been $10.4m (£5.3m) and profit after tax would have been $0.8m (£0.4m).

(d) Transaction costs

Transaction costs of $215,704 were incurred in relation to the acquisition. These costs are included within Administration and other expenses in the statement of comprehensive income.

NOTE 24: COMMITMENTS

	2015	2014
	$	$
(a) Lease expenditure commitments		
Operating leases (non-cancellable):		
(i) Nature of leases		
Operating leases comprise lease for premises from which the consolidated entity operates and several novated leases of motor vehicles that form part of the salary packages of employees.		
(ii) Minimum lease payments		
- Not later than one year	1,840,505	1,735,571
- Later than one year and not later than five years	2,194,089	3,537,514
- Later than five years	-	-
Aggregate lease expenditure contracted for at reporting date	4,034,594	5,273,085
(b) Capital expenditure commitments		
Plant and equipment payable	15,285	-
Total capital expenditure commitments	15,285	-
(c) Business acquisition commitments for acquisitions completed post-balance date*		
David Denson Pty Ltd (purchase of client list)	1,075,000	-
Hamilton Brokers Pty Ltd (purchase of client list)	1,550,000	-
Flagship Haven Insurance Consultants Limited (purchase of license and client list)	425,000	-
TA Asset Management Pty Ltd (purchase of client list, other business assets and assumption of employee benefits liabilities)	2,800,000	-
	5,850,000	-

*Refer to Note 30: Subsequent Events

(d) Bank guarantee commitments

The consolidated entity has provided bank guarantees in relation to a number rental premises from which various businesses operate. Total bank guarantees outstanding $340,000 (2014:$340,000).

NOTE 25: FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of financial risks comprising:

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

The board of directors has overall responsibility for identifying and managing operational and financial risks.

	2015 $	2014 $
The consolidated entity holds the following financial instruments:		
Financial assets		
Cash and cash equivalents	57,900,371	39,563,641
Bonds and Deposits	361,062	13,410
Receivables from broking, reinsurance and underwriting agency operations	297,418,626	50,271,101
Other receivables	347,947	345,300
Loans to director related entities	3,836,544	2,892,093
Financial assets at fair value through profit and loss	-	3,935,353
Financial assets at cost	638,188	-
	360,502,738	97,020,898
Financial liabilities		
Trade creditors	1,664,213	1,184,744
Payables from broking, reinsurance and underwriting agency operations	329,954,228	78,457,384
Sundry creditors & accruals	3,937,585	1,767,949
Loans from directors	551,832	352,800
Borrowings	35,144,598	30,691,990
	371,252,456	112,454,867

NOTE 25: FINANCIAL RISK MANAGEMENT (Cont)

(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

Investments in listed securities at fair value through profit or loss are measured at fair value at reporting date based on current bid prices. If security prices were to increase/decrease by 10% from 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:

	2015	2014
Listed securities	**$**	**$**
+ / - 10% price variation		
Impact on profit after tax	-	275,475
Impact on equity	-	275,475

(b) Currency risk

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

Sensitivity

If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values of all financial instruments as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2015	2014
	$	**$**
+ / - 10%		
Impact on profit after tax	42,273	49,630
Impact on equity	1,100,734	295,983

(c) 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:

NOTE 25: FINANCIAL RISK MANAGEMENT (cont)

Financial Instruments	Interest-bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
2015	**$**	**$**	**$**	**%**
(i) Financial assets (variable)				
Cash	57,900,371	-	57,900,371	1.97%
Bonds and Deposits	-	361,062	361,062	
Receivables from broking, reinsurance and underwriting agency operations	-	297,418,626	297,418,626	
Other receivables	-	347,947	347,947	
Loans to director related entities	3,836,544	-	3,836,544	6.95%
Financial Assets at cost	-	638,188	638,188	
Total financial assets	61,736,915	298,765,823	360,502,738	
(ii) Financial liabilities (variable)				
Trade creditors	-	1,664,213	1,664,213	
Payables from broking, reinsurance and underwriting agency operations	-	329,954,228	329,954,228	
Sundry creditors & accruals	-	3,937,585	3,937,585	
Loans from directors	551,832	-	551,832	6.20%
Borrowings	35,144,598	-	35,144,598	7.09%
Total financial liabilities	35,696,430	335,556,026	371,252,456	
2014				
(i) Financial assets (variable)				
Cash	39,563,641	-	39,563,641	2.05%
Bonds and Deposits	-	13,410	13,410	
Receivables from broking, reinsurance and underwriting agency operations	-	50,271,101	50,271,101	
Other receivables	-	345,300	345,300	
Loans to director related entities	2,892,093	-	2,892,093	7.20%
Financial Assets at fair value through profit and loss	-	3,935,353	3,935,353	
Total financial assets	42,455,734	54,565,164	97,020,898	
(ii) Financial liabilities (variable)				
Trade creditors	-	1,184,744	1,184,744	
Payables from broking, reinsurance and underwriting agency operations	-	78,457,384	78,457,384	
Sundry creditors & accruals	-	1,767,949	1,767,949	
Loans from directors	352,800	-	352,800	5.95%
Borrowings	30,691,990	-	30,691,990	7.60%
Total financial liabilities	31,044,790	81,410,077	112,454,867	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

