PEOPLE SECURITY & COMMUNICATION

PS&C LTD

ABN 50 164 718 361

Annual Report 2017

Corporate Directory

Directors

Terry Benfold
Non-Executive Chairman

Kevin McLaine
Non-Executive Director

Glenn Fielding
Managing Director

Company secretary

Julian Graham

Registered office

Level 10, 410 Collins Street
Melbourne Victoria 3000

Principal place of business

Level 10, 410 Collins Street
Melbourne Victoria 3000

Share register

Boardroom Pty Limited
ABN 14 003 209 836
Level 7, 333 Collins Street
Melbourne VIC 3000
Phone: 1300 737 760

Auditor

Moore Stephens
Level 18, 530 Collins Street
Melbourne VIC 3000

Solicitors

Anzarut & Partners
Level 13, 41 Exhibition Street
Melbourne VIC 3000

Bankers

Australia and New Zealand Banking
Group Limited (ANZ)
Level 2, 100 Queen Street
Melbourne VIC 3000

Stock exchange listing

PS&C Ltd shares are listed on the
Australian Securities Exchange
(ASX code: PSZ)

Website

www.pscgroup.com.au

Contents

PS&C

PEOPLE

- Contracting
- Contractor Management
- Permanent Recruitment
- Transition to Cloud
- Salesforce Consulting

SECURITY

- Security Consulting
- Penetration Testing
- Education and Training on Cyber Security
- Product Sales
- Governance
- Managed Services

COMMUNICATION

- Unified Communications
- Internet Protocol Telephony Systems
- Network Infrastructure
- Consulting
- Managed Services

Message from the Chairman

Dear Shareholders

We are pleased to present to you the 2017 PS&C Ltd (PSZ) annual report.

While the year was disappointing from an earnings perspective, a number of important steps were taken to position the business for the future.

Glenn Fielding was appointed as Managing Director in February 2017. Glenn has an extensive background in the technology services industry through his career at SMS, DWS and UXC. We are delighted to have Glenn as a domain expert in the fields we operate in.

We completed the acquisitions of Coroma Consulting and Sacon Group in June 2017. These businesses operate in the high growth areas of transition-to-cloud and Salesforce consulting.

At PS&C, we believe the value of our assets well and truly exceed our market value and your board will continue to strive to extract value for shareholders.

Finally, I want to thank my board colleagues, particularly Cass O'Connor for her great service to PS&C Ltd, our management and staff, for their great work over the past year, our clients and shareholders for your continued support of PS&C Ltd.

Terry Benfold
Chairman

Message from the Managing Director

I am delighted to have accepted the position of Managing Director and CEO of PS&C Ltd.

The group has had somewhat of a tough year impacted by restructuring and integration. However, I firmly believe the group has enormous potential and I will be endeavouring to improve results and realise value for shareholders during my tenure.

We have made some important acquisitions in high growth areas and I expect these to add significantly to the group. My leadership will focus on growing the businesses, eliminating single points of failure and creating value for shareholders.

COMMENTARY ON THE BUSINESSES

PEOPLE business derives revenue from the following streams:

- Consulting – sourcing specialist contractors to customers for medium- and long-term projects. These contractors are typically SAP and project augmentation specialists.
- Contractor Management – managing the payroll function of contractors for customers.
- Permanent Recruitment – sourcing and providing permanent employees to customers and receiving a once-off fee for service.
- Transition to cloud services.
- Salesforce consulting.

Performance

- The People segment revenue was down 20% on the previous corresponding period (pcp), mainly due to a reduction in the lower margin contractor management revenues.
- Normalised EBIT was down 14% on pcp. The general IT section of the business continues to grow while the SAP business declined on pcp.

The previously announced acquisitions of Sacon Group and Coroma Consulting will add significant capability and earnings to the People segment in FY2018. These businesses operate in the high growth areas of transition-to-cloud and Salesforce consulting. In addition, the People group have started a Queensland business operated by a proven team which is expected to be highly profitable in FY2019.

We expect the People segment to show significant growth in FY2018.

Message from the Managing Director

SECURITY business derives income from:

- Security consulting.
- Penetration testing.
- Education and training on cyber security.
- Product sales.

Performance

- Revenue was flat on pcp and normalised EBIT was down by 10% on pcp.
- Business growth was impacted by integration and restructure during the year.

Billable headcount has been increased to take advantage of the continuing growth in the cyber security sector. Capacity will continue to be increased during FY2018.

The Security segment continues to grow solutions to clients and has also grown recurring revenue among the customer base. 25% of EBITDA is expected to come from scalable, annuity services in FY2018. This income stream has potential for significant growth given these services are currently supplied to less than 15% of our customer base.

We expect the Security segment to grow in FY2018 due to increased billable capacity and growth in annuity income.

COMMUNICATION business derives income from:

- Implementation of unified communications.
- Security infrastructure.
- IP internet protocol telephony systems.
- Network infrastructure.
- Consulting.

Performance

- The Communications segment revenue was flat on pcp while normalised EBIT was down 26%.
- The business has been restructured to provide a platform for growth and to lessen reliance on last quarter activity for its earnings.
- Annuity income services is a target for growth.

CORPORATE costs were increased on pcp due to additional infrastructure costs to provide the platform for growth.

THE YEAR AHEAD

We will continue our existing growth strategy; a strategy that continues to be one based on organic growth as well as targeted acquisitions in Australia and the Asia Pacific region.

PS&C has a great team, a wide spread of services that we are able to offer clients, we have a diverse range of clients across various industry verticals and we have good geographical presence.

We believe the sum value of our businesses well exceeds our market capitalisation and we will continue to explore value creating transactions for shareholders.

I also want to thank our board, our business leaders, our staff for their tremendous effort over the past year, our clients for valuing what it is that we do and importantly, our shareholders for your continued support of PS&C Ltd.

Thank you

Glenn Fielding
Managing Director

Directors' Report

The Directors present their report with the financial report of the consolidated entity consisting of PS&C Ltd and the entities it controlled, (PS&C or the Group) for the financial year ended 30 June 2017 and Auditors' Report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

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

NON EXECUTIVE DIRECTORS

Mr Terry Benfold (Chairman)

- Appointed director 30 October 2014, appointed Chairman 27 November 2014
- Terry has over 30 years' experience as a Partner in professional accounting firms. Terry was a founding Partner/Executive Director in the Business Advisory and Assurance division of Pitcher Partners Melbourne. Throughout his career, Terry has gained significant experience providing services to clients within a range of industries, including IT companies. These services included public company audits, business consulting, corporate transactions (including IPOs) and due diligences. He is Chair of the Remuneration & Nomination Committee and a member of the Audit & Risk Management Committee

Ms Cass O'Connor

- Appointed 11 October 2013
- Cass has been involved in the public and private markets for 30 years, as an equity research analyst, investment banker (Turnbull and Partners, Goldman Sachs (Australia) LLC and Carnegie Wylie), early stage investor and board director. Cass holds a Bachelor of Business from UTS and is a Graduate of the AICD. She was Chair of the Audit & Risk Management Committee and was a member of the Remuneration & Nomination Committee
- Resigned 30 May 2017

Mr Kevin McLaine

- Appointed 9 July 2013
- Kevin has over 20 years' experience in the Australian public market, having held senior roles at both Shomega Limited and CSG Limited. Kevin spent a number of years with GE Capital in Thailand as Managing Director of its commercial lending business. He has also been the general manager of a manufacturing facility. Kevin holds a Bachelor of Business and is a Fellow of CPA Australia and a member of the AICD. He is Chair of the Audit & Risk Management Committee (appointed 30 May 2017) and is a member of the Remuneration & Nomination Committee (appointed 30 May 2017)

EXECUTIVE DIRECTOR

Mr Glenn Fielding

- Appointed 19 May 2017
- Glenn is a very experienced senior executive in the IT services industry and has a history of creating value through his positions at UXC Limited, DWS Limited, SMS Consulting Group, and Ingena Group Limited. He was most recently Chief Executive Officer of Professional Solutions at UXC from 2008 to 2016. He was a founding member of SMS Consulting Group and during his 13 years at SMS, he performed many senior roles including commercial management and merger and acquisition activities. He was instrumental in setting up and running the national contracting arm of SMS. Glen has also held senior IT management roles in banking and finance industries.

