

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

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3**

**This half-year financial report is to be read in conjunction with the financial
report for the year ended 30 June 2015.**

Appendix 4D

Half Year Report for the six months to 31 December 2015

Name of entity. PSC INSURANCE GROUP LIMITED

ABN or equivalent company reference: 81 147 812 164

1. Reporting period

Report for the half year ended: 31 December 2015

Previous corresponding periods: Financial year ended 30 June 2015
Half- year ended 31 December 2014

2. Results for announcement to the market

				\$A '000
Revenues from ordinary activities (<i>item 2.1</i>)	up	31%	to	27,656
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	(36%)	to	2,081
Net profit for the period attributable to members (<i>item 2.3</i>)	Down	(47%)	to	1,239
Dividends to members of the parent (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend (2016)	1.2 cents		1.2 cents	
Final dividend (2015)	2.4 cents		2.4 cents	
Previous corresponding period (12 months 2015)	17.7 cents		17.7 cents	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	16 March 2016			

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

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

Statutory revenue increased from \$21.0m¹ in the prior corresponding period to \$27.7m in the half-year to 31 December 2015 and statutory net profit after tax (excluding minority interests) (NPAT) decreased from \$3.3m to \$2.1m.

The decrease in NPAT was the result of non-recurring expenses of \$2.14m (refer note 2), in the main relating to the Initial Public Offering (IPO) of securities in PSC Insurance Group Limited of \$1.9m. These principally related to a non-cash expense of \$1.5m relating to a staff share allocation and \$0.4m in non-recurring IPO related costs that were not offset against paid up capital. In the half-year ended 31 December 2014, the prior corresponding period, other non-recurring expenses were \$0.28m. In addition, a \$0.7m fair value restatement of held-for-sale shares, included in other income, was exceptional in the prior corresponding period since the shares were no longer held in the half-year ended 31 December 2015.

On this basis, and after adjusting for tax effect, underlying NPAT (and before amortisation expense) increased from \$2.86m to \$3.73m. The December 2015 result was after interest, which on a pro-forma basis will reduce materially given the reduced debt at balance date.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was \$6.74m, up from \$5.66m. The six month revenue contribution from Alsford Page & Gems Limited captured their lower revenue half, with the second half expected-contribution being their highest revenue period and therefore period of profitability.

Revenue growth was the result of both organic growth in the operating businesses and acquisitions, relating to the contribution of Alsford Page & Gems Limited, which was not included in the prior corresponding period, and three acquisitions completed at varying times in the current half-year.

Organic growth was evident across the portfolio of businesses, particularly from the Australian underwriting agencies and authorised representative network businesses. Growth was also evidenced in the Australian insurance broking and United Kingdom (UK) operations. The UK operations assisted in the half-year with favourable FX movements.

During the half-year the Group completed on three acquisitions being 1) an insurance broking business in Canberra (Hamilton Brokers Pty Ltd) 2) an insurance broking portfolio in Melbourne (David Denson Pty Ltd) and 3) a life insurance broking business based out of Melbourne (T A Management Pty Ltd).

During the half-year the IPO was completed, which resulted in the purchase of the majority of non-controlling interests and an increase in paid up capital. \$0.84m non-controlling interests in the Statement of Profit or Loss and Other Comprehensive Income related to the minority interests share in results before the roll up of non-controlling interests immediately prior to the Group listing on the ASX. Funds raised from the IPO, \$40.5m net of capital raising costs, will be used to fund future acquisitions of the Group. In the short term, the funds raised were used to repay the Group's Australian banking facilities and the Group has a committed ongoing debt facility of \$32m with Macquarie Bank Limited. At balance date, the only drawn debt was a facility in the UK operations with Clydesdale Bank PLC.