NOTE 25: FINANCIAL RISK MANAGEMENT (Cont)

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2015	2014
+ / - 100 basis points	$	$
Impact on profit after tax	182,283	79,877
Impact on equity	182,283	79,877

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Credit risk of the consolidated entity mainly arises from cash and cash equivalents, trade and other receivables, loan to shareholders and loan to a joint venture.

Although there is a concentration of cash and cash equivalents held with a major bank, credit risk is not considered significant.

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

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The consolidated entity's risk management includes maintaining sufficient cash and the availability of funding via an adequate amount of credit facilities as disclosed in note 22.

(f) 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.

NOTE 26: DIRECTORS' AND EXECUTIVES' COMPENSATION

Compensation by category	**2015** $	**2014** $
Short-term employment benefits	1,250,000	1,200,000
	1,250,000	1,200,000

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

Name	**Appointment Details**
Paul Dwyer	Appointed 10 December 2010
John Dwyer	Appointed 10 December 2010
Brian Austin	Appointed 10 December 2010
Antony Robinson	Appointed 13 July 2015

The names of key management personnel during the year are:

Name	**Appointment Details**	**Position**
Rohan Stewart	Appointed 1 January 2010	Chief Operating Officer

NOTE 27: RELATED PARTY DISCLOSURES

(a) Ownership interests in related parties

Details of interests in controlled entities are set out in Note 21.

(b) Related party transactions

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

(i) Transactions with subsidiaries

All transactions that have occurred among the subsidiaries within the consolidated entity have been eliminated for consolidation purposes.

(ii) Transactions with entities with director related entities

Fuse recruitment is owned by Directors of the consolidated entity and is therefore considered a related entity. The consolidated entity engages Fuse recruitment for recruitment and contractor services. The following recruitment and contractor fees were paid on normal third party commercial terms:

	2015 $	**2014** $
Recruitment/ contractor fees paid or payable to associates on normal commercial terms	259,518	171,198

The consolidated entity also shares one office space with Fuse Recruitment Pty Ltd where the rent is split on an area occupied basis. Fuse Recruitment Pty Ltd is the Head Tenant and as such the following subtenant rents have been paid to them by the consolidated entity:

	2015 $	**2014** $
Estimated rent paid or payable to associates on normal commercial terms	50,679	28,801

NOTE 27: RELATED PARTY DISCLOSURES (Cont)

(iii) Transactions with entities with joint ventures in which the entity is a venturer

The consolidated entity issued a loan to it's joint venture entity, Trump Aviation Unit Trust, so that the entity could acquire an asset. As a venturer, the consolidated entity is entitled to use of the asset. Use of the asset entails covering the operating costs for such use.

	2015	2014
	$	$
Non-current Loan receivable	475,132	-
Fees paid or payable to joint venture	60,200	-

(iv)Transactions with directors, key management personnel and other related parties

From time to time, the consolidated entity issues loans to Directors, Key management personnel and other related parties. The following balances are outstanding at the reporting date in relation to loans with related parties.

	2015	2014
Current receivables	$	$
Directors loans (a)	2,188,793	2,592,673
Loans to director related entities	1,172,619	299,420
Current payables		
Director loans (a)	551,832	352,800

(a) The loans with directors have been settled subsequent to balance date via the payment of company dividends

All directors loans meet the minimum requirements of the Income Tax Assessment ACT 1936 Division 7a in relation to interest rates and repayment terms.