GROUP SECRETARY

The following person held the position of Group Secretary at the end of the financial year:

Mr Julian Graham

- Julian has in excess of 25 years' experience in the manufacturing, distribution and software industries; Julian was most recently the Chief Financial Officer of ASX listed Wellcom Group Limited in addition to being General Manager of software development. Julian holds a Bachelor of Business and is a member of CPA Australia

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year consisted of:

- Provision of information and communications technology services

RESULTS

The consolidated profit/(loss) after income tax attributable to the members of PS&C Ltd was ($5,596,221). This represents profit/(loss) for the period between 1 July 2016 to 30 June 2017 for the parent and operating entities.

REVIEW OF OPERATIONS

Refer to the messages from the Chairman and Managing Director on pages 2 and 3.

FINANCIAL POSITION

The directors believe the Group is in stable financial position to expand and grow its current operations with $8.1m of cash and access to capital via the equity markets. Refer to Note 1 of the financial statements for further information.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the Group purchased the businesses outlined in Note 38.

EVENTS AFTER THE REPORTING PERIOD

Other than that disclosed in Note 41, there are no significant events after the reporting period.

LIKELY DEVELOPMENTS

To further improve the consolidated group's profit and maximise shareholder wealth, the following developments are intended for implementation in the near future:

- **PEOPLE** – add to core General IT competency via acquisition and organic growth.
- **SECURITY** – expand its offerings, broadening operations into new geographical regions, increase marketing activity as well as cross-selling to existing customers and expanding new client base.
- **COMMUNICATION** – focus on higher margin and longer term offerings such as professional services and managed services, geographical diversification, increase advertising and marketing activities, as well as product development and foster strategic partnerships.
- Consideration of separating the Security and Communication segments into a newly listed entity to create shareholder value.

These developments, together with the current strategy, are expected to assist in the achievement of the consolidated group's long-term goals and development of new business opportunities.

ENVIRONMENTAL REGULATION

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

DIVIDENDS PAID, RECOMMENDED AND DECLARED

	2017	2016
After the end of the financial year, the Directors declared there would be no final dividend (2016: nil)	$0	$0

DIRECTORS' MEETINGS

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Terry Benfold	10	10	3	3	1	1
Cass O'Connor*	8	8	3	3	1	1
Kevin McLaine	10	10	0	0	0	0
Glenn Fielding**	2	2	0	0	0	0

*Cass O'Connor resigned as Non-Executive Director on 30 May 2017.
** Glenn Fielding appointed as an Executive Director on 19 May 2017.

DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors' relevant interest in shares of PS&C Ltd or options over shares in the Group are detailed below:

DIRECTORS' RELEVANT INTERESTS IN:	ORDINARY SHARES OF PS&C LTD	OPTIONS OVER SHARES
Kevin McLaine	2,217,818	NIL
Terry Benfold	100,000	200,000
Glenn Fielding	100,000	NIL

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The terms of the insurance contract prevent additional disclosure. The Group is not aware of any liability that arose under these indemnities as at the date of this report..

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts are disclosed in Note 36 of the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 in relation to the audit for the financial year is provided in this report.

NON AUDIT SERVICES

Non-audit services are approved by resolution of the Audit & Risk Management Committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Moore Stephens, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2017 $	2016 $
Amounts paid and payable to Moore Stephens for non-audit services		
Taxation Services	2,745	73,000
Other	98,196	–
Total	**100,941**	**73,000**

REMUNERATION REPORT – AUDITED

The directors present the consolidated entity's 2017 audited remuneration report which details the remuneration information for PS&C Ltd's executive directors, non-executive directors and other key management personnel.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the board of directors as a whole. The board obtains professional advice where necessary to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance Group performance through their contributions and leadership. No remuneration recommendation was obtained in the current year.

FIXED REMUNERATION

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), and employer contributions to superannuation funds.

Remuneration levels will be reviewed annually by the board through a process that considers individual, business unit and overall performance of the Group. In addition, the board considers external data to ensure directors' and executives' remuneration is competitive in the marketplace. Remuneration is also reviewed on promotion.

PERFORMANCE LINKED REMUNERATION

Performance linked remuneration includes short-term incentives and is designed to reward the CEO and executives for meeting or executing their financial and personal objectives.

The board sets the Key Performance Indicators (KPIs) for the CEO and has input to the KPIs for executives. The KPIs generally include measures relating to the Group, the relevant business unit and the individual. They include financial measures (Revenue and EBITDA compared with budgeted amounts) and people, client, strategy, risks and growth measures (these vary with position and include measures such as achieving strategic outcomes, overall shareholder value and meeting leadership objectives).

The board has developed an Employee and Director Option Plan. The Option Plan is aimed at incentivising employees to aid the Group in retaining skilled staff. Option grants are issued at a 15% premium to the share price at the time of issue and they vest over a period of three years. In addition, options have been granted to directors, key management personnel and other management, vesting over 3 years and exercise prices of between $0.39 and $1.20. Refer to the following tables as well as Note 28 to the accounts.

Non-executive directors receive fees and do not receive bonus payments.

The names and positions of each person who held the position of director at any time during the financial year is provided previously. The names and positions of other key management personnel in the consolidated Group for the financial year are:

Name	Position
Julian Graham	Chief Financial Officer

DETAILS OF REMUNERATION

Details of the remuneration of the Directors and key management personnel of the Group are set out in the following tables. The key management personnel of the Group include the Directors of PS&C Ltd and the Chief Financial Officer.

DIRECTORS' REMUNERATION

	SHORT-TERM	POST EMPLOYMENT	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED	OPTIONS AS % OF TOTAL
	Salary/Fees $	Superannuation $	Options $	$	%	%
2016						
Terry Benfold	95,890	9,110	2,545	107,545	–	2.37%
Kevin McLaine	180,000	–	–	180,000	–	–
Cass O'Connor	52,055	4,945	2,545	59,545	–	4.27%
	301,303	**13,423**	**5,090**	**347,090**	**–**	**1.47%**
2017						
Terry Benfold	95,890	9,110	636	105,636	–	0.60%
Kevin McLaine	180,000	–	–	180,000	–	–
Cass O'Connor (1)	47,717	4,533	636	52,886	–	1.20%
Glenn Fielding (2)	121,016	11,497	–	132,513	–	–
	444,623	**25,140**	**1,272**	**471,035**	**–**	**0.27%**

(1) Cass O'Connor resigned 30 May 2017
(2) Glenn Fielding appointed as CEO on 23 February 2017 and as a director on 19 May 2017

EXECUTIVES' REMUNERATION

	SHORT-TERM	POST EMPLOYMENT	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED	OPTIONS AS % OF TOTAL
	Salary/Fees $	Superannuation $	Options $	$	%	%
2016						
Julian Graham	224,486	21,326	6,327	252,139	–	2.51%
	224,486	**21,326**	**6,327**	**252,139**	**–**	**2.51%**
2017						
Julian Graham	224,486	21,326	2,542	248,354	–	1.02%
	224,486	**21,326**	**2,542**	**248,354**	**–**	**1.02%**

OPTIONS

(a) Compensation Options: Granted and vested during the year

					TERMS AND CONDITIONS FOR EACH GRANT			
	Vested Number	Granted Number	Grant Date	Value per option at grant date	Exercise Price $	Expiry Date	First Exercise Date	Last Exercise Date
Non-Executive Directors								
Terry Benfold	–	100,000	15/12/16	0.0063	0.39	14/12/22	14/12/17	14/12/19
Cass O'Connor	–	100,000	15/12/16	0.0063	0.39	14/12/22	14/12/17	14/12/19
Executives								
Julian Graham	–	400,000	15/12/16	0.0063	0.39	14/12/22	14/12/17	14/12/19
		600,000						

The cost of options has been calculated using the Black-Scholes method of calculation.

