

## 1. Company details

Name of entity:	PS&C Ltd
ABN:	50 164 718 361
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	6.9% to	38,394,822
Loss from ordinary activities after tax attributable to the members of PS&C Ltd	down	295.5% to	(5,987,060)
Loss for the half-year attributable to the members of PS&C Ltd	down	295.5% to	(5,987,060)

### Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$5,987,060 (31 December 2015: profit of \$3,062,011).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(19.28)	(22.87)

## 4. Control gained over entities

Not applicable.

## 5. Dividends

### Current period

There were no dividends paid, recommended or declared during the current financial period.

### Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the period ended 30 June 2016	0.0	0.0
Interim dividend declared for the period ended 31 December 2015, payable on 13 April 2016 (record date of 31 March 2016)	2.5	2.5

## 6. Dividend reinvestment plans

Not applicable.

#### 7. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

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#### 8. Attachments

*Details of attachments (if any):*

The Half Year Report of PS&C Ltd for the half-year ended 31 December 2016 is attached.

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#### 9. Signed



Signed \_\_\_\_\_

Date: 23 February 2017

Kevin McLaine  
Managing Director

**PS&C Ltd**

**ABN 50 164 718 361**

**Half Year Report - 31 December 2016**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of PS&C Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

#### Directors

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

Non-Executive Directors  
Terry Benfold (Chairperson)  
Cass O'Connor

Executive Directors  
Kevin McLaine

#### Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Provision of information and communications technology services

#### Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
No final dividend for the year ended 30 June 2016 (2015: 30 June 2015 final dividend of 3 cents per ordinary share paid on 15 October 2015)	-	1,670,252

#### Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,987,060 (31 December 2015: profit of \$3,062,011).

Please refer to the accompanying commentary.

#### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Kevin McLaine  
Managing Director

23 February 2017

Moore Stephens Audit (Vic)

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PS&C LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**ANDREW JOHNSON**  
**Partner**  
**Audit & Assurance Services**  
Melbourne, Victoria

23 February 2017

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## General information

The financial statements cover PS&C Ltd as a consolidated entity consisting of PS&C Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is PS&C Ltd's functional and presentation currency.

PS&C Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10, 410 Collins Street, Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2017.

PS&C Ltd  
Consolidated statement of profit or loss and other comprehensive income  
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Revenue</b>	3	38,394,822	41,226,613
Other income	4	6,962	2,031,966
<b>Expenses</b>			
Third party materials and labour		(5,099,365)	(6,209,924)
Acquisition expenses		(67,035)	(759,328)
Employee benefits expense		(29,310,184)	(29,915,250)
Depreciation and amortisation expense		(119,133)	(111,561)
Impairment of goodwill		(6,852,985)	-
Write off of assets		(19,677)	-
Other expenses		(1,826,989)	(1,948,773)
Finance costs		(621,812)	(469,468)
<b>Profit/(loss) before income tax expense</b>		(5,515,396)	3,844,275
Income tax expense		(471,664)	(782,264)
<b>Profit/(loss) after income tax expense for the half-year attributable to the members of PS&amp;C Ltd</b>		(5,987,060)	3,062,011
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the members of PS&amp;C Ltd</b>		<u>(5,987,060)</u>	<u>3,062,011</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		(8.95)	5.32
Diluted earnings per share		(8.95)	5.32