NOTE 28: AUDITOR'S REMUNERATION	2015	2014
(a) Amounts paid and payable to Picther Partners Melbourne for:	**$**	**$**
(i) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	508,738	95,990
Other assurance services		
- Due diligence	120,500	-
Total remuneration for audit and other assurance services	629,238	95,990
(ii) Other non-audit services		
Corporate secretarial services	11,257	14,301
Taxation services	90,813	28,065
Total remuneration for non-audit services	102,070	42,366
Total remuneration of Pitcher Partners Melbourne	731,308	138,356
(b) Amounts paid and payable to network firms of Pitcher Partners for:		
(i) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	9,093	
Total remuneration for audit and other assurance services	9,093	0
(ii) Other non-audit services		
Corporate secretarial services	889	1,710
Total remuneration for non-audit services	889	1,710
Total remuneration of network firms of Pitcher Partners	9,982	1,710
(c) Amounts paid and payable to non-related auditors of group entities for:		
(i) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	96,228	49,735
Total remuneration for audit and other assurance services	96,228	49,735
(ii) Other non-audit services		
Taxation services	34,910	4,344
Total remuneration for non-audit services	34,910	4,344
Total remuneration of non-related auditors of group entities	131,138	54,079
Total auditors' remuneration	872,428	194,145

NOTE 29: PARENT ENTITY INFORMATION

(a) Summarised statement of financial position

	2015	2014
	$	$
Assets		
Current assets	1,931,415	1,661,746
Non-current assets	29,084,754	22,342,568
Total assets	31,016,169	24,004,314
Liabilities		
Current liabilities	5,404,912	2,304,269
Non-current liabilities	19,129,577	16,409,625
Total liabilities	24,534,489	18,713,894
Net assets	6,481,680	5,290,420
Equity		
Share capital	3,599,216	3,599,216
Retained earnings	2,882,464	1,691,204
Total equity	6,481,680	5,290,420

(b) Summarised statement of comprehensive income

	2015	2014
Profit for the year	2,741,222	1,451,050
Total comprehensive income for the year	2,741,222	1,451,050

NOTE 30: SEGMENT INFORMATION

(a) Description of segments

The consolidated entity's chief operating decision maker has identified the following reportable segments:

- Australasia

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

- UK

The Group's UK operations represent it's 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 consolidated entity's chief operating officer in order to allocate resources to the segment and assess its performance.

(b) Segment information

The consolidated entity's chief operating officer uses segment revenue, segment result, segment assets and segment liabilities to assess each operating segment's financial performance and position. Amounts reported for each operating segment are the same amount recorded in the internal reports to the chief operating officer.

Amounts of segment information are measured in the same way the financial statements. They include items directly attributable to the segment and those that can reasonably be allocated to the segment based on the operations of the segment. Inter-segment revenue is determined on an arm's length basis.

Segment information is reconciled to financial statements and underlying profit disclosure notes if provided elsewhere where these amounts differ.

NOTE 30: SEGMENT INFORMATION (Cont)

		Segment 1 - Australia/NZ/Asia	Segment 2 - UK	Total
2015	**Segment revenue**			
	Total segment revenue	35,527,933	16,543,741	52,071,674
	Inter-segment revenue	-	-	-
	Segment revenue from external source	35,527,933	16,543,741	52,071,674
	Segment result			
	Total segment result	5,431,476	3,227,405	8,658,881
	Intersegment eliminations	-	-	-
	Segment result from external source	5,431,476	3,227,405	8,658,881
	Items included within the segment result:			
	Interest income	945,478	11,686	957,164
	Interest expense	(2,207,353)	(125,995)	(2,333,348)
	Depreciation and amortisation expense	(539,503)	(93,748)	(633,251)
	Impairment of goodwill	-	-	-
	Income tax expense	(2,347,507)	(772,290)	(3,119,797)
	Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	(47,370)	-	(47,370)
	Total segment assets	126,531,154	275,220,183	401,751,337
	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	825,292	67,781	893,073
	Total segment liabilities	113,153,648	264,151,449	377,305,097

NOTE 30: SEGMENT INFORMATION (Cont)