Value of options granted as remuneration that have been granted, exercised or lapsed during the year:

	Balance 01/07/16 $	Value Granted $	Value Exercised $	Value Lapsed $	Balance 30/06/17 $
Non-Executive Directors					
Cass O'Connor	4,671	636	–	(5,307)	–
Terry Benfold	2,545	636	–	–	3,181
	7,216	**1,272**	**–**	**(5,307)**	**3,181**
Executives					
Julian Graham	18,314	2,542	–	–	20,856
	18,314	**2,542**	**–**	**–**	**20,856**

(b) Options granted as remuneration that have been exercised or lapsed during the financial year:

	Balance 01/07/16	Granted as remuneration	Options exercised	Options Lapsed	Balance 30/06/17	Total vested 30/06/17	Total Exercisable 30/06/17	Total Un-exercisable 30/06/17
Non-Executive Directors								
Cass O'Connor	200,000	100,000	–	(300,000)	–	–	–	–
Terry Benfold	100,000	100,000			200,000	–	33,333	166,667
	300,000	**200,000**	**–**	**(300,000)**	**200,000**	**–**	**33,333**	**166,667**
Executives								
Julian Graham	800,000	400,000	–	–	1,200,000	–	533,333	666,667
	800,000	**400,000**	**–**	**–**	**1,200,000**	**–**	**533,333**	**666,667**

SERVICE AGREEMENTS

The contracts for service between the Group and specified executives are formalised in service agreements. The major provisions in the agreements relating to remuneration are set out below:

GLENN FIELDING, CHIEF EXECUTIVE OFFICER

- Permanent employment contract commencing 23 February 2017.
- Remuneration:
  - Base salary $380,000 inclusive of superannuation
  - Short term incentive (STI) of $150,000 with the following targets:
    - EBITDA targets – 40% of STI
    - Revenue growth targets – 20% of STI
    - Retention of key talent – 20% of STI
    - Management of key relationships – 10% of STI
    - Achievement of strategic goals – 10% of STI
  - Long term incentive (LTI):
    - Performance rights in PS&C shares based on service (15%) and share price performance (85%)
    - The details of the LTI to be approved at the next shareholders meeting.
- Termination by provision of 6 months' notice by the executive and 9 months by PS&C.

KEVIN MCLAINE, CHIEF EXECUTIVE OFFICER (Resigned 23 February 2017)

- Permanent employment contract commencing 9 July 2013.
- As of 30 October 2016, the base fee is $180,000 including Superannuation.
- Termination by provision of 6 months' notice by the executive and 9 months by PS&C.

JULIAN GRAHAM, CHIEF FINANCIAL OFFICER

- Permanent employment contract commencing 1 December 2013.
- As of 30 October 2016, the base fee is $245,812 including Superannuation.
- Termination by provision of 6 months' notice by the executive and 9 months by PS&C.

End of Remuneration Report.

Signed in accordance with a resolution of the directors.

Kevin McLaine
Director

Melbourne
Date: 27 September 2017

Corporate Governance Statement

PS&C Ltd and the Board is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance.

The Directors believe that PS&C's corporate governance framework is critical in maintaining high standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect to protect security holders' and other stakeholders' interests at all times.

PS&C publishes its Corporate Governance Statement on its website rather than in its Annual Report. This statement may be viewed or downloaded at http://pscgroup.com.au/documentLibrary/PSC_Ltd_-_Corporate_Governance_Statement.pdf

Copies of the policies and charters referred to in the Corporate Governance Statement are also available on PS&C's website, under Investor Information and then Corporate Governance, or by following this link http://pscgroup.com.au/corporateGovernance.html

Auditor's Independence Declaration

MOORE STEPHENS

Moore Stephens Audit (Vic)

Level 18, 530 Collins Street
Melbourne Victoria 3000

T +61 (0)3 9608 0100
F +61 (0)3 9608 0192
E victoria@moorestephens.com.au

www.moorestephens.com.au

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 30 June 2017, 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

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

27 September 2017

Financial Statements

Contents

General information

The financial statements cover PS&C Ltd as a group consisting of PS&C Ltd and the entities it controlled at the end of, or during, the 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

PS&C Ltd's Corporate Governance Statement is available on our website at www.pscgroup.com.au

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2017. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss & other comprehensive income
For the year ended 30 June 2017

		Consolidated Group	
	Note	2017 $	2016 $
Revenue	4	73,900,053	85,333,617
Other income	5	15,926	5,604,042
Expenses			
Third party materials and labour		(21,581,820)	(17,806,772)
Acquisition expenses	38	(67,035)	(987,541)
Employee benefits expense		(44,900,953)	(58,286,170)
Depreciation and amortisation expense	13	(272,544)	(259,218)
Impairment of assets	14	(6,852,985)	–
Write off of assets	13	(29,727)	(271,804)
Other expenses		(3,875,013)	(3,662,739)
Finance costs		(1,224,250)	(1,351,702)
Profit/(loss) before income tax expense		**(4,888,348)**	**8,311,713**
Income tax expense	6	(707,873)	(1,338,776)
Profit/(loss) after income tax expense for the year attributable to the members of PS&C Ltd	29	**(5,596,221)**	**6,972,937**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the members of PS&C Ltd		**(5,596,221)**	**6,972,937**

		Cents	Cents
Basic earnings per share	43	(8.12)	11.12
Diluted earnings per share	43	(8.12)	11.12

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

Statement of financial position
As at 30 June 2017

	Note	Consolidated Group 2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	7	8,068,605	3,508,778
Trade and other receivables	8	11,240,954	16,245,280
Inventories	9	16,133	17,223
Income tax refund due	10	540,316	355,181
Other	11	1,547,734	1,325,139
Total current assets		**21,413,742**	**21,451,601**
Non-current assets			
Receivables	12	389,343	487,733
Property, plant and equipment	13	1,362,283	732,192
Intangibles	14	92,206,580	83,904,480
Deferred tax	15	1,046,532	1,227,769
Other		43,124	57,909
Total non-current assets		**95,047,862**	**86,410,083**
Total assets		**116,461,604**	**107,861,684**
LIABILITIES			
Current liabilities			
Trade and other payables	16	9,057,661	8,173,823
Borrowings	17	15,399,420	1,045,719
Employee benefits	18	1,298,626	1,234,253
Contingent consideration	19	3,265,188	2,595,366
Deferred consideration	20	9,628,000	–
Other	21	2,762,149	3,403,523
Total current liabilities		**41,411,044**	**16,452,684**
Non-current liabilities			
Payables	22	370,647	477,069
Borrowings	23	–	15,455,876
Deferred tax	24	1,740	632
Employee benefits	25	276,452	231,588
Contingent consideration	26	10,462,429	7,162,511
Total non-current liabilities		**11,111,268**	**23,327,676**
Total liabilities		**52,522,312**	**39,780,360**
Net assets		**63,939,292**	**68,081,324**
EQUITY			
Issued capital	27	58,643,072	57,220,527
Reserves	28	69,724	38,080
Retained profits	29	5,226,496	10,822,717
Total equity		**63,939,292**	**68,081,324**

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

Statement of changes in equity
For the year ended 30 June 2017

Consolidated Group	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 year	–	–	6,972,937	6,972,937
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	6,972,937	6,972,937
Transactions with members in their capacity as members:				
Share-based payments (note 27)	9,556,700	–	–	9,556,700
Employee share options reserve (note 28)	–	6,734	–	6,734
Dividends paid (note 30)	–	–	(3,321,929)	(3,321,929)
Balance at 30 June 2016	**57,220,527**	**38,080**	**10,822,717**	**68,081,324**
Balance at 1 July 2016	57,220,527	38,080	10,822,717	68,081,324
Loss after income tax expense for the year	–	–	(5,596,221)	(5,596,221)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	(5,596,221)	(5,596,221)
Transactions with members in their capacity as members:				
Share-based payments (note 27)	1,422,545	–	–	1,422,545
Employee share options reserve (note 28)	–	31,644	–	31,644
Balance at 30 June 2017	**58,643,072**	**69,724**	**5,226,496**	**63,939,292**