¹ Includes \$0.7m of one-off revenue

3. Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$ 0.07	(\$0.09)

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

Control gained over entities

Name of entities (item 4.1)	N/A	
Date(s) of gain of control (item 4.2)	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	N/A	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A	

Loss of control of entities

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

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

	Date of payment	Total amount of dividend \$A'000
Interim dividend year ended 30 June 2015	27/11/2014	\$1,500
	14/04/2015	\$ 50
Final dividend year ended 30 June 2015	28/07/2015	\$3,614

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year (half-year 2015)	2.5 cents	2.5 cents	-
Previous year (half-year 2014)	15.0 cents	15.0 cents	-

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities	\$3,856	\$1,521
Preference securities		
Other equity instruments		
Total	\$3,856	\$1,521

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

There are no dividend reinvestment plans currently in place.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

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

8. Independent review of the financial report

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

PSC INSURANCE GROUP LIMITED

**ABN: 81 147 812 164
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015**

This half-year financial report is to be
read in conjunction with the financial
report for the year ended 30 June 2015

**PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2015**

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PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES
ABN 81 147 812 164
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The Directors present their report together with the condensed financial report of the consolidated entity consisting of PSC Insurance Group Limited and its controlled entities (the Group) for the half-year ended 31 December 2015 and independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

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

Brian Austin

John Dwyer

Paul Dwyer

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.

Review of operations

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

Statutory revenue increased from \$21.0m¹ in the prior corresponding period to \$27.7m in the half-year to 31 December 2015 and statutory net profit after tax (excluding minority interests) (NPAT) decreased from \$3.3m to \$2.1m.

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¹ Includes \$0.7m of one-off revenue (refer note 2 for detail)

PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES
ABN 81 147 812 164
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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The Directors have declared an inaugural interim dividend as a public listed company of 1.2 cents per share. This dividend will be fully franked.

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

After balance date events

On 15 January the Group announced that it had entered into conditional agreements to acquire the Australian Reliance corporate insurance broking business and Reliance Partners insurance adviser franchise network.

The purchase price will be funded from existing cash reserves and by accessing the company's debt facility.

At date of accounts, the following acquisitions have completed:

- 100% of the business of Reliance Franchise Partners Pty Ltd.
- between 50% and 100% of the shares of 33 franchisee entities operating in the Reliance Partners franchise network.
- 70% of AR (WA) Pty Ltd, the Perth business.
- 100% of the businesses of AR Portfolio (NSW) Pty Ltd and Australian Reliance (NSW) Pty Ltd, the Sydney business.

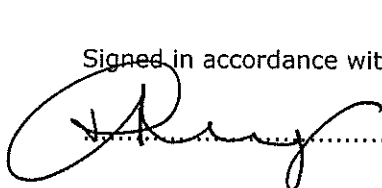
Auditor's independence declaration

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

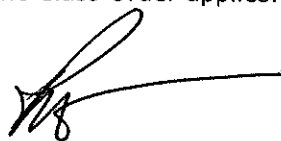
Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Paul Dwyer
Director



Brian Austin
Director

Melbourne
Date: 22 February 2016



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

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

In relation to the independent auditor's review for the half-year ended 31 December 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 period.

FRANK RUSSO
Partner
22 February 2016

PITCHER PARTNERS
Melbourne

CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

		Half-Year	
	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue and other income			
Fee and commission income		26,896	19,765
Other revenue		760	498
Other income		-	783
		27,656	21,046
Less: expenses			
Administration and other expenses	2	(5,051)	(2,096)
Depreciation and amortisation expense		(403)	(310)
Employee benefits expense	2	(14,570)	(9,575)
Occupancy expense		(1,190)	(934)
Finance costs		(1,007)	(1,035)
Employee contractors		(813)	(1,111)
Information technology costs		(1,135)	(759)
Professional fees		(292)	(482)
		(24,461)	(16,302)
Profit before income tax expense		3,195	4,744
Income tax expense		(1,114)	(1,479)
Net profit from continuing operations		2,081	3,265
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		(133)	136
Other comprehensive income for the period		(133)	136
Total comprehensive income		1,948	3,401
Profit is attributable to:			
- Members of the parent		1,239	2,328
- Non-controlling interests		842	937
		2,081	3,265
Total comprehensive income is attributable to:			
- Members of the parent		1,106	2,464
- Non-controlling interests		842	937
		1,948	3,401
Earnings per share for profit attributable to the equity holders of the parent entity:			
Diluted earnings per share		1.4 cents	32.3 cents
Basic earnings per share		1.4 cents	32.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 Dec 2015 \$'000	30 June 2015 \$'000
Current assets			
Cash and cash equivalents		60,007	57,900
Receivables		277,194	301,128
Other assets		774	1,782
Total current assets		337,975	360,810
Non-current assets			
Receivables		-	476
Other financial assets		1,263	638
Property, plant and equipment		1,334	1,091
Deferred tax assets		1,343	230
Intangible assets	6	43,693	38,509
Total non-current assets		47,633	40,942
Total assets		385,608	401,752
Current liabilities			
Payables		313,407	336,108
Borrowings		1,411	5,581
Provisions		1,493	1,431
Current tax liabilities		3,995	3,424
Other liabilities		1,735	1,044
Total current liabilities		322,041	347,588
Non-current liabilities			
Borrowings		930	29,564
Provisions		179	154
Other liabilities		967	-
Total non-current liabilities		2,076	29,718
Total liabilities		324,117	373,306
Net assets		61,491	24,446
Equity			
Share capital	4	44,918	3,599
Reserves		1,148	1,172
Retained earnings		15,385	15,305
Equity attributable to owners of PSC Insurance Group Limited		61,451	20,076
Non-controlling interests		40	4,370
Total equity		61,491	24,446

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Share capital \$'000	Reserves \$'000	Retained Earnings \$'000	Non-controlling Interest \$'000	Total Equity \$'000
Balance as at 1 July 2014	3,599	256	10,770	2,733	17,358
Profit for the half-year	-	-	2,328	937	3,265
Exchange differences on translation of foreign operations, net of tax	-	136	-	-	136
Total comprehensive income for the half-year	<u>-</u>	<u>136</u>	<u>2,328</u>	<u>937</u>	<u>3,401</u>
Transactions with owners in their capacity as owners:					
Non-controlling interest arising from business combination	-	-	-	10	10
Employee share scheme	-	7	-	-	7
Dividends paid	<u>-</u>	<u>-</u>	<u>(1,521)</u>	<u>(453)</u>	<u>(1,974)</u>
Total transactions with owners	-	7	(1,521)	(443)	(1,957)
Balance as at 31 December 2014	<u>3,599</u>	<u>399</u>	<u>11,577</u>	<u>3,227</u>	<u>18,802</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 Dec 2015 \$'000	Half-year 31 Dec 2014 \$'000
Cash flow from Operating activities		
Receipts from customers	29,389	24,259
Payments to suppliers and employees	(23,153)	(18,077)
Dividends received	50	84
Interest received	444	396
Interest paid	(1,007)	(1,035)
Income tax paid	(1,657)	(1,137)
Operating cash before movement in customer trust accounts	4,066	4,490
Net movement in customer trust accounts	106	(2,777)
Net cash provided by operating activities	4,172	1,713
Cash flow from investing activities		
Payment for property, plant and equipment	(495)	(251)
Payment for intangibles	(3,520)	(857)
Payment for other investments	(625)	(323)
Payment for other financial assets	(625)	(1,095)
Proceeds from sale of shares held for resale	-	277
Net cash flow (used in) investing activities	(5,265)	(2,249)
Cash flow from financing activities		
Proceeds from borrowings	6,950	6,715
Repayments of borrowings	(39,754)	(5,678)
Share Issues : Market	43,000	-
Capital Raising costs	(2,329)	-
Dividends paid	(4,936)	(1,974)
Loans to shareholders and director related entities	412	(587)
Net cash provided by / (used in) financing activities	3,343	(1,524)
Reconciliation of cash		
Cash at beginning of the half-year	57,900	39,564
Net increase / (decrease) in cash held	2,250	(2,060)
Effect of exchange rate fluctuation on cash held	(143)	20
Cash at end of the half-year	60,007	37,524

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by PSC Insurance Group Ltd during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

PSC Insurance Group Limited is a for-profit entity for the purpose of preparing the financial statements. The half-year financial report was authorised for issue by the directors on 22 February 2016.

(a) Basis of preparation

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

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

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2015.

(b) Rounding amounts

The Company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(c) Fair value compared with carrying amounts

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

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

(d) Accounting standards issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 15: Revenue from Contracts with Customers and associated Amending Standards and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

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

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

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

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

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

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

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

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

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

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

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

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

NOTE 2: SIGNIFICANT OR UNUSUAL INCOME AND EXPENSE ITEMS

			Half-year	
			31 Dec	31 Dec
			2015	2014
			\$'000	\$'000
IPO Costs : Staff Share allocations	(a)	i	1,520	-
Listing fees		ii	185	-
Legal and professional fees		iii	67	-
Other		iv	128	-
Legal settlement costs	(b)		23	116
Employee termination costs	(c)		82	6
Transaction costs relating to business combinations	(d)		3	75
For sale investments restated at Fair Value	(e)		-	(704)
Share based payment expense	(f)		95	7
Other	(g)		35	78
			<u>2,138</u>	<u>(422)</u>

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

- (a) Costs relating to preparation for the Initial Public Offering, other than as separately detailed above, included once-off staff costs, and advisor fees.
- (b) Legal Settlement costs relate to restraint of trade disputes with former employees.
- (c) Employee termination costs represent one-off costs associated with the termination of employees during the half-year.
- (d) Transaction costs represent the stamp duty payable on the purchase of Gordon Wilson & Associates Pty Limited.
- (e) Exceptional income on Fair Value restatement of shareholdings no longer held by the Group.
- (f) Share based payment expenses crystallise as a result of options granted.
- (g) Other expenses including once off office move costs.

NOTE 3: DIVIDENDS

(a) Dividends paid or declared

	31 Dec 2015 \$'000	30 Jun 2015 \$' 000
Dividends paid fully franked	3,856	1,550
Dividends paid to non-controlling interests partially franked	<u>1,079</u>	<u>1,164</u>
	<u><u>4,935</u></u>	<u><u>2,714</u></u>

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

Since the end of the reporting period the directors have recommended / declared dividends of 1.2 cents per share (2015: 2.36 cents per share) fully franked

Since the end of the reporting period the directors have recommended / declared dividends to non-controlling interests

2,700	3,614
<u>-</u>	<u>721</u>
<u><u>2,700</u></u>	<u><u>4,335</u></u>

	31 Dec 2015	30 Jun 2015
	\$'000	\$' 000
NOTE 4: SHARE CAPITAL		
(a) Issued and paid-up capital		
225,024,784 Ordinary shares fully paid (30 June 2015: 153,243,334)	<u>44,918</u>	<u>3,599</u>

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

(b) Movements in shares on issue	No of shares	\$'000
31 December 2015		
Beginning of half-year	153,243,334	3,599
Share consolidation	(14,106,486)	-
Retail offer and Chairman's List	43,000,000	43,000
In Specie distributions	-	(1,813)
Share-issue for acquisition of non-controlling interests	39,276,065	-
Employees share issues	1,467,393	1,467
Option-holders conversion	1,144,478	1,144
Other Share options	1,000,000	-
Share Capital Issue Costs	-	(2,479)
End of half-year	<u>225,024,784</u>	<u>44,918</u>
30 June 2015		
Beginning of financial year	10,075,004	3,599
Share split*	<u>143,168,330</u>	-
End of financial year	<u>153,243,334</u>	<u>3,599</u>

* During the year the Board issued a one for 14.21 share split in preparation for the Initial Public Offering.

(c) Rights of each type of share

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

NOTE 5: SEGMENT INFORMATION

(a) Description of segments

The Group has two reportable segments as described below:

- Australasia

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

- United Kingdom

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

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

(b) Segment information

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

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

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

NOTE 5: SEGMENT INFORMATION (Cont.)

31 December 2015

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

NOTE 5: SEGMENT INFORMATION (Cont.)

31 December 2014	Segment 1 - Australia/NZ/Asia \$'000	Segment 2 – United Kingdom \$'000	Total \$'000
Segment revenue			
Total segment revenue *	16,221	4,429	20,650
Segment revenue from external source	16,221	4,429	20,650
Segment result			
Total segment result	2,906	359	3,265
Segment result from external source	2,906	359	3,265
<i>Items included within the segment result:</i>			
Interest income *	384	12	396
Interest expense	(875)	(160)	(1,035)
Depreciation and amortisation expense	(261)	(49)	(310)
Income tax expense	(1,473)	(6)	(1,479)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	-	-
Total segment assets	106,183	15,370	121,522
<i>Total segment assets include:</i>			
Investments in equity accounted associates and joint ventures			
Additions to non-current assets other than financial instruments and deferred tax assets	621	99	720
Total segment liabilities	88,070	14,678	102,748

	31 Dec 2015 \$'000	30 June 2015 \$'000
NOTE 6: INTANGIBLE ASSETS		
Goodwill at cost	36,779	32,964
Goodwill on consolidation at cost	4,391	4,391
Client lists at cost	3,652	2,133
Accumulated amortisation and impairment	(1,129)	(979)
	<u>2,523</u>	<u>1,154</u>
Total intangible assets	<u><u>43,693</u></u>	<u><u>38,509</u></u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the period

Goodwill at cost

Opening balance	32,964	32,422
Additions (a)	3,863	61
Net foreign currency movement arising from foreign operations	(48)	481
Closing balance	<u>36,779</u>	<u>32,964</u>

Goodwill on consolidation at cost

Opening balance	4,391	4,391
Closing balance	<u>4,391</u>	<u>4,391</u>

Client lists at cost

Opening balance	1,154	944
Additions (b)	1,519	436
Amortisation expense	(150)	(226)
Closing balance	<u>2,523</u>	<u>1,154</u>
Total intangible assets	<u><u>43,693</u></u>	<u><u>38,509</u></u>

(a) Additional goodwill recognised on the acquisition of the business assets and assumed liabilities of Hamilton Brokers Pty Ltd and TA Management Pty Ltd (refer Note 7).

(b) Acquisition of customer lists from David Denson Pty Ltd, Hamilton Brokers Pty Ltd and TA Management Pty Ltd.

NOTE 7: BUSINESS COMBINATIONS

1. Hamilton Brokers Pty Ltd - On 8 July 2015, the Group acquired the client list and assumed employee benefits of Hamilton Brokers Pty Ltd, an insurance consulting firm in Canberra.

	31 Dec 2015 \$'000
Consideration and costs paid	775
Contingent (deferred) consideration	<u>775</u>
Total consideration	<u><u>1,550</u></u>

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

Contingent consideration is on a rise or fall basis, using a factor of 2.11, measured against the following agreed benchmarks:

- General Business income - \$ 685,000
- Life Business income - \$ 50,000

(a) Assets and liabilities acquired

	Recognised on acquisition at fair value
Assets and liabilities acquired as a result of the business combination were:	
- Provisions – Employee Entitlements	(60)
- Other	<u>40</u>
Net identifiable assets acquired	<u>(14)</u>
Consideration paid	<u>1,550</u>
Excess of consideration paid	<u><u>1,536</u></u>

Comprising:

Goodwill	1,398
Customer Lists	<u>138</u>
	<u><u>1,536</u></u>

Goodwill on acquisition comprises the excess over consideration paid and identifiable assets acquired including the value attributable to customer lists. The Group is expecting synergies from combining the business of Hamilton Brokers Pty Ltd into the Group.

(b) Contribution since acquisition

Since the acquisition date the business of Hamilton Brokers Pty Ltd has contributed revenue of \$329,000. Profit after tax since acquisition date is estimated at \$99,000. Acquisition was completed on 8 July 2015. Had it completed on 1 July, the difference would not be material.

(c) Transaction costs

Transaction costs of \$12,000 were incurred in relation to the acquisition. These costs are included within administration and other expenses in the Statement of Comprehensive Income.

NOTE 7: BUSINESS COMBINATIONS (Cont.)

2. TA Management Pty Ltd - On 12 November 2015, the Group completed acquisition of the client list, other business assets and the assumption of employee benefits liabilities of TA Management Pty Ltd, a life insurance brokerage in Melbourne, and commenced transacting in a new Group entity, Certus Life Melbourne Pty Ltd.

	31 Dec 2015 \$'000
Consideration and costs paid	1,400
Deferred consideration	1,400
Total consideration	<u>2,800</u>

(a) Assets and liabilities acquired

	Recognised on acquisition at fair value
Assets and liabilities acquired as a result of the business combination were:	
- Plant and equipment	12
- Provisions – Employee Entitlements	(50)
- Other	10
Net identifiable assets acquired	<u>(28)</u>
Consideration paid	<u>2,800</u>
Excess of net assets over consideration paid	<u>2,772</u>

Comprising:

Goodwill	2,465
Customer Lists	<u>307</u>
	<u>2,772</u>

Goodwill on acquisition comprises the excess over consideration paid and identifiable assets acquired including the value attributable to customer lists. The Group is expecting synergies from combining the business of TA Management Pty Ltd into the Group.

(b) Contribution since acquisition

Since the acquisition date Certus Life Melbourne Pty Ltd has contributed revenue of \$80,000 and a loss after tax of \$34,000 included in the consolidated profit. Had the combination occurred from the beginning of the reporting period, revenue for the Group is estimated to have been \$600,000 and net profit after tax is estimated to have been \$130,000.

(c) Transaction costs

Transaction costs of \$8,000 were incurred in relation to the acquisition. These costs are included within administration and other expenses in the Statement of Comprehensive Income.

NOTE 8: SUBSEQUENT EVENTS

Circumstances which have arisen since 31 December 2015 that significantly affect the state of affairs of the consolidated entity are detailed as follows:

1. 70% Acquisition of A&R (WA) Pty Ltd and its subsidiary entity Reliance Workplace Solutions Pty Ltd. The fair value of assets acquired are being determined and will be disclosed at the next reporting date. The acquisition took place on 29 January 2016.

Consideration paid/payable	\$'000
Consideration and costs paid	6,355
Contingent consideration	<u>2,695</u>
Total Consideration	<u><u>9,050</u></u>

2. Acquisition of the broking business and assets of AR Portfolio (NSW) Pty Ltd. The fair value of assets acquired are being determined and will be disclosed at the next reporting date. The acquisition took place on 5 February 2016.

Consideration paid/payable	\$'000
Consideration and costs paid	2,860
Contingent consideration	<u>1,540</u>
Total Consideration	<u><u>4,400</u></u>

3. Acquisition of Reliance Franchise Partners Pty Ltd and Australian Reliance Pty Ltd. The fair value of assets acquired are being determined and will be disclosed at the next reporting date. The acquisition took place on 19 February 2016.

Consideration paid/payable	\$'000
Consideration and costs paid	6,020
Contingent consideration	<u>4,080</u>
Total Consideration	<u><u>10,100</u></u>

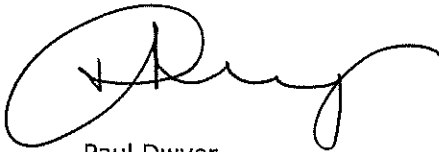
DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 6 to 23 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 31 December 2015 and of its performance for the half-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



Brian Austin
Director

Melbourne

Date: 22 February 2016



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

We have reviewed the accompanying half-year financial report of PSC Insurance Group Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PSC Insurance Group Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

F V RUSSO
Partner

22 February 2016

PITCHER PARTNERS
Melbourne