

HALF YEAR
31 DECEMBER
2018 RESULTS
ANNOUNCEMENT



**PSC Insurance Group Limited
& Controlled Entities**

ACN 147 812 164

Level 4, 96 Wellington Parade
East Melbourne VIC 3002

www.pscinsurancegroup.com.au

PSC INSURANCE GROUP LTD (PSI)

HALF YEAR 31 DECEMBER 2018 RESULTS ANNOUNCEMENT

Summary:

- Underlying operational revenue up 26%
- Underlying operational EBITDA up 29%
- Underlying EBITDA up 16%
- Interim dividend increased by 15% fully franked
- Full year guidance re-confirmed at greater than \$43 million underlying EBITDA

First Half:

- Strong operating performance from the Group. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) up 16% on prior corresponding period to \$15.3 million. Underlying operational EBITDA, adjusting for dividend income from non-operating assets, up 29% to \$14.3 million.
- Underlying net profit after tax before amortisation (NPATA) was up on the prior corresponding period at \$9.5 million. Underlying NPATA, adjusted for dividend income from non-operating assets, up 12% to \$8.5 million. Tax rate normalised at 30% for the half-year period, in line with the full year 2018 tax rate.
- Statutory net profit after tax (NPAT) down on the prior period at \$7.7 million, with the prior period including the material one-off fair value gain from the Group's Johns Lyng investment.
- We announce an interim dividend of 3.1 cents per share, fully-franked, an increase of 15% on the prior period.
- Highlights include; 1) continued strong organic growth and good performance from recent acquisitions 2) completion of the acquisition of Turner Insurance in the UK and the expansion of our workers compensation consulting business and 3) completion of our investment in BP Marsh & Partners.
- Full year underlying EBITDA re-confirmed at greater than \$43 million, excluding the impact of any acquisitions completed in the second half of financial year 2019.

Underlying Revenue:

Underlying revenue has increased 22% to \$54.7 million. Excluding dividend income from investments, underlying operational revenue has increased 26% to \$53.7 million.

	\$m	FY19	FY18	Change	%
Operating Revenue		53.7	42.7	+\$11.0m	+26%
Dividend Revenue		1.0	2.1		
		54.7	44.8	+\$9.9m	+22%

Increased underlying revenue of \$9.9 million was comprised as follows:

- Acquisitions contributed growth of approximately \$6.5 million. Comprising \$3.1 million from the Distribution businesses, across 9 smaller acquisitions principally in Broking, \$0.2 million from the Agency businesses and \$3.2m from the UK businesses, led by Turner Insurance contribution of \$2.7 million.
- Organic growth contributed approximately \$4.5 million (~ 11%). Comprising \$3.5 million¹ from the Distribution businesses, principally Broking and Connect, \$1.2 million from the Agency businesses, flat in the UK businesses and a slightly lower contribution from Group equity accounted investments.
- Organic growth in the Distribution businesses have been strong, with increased premiums evident. Chase Underwriting was the core driver of growth in the Agency businesses, with a good result from the Medisure business. Organic growth in the UK businesses was impacted by a reduction in the APG business of \$0.7 million, offset by increases in the Carroll Holman business and the commencement of the Chase International business. The reduction in APG reflects exit of the African business.
- Dividend revenue was \$1.1 million lower than the prior period. This revenue comprises the dividends from Johns Lyng and BP Marsh respectively. Financial year 2018 included the final share of profit for Johns Lyng prior to their IPO. The FY19 position is maintainable. This position excludes the fair value adjustments of the assets.

Underlying EBITDA:

Underlying EBITDA has increased 16% to \$15.3 million. Excluding dividend income from investments, underlying operational EBITDA has increased 29% to \$14.3 million.

	\$m	FY19	FY18	Change	%
Operating EBITDA		14.3	11.0	+\$3.3m	+29%
Dividend EBITDA		1.0	2.1		
		15.3	13.1	+\$2.2m	+16%

Increased underlying EBITDA of \$2.2 million was comprised as follows:

- Acquisitions contributed growth of approximately \$1.8 million. Comprising \$1.1 million from the Distribution businesses, across 9 smaller acquisitions principally in Broking, \$0.1 million from the Agency businesses and \$0.6 million from the UK businesses.
- Organic growth contributed approximately \$1.5 million (~ 14%). Comprising \$1.2 million from the Distribution businesses, \$0.2 million from the Agency businesses, \$0.3 million in the UK businesses and a slightly lower contribution from Group equity accounted investments.
- The Group has invested in further resources over the period. This has included at head office, across compliance and with the Connect and Chase businesses to continue to support their growth. Overall costs in the UK have reduced, largely due to changes implemented at APG.
- The lower dividend revenue has a corresponding impact on reducing underlying EBITDA by \$1.1 million.

¹ Including a \$0.4m increase contribution from the sale of investments in the Reliance Partners network.