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

Statement of cash flows

For the year ended 30 June 2017

	Note	Consolidated Group 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		87,548,462	91,738,847
Payments to suppliers and employees (inclusive of GST)		(78,979,743)	(88,851,132)
		8,568,719	2,887,715
Interest received		16,496	26,878
Other revenue		377,477	–
Interest and other finance costs paid		(897,389)	(688,477)
Income taxes paid		(970,056)	(2,144,329)
Net cash from operating activities	42	7,095,247	81,787
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	38	904,570	(1,731,644)
Payments for prior period's business acquisition	38	(1,426,675)	(7,502,653)
Acquisition Costs		(73,740)	(987,541)
Payments for property, plant and equipment	13	(832,939)	(479,228)
Payments for development of intangibles	14	–	(92,970)
Payments for security deposits		(4,958)	–
Proceeds from disposal of property, plant and equipment		497	–
Proceeds from release of security deposits		–	72,115
Net cash used in investing activities		(1,433,245)	(10,721,921)
Cash flows from financing activities			
Proceeds/(repayment) of borrowings	23	(1,102,175)	12,338,069
Dividends paid	30	–	(3,321,929)
Net cash from/(used in) financing activities		(1,102,175)	9,016,140
Net increase/(decrease) in cash and cash equivalents		4,559,827	(1,623,994)
Cash and cash equivalents at the beginning of the financial year		3,508,778	5,132,772
Cash and cash equivalents at the end of the financial year	7	8,068,605	3,508,778

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations. As at 30 June 2017, the group's current liabilities exceed current assets by $19,997,302 primarily due to $15,399,420 of current borrowings and $12,893,188 of current deferred and contingent consideration. The group is expecting to renegotiate and extend its bank facility or replace it with other bank debt or equity. The deferred and contingent consideration represents the obligation to pay consideration following the acquisition of a business, the majority of which may be satisfied by way of an issue of shares in PS&C Ltd, rather than by cash. The group is expected to continue trading profitably, generating positive operating cash flows.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PS&C Ltd ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. PS&C Ltd and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are determined by distinguishable components whereby the risk and returns are different from the other segments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Rendering of services revenue is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (usually more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3 – 5 years
Plant and equipment	2.5 – 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the members of PS&C Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Goodwill and other indefinite life intangible assets

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Further information is detailed in Note 14.

Income tax

The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Contingent consideration

The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

The group is organised into three operating segments: People, Security and Communications. Operating segments are determined by distinguishable components where by 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, Bexton IT Services Pty Ltd, Sacon Group Pty Ltd and Coroma Consulting Pty Ltd, is involved in sourcing and providing specialist contractors to customers for medium and long term ICT projects, while also managing the payroll function for customers.
Security	The Security segment, comprising Pure Hacking Pty Ltd, Securus Global Consulting Pty Ltd, Hacklabs 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.

Operating segment information

	People $	Security $	Communications $	Corporate $	Total $
CONSOLIDATED GROUP – 2017					
Revenue					
Sales to external customers	45,645,347	12,304,793	15,949,913	–	73,900,053
Total revenue	**45,645,347**	**12,304,793**	**15,949,913**	**–**	**73,900,053**
EBITDA	3,775,218	2,806,499	504,857	(3,641,639)	3,444,935
Depreciation and amortisation	(35,865)	(94,435)	(107,977)	(34,267)	(272,544)
Impairment of assets	–	–	–	(6,852,985)	(6,852,985)
Interest revenue	114	2,677	1,736	11,969	16,496
Finance costs	(6,233)	–	(15,673)	(1,202,344)	(1,224,250)
Profit/(loss) before income tax expense	**3,733,234**	**2,714,741**	**382,943**	**(11,719,266)**	**(4,888,348)**
Income tax expense					(707,873)
Loss after income tax expense					**(5,596,221)**
Assets					
Segment assets	7,729,306	3,702,856	4,821,933	100,207,509	116,461,604
Total assets					**116,461,604**
Liabilities					
Segment liabilities	3,105,288	2,005,344	7,849,551	39,562,129	52,522,312
Total liabilities					**52,522,312**
CONSOLIDATED GROUP – 2016					
Revenue					
Sales to external customers	56,825,112	12,514,657	15,993,848	–	85,333,617
Total revenue	**56,825,112**	**12,514,657**	**15,993,848**	**–**	**85,333,617**
EBITDA	4,347,124	3,056,730	319,204	(3,404,467)	4,318,591
Depreciation and amortisation	(43,034)	(86,983)	(99,869)	(29,332)	(259,218)
Interest revenue	1,263	2,184	–	23,431	26,878
Finance costs	–	(646)	(2,043)	(1,349,013)	(1,351,702)
Other income	–	–	–	5,577,164	5,577,164
Profit before income tax expense	**4,305,353**	**2,971,285**	**217,292**	**817,783**	**8,311,713**
Income tax expense					(1,338,776)
Profit after income tax expense					**6,972,937**
Assets					
Segment assets	8,502,519	3,130,198	7,910,872	88,318,095	107,861,684
Total assets					**107,861,684**
Liabilities					
Segment liabilities	3,960,608	2,028,111	6,837,644	26,953,997	39,780,360
Total liabilities					**39,780,360**

Revenue by geographical area

There are no material sales to external customers outside of Australia. There are no material holdings of non-current assets outside of Australia.

Note 4. Revenue

	Consolidated Group	
	2017 $	2016 $
Sales revenue		
Sale of services	59,518,712	71,915,036
Sale of goods	14,003,864	13,418,581
	73,522,576	85,333,617
Other revenue		
Lease surrender fee	377,477	–
Revenue	**73,900,053**	**85,333,617**

Note 5. Other income

	Consolidated Group	
	2017 $	2016 $
Net gain on disposal of property, plant and equipment	(570)	–
Interest income	16,496	26,878
Contingent consideration adjustments	–	5,577,164
Other income	**15,926**	**5,604,042**

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

Note 6. Income tax expense

	Consolidated Group	
	2017 $	2016 $
Income tax expense		
Current tax	525,528	1,171,485
Deferred tax – origination and reversal of temporary differences	182,345	27,136
Adjustment recognised for prior periods	–	140,155
Aggregate income tax expense	707,873	1,338,776
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 15)	181,237	26,853
Increase in deferred tax liabilities (note 24)	1,108	283
Deferred tax – origination and reversal of temporary differences	182,345	27,136
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	(4,888,348)	8,311,713
Tax at the statutory tax rate of 30%	(1,466,504)	2,493,514
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	2,055,896	–
Non-taxable contingent consideration adjustments	–	(1,673,149)
Non-deductible expenses	118,481	378,256
	707,873	1,198,621
Adjustment recognised for prior periods	–	140,155
Income tax expense	**707,873**	**1,338,776**

Note 7. Current assets – cash and cash equivalents

	Consolidated Group	
	2017 $	**2016 $**
Cash on hand	2,005	1,704
Cash at bank	8,066,600	3,507,074
	8,068,605	**3,508,778**

Note 8. Current assets – trade and other receivables

	Consolidated Group	
	2017 $	**2016 $**
Trade receivables	10,546,228	15,034,240
Less: Provision for impairment of receivables	(36,000)	(128,212)
	10,510,228	14,906,028
Other receivables	674,690	1,316,053
GST receivable	56,036	23,199
	11,240,954	**16,245,280**

Impairment of receivables

The group has recognised a loss of $62,731 in profit or loss in respect of impairment of receivables for the year ended 30 June 2017 ($60,034 in 2016).