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

PS&C Ltd  
Consolidated statement of financial position  
As at 31 December 2016

	Note	Consolidated 31 Dec 2016 \$	30 Jun 2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,512,327	3,508,778
Trade and other receivables		10,000,448	16,245,280
Inventories		16,931	17,223
Income tax receivable		673,824	355,181
Other		2,195,564	1,325,139
Total current assets		<u>14,399,094</u>	<u>21,451,601</u>
<b>Non-current assets</b>			
Receivables		428,252	487,733
Property, plant and equipment	5	1,252,274	732,192
Intangibles	6	77,051,495	83,904,480
Deferred tax		1,107,725	1,227,769
Other		50,516	57,909
Total non-current assets		<u>79,890,262</u>	<u>86,410,083</u>
<b>Total assets</b>		<u>94,289,356</u>	<u>107,861,684</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		4,463,194	8,173,823
Borrowings	7	15,378,270	1,045,719
Employee benefits		1,080,921	1,234,253
Provisions	8	3,198,732	2,595,366
Other		2,071,339	3,403,523
Total current liabilities		<u>26,192,456</u>	<u>16,452,684</u>
<b>Non-current liabilities</b>			
Payables		442,660	477,069
Borrowings		-	15,455,876
Deferred tax		-	632
Employee benefits		272,868	231,588
Provisions	9	3,847,769	7,162,511
Total non-current liabilities		<u>4,563,297</u>	<u>23,327,676</u>
<b>Total liabilities</b>		<u>30,755,753</u>	<u>39,780,360</u>
<b>Net assets</b>		<u>63,533,603</u>	<u>68,081,324</u>
<b>Equity</b>			
Issued capital	11	58,643,073	57,220,527
Reserves		54,873	38,080
Retained profits		4,835,657	10,822,717
<b>Total equity</b>		<u>63,533,603</u>	<u>68,081,324</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes



PS&C Ltd  
Consolidated statement of changes in equity  
For the half-year ended 31 December 2016

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2015	47,663,827	31,346	7,171,709	54,866,882
Profit after income tax expense for the half-year	-	-	3,062,011	3,062,011
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,062,011	3,062,011
<i>Transactions with members in their capacity as members:</i>				
Share-based payments	8,510,981	-	-	8,510,981
Balance at 31 December 2015	56,174,808	31,346	10,233,720	66,439,874
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2016	57,220,527	38,080	10,822,717	68,081,324
Loss after income tax expense for the half-year	-	-	(5,987,060)	(5,987,060)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,987,060)	(5,987,060)
<i>Transactions with members in their capacity as members:</i>				
Share-based payments	1,422,546	-	-	1,422,546
Employee share options reserve	-	16,793	-	16,793
Balance at 31 December 2016	58,643,073	54,873	4,835,657	63,533,603

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

PS&C Ltd  
Consolidated statement of cash flows  
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		39,590,349	46,847,775
Payments to suppliers and employees (inclusive of GST)		(37,596,734)	(45,724,058)
		1,993,615	1,123,717
Interest received		6,929	16,343
Other revenue		377,477	-
Interest and other finance costs paid		(420,979)	(224,788)
Income taxes paid		(670,895)	(1,474,261)
Net cash from/(used in) operating activities		1,286,147	(558,989)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	10	-	(1,192,367)
Payments for prior period's business acquisition		(1,426,674)	(7,502,653)
Acquisition Costs		(73,740)	(759,328)
Payments for property, plant and equipment	5	(659,154)	(335,644)
Payments for intangibles		-	(86,870)
Proceeds from disposal of property, plant and equipment		295	1,580
Proceeds from release of security deposits		-	15,488
Net cash used in investing activities		(2,159,273)	(9,859,794)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	13,192,350
Dividends paid	12	-	(1,670,252)
Repayment of borrowings		(1,123,325)	(4,400,000)
Net cash from/(used in) financing activities		(1,123,325)	7,122,098
Net decrease in cash and cash equivalents		(1,996,451)	(3,296,685)
Cash and cash equivalents at the beginning of the financial half-year		3,508,778	5,132,772
Cash and cash equivalents at the end of the financial half-year		1,512,327	1,836,087

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## Note 2. Operating segments

### Identification of reportable operating segments

The consolidated entity is organised into 3 operating segments: People, Security and Communications. Operating segments are determined by distinguishable components whereby the risk and returns are different from the other segments.

### Types of products and services

The principal products and services of each of these operating segments are as follows:

People	The People segment comprising Systems and People Pty Ltd and Bexton IT Services Pty Ltd is involved in providing contractors, contractor management and permanent recruitment.
Security	The Security segment comprising Securus Global Consulting Pty Ltd, Hacklabs Pty Ltd, Pure Hacking Pty Ltd and Certitude Pty Ltd is involved in services and consulting around cyber security matters.
Communications	The Communications segment comprising Allcom Networks Pty Ltd and Allcom Consulting Services Pty Ltd is involved in consulting and implementation of services around internet protocol telephony and network infrastructure.