		Segment 1 - Australia/NZ/Asia	Segment 2 - UK	Total
2014	**Segment revenue**			
	Total segment revenue	32,523,522	8,036,991	40,560,513
	Inter-segment revenue	-	-	-
	Segment revenue from external source	32,523,522	8,036,991	40,560,513
	Segment result			
	Total segment result	5,776,142	951,006	6,727,148
	Intersegment eliminations	-	-	-
	Segment result from external source	5,776,142	951,006	6,727,148
	Items included within the segment result:			
	Interest income	690,778	-	690,778
	Interest expense	(1,966,769)	(173,444)	(2,140,213)
	Depreciation and amortisation expense	(652,781)	(74,440)	(727,221)
	Impairment of goodwill	-	-	-
	Income tax expense	(2,482,423)	(292,914)	(2,775,337)
	Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	-	-
	Total segment assets	110,576,499	25,407,028	135,983,527
	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	3,064,422	85,969	3,150,391
	Total segment liabilities	96,190,676	22,434,482	118,625,158

NOTE 31: SUBSEQUENT EVENTS

Circumstances which have arisen since 30 June 2015 that significantly affect the state of affairs of the consolidated entity are detailed as follows:

(a) Acquisitions

1. David Denson Pty Ltd - On 1 July 2015, the consolidated entity acquired the client list of David Denson Pty Ltd, an insurance consulting firm in Melbourne. The fair value of the client list is being determined and will be disclosed at the next reporting date.

Consideration paid/payable	$
Consideration and costs paid	465,000
Contingent consideration	310,000
Deferred consideration	300,000
Total Consideration	1,075,000

2. Hamilton Brokers Pty Ltd - On 1 July 2015, the consolidated entity acquired the client list of Hamilton Brokers Pty Ltd, an insurance consulting firm in Canberra. The fair value of the client list is currently being determined and will be disclosed at the next reporting date.

Consideration paid/payable	$
Consideration and costs paid	775,000
Contingent consideration	775,000
Total Consideration	1,550,000

3. Flagship Haven Insurance Consultants Limited - On 1 July 2015, the consolidated entity acquired the license and client list of Flagship Haven Insurance Consultants Limited, an insurance consulting firm in Hong Kong. The majority of net assets acquired comprises goodwill (relating to the license) and client lists, the fair value of which is being determined and will be disclosed at the next reporting date.

Consideration paid/payable	$
Consideration and costs paid	425,000
Total Consideration	425,000

4. TA Management Pty Ltd - On 15 October 2015, the consolidated entity entered into an agreement to acquire the client list, other business assets and the assumption of employee benefits liabilities of TA Management Pty Ltd, a life insurance brokerage in Melbourne. The fair value of which is being determined and will be disclosed at the next reporting date. Additional disclosures about this acquisition have not been made as a number of aspects remain to be fully determined.

Consideration paid/payable	$
Consideration and costs paid	2,800,000
Total Consideration	2,800,000

(b) Final dividend

On 28 July 2015, the Board declared final dividends for 2015 of 2.36 cents per share, 100% franked. A portion of the dividend is allocated to offset Shareholder loans, with the remainder to be paid in cash.

(c) Deconsolidation of P Capital Pty Ltd and PSC Risk Consultants Pty Ltd

The paid up share capital of the Company was reduced by the Company by making a pro rata distribution 'in specie' of the shares in P Capital Pty Ltd ACN 164 772 276 (being a wholly owned subsidiary of the Company) and the shares in PSC Risk Consultants Limited Company number 1630000 (being a partly owned subsidiary of the Company) to each Shareholder in the Company.

NOTE 32: ENTITY DETAILS

The registered office of the group is:

PSC Insurance Group Limited
C/- Pitcher Partners
Level 19, 15 William Street
MELBOURNE VIC 3000

The principal place of business is:

PSC Insurance Group Limited
Suite 1, Ground Floor
90-94 Tram Road
Doncaster VIC3108

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 10 to 62 in accordance with the *Corporations Act 2001*:

(a) Comply with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 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 is made in accordance with a resolution of the directors.

Paul Dwyer
Director

John Dwyer
Director

Melbourne
Date 30 October 2015

Melbourne
Date 30 October 2015

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

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

We have audited the accompanying financial report of PSC Insurance Group Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PITCHER PARTNERS

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

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

Opinion

In our opinion:

(a) the financial report of PSC Insurance Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

F V RUSSO
Partner

30 October 2015

Pitcher Partners
PITCHER PARTNERS
Melbourne