The ageing of the impaired receivables provided for above are as follows:

	Consolidated Group	
	2017 $	**2016 $**
0 to 3 months overdue	–	60,034
3 to 6 months overdue	–	38,224
Over 6 months overdue	36,000	29,954
	36,000	**128,212**

Movements in the provision for impairment of receivables are as follows:

	Consolidated Group	
	2017 $	**2016 $**
Opening balance	128,212	68,178
Additional provisions recognised	62,731	60,034
Receivables written off during the year as uncollectable	(122,765)	–
Unused amounts reversed	(32,178)	–
Closing balance	**36,000**	**128,212**

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $2,771,357 as at 30 June 2017 ($2,836,057 as at 30 June 2016).

The group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated Group	
	2017 $	**2016 $**
0 to 3 months overdue	2,484,030	2,724,536
3 to 6 months overdue	176,992	111,521
Over 6 months overdue	110,335	–
	2,771,357	**2,836,057**

Note 9. Current assets – inventories

	Consolidated Group	
	2017 $	**2016 $**
Stock on hand – at cost	16,133	17,223

Note 10. Current assets – income tax refund due

	Consolidated Group	
	2017 $	**2016 $**
Income tax refund due	540,316	355,181

Note 11. Current assets – other

	Consolidated Group	
	2017 $	**2016 $**
Accrued revenue	911,761	967,089
Prepayments	559,400	286,435
Security deposits	76,573	71,615
	1,547,734	**1,325,139**

Note 12. Non-current assets – receivables

	Consolidated Group	
	2017 $	**2016 $**
Other receivables	389,343	487,733

Note 13. Non-current assets – property, plant and equipment

	Consolidated Group 2017 $	2016 $
Leasehold improvements – at cost	328,769	49,701
Less: Accumulated depreciation	(46,788)	(18,043)
	281,981	**31,658**
Fixtures and fittings – at cost	89,891	158,977
Less: Accumulated depreciation	(19,312)	(55,744)
	70,579	**103,233**
Motor vehicles – at cost	174,277	45,828
Less: Accumulated depreciation	(82,155)	(38,800)
	92,122	7,028
Computer equipment – at cost	1,003,802	526,039
Less: Accumulated depreciation	(289,435)	(188,131)
	714,367	**337,908**
Office equipment – at cost	446,610	420,198
Less: Accumulated depreciation	(243,376)	(167,833)
	203,234	**252,365**
	1,362,283	**732,192**

Reconciliations

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

Consolidated Group	Leasehold Improve-ments $	Fixtures & Fittings $	Computer Equipment $	Office Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2015	30,692	98,617	115,843	223,559	–	468,711
Additions	11,090	31,457	308,512	128,169	–	479,228
Additions through business combinations (note 38)	–	264	–	4,038	7,837	12,139
Write off of assets	–	(3,985)	(3,279)	(1,130)	–	(8,394)
Transfers in/(out)	–	–	10,414	(10,414)	–	–
Depreciation expense	(10,124)	(23,120)	(93,582)	(91,857)	(809)	(219,492)
Balance at 30 June 2016	31,658	103,233	337,908	252,365	7,028	732,192
Additions	302,357	–	468,353	62,229	–	832,939
Additions through business combinations (note 38)	–	–	14,077	–	86,411	100,488
Disposals	–	–	(1,065)	–	–	(1,065)
Write off of assets	(9,221)	(12,779)	–	(7,727)	–	(29,727)
Depreciation expense	(42,813)	(19,875)	(104,906)	(103,633)	(1,317)	(272,544)
Balance at 30 June 2017	**281,981**	**70,579**	**714,367**	**203,234**	**92,122**	**1,362,283**

Note 14. Non-current assets – intangibles

	Consolidated Group	
	2017 $	2016 $
Goodwill – at cost	92,206,580	83,904,480
Patents and trademarks – at cost	–	1,965
Less: Accumulated amortisation	–	(1,965)
	–	–
	92,206,580	**83,904,480**

Reconciliations

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

Consolidated Group	Goodwill $	Patents and Trademarks $	Development $	Total $
Balance at 1 July 2015	69,940,606	1,965	208,200	70,150,771
Additions	–	–	92,970	92,970
Additions through business combinations (note 38)	13,963,874	–	–	13,963,874
Write off of assets	–	–	(263,410)	(263,410)
Amortisation expense	–	(1,965)	(37,760)	(39,725)
Balance at 30 June 2016	83,904,480	–	–	83,904,480
Additions through business combinations (note 38)	15,155,085	–	–	15,155,085
Impairment of assets	(6,852,985)	–	–	(6,852,985)
Balance at 30 June 2017	**92,206,580**	**–**	**–**	**92,206,580**

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:

	Consolidated Group	
	2017 $	2016 $
People	47,025,786	31,870,701
Security	36,356,903	36,356,903
Communications	8,823,891	15,676,876
Total	**92,206,580**	**83,904,480**

PS&C undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 30 June 2017 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 cashflows 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% (2016: 3%) and a discount rate of 12% (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:	7%
Security:	6%
Communications:	6%

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

	Consolidated Group	
	2017 $	2016 $
People	36,032,239	16,574,282
Security	15,925,356	23,901,014
Communications	5,968,044	1,078,526
Total	**57,925,639**	**41,553,822**

Impairment

At 31 December 2016, an impairment loss of $6,852,985 was recognised in the profit and loss. This was a result of impairment testing undertaken whereby the carrying amount of the Communications CGU exceeded the recoverable amount based on long term forecasts. The division has undergone a restructure to ensure it is positioned to take advantage of changing customer demands in future while also having a wider service offering going forward.

Note 15. Non-current assets – deferred tax

	Consolidated Group	
	2017 $	2016 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	10,800	38,464
Employee benefits	459,423	616,097
Expenses deductible over five years	37,901	60,504
Accrued expenses	318,852	152,759
Franking deficit tax	39,583	–
	866,559	867,824
Amounts recognised in equity:		
Transaction costs on share issue	179,973	359,945
Deferred tax asset	**1,046,532**	**1,227,769**
Movements:		
Opening balance	1,227,769	1,176,346
Charged to profit or loss (note 6)	(181,237)	(26,853)
Additions through business combinations (note 38)	–	78,276
Closing balance	**1,046,532**	**1,227,769**

Note 16. Current liabilities – trade and other payables

	Consolidated Group	
	2017 $	**2016 $**
Trade payables	5,739,767	4,239,243
GST payable	1,031,785	966,494
Other payables	2,286,109	2,968,086
	9,057,661	**8,173,823**

Refer to note 31 for further information on financial instruments.

Note 17. Current liabilities – borrowings

	Consolidated Group	
	2017 $	**2016 $**
Bank loans	15,399,420	1,045,719

Refer to note 31 for further information on financial instruments.

The current bank facility matures in January 2018. The group is expecting to renegotiate and extend its bank facility or replace it with other bank debt or equity

Note 18. Current liabilities – employee benefits

	Consolidated Group	
	2017 $	**2016 $**
Annual leave	929,187	759,940
Long service leave	369,439	474,313
	1,298,626	**1,234,253**

Note 19. Current liabilities – contingent consideration

	Consolidated Group	
	2017 $	**2016 $**
Contingent consideration	3,265,188	2,595,366

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets, the majority of which may be satisfied by way of an issue of shares in PS&C Ltd. It is measured at the present value of the estimated liability.

Movements in provisions

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

Consolidated Group – 2017	Contingent Consideration $
Carrying amount at the start of the year	2,595,366
Amounts transferred from non-current	3,243,357
Payments	(2,849,220)
Unwinding of discount	275,685
Carrying amount at the end of the year	**3,265,188**

The net assets of the entities acquired and recognised in the 30 June 2016 financial statements was based on a provisional fair value assessment. The final assessment had not been completed by the date the 2016 financial statements were approved for issue by the Board. The fair value assessment has now been finalised and therefore the 30 June 2016 comparative information has been updated to reflect adjustments to the provisional amounts. As a result, intangible assets increased by $715,050 and contingent consideration (provisions) increased by $715,050

Note 20. Current liabilities – deferred consideration

	Consolidated Group	
	2017 $	2016 $
Deferred consideration	9,628,000	–

The deferred consideration represents the obligation to pay consideration following the acquisition of a business or assets, the majority of which may be satisfied by way of an issue of shares in PS&C Ltd. It is measured at the present value of the estimated liability.