### Intersegment transactions

There were no material transactions between operating segments

### Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 2. Operating segments (continued)

Operating segment information

	People	Security	Communications	Corporate	Total
	\$	\$	\$	\$	\$
<b>Consolidated - 31 Dec 2016</b>					
<b>Revenue</b>					
Sales to external customers	25,939,318	6,011,150	6,444,354	-	38,394,822
<b>Total revenue</b>	25,939,318	6,011,150	6,444,354	-	38,394,822
<b>EBITDA</b>	2,159,540	1,535,713	(48,722)	(1,574,926)	2,071,605
Depreciation and amortisation	(21,439)	(23,138)	(57,056)	(17,500)	(119,133)
Impairment of goodwill	-	-	-	(6,852,985)	(6,852,985)
Interest revenue	63	1,684	-	5,182	6,929
Finance costs	(1,700)	-	(8,061)	(612,051)	(621,812)
<b>Profit/(loss) before income tax expense</b>	2,136,464	1,514,259	(113,839)	(9,052,280)	(5,515,396)
Income tax expense					(471,664)
<b>Loss after income tax expense</b>					(5,987,060)
<b>Assets</b>					
Segment assets	6,141,948	3,858,900	4,353,396	79,935,112	94,289,356
<b>Total assets</b>					94,289,356
<b>Liabilities</b>					
Segment liabilities	2,056,844	2,038,101	3,771,616	22,889,192	30,755,753
<b>Total liabilities</b>					30,755,753
	People	Security	Communications	Other	Total
	\$	\$	\$	\$	\$
<b>Consolidated - 31 Dec 2015</b>					
<b>Revenue</b>					
Sales to external customers	27,120,378	6,884,019	7,222,216	-	41,226,613
<b>Total revenue</b>	27,120,378	6,884,019	7,222,216	-	41,226,613
<b>EBITDA</b>	1,828,101	1,484,754	986,089	110,017	4,408,961
Depreciation and amortisation	(20,217)	(36,803)	(41,478)	(13,063)	(111,561)
Interest revenue	207	1,962	-	14,174	16,343
Finance costs	-	(506)	(809)	(468,153)	(469,468)
<b>Profit/(loss) before income tax expense</b>	1,808,091	1,449,407	943,802	(357,025)	3,844,275
Income tax expense					(782,264)
<b>Profit after income tax expense</b>					3,062,011
<b>Consolidated - 30 Jun 2016</b>					
<b>Assets</b>					
Segment assets	8,502,519	3,130,198	7,910,872	88,318,095	107,861,684
<b>Total assets</b>					107,861,684
<b>Liabilities</b>					
Segment liabilities	3,960,608	2,028,111	6,837,644	26,953,997	39,780,360
<b>Total liabilities</b>					39,780,360

### Note 3. Revenue

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Sale of services	32,577,658	34,121,066
Sale of goods	5,439,687	7,105,547
	<u>38,017,345</u>	<u>41,226,613</u>
<i>Other revenue</i>		
Lease surrender fee	377,477	-
Revenue	<u><u>38,394,822</u></u>	<u><u>41,226,613</u></u>

### Note 4. Other income

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of property, plant and equipment	33	(1,699)
Interest income	6,929	16,343
Contingent consideration adjustments	-	2,017,322
Other income	<u><u>6,962</u></u>	<u><u>2,031,966</u></u>

The contingent consideration adjustments arise from a review of amounts due for earn-out purposes under the share purchase and sale agreements.

**Note 5. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	300,287	49,701
Less: Accumulated depreciation	(6,365)	(18,043)
	<u>293,922</u>	<u>31,658</u>
Fixtures and fittings - at cost	152,653	158,977
Less: Accumulated depreciation	(64,736)	(55,744)
	<u>87,917</u>	<u>103,233</u>
Motor vehicles - at cost	45,828	45,828
Less: Accumulated depreciation	(39,349)	(38,800)
	<u>6,479</u>	<u>7,028</u>
Computer equipment - at cost	865,173	526,039
Less: Accumulated depreciation	(236,840)	(188,131)
	<u>628,333</u>	<u>337,908</u>
Office equipment - at cost	428,586	420,198
Less: Accumulated depreciation	(192,963)	(167,833)
	<u>235,623</u>	<u>252,365</u>
	<u><u>1,252,274</u></u>	<u><u>732,192</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

<b>Consolidated</b>	Leasehold Improvements \$	Fixtures & Fittings \$	Computer Equipment \$	Office Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2016	31,658	103,233	337,908	252,365	7,028	732,192
Additions	273,875	-	341,076	44,203	-	659,154
Disposals	-	-	(262)	-	-	(262)
Write off of assets	(9,221)	(2,730)	-	(7,726)	-	(19,677)
Depreciation expense	(2,390)	(12,586)	(50,389)	(53,219)	(549)	(119,133)
Balance at 31 December 2016	<u><u>293,922</u></u>	<u><u>87,917</u></u>	<u><u>628,333</u></u>	<u><u>235,623</u></u>	<u><u>6,479</u></u>	<u><u>1,252,274</u></u>

**Note 6. Non-current assets – intangibles**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	83,904,480	83,904,480
Less: Impairment	(6,852,985)	-
	<u>77,051,495</u>	<u>83,904,480</u>
Development - at cost	-	-
Patents and trademarks - at cost	1,965	1,965
Less: Accumulated amortisation	(1,965)	(1,965)
	<u>-</u>	<u>-</u>
	<u>77,051,495</u>	<u>83,904,480</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Goodwill	Patents and Trademarks	Development	Total
	\$	\$	\$	\$
<b>Consolidated Group</b>				
Balance at 30 June 2016	83,904,480	-	-	83,904,480
Additions	-	-	-	-
Impairment	(6,852,985)	-	-	(6,852,985)
Amortisation expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2016	<u>77,051,495</u>	<u>-</u>	<u>-</u>	<u>77,051,495</u>

*Impairment testing for goodwill*

For the purposes of impairment testing, goodwill is allocated to the consolidated entity's cash-generating units (CGU's) as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
People	31,870,701	31,870,701
Security	36,356,903	36,356,903
Communications	8,823,891	15,676,876
Total	<u>77,051,495</u>	<u>83,904,480</u>

PS&C undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 31 December 2016 to support the carrying value of goodwill. The recoverable amount was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the business. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using projected cash flows approved by the board covering year 1. The present value of future cash flows for years 2 to 5 have been calculated using a terminal growth rate of 3% (30 June 2016: 3%) and a pre-tax discount rate of 12% (30 June 2016: 9.4%) has been used to determine value in use. In addition, average EBITDA growth rates used for years 2 to 5 were:

People: 9%  
Security: 12%  
Communications: 4%

The estimated recoverable amount exceeded/(did not exceed) the carrying value for each CGU by the following amounts:

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
People	15,949,933	16,574,282
Security	10,078,157	23,901,014
Communications	(6,852,985)	1,078,526
Total	19,175,105	41,553,822

#### Note 7. Current liabilities - borrowings

##### Financing arrangements

Borrowing facility limits at the reporting date:

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Bank loans	18,300,000	20,300,000
Credit Card Facility	375,000	375,000
Indemnity/Guarantee Facilities	500,000	500,000
Electronic Payaway Facility	500,000	500,000
	19,675,000	21,675,000

Unused borrowing facilities at the reporting date:

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Bank loans	2,921,730	3,798,405
Credit Card Facility	283,133	331,977
Indemnity/Guarantee Facilities	282,420	224,402
Electronic Payaway Facility	500,000	500,000
	3,987,283	4,854,784

The bank facilities can be drawn at any time. This facility was established in June 2015 and matures on 31 January 2018, however the documentation was executed post 31 December 2016.