Statutory NPAT and Underlying NPATA:

Underlying NPATA was higher at \$9.5 million. Excluding dividend income from investments, underlying NPATA has increased 12% to \$8.5 million. The primary reason for the result was the prior corresponding period had a lower average tax rate at 26%, and the average tax rate this period is at 30%. This is consistent with the average tax rate of 31% for financial year 2018.

Statutory NPAT was \$7.7 million is lower than the prior year of \$20.3m, which included a material fair value gain from the Group's investment in Johns Lyng.

\$m	FY19	FY18
Statutory NPAT	7.7	20.3
Amortisation	0.8	0.5
Non Recurring Revenue – Tax Adjusted	(0.4)	(12.1)
Non Recurring Costs – Tax Adjusted	1.4	0.3
Underlying NPATA	9.5	9.1
Dividends – Tax Adjusted	(1.0)	(1.5)
Underlying NPATA - Adjusted	8.5	7.6
Tax Rate	30%	26%

Note:

- Non-recurring revenue is the fair value adjustments on listed investments and any adjustments on deferred consideration payments. In the current period there was a small gain, with the increase in the fair value of the Group's investment in BP Marsh offset by a similar size reduction in the fair value of the Group's investment in Johns Lyng.
- The Group's non-recurring costs were higher than the corresponding period largely due to; 1) UK legal costs (+\$0.3 million) relating to the acquisitions of Turners, BP Marsh and Easy Broking Online 2) UK employment cost (+\$0.4 million) relating to restructure of the APG executive 3) +\$0.1 million relating to the FX impact of the UK receivables and 4) share based payment costs of +\$0.3 million.
- The tax rate for the period of 30% is in line with full year 2018. Full year 2019 and 2018 tax rates are expected to be broadly similar.
- AASB15 (revenue recognition) has been introduced for financial year 2019. The main impact is for a recognition of 'prepaid claims revenue' for the implied service we have with our clients. These changes have had an immaterial net impact on earnings in the period.

Balance Sheet:

The balance sheet remains in a strong position. The Group has deployed in excess of \$40 million in the period, the main of which was the investment in BP Marsh (~ \$33 million).

The Group retains Australian debt limits of \$80 million, with \$38 million in undrawn capacity. We remain well positioned for future growth.

At balance date, the Group has investments on balance sheet of approximately \$60 million (\$0.24 per share), the material of which are:

- BP Marsh & Partners : \$38 million.
- Johns Lyng Group : \$16 million.
- East Melbourne property : \$4 million (net of debt). The increased value of \$12 million is reflected through an equity reserve.

These investments continue to perform well post balance date.

Dividend:

The Directors have declared an increase in the interim dividend to 3.1 cents per share, a 15% increase on the prior period. Record date will be 13 March 2019 and a payment date of 10 April 2019. This dividend will be fully-franked.

Outlook:

The Group has continued to perform well in the period and we are pleased with the results and position of the Group. As indicated in the 2018 AGM, the Group has increased the operating segments in our financial accounts to assist the understanding of our Group's diversified businesses.

The Group re-affirms its full year guidance of underlying EBITDA of greater than \$43 million, excluding the impact of any subsequent acquisitions.

The pipeline of acquisition opportunities continues to be strong.

The Board and management remain highly invested in the future of the Group.

Please direct any queries to Joshua Reid, Chief Financial Officer, on (03) 8593 8303.



PSC INSURANCE GROUP LIMITED

Rule 4.2A.3

Appendix 4D

Half Year Report for the six months to 31 December 2018

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 2018
Previous corresponding periods:	Financial year ended 30 June 2018 Half- year ended 31 December 2017

2. Results for announcement to the market

				\$A '000
Revenues from ordinary activities (<i>item 2.1</i>)	down	11%	to	55,269
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	down	63%	to	7,494
Net profit for the period attributable to members (<i>item 2.3</i>)	down	63%	to	7,494
Dividends to members of the parent (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend (FY 2019 payable 10 April 2019, not provided for)	3.1 cents		3.1 cents	
Final dividend (FY 2018, paid 17 October 2018)	4.5 cents		4.5 cents	
Previous corresponding period (12 months 2018)	6.7 cents		6.7 cents	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	13 March 2019			

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

Refer to the Half Year 31 December 2018 Results Announcement

3 Net tangible assets per security (item 3)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.14	\$0.25

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

Please refer to Note 11 of the attached Financial Report for the Half Year Ended 31 December 2018.

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

	Date of payment	Total amount of dividend \$A'000
Interim dividend year ended 30 June 2018	11/04/2018	\$6,600
Final dividend year ended 30 June 2018	17/10/2018	\$11,003

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign sourced dividend
Total dividend: Current year (half-year 2019)	3.1 cents	3.1 cents	-
Previous year (half-year 2018)	2.7 cents	2.7 cents	-

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities	\$7,622	\$6,600
Preference securities	-	-
Other equity instruments	-	-
Total	\$7,622	\$6,600

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 Financial Report for the Half Year Ended 31 December 2018 (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.