Note 21. Current liabilities – other

	Consolidated Group	
	2017 $	2016 $
Accrued expenses	1,722,068	2,409,050
Revenue received in advance	1,040,081	994,473
	2,762,149	**3,403,523**

Note 22. Non-current liabilities – payables

	Consolidated Group	
	2017 $	2016 $
Other payables	370,647	477,069

Refer to note 31 for further information on financial instruments.

Note 23. Non-current liabilities – borrowings

	Consolidated Group	
	2017 $	2016 $
Bank loans	–	15,455,876

Refer to note 31 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated Group	
	2017 $	2016 $
Bank loans	15,399,420	16,501,595

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated Group	
	2017 $	2016 $
Total facilities		
Bank loans	17,550,000	20,300,000
Credit Card Facility	375,000	375,000
Indemnity/Guarantee Facilities	500,000	500,000
Electronic Payaway Facility	500,000	500,000
	18,925,000	**21,675,000**
Used at the reporting date		
Bank loans	15,399,420	16,501,595
Credit Card Facility	65,305	43,023
Indemnity/Guarantee Facilities	192,830	275,598
Electronic Payaway Facility	–	–
	15,657,555	**16,820,216**
Unused at the reporting date		
Bank loans	2,150,580	3,798,405
Credit Card Facility	309,695	331,977
Indemnity/Guarantee Facilities	307,170	224,402
Electronic Payaway Facility	500,000	500,000
	3,267,445	**4,854,784**

There is a corporate cross-deed of guarantee between the parent company and all subsidiaries ("General Security Agreement") which is secured by all present and after-acquired property.

Note 24. Non-current liabilities – deferred tax

	Consolidated Group	
	2017 $	**2016 $**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	1,740	–
Unrealised foreign currency gains/losses	–	632
Deferred tax liability	**1,740**	**632**
Movements:		
Opening Balance	632	349
Charged to profit or loss (note 6)	1,108	283
Closing Balance	**1,740**	**632**

Note 25. Non-current liabilities – employee benefits

	Consolidated Group	
	2017 $	**2016 $**
Long service leave	276,452	231,588

Note 26. Non-current liabilities – contingent consideration

	Consolidated Group	
	2017 $	**2016 $**
Contingent consideration	10,462,429	7,162,511

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets, the majority of which may be satisfied by way of an issue of shares in PS&C Ltd. It is measured at the present value of the estimated liability.

Movements in provisions

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

Consolidated Group – 2017	**Contingent Consideration $**
Carrying amount at the start of the year	7,162,511
Additions through business combinations (note 38)	6,539,751
Amounts transferred to current	(3,243,357)
Unwinding of discount	3,524
Carrying amount at the end of the year	**10,462,429**

Note 27. Equity – issued capital

	Consolidated Group			
	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares – fully paid	70,113,762	66,067,022	58,643,072	57,220,527

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2015	55,675,076		47,663,827
Issue of shares on acquisition of Bexton	15 October 2015	1,735,072	$0.84	1,458,328
Issue of shares to vendors in satisfaction of Earn Out payments	19 October 2015	7,591,661	$0.93	7,052,653
Issue of shares on acquisition of Certitude	13 January 2016	1,065,213	$0.98	1,045,719
Balance	30 June 2016	66,067,022		57,220,527
Issue of shares in satisfaction of Earn Out and other payments to Bexton	14 October 2016	4,046,740	$0.35	1,422,545
Balance	**30 June 2017**	**70,113,762**		**58,643,072**

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Note 28. Equity – reserves

	Consolidated Group	
	2017 $	2016 $
Employee share options reserve	69,724	38,080

Employee share options reserve

This reserve is used to recognise options granted to directors and employees under the PS&C Directors and Employee Benefits Plan. Further information on the operation of this plan is outlined in the Directors' Report.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated Group	Employee share option reserve $	Total $
Balance at 1 July 2015	31,346	31,346
Options granted	6,734	6,734
Balance at 30 June 2016	38,080	38,080
Options granted	31,644	31,644
Balance at 30 June 2017	**69,724**	**69,724**

Options on issue 30 June 2017:

Issue	Expiry date	Exercise price	Opening 01/07/2016	Issued	Exercised	Lapsed	Closing 30/06/2017
Issue to employees #1	30/10/2019	$1.10	100,000	–	–	–	100,000
Issue to employees #2	30/10/2021	$1.09	1,130,000			(20,000)	1,110,000
Issue to employees #3	14/12/2022	$0.39	–	1,780,000	–	–	1,780,000
Issue to key management personnel #1	30/09/2018	$1.10	400,000	–	–	–	400,000
Issue to key management personnel #2	31/10/2019	$1.09	400,000	–	–	–	400,000
Issue to key management personnel #3	14/12/2022	$0.39	–	400,000	–	–	400,000
Issue to Directors #1	30/11/2018	$1.20	100,000			(100,000)	–
Issue to Directors #2	30/11/2019	$1.17	200,000			(100,000)	100,000
Issue to Directors #3	14/12/2022	$0.39	–	200,000	–	(100,000)	100,000
TOTAL			**2,330,000**	**2,380,000**	**–**	**(320,000)**	**4,390,000**

Options on issue 30 June 2016:

Issue	Expiry date	Exercise price	Opening 01/07/2015	Issued	Exercised	Lapsed	Closing 30/06/2016
Issue to employees #1	30/10/2019	$1.10	250,000	–	–	(150,000)	100,000
Issue to employees #2	30/10/2021	$1.09	–	1,130,000	–	–	1,130,000
Issue to key management personnel #1	30/09/2018	$1.10	400,000	–	–	–	400,000
Issue to key management personnel #2	31/10/2019	$1.09	–	400,000	–	–	400,000
Issue to Directors #1	30/11/2018	$1.20	100,000	–	–	–	100,000
Issue to Directors #2	30/11/2019	$1.17	–	200,000	–	–	200,000
TOTAL			**750,000**	**1,730,000**	**0**	**(150,000)**	**2,330,000**

Note 29. Equity – retained profits

	Consolidated Group	
	2017 $	**2016 $**
Retained profits at the beginning of the financial year	10,822,717	7,171,709
Profit/(loss) after income tax expense for the year	(5,596,221)	6,972,937
Dividends paid (note 30)	–	(3,321,929)
Retained profits at the end of the financial year	**5,226,496**	**10,822,717**

Note 30. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated Group	
	2017 $	2016 $
Fully franked final dividend of 3 cents per share paid 15 October 2015 (in respect of the year ended 30 June 2015)	–	1,670,252
Fully franked interim dividend of 2.5 cents per share paid 13 April 2016 (in respect of the year ended 30 June 2016)	–	1,651,677
	–	**3,321,929**

Franking credits

	Consolidated Group	
	2017 $	2016 $
Franking credits available at the reporting date based on a tax rate of 30%	6,262,562	5,292,505
Franking credits available for subsequent financial years based on a tax rate of 30%	**6,262,562**	**5,292,505**

Note 31. Financial instruments

Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The group is not currently exposed to any material fluctuations in foreign currency.

Price risk

The group is not exposed to any significant price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The table below outlines the variable interest rate on cash at bank and bank loans:

	2017		2016	
Consolidated Group	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank	1.32%	8,066,600	1.59%	3,507,074
Bank loans	3.93%	(15,399,420)	4.31%	(16,501,595)
Net exposure to cash flow interest rate risk		**(7,332,820)**		**(12,994,521)**

At 30 June 2017, if interest rates had changed by +/- 100 basis points from the year end rates, with all other variables held constant, post tax profit for the year would have been $107,796 lower/higher (2016: $115,511 lower/higher), as a result of higher/lower interest expense from variable rate borrowings.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity. The group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Liquidity risk

Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated Group	
	2017 $	**2016 $**
Bank loans	2,150,580	3,798,405
Credit Card Facility	309,695	331,977
Indemnity/Guarantee Facilities	307,170	224,402
Electronic Payaway Facility	500,000	500,000
	3,267,445	**4,854,784**

Subject to meeting bank covenants, the bank facilities can be drawn at any time. This current facility matures in January 2018.