**Note 8. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
Contingent consideration	<u>3,198,732</u>	<u>2,595,366</u>

*Contingent consideration*

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

*Movements in provisions*

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

	<b>Contingent Consideration \$</b>
<b>Consolidated - 31 Dec 2016</b>	
Carrying amount at the start of the half-year	2,595,366
Amounts transferred from non-current	3,336,575
Payments	(2,944,400)
Unwinding of discount	169,896
Unused amounts reversed	<u>41,295</u>
Carrying amount at the end of the half-year	<u>3,198,732</u>

**Note 9. Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$</b>	<b>\$</b>
Contingent consideration	<u>3,847,769</u>	<u>7,162,511</u>

*Contingent consideration*

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

*Movements in provisions*

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

	<b>Contingent Consideration \$</b>
<b>Consolidated - 31 Dec 2016</b>	
Carrying amount at the start of the half-year	7,162,511
Amounts transferred to current	(3,336,575)
Unwinding of discount	<u>21,833</u>
Carrying amount at the end of the half-year	<u>3,847,769</u>

**Note 10. Business combinations**

*Bexton IT Services Pty Ltd*

On 1 October 2015 PS&C Ltd acquired 100% of the ordinary shares of Bexton IT Services Pty Ltd. This is an IT consulting business and operates in the People division of the consolidated entity. Details of the purchase consideration, the net assets acquired and goodwill are set out below. The goodwill of \$14,372,344 represents the amount of consideration paid for the business acquisition less fair value of net assets, plus additional amounts paid for performance, both current and implied by forecasts. Under the terms of the agreement, the parent entity may have to pay more (or less) than what has been provided for in contingent consideration if the entity's operating performance is better (or worse) than forecast for the purposes of calculating contingent consideration. The movement in the goodwill from the prior period in relation to this acquisition is outlined below.

The contingent consideration amounts payable may be satisfied by way of an issue of shares at the Company's discretion.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	307,870
Trade receivables	373,841
Other current assets	175,879
Property, plant and equipment	3,214
Deferred tax asset	40,841
Trade payables	(66,678)
Provision for income tax	(236,899)
Employee benefits	(196)
Other liabilities	(455,160)
	<hr/>
Net assets acquired	142,712
Goodwill	14,372,344
	<hr/>
Acquisition-date fair value of the total consideration transferred	14,515,056
	<hr/>
Representing:	
Cash paid or payable to vendor	1,500,237
PS&C Ltd shares issued to vendor	1,766,198
Contingent consideration	11,248,621
	<hr/>
	14,515,056
	<hr/>

	Consolidated 31 Dec 2016 \$	31 Dec 2015 \$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	14,515,056	7,444,201
Less: cash and cash equivalents	(307,870)	(307,870)
Less: contingent consideration	(11,248,621)	(4,485,636)
Less: shares issued by company as part of consideration	(1,766,198)	(1,458,328)
	<hr/>	<hr/>
Net cash used	1,192,367	1,192,367
	<hr/>	<hr/>

Acquisition costs expensed to the statement of profit or loss and other comprehensive income during the period ended 31 December 2016 amounted to \$67,035 (2015: \$759,328) for services provided by consultants.

**Note 11. Equity - issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>70,113,762</u>	<u>66,067,022</u>	<u>58,643,073</u>	<u>57,220,527</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2016	66,067,022		57,220,527
Issue of shares in satisfaction of Earn Out and other payments to Bexton	14 October 2016	<u>4,046,740</u>	\$0.35	<u>1,422,546</u>
Balance	31 December 2016	<u>70,113,762</u>		<u>58,643,073</u>

**Note 12. Equity - dividends**

Dividends paid during the financial half-year were as follows:

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
No final dividend for the year ended 30 June 2016 (2015: 30 June 2015 final dividend of 3 cents per ordinary share paid on 15 October 2015)	<u>-</u>	<u>1,670,252</u>

**Note 13. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Kevin McLaine  
Managing Director

23 February 2017

Moore Stephens Audit (Vic)

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PS&C LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PS&C Limited (**the company**), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the 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 (including Australian Accounting Interpretations) 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 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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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:

- a. giving a true and fair view of the company's financial position as at 31 December 2016 and 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*.

As the auditor of the company, 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 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*.

## *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 the company is not in accordance with the *Corporations Act 2001*, including:

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



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**ANDREW JOHNSON**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

23 February 2017