FINANCIAL REPORT

For The Half-Year Ended 31 December 2018

This half-year
financial report is to
be read in conjunction
with the financial
report for the year
ended 30 June 2018



**PSC Insurance Group Limited
& Controlled Entities**

ACN 147 812 164

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PSC INSURANCE GROUP LIMITED AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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DIRECTOR'S REPORT

The directors present their report together with the condensed financial report of the Group consisting of PSC Insurance Group Limited (the Company) and its controlled entities (the Group) for the half year ended 31 December 2018 and independent review report thereon.

Directors

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

Brian Austin
Paul Dwyer
Melvyn Sims

John Dwyer
Antony Robinson

The directors have been in office since the start of the financial period to the date of this report.

Review of operations

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

There has been strong operating performance from the Group in the period. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was up 16% on prior corresponding period to \$15.3 million. Underlying EBITDA, adjusting for dividend income from non-operating assets, was up 29% to \$14.3 million.

Highlights include;

- Continued strong organic growth and good performance from recent acquisitions
- Completion of the acquisition of Turner Insurance in the UK and the expansion of our workers compensation consulting business
- Completion of our investment in BP Marsh & Partners.

Underlying net profit after tax before amortisation (NPATA) was up on the prior corresponding period at \$9.5 million. Underlying NPATA, adjusted for dividend income from non-operating assets, up 12% to \$8.5 million.

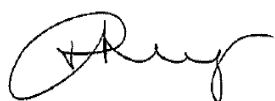
Statutory net profit after tax (NPAT) down on the prior period at \$7.7 million, with the prior period including the material one-off fair value gain from the Group's Johns Lyng investment.

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 review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

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



Paul Dwyer
Managing Director

Melbourne

Date: 20 February 2019



Brian Austin
Chairman

AUDITOR'S INDEPENDENCE DECLARATION



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

AUDITOR'S INDEPENDENCE DECLARATION

In relation to the independent auditor's review for the half-year ended 31 December 2018, 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 APES 110 *Code of Ethics for Professional Accountants*.

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

A handwritten signature in black ink, appearing to read 'S Schonberg'.

S SCHONBERG
Partner

20 February 2019

A handwritten signature in black ink, appearing to read 'Pitcher Partners'.

PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31-Dec 2018 \$'000	31-Dec 2017 \$'000
Revenue and other income		
Fee and commission income	50,983	40,920
Other revenue	1,992	1,299
Other income	1,342	17,723
Investment income	952	2,064
	55,269	62,006
Less: expenses		
Administration and other expenses	(7,625)	(5,868)
Depreciation and amortisation expense	(1,375)	(972)
Employee benefits expense	(27,295)	(20,706)
Occupancy expense	(1,782)	(1,577)
Finance costs	(1,471)	(1,273)
Employee contractors	(1,536)	(1,398)
Information technology costs	(2,293)	(1,909)
Professional fees	(872)	(668)
	(44,249)	(34,371)
Profit before income tax expense	11,020	27,635
Income tax expense	(3,272)	(7,313)
Net profit from continuing operations	7,748	20,322
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Revaluation of property, plant and equipment	1,100	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	99	301
Other comprehensive income for the period	1,199	301
Total comprehensive income	8,947	20,623
Profit is attributable to:		
- Members of the parent	7,494	20,162
- Non-controlling interests	254	160
	7,748	20,322
Total comprehensive income is attributable to:		
- Members of the parent	8,693	20,463
- Non-controlling interests	254	160
	8,947	20,623
Earnings per share for profit attributable to the equity holders of the parent entity:		
Diluted earnings per share	3.1 cents	8.7 cents
Basic earnings per share	3.0 cents	8.7 cents

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31-Dec 2018 \$'000	30-Jun 2018 \$'000
Current assets			
Cash and cash equivalents	4	125,502	160,972
Receivables		290,622	359,938
Other assets		4,077	3,098
Total current assets		420,201	524,008
Non-current assets			
Receivables		3,864	3,189
Other financial assets	5	58,477	24,036
Equity Accounted investments	12	8,196	8,151
Property, plant and equipment		14,987	12,967
Deferred tax assets		4,811	3,543
Intangible assets	10	107,842	95,672
Total non-current assets		198,177	147,558
Total assets		618,378	671,566
Current liabilities			
Payables		384,708	443,420
Borrowings		1,188	935
Provisions		3,009	2,930
Current tax liabilities		3,706	3,279
Other liabilities		8,972	6,945
Total current liabilities		401,583	457,509
Non-current liabilities			
Borrowings		56,351	53,410
Provisions		417	398
Deferred tax liabilities		13,589	13,482
Other liabilities		3,843	1,347
Total non-current liabilities		74,200	68,637
Total liabilities		475,783	526,146
Net assets		142,595	145,420
Equity			
Share capital	7	140,572	140,395
Reserves	8	(36,031)	(37,368)
Retained earnings		35,228	40,429
Equity attributable to owners of PSC Insurance Group Limited		139,769	143,456
Non-controlling interests		2,826	1,964
Total equity		142,595	145,420

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated Entity	Share capital	Reserves	Retained Earnings	Non-controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2017	85,994	(38,194)	28,496	1,676	77,972
Profit for the half year	-	-	20,162	160	20,322
Exchange differences on translation of foreign operations, net of tax	-	301	-	-	301
Total comprehensive income for the half year	-	301	20,162	160	20,623
Transactions with owners in their capacity as owners:					
Capital Raising issue	55,002	-	-	-	55,002
Capital Raising issue costs	(1,140)	-	-	-	(1,140)
Shares in lieu of cash for acquisition of subsidiary	196	-	-	-	196
Dividends paid	-	-	(9,040)	(150)	(9,190)
Total transactions with owners	54,058	-	(9,040)	(150)	44,868
Balance as at 31 December 2017	140,052	(37,893)	39,618	1,686	143,463

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Consolidated Entity	Share capital	Reserves	Retained Earnings	Non-controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	140,395	(37,368)	40,429	1,964	145,420
Adjustment due to change of accounting policy, net of tax	-	-	(1,244)	(28)	(1,272)
Restated opening balance	140,395	(37,368)	39,185	1,936	144,148
Profit for the half year	-	-	7,494	254	7,748
Revaluation of property, plant and equipment, net of tax	-	1,100	-	-	1,100
Exchange differences on translation of foreign operations, net of tax	-	99	-	-	99
Total comprehensive income for the half year	140,395	(36,169)	46,679	2,190	153,095
Transactions with owners in their capacity as owners:					
Non-controlling interest arising from business combination	-	-	-	1,219	1,219
Decrease in non-controlling interests	-	-	-	(339)	(339)
In specie distributions	-	-	(448)	-	(448)
Employee share issues	177	138	-	-	315
Dividends paid	-	-	(11,003)	(244)	(11,247)
Total transactions with owners	177	138	(11,451)	636	(10,500)
Balance as at 31 December 2018	140,572	(36,031)	35,228	2,826	142,595

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2018

	31-Dec-18	31-Dec-17
	\$'000	\$'000
Cash flow from Operating activities		
Receipts from customers	60,070	48,433
Payments to suppliers and employees	(44,949)	(33,090)
Trust distributions received	952	2,455
Interest received	795	732
Interest paid	(1,471)	(1,179)
Income tax paid	(5,178)	(1,784)
Operating cash before movement in customer trust accounts	10,219	15,567
Net movement in customer trust accounts	4,267	24,229
Net cash provided by operating activities	14,486	39,796
Cash flow from investing activities		
Payments for deferred consideration/business acquisitions	(8,331)	(11,733)
Payment for property, plant and equipment	(683)	(1,160)
Payment for other investments	(33,522)	(500)
Payment for equity investments	(647)	-
Proceeds from sale of equity investments	1,552	505
Net cash flow (used in) investing activities	(41,631)	(12,888)
Cash flow from financing activities		
Proceeds from borrowings	3,547	14,121
Repayments of borrowings	(428)	(3,563)
Proceeds from share issue	-	55,002
Capital Raising costs	-	(1,650)
Dividends paid	(11,247)	(9,190)
Loans to related parties	(346)	(258)
Net cash provided by / (used in) financing activities	(8,474)	54,462
Reconciliation of cash		
Cash at beginning of the half-year	160,972	80,124
Net increase / (decrease) in cash held	(35,619)	81,370
Effect of exchange rate fluctuation on cash held	149	646
Cash at end of the half-year	125,502	162,140

NOTES TO THE FINANCIAL STATEMENTS

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 2018 and any public announcements made by PSC Insurance Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

The half-year financial report was authorised for issue by the directors on 20th February 2019.

(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.

Except as disclosed in Note 2, 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 2018 and the corresponding half-year.

(b) Rounding amounts

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

(c) Fair value compared with carrying amounts

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

(d) Accounting standards issued but not yet effective

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

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

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

Summary

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

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

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

Impact on financial report

The Directors have made a preliminary assessment of the new leases standard, and find that the consolidated entity's operating leases will be impacted. Although the directors anticipate that the adoption of AASB 16 may have an impact on the consolidated entity's accounting for its operating leases, it is impractical at this stage to provide a reasonable estimate of such impact. The standard shall be adopted in financial year ended 30 June 2020. It is not possible to reliably foresee the new leases into which the consolidated entity will have entered in Financial year 2020.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 (applicable for annual reporting periods commencing on or after 1 January 2022).

Summary

AASB 2014-10 amends AASB 10: Consolidated Financial Statements and AASB 128: Investments in Associates and Joint Ventures to clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture by requiring:

- a full gain or loss to be recognised when a transaction involves a business, whether it is housed in a subsidiary or not; and
- a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Impact on financial report

These Standards are not expected to significantly impact the consolidated entity's financial statements.



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

AASB 2017-7: Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (applicable for annual reporting periods beginning on or after 1 January 2019).

Summary

AASB 2017-7 amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or a joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9: Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

Impact on financial report

These Standards are not expected to significantly impact the consolidated entity's financial statements.

(e) New and revised accounting standards effective at 31 December 2018

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. During the half year, the Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. AASB 9 Financial Instruments is not considered to have a material impact on the half year financial statements.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

1) REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Impacts of AASB 15 on the Group's financial statements

The Group adopted AASB 15 Revenue from Contracts with Customers at 1 July 2018.

AASB 15 provides (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, and has replaced all previous revenue standards and interpretations. The standard provides 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 adoption of AASB 15 did not have any impact on the Group recognising insurance revenue for brokerage, commission and fee income upon issue of an invoice.

However, the new standard has identified a separate performance obligation relating to claims handling services. Whereas not explicit in the terms of trade, the customary business practise implies that the Group provide after sales claims services. As such, a portion of the insurance revenue relating to the claims handling service which was previously recognised at invoice date, is now recognised over time as the performance obligation is satisfied.

The group has applied AASB 15 in accordance with transition option paragraph C3(b), which does not require comparative information to be restated. The cumulative effect of applying the new standard has been recognised as an adjustment to opening retained earnings as at 1 July 2018.

The amount of adjustment for each financial statement line item affected by the application of AASB 15 compared to AASB 118 for the current period is illustrated below.

Impact of adopting AASB 15 at 1 July 2018 on the Consolidated Statement of Financial Position

	1-Jul 2018 \$'000
Non-current assets	
Increase in deferred tax asset	546
Current liabilities	
Increase in other liabilities (contract liability)	1,818
Equity	
Decrease in non controlling interest retained earnings	28
Decrease in retained earnings	1,244

Impact of adopting AASB 15 for the half year ended 31 December 2018

	Under AASB 118 \$'000	Adjustments \$'000	As reported with AASB 15 \$'000
Impact on profit/(loss) for the half year			
Fee and commission income	51,091	(108)	50,983
Income tax expense	(3,304)	32	(3,272)
Net profit	7,824	(76)	7,748

NOTE 2: CHANGES IN ACCOUNTING POLICIES (continued)**2) PROPERTY PLANT AND EQUIPMENT**

The Group has changed its accounting policy for measurement of land and buildings from the cost model to the revaluation model.

The change is due to the Group revaluing its land and buildings in December 2018. The revaluation was undertaken by an independent valuer.

The revaluation resulted in an increase in the carrying value of the land and building by \$1.6 million to \$12.0 million. The net of tax adjustment from the carrying amount to the revalued amount has been accounted for in a revaluation surplus - refer to Note 8.

There has been no impact on prior periods with the change in accounting policy. The Group will continue to revalue the land and buildings in future periods where there is an indication of significant change in its fair value or at regular frequency.

NOTE 3: SIGNIFICANT OR UNUSUAL EXPENSE / (REVENUE) ITEMS

Items for adjustment between the reported and underlying results:

	31-Dec 2018	31-Dec 2017
	\$'000	\$'000
Legal and professional fees	543	244
Share based payment expense	315	-
Bank refinance costs	89	25
Other expenses (a)	1,005	207
Deferred consideration adjustments on Business combinations	221	262
Fair Value (gains) relating to shares in listed corporations	(773)	(17,481)
	1,400	(16,743)

(a) Other expenses mainly include non-recurring employment costs following restructure and effect of foreign exchange movements

NOTE 4: CASH AND CASH EQUIVALENTS

	31-Dec 2018	30-Jun 2018
	\$'000	\$' 000
Cash on hand	15	2
Cash at bank	4,850	8,043
Cash on deposit	6,740	43,124
Cash held on trust	113,897	109,803
	125,502	160,972

NOTE 5: OTHER FINANCIAL ASSETS

	31-Dec 2018	30-Jun 2018
	\$'000	\$' 000
Other shares and Units held - at cost	3,670	3,474
Shares in listed corporations - at fair value	54,807	20,562
	58,477	24,036

NOTE 6: DIVIDENDS

	31-Dec 2018	31-Dec 2017
	\$'000	\$'000
(a) Dividends paid or declared		
Dividends paid fully franked	11,003	9,040
Dividends paid to non-controlling interests, franked	150	-
Dividends paid to non-controlling interests, unfranked	94	150
	11,247	9,190
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have recommended/declared dividends of 3.1 cents per share (2018: 2.7 cents per share) fully franked	7,622	6,600
	7,622	6,600

NOTE 7: SHARE CAPITAL

	31-Dec 2018	30-Jun 2018
	\$'000	\$' 000

(a) Issued and paid-up capital

245,875,876 Ordinary shares fully paid (2018: 244,453,508)	140,572	140,395
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Fully paid ordinary shares carry one vote per share and have the right to dividends.

(b) Movements in shares on issue

	31-Dec 2018	31-Dec 2018
	No of shares	\$'000

31 December 2018

Beginning of half-year	244,453,508	140,395
Employee share issues	59,986	177
Loan funded shares	1,362,382	-
End of half-year	245,875,876	140,572

	31-Dec 2017	31-Dec 2017
	No of shares	\$'000

31 December 2017

Beginning of half-year	225,912,026	85,994
Capital Raising issue	18,334,000	55,002
Capital Raising issue costs	-	(1,140)
Shares in lieu of cash for acquisition of subsidiary	86,894	196
End of half-year	244,332,920	140,052

(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 8: RESERVES

	31-Dec 2018	30-Jun 2018
	\$'000	\$' 000
Share-based payment reserve	461	323
Foreign currency translation reserve	(241)	(340)
Non controlling interest reserve	(37,351)	(37,351)
Revaluation surplus (a)	1,100	-
	(36,031)	(37,368)

a) In December 2018, an independent valuer undertook a valuation of land and buildings held by the Group. The adjustment net of tax from the carrying amount to the revalued amount has been accounted for in a revaluation surplus.

NOTE 9: SEGMENT INFORMATION**(a) Description of segments**

The Group has four reportable segments as described below:

- **Distribution**
Insurance Broking, including Broker Networks (PSC Connect, PSC Reliance Franchise Partners), life broking and PSC Workers Compensation Consulting.
- **Agency**
Underwriting agencies, including Chase Underwriting, Breeze Underwriting, Online Travel Insurance, Medical Indemnity Australia and PSC Claims Services.
- **United Kingdom**
United Kingdom businesses including Carroll Holman, Breeze Underwriting (UK), Alsford Page & Gems, Turner Insurance, Easy Broking Online and Chase Underwriting (UK).
- **Group**
Group income and investments from non-operating assets and any net Group costs not recovered from operating segments.

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

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

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

NOTE 9: SEGMENT INFORMATION (Continued)

31 December 2018	Segment 1: Distribution	Segment 2: Agency	Segment 3: United Kingdom	Segment 4: Group	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue					
Commission income	13,834	6,374	13,534	-	33,742
Fees income	11,931	1,361	90	-	13,382
Other fees	3,661	232	(34)	-	3,859
Investment income	-	-	-	952	952
Other revenue / Other income	2,042	29	94	1,169	3,334
Total segment revenue	31,468	7,996	13,684	2,121	55,269
Segment revenue from external source	31,468	7,996	13,684	2,121	55,269
<i>Segment result</i>					
Total segment result	6,962	1,350	(272)	(292)	7,748
Segment result from external source	6,962	1,350	(272)	(292)	7,748
<i>Items included within the segment result:</i>					
Interest income	617	92	7	88	804
Interest expense	(35)	-	(176)	(1,260)	(1,471)
Depreciation and amortisation expense	(765)	(197)	(360)	(53)	(1,375)
Income tax expense	(2,694)	(656)	(193)	271	(3,272)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	692	-	-	98	790
Fair Value gains relating to shares in listed corporations	-	-	-	773	773
Total segment assets	158,971	32,105	281,167	146,135	618,378
Total segment liabilities	127,722	27,201	266,449	54,411	475,783

NOTE 9: SEGMENT INFORMATION (Continued)

31 December 2017	Segment 1: Distribution	Segment 2: Agency	Segment 3: United Kingdom	Segment 4: Group	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue					
Commission income	10,573	4,982	9,822	-	25,377
Fees income	10,584	1,128	50	-	11,762
Other fees	3,011	323	447	-	3,781
Investment income	-	-	-	2,064	2,064
Other revenue / Other income	651	68	146	18,157	19,022
Total segment revenue	24,819	6,501	10,465	20,221	62,006
Segment revenue from external source	24,819	6,501	10,465	20,221	62,006
<i>Segment result</i>					
Total segment result	5,031	1,168	951	13,172	20,322
Segment result from external source	5,031	1,168	951	13,172	20,322
<i>Items included within the segment result:</i>					
Interest income	494	65	15	158	732
Interest expense	(24)	-	(88)	(1,160)	(1,273)
Depreciation and amortisation expense	(563)	(159)	(62)	(188)	(972)
Income tax expense	(2,369)	(540)	325	(4,729)	(7,313)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	-	-	-	180	180
Fair Value gains relating to shares in listed corporations	-	-	-	17,481	17,481
Total segment assets	129,814	24,813	307,023	150,402	612,052
Total segment liabilities	98,602	23,031	290,963	55,993	468,589

NOTE 10: INTANGIBLE ASSETS

	31-Dec 2018	30-Jun 2018
	\$'000	\$'000
Goodwill at cost	64,112	60,358
Goodwill on consolidation at cost	30,739	24,675
Identifiable intangible assets at cost	16,669	13,834
Accumulated amortisation and impairment	(3,678)	(3,195)
	12,991	10,639
Total intangible assets	107,842	95,672
(a) Reconciliations		
Reconciliation of the carrying amounts of intangible assets at the beginning and end of the period		
<i>Goodwill at cost</i>		
Opening balance	60,358	53,306
Additions through business combination (a)	3,585	5,832
Net foreign currency movement arising from foreign operations	169	1,220
Closing balance	64,112	60,358
<i>Goodwill on consolidation at cost</i>		
Opening balance	24,675	13,206
Additions through business combination (a)	6,045	12,426
Net foreign currency movement arising from foreign operations	19	(957)
Closing balance	30,739	24,675
<i>Identifiable Intangible assets at cost</i>		
Opening balance	10,639	6,566
Additions through business combination (a)	3,135	2,800
Other additions	1,106	2,301
Amortisation expense	(750)	(1,032)
Movements on degrouped entities	(1,129)	-
Net foreign currency movement arising from foreign operations	(10)	4
Closing balance	12,991	10,639
Total intangible assets	107,842	95,672

a) Additional goodwill and customer lists include acquisitions of Turner Financial Services Pty Ltd and business acquisitions of JA Insurance Services and Workers Compensation Services (WCS - acquisition from Workers Compensation Risk Advisory Services Pty Ltd), and Certus Life Expansion - (a Life Portfolio acquisition from Fife Insurance Planning Pty Ltd (note 11).

NOTE 11: BUSINESS COMBINATIONS

In accordance with consolidated entity strategy, a series of acquisitions were completed during the half-year. These included the following acquisition vehicles:

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

(a) Consideration paid/payable

	Turner Financial Services Pty Ltd	JA Insurance Services	Fife - Life portfolio	WCS	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash consideration paid	3,540	497	554	2,051	6,642
Deferred consideration	1,770	75	120	-	1,965
Contingent consideration	1,770	320	120	879	3089
Total purchase consideration	7,080	892	794	2,930	11,696
Ownership share	70%	100%	100%	100%	
Acquisition vehicle	(i)	(iii)	(ii)	(iii)	
Date of acquisition	2 Jul 2018	4 Sep 2018	23 Oct 2018	26 Oct 2018	
Fair value of non-controlling interest	899	-	-	-	899
Total Non-controlling interest	899	-	-	-	899

Contingent consideration

Contingent consideration is on a rise or fall basis, measured against agreed benchmarks.

(b) Identifiable assets and liabilities acquired

Recognised on acquisition at fair value

	Turner Financial Services Pty Ltd	JA Insurance Services	Fife - Life portfolio	WCS	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
- Cash and Cash equivalents	1,937	-	-	-	1,937
- Property, plant and equipment	189	-	-	-	189
- Identifiable intangibles	1,554	252	144	1,185	3,135
- Trade and other receivables	1,771	-	-	-	1,771
- Deferred tax assets	-	4	2	37	43
- Deferred tax liabilities	(295)	(75)	(43)	(326)	(739)
- Trade and other payables	(2,770)	-	-	-	(2,770)
- Income tax payable	(452)	-	-	-	(452)
- Provisions	-	(15)	(6)	(128)	(149)
	1,934	166	97	768	2,965

(c) Goodwill on acquisition

Total consideration paid / payable	7,080	892	794	2,930	11,696
Total net identifiable (assets)/liabilities acquired	1,934	166	97	768	2,965
Non-controlling interests acquired	899	-	-	-	899
Goodwill on acquisition (Excess over consideration paid/ payable)	6,045	726	697	2,162	9,630

NOTE 11: BUSINESS COMBINATIONS (Continued)**(d) Financial performance since acquisition**

	Turner Financial Services Pty Ltd	JA Insurance Services	Fife - Life portfolio	WCS	Total Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	2,663	141	39	334	3,177
Profit / (loss) after tax	425	68	(8)	67	552
Financial performance if held for 12 months					
Revenue	5,307	401	520	1,909	8,137
Profit / (loss) after tax	940	154	95	315	1,504

(e) Transaction costs

The consolidated entity incurred transaction costs of \$0.03 million (2018: \$0.03m) in respect of Turner Financial Services Pty Ltd and business acquisitions of JA Insurance Services and Workers Compensation Services (WCS), and Life Portfolio acquisition from Fife Insurance Planning (Fife - Life Portfolio, Certus Life Expansion). Transaction costs included legal fees, stamp duty, due diligence and other direct costs incurred in relation to these acquisitions. These costs are included within Administration and other expenses in the Statement of Profit or Loss and other Comprehensive Income.

NOTE 12: INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

(a) Associates and joint ventures

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

1. RP-Parramatta Pty Ltd - On 16 August 2018, the Group increased their holding by 50% of the shares of RP-Parramatta Pty Ltd for \$226,099 cash.
2. RP-Bundoora Pty Ltd - On 21 September 2018, the Group made investment in RP-Bundoora Pty Ltd for funding of \$253,567 cash, and a 50% equity consideration in RP-Bundoora Pty Ltd.
3. BCS Broking Pty Ltd - On 12 December 2018, the Group increased their holding by 5% of the shares of BCS Broking Pty Ltd for \$201,121 cash.
4. RP-Maroochydore Pty Ltd - On 13 December 2018, the Group made investment in RP-Maroochydore Pty Ltd for funding of \$445,567 cash, and a 50% equity consideration in RP-Maroochydore Pty Ltd.
5. RP-North Perth Pty Ltd - On 29 November 2018, the Group disposed of 50% of the shares of RP-North Perth Pty Ltd for \$598,846 cash.
6. RP-Malaga Pty Ltd - On 28 November 2018, the Group disposed of 50% of the shares of RP-Malaga Pty Ltd for \$240,976 cash.
7. RP-Success Pty Ltd - On 11 December 2018, the Group disposed of 50% of the shares of RP-Success Pty Ltd for \$376,250 cash.
8. RP-Mona Vale Pty Ltd - On 12 December 2018, the Group disposed of 25% of the shares of RP-Mona Vale Pty Ltd for \$335,831 cash.

(b) Movements in holdings in Associated Companies in the half -year

Associates	Nature of relationship	Principal place of business	Ownership interest	
			31-Dec 2018	30-Jun 2018
Shares - RP Parramatta Pty Ltd	Investments in entities holding client lists	Australia	100%	50%
Shares - RP-Bundoora Pty Ltd	Investments in entities holding client lists	Australia	50%	-
Shares - BCS Broking Pty Ltd	Investments in entities holding client lists	Australia	30%	25%
Shares - RP Maroochydore Pty Ltd	Investments in entities holding client lists	Australia	50%	-
Shares - RP North Perth Pty Ltd	Investments in entities holding client lists	Australia	-	50%
Shares - RP Malaga Pty Ltd	Investments in entities holding client lists	Australia	-	50%
Shares - RP Success Pty Ltd	Investments in entities holding client lists	Australia	-	50%
Shares - RP Mona Vale Pty Ltd	Investments in entities holding client lists	Australia	25%	50%

		31-Dec 2018	30-Jun 2018
Associated Companies		\$'000	\$'000
Investments in entities holding client lists		8,196	8,151
		8,196	8,151

Reconciliation of interests in Associates		
Opening balance	8,151	8,123
Additions	1,755	117
Other valuation adjustments	98	235
Disposals	(1,808)	(324)
Net foreign currency movement arising from foreign operations	-	-
	8,196	8,151

NOTE 13: FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

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

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

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

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

Half-year ended 31 December 2018	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Financial Assets</i>				
Shares in Listed Corporations	54,807	54,807	-	-
Total	54,807	54,807	-	-
<i>Financial liabilities</i>				
Deferred and contingent cash consideration	10,754	-	-	10,754
Total	10,754	-	-	10,754

Full-year ended 30 June 2018	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<i>Financial Assets</i>				
Shares in Listed Corporations	20,562	20,562	-	-
Total	20,562	20,562	-	-
<i>Financial liabilities</i>				
Deferred and contingent cash consideration	8,060	8,060	-	8,060
Total	8,060	8,060	-	8,060

NOTE 13: FAIR VALUE MEASUREMENTS (Continued)**(b) Valuation technique and significant unobservable inputs**

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

(c) Reconciliation of recurring level 1 fair value movements

	31-Dec 2018	30-Jun 2018
Shares in listed corporations	\$'000	\$'000
Opening Balance	20,562	2,750
Additional holdings	33,472	500
Gain on market valuation	773	17,312
Net foreign currency movement arising from foreign operations	-	-
	54,807	20,562

(d) Reconciliation of recurring level 3 fair value movements*Deferred and contingent consideration*

Opening balance	8,060	7,209
Additional consideration from acquisitions	12,730	7,551
Payments / share issues	(10,067)	(6,749)
Net foreign currency movement arising from foreign operations	31	49
Closing balance	10,754	8,060

NOTE 14: SUBSEQUENT EVENTS

No matters or circumstances have arisen since the half-year end which could significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial reporting periods.

DIRECTORS DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 5 to 24, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that PSC Insurance Group Limited will be able to pay its debts as and when they become due and payable.

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



Paul Dwyer
Managing Director

Melbourne

Date: 20 February 2019



Brian Austin
Chairman



INDEPENDENT AUDITOR'S REVIEW REPORT



**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**

We have reviewed the accompanying half-year financial report of PSC Insurance Group Limited 'the Company' and its controlled entities 'the Group', which comprises the condensed consolidated statement of financial position as at 31 December 2018, 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.

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 group's financial position as at 31 December 2018 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, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of PSC Insurance Group Limited and controlled entities, would be in the same terms if given to the directors as at the time of this auditor's review report.

INDEPENDENT AUDITOR'S REVIEW REPORT (Continued)



PITCHER PARTNERS

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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PSC Insurance Group Limited and controlled entities is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

S SCHONBERG
Partner

PITCHER PARTNERS
Melbourne

20 February 2019