Maturity Analysis

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Consolidated Group – 2017						
Non-derivatives						
Non-interest bearing						
Trade payables	–%	5,739,767	370,647	–	–	6,110,414
GST payables (net)	–%	975,749	–	–	–	975,749
Other payables	–%	2,286,109	–	–	–	2,286,109
Accrued expenses	–%	1,722,068	–	–	–	1,722,068
Interest-bearing – variable						
Bank loans	3.93%	15,399,420	–	–	–	15,399,420
Total non-derivatives		**26,123,113**	**370,647**	**–**	**–**	**26,493,760**
Consolidated Group – 2016						
Non-derivatives						
Non-interest bearing						
Trade payables	–%	4,239,243	–	–	–	4,239,243
GST payables (net)	–%	943,295	–	–	–	943,295
Other payables	–%	2,968,086	477,069	–	–	3,445,155
Accrued expenses	–%	2,409,050	–	–	–	2,409,050
Interest-bearing – variable						
Bank loans	4.31%	1,045,719	15,455,876	–	–	16,501,595
Total non-derivatives		**11,605,393**	**15,932,945**	**–**	**–**	**27,538,338**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 32. Key management personnel disclosures

Compensation

Details of key management personnel compensation are contained within the Remuneration Report section of the Director's Report.

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Stephens (Vic) Pty Ltd, the auditor of the company:

	Consolidated Group	
	2017 $	2016 $
Audit services – Moore Stephens (Vic) Pty Ltd		
Audit or review of the financial statements	125,000	125,000
Other services – Moore Stephens (Vic) Pty Ltd		
Taxation services	2,745	73,000
Due diligence	98,196	–
	100,941	73,000
	225,941	**198,000**

Note 34. Contingent liabilities

The group has given bank guarantees as at 30 June 2017 of $192,830 (2016: $275,598) in satisfaction of building lease guarantees, as per the financing arrangements outlined in note 24.

Note 35. Commitments

	Consolidated Group	
	2017 $	2016 $
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	505,358	548,119
One to five years	485,023	869,474
	990,381	**1,417,593**

Operating lease commitments includes contracted amounts for various offices under non-cancellable operating leases expiring within 1 to 4 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 36. Related party transactions

Parent entity

PS&C Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 39.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated Group	
	2017 $	**2016 $**
Current receivables:		
Trade receivables from commonly controlled entity	26,235	104,456
Current payables:		
Trade payables to commonly controlled entity	26,235	104,456

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated Group	
	2017 $	**2016 $**
Current receivables:		
Loans to commonly controlled entities	14,008,918	4,802,153
Current borrowings:		
Loans from commonly controlled entities	14,008,918	4,802,153

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 37. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 $	**2016 $**
Profit/(loss) after income tax	(10,368,557)	1,776,128
Total comprehensive income	**(10,368,557)**	**1,776,128**

Statement of financial position

	Parent	
	2017 $	**2016 $**
Total current assets	7,518,319	2,647,675
Total assets	106,002,406	91,989,307
Total current liabilities	43,093,877	8,019,602
Total liabilities	53,572,284	30,644,815
Equity		
Issued capital	58,643,072	57,220,527
Employee share options reserve	69,724	38,080
Retained profits	(6,282,674)	4,085,885
Total equity	**52,430,122**	**61,344,492**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Please see note 40 in relation to the deed of cross guarantee in place.

Contingent liabilities

The parent entity has entered into acquisition agreements with the entities described in note 39. Under the terms of the agreements, the parent entity may have to pay more than what has been provided for in contingent consideration in note 39 if the entities' operating performance is better than forecast for the purposes of calculating contingent consideration. Other than that, the parent entity had no contingent liabilities as at 30 June 2017.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 38. Business combinations

(a) Current Period

Sacon Group Pty Ltd

On 28 June 2017 PS&C Ltd acquired 100% of the ordinary shares of Sacon Group 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 $9,819,008 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. The acquired business contributed no revenues or profit from 28 June 2017 to 30 June 2017. If the acquisition occurred on 1 July 2016, the full year contribution would have been profit after tax of $882,349. 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 Directors are still assessing any potential impacts to the total consideration transferred whilst within the measurement period.

Coroma Consulting Pty Ltd

On 28 June 2017 PS&C Ltd acquired 100% of the ordinary shares of Coroma Consulting 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 $5,336,077 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. The acquired business contributed no revenues or profit from 28 June 2017 to 30 June 2017. If the acquisition occurred on 1 July 2016, the full year contribution would have been profit after tax of $582,602. 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 Directors are still assessing any potential impacts to the total consideration transferred whilst within the measurement period

Details of the acquisition are as follows:

	Sacon Group Pty Ltd Fair value $	Coroma Consulting Pty Ltd Fair value $	Total Acquired Fair value $
Cash and cash equivalents	162,224	742,346	904,570
Trade receivables	728,564	703,664	1,432,229
Income tax refund due	241	–	241
Prepayments	2,727	33,794	36,521
Plant and equipment	1,329	12,748	14,077
Motor vehicles	86,411	–	86,411
Trade payables	(108,084)	(85,167)	(193,251)
Provision for income tax	–	(259,634)	(259,634)
Employee benefits	(13,546)	(99,013)	(112,559)
Other liabilities	(302,250)	(593,688)	(895,939)
Net assets acquired	557,616	455,050	1,012,666
Goodwill	9,819,008	5,336,077	15,155,085
Acquisition-date fair value of the total consideration transferred	**10,376,624**	**5,791,127**	**16,167,751**
Representing:			
Deferred consideration	6,300,000	3,328,000	9,628,000
Contingent consideration – non-current	4,076,624	2,463,127	6,539,751
	10,376,624	**5,791,127**	**16,167,751**
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	10,376,624	5,791,127	16,167,751
Less: cash and cash equivalents	(162,224)	(742,346)	(904,570)
Less: deferred consideration	(6,300,000)	(3,328,000)	(9,628,000)
Less: contingent consideration	(4,076,624)	(2,463,127)	(6,539,751)
Net cash received	**(162,224)**	**(742,346)**	**(904,570)**

Acquisition costs expensed to the statement of profit or loss and other comprehensive income during the year ended 30 June 2017 amounted to $67,035 (2016: $987,541) for services provided by consultants and legal advisers as well as share issue costs. This was incurred in relation to existing businesses and prospective transactions.

During the year ending 30 June 2017, cash payments of $1,426,675 were made to the vendors of the businesses acquired in prior period, in satisfaction of earn out payments as per the terms of the share sale and purchase agreements. In addition, $1,422,545 worth of PS&C Ltd shares (equal to 4,046,740 shares) were issued in satisfaction of earn out payments, as per the terms of the share sale and purchase agreements.

(b) Prior Period

Details of the prior period acquisitions are as follows:

	Bexton IT Services Pty Ltd Fair value $	Certitude Pty Ltd Fair value $	Total Provisional Acquired Fair value $	Adjust-ments Fair value $	Final Fair value $
Cash and cash equivalents	307,870	506,442	814,312	–	814,312
Trade receivables	373,841	120,038	493,879	–	493,879
Other current assets	175,879	8,524	184,403	–	184,403
Plant and equipment	3,214	1,088	4,302	–	4,302
Motor vehicles	–	7,837	7,837	–	7,837
Deferred tax asset	40,841	37,435	78,276	–	78,276
Trade payables	(66,678)	(593)	(67,271)	–	(67,271)
Provision for income tax	(236,899)	(98,743)	(335,642)	–	(335,642)
Employee benefits	(196)	(105,661)	(105,856)	–	(105,856)
Other liabilities	(455,160)	(73,978)	(529,138)	–	(529,138)
Net assets acquired	142,712	402,389	545,101	–	545,101
Goodwill	11,559,775	1,689,049	13,248,824	715,050	13,963,874
Acquisition-date fair value of the total consideration transferred	**11,702,487**	**2,091,438**	**13,793,925**	**715,050**	**14,508,975**
Representing:					
Cash paid or payable to vendor	1,500,237	1,045,719	2,545,956	–	2,545,956
PS&C Ltd shares issued to vendor	1,458,328	1,045,719	2,504,047	–	2,504,047
Contingent consideration	8,743,922	–	8,743,922	715,050	9,458,972
	11,702,487	**2,091,438**	**13,793,925**	**715,050**	**14,508,975**
Cash used to acquire business, net of cash acquired:					
Acquisition-date fair value of the total consideration transferred	11,702,487	2,091,438	13,793,925	715,050	14,508,975
Less: cash and cash equivalents	(307,870)	(506,442)	(814,312)	–	(814,312)
Less: contingent consideration	(8,743,922)	–	(8,743,922)	(715,050)	(9,458,972)
Less: shares issued by company as part of consideration	(1,458,328)	(1,045,719)	(2,504,047)	–	(2,504,047)
Net cash received	**1,192,367**	**539,277**	**1,731,644**	**–**	**1,731,644**

The net assets recognised in the 30 June 2016 financial statements was based on a provisional fair value assessment. The final assessment had not been completed by the date the 2016 financial statements were approved for issue by the Board. The fair value assessment has now been finalised and therefore the 30 June 2016 comparative information has been updated to reflect adjustments to the provisional amounts. As a result, intangible assets increased by $715,050 and contingent consideration (provisions) increased by $715,050.

	Consolidated Group	
	2017 $	2016 $
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	16,167,751	14,508,975
Less: cash and cash equivalents	(904,570)	(814,312)
Less: contingent consideration	(6,539,751)	(9,458,972)
Less: shares issued by company as part of consideration	–	(2,504,047)
Less: deferred consideration	(9,628,000)	–
Net cash used/(received)	**(904,570)**	**1,731,644**

Note 39. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

	Principal place of business /	Ownership interest	
Consolidated Group	**Country of incorporation**	**2017 %**	**2016 %**
Allcom Networks Pty Ltd	Australia	100.00%	100.00%
GlassandCo Pty Ltd (formerly Allcom Consulting Services Pty Ltd)	Australia	100.00%	100.00%
Systems and People Pty Ltd	Australia	100.00%	100.00%
Securus Global Consulting Pty Ltd	Australia	100.00%	100.00%
Hacklabs Pty Ltd	Australia	100.00%	100.00%
Pure Hacking Pty Ltd	Australia	100.00%	100.00%
Bexton IT Services Pty Ltd	Australia	100.00%	100.00%
Certitude Pty Ltd	Australia	100.00%	100.00%
Sacon Group Pty Ltd	Australia	100.00%	–
Coroma Consulting Pty Ltd	Australia	100.00%	–

Note 40. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Allcom Networks Pty Ltd
- GlassandCo Pty Ltd (formerly Allcom Consulting Services Pty Ltd)
- Systems and People Pty Ltd
- Securus Global Consulting Pty Ltd
- Hacklabs Pty Ltd
- Pure Hacking Pty Ltd
- Bexton IT Services Pty Ltd
- Certitude Pty Ltd
- Sacon Group Pty Ltd
- Coroma Consulting Pty Ltd
- PS&C Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by PS&C Ltd, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are the same as the group and therefore have not been separately disclosed.

Note 41. Events after the reporting period

On 7 July 2017, 14,000,000 shares in PS&C Ltd were issued to the vendors of Sacon Group Pty Ltd and Coroma Consulting Pty Ltd (as per Appendix 3B released to the ASX), as partial consideration for the purchase of these entities. This is included in the deferred consideration at 30 June 2017 – refer to the Business Combination note for further information.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 42. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated Group	
	2017 $	**2016 $**
Profit/(loss) after income tax expense for the year	(5,596,221)	6,972,937
Adjustments for:		
Depreciation and amortisation	272,544	259,218
Impairment	6,852,985	–
Share-based payments	1,422,545	6,734
Write off of assets	29,727	271,805
Net loss on disposal of non-current assets	570	–
Interest received – non-cash	–	26,878
Other revenue – non-cash	–	(5,604,042)
Other expenses – non-cash	57,732	7,967,414
Finance costs – non-cash	326,861	663,225
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	6,534,945	(3,456,686)
Decrease/(increase) in inventories	1,090	(4,890)
Increase in income tax refund due	(185,135)	(355,181)
Decrease in deferred tax assets	181,237	26,853
Decrease in accrued revenue	55,328	791,873
Increase in prepayments	(221,659)	(130,196)
Decrease/(increase) in other operating assets	(1)	184,401
Increase/(decrease) in trade and other payables	(311,775)	1,034,293
Decrease in provision for income tax	(259,393)	(477,508)
Increase in deferred tax liabilities	1,108	283
Increase/(decrease) in employee benefits	(3,322)	268,759
Increase/(decrease) in other provisions	3,690,531	(5,691,533)
Decrease in other operating liabilities	(5,754,450)	(2,672,850)
Net cash from operating activities	**7,095,247**	**81,787**

Note 43. Earnings per share

	Consolidated Group	
	2017 **$**	**2016** **$**
Profit/(loss) after income tax attributable to the members of PS&C Ltd	(5,596,221)	6,972,937

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	68,938,544	62,684,033
Weighted average number of ordinary shares used in calculating diluted earnings per share	68,938,544	62,684,033

	Cents	**Cents**
Basic earnings per share	(8.12)	11.12
Diluted earnings per share	(8.12)	11.12

Directors' declaration
30 June 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Kevin McLaine
Director

27 September 2017
Melbourne

Independent auditor's report
To the members of PS&C Ltd

MOORE STEPHENS

Moore Stephens Audit (Vic)

Level 18, 530 Collins Street
Melbourne Victoria 3000

T +61 (0)3 9608 0100
F +61 (0)3 9608 0192
E victoria@moorestephens.com.au

www.moorestephens.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the consolidated financial report of PS&C Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a) the accompanying financial report of PS&C Limited is in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MOORE STEPHENS

KEY AUDIT MATTER 1 – VALUE OF INTANGIBLE ASSETS Refer to Note 14 "Non-current assets - intangibles"	
As at 30 June 2017 the Group has total Intangible Assets of $92.2m. The Group's Goodwill balance is recognised in three Cash Generating Units (CGU's): "People" ($47m), "Security" ($36M) and "Communications" ($8.8m). We focused on this area due to the size of this balance and because the directors' assessment of the 'value in use' of the Group's CGUs involves judgements about the future results of the business and the discount rates applied to the future cash flows which are inherently uncertain.	Our procedures included, amongst others: • We evaluated management's cash flow forecasts covering a 5 year period and the process by which they were developed, including verifying the mathematical accuracy of the underlying calculations. We also compared them to the latest board approved budgets. • We also challenged whether: 1. Management's key assumptions for long – term growth rates in the forecasts by comparing them to historical results; 2. The discount rate used in the model by assessing the cost of capital for the Group by comparing it to market data and industry research. • We then tested the assumptions used by management, analysing the impact on the value in use calculation by adjusting the EBITDA growth rate, WACC and terminal value growth rate used within a reasonably foreseeable range. • We assessed the adequacy of the Group's disclosure of assumptions used in respect to the value in use calculations. • Lastly, a $6.85m impairment charge has been raised within the Communications segment as a result of impairment. This write down has been recognised in the statement of comprehensive income at 30 June 2017.

MOORE STEPHENS

KEY AUDIT MATTER 2 – CONTINGENT CONSIDERATION AND EARN OUTS
Refer to Note 19 & Note 26 "Current and non-current provisions"

The Group has provided for amounts to be paid to vendors of businesses acquired during the year and has completed the earn out periods of other businesses acquired since its listing in the year ended 30 June 2014.

We focused on this area due to the size of the contingent consideration balance ($13.7m as at 30 June 2017) and because the directors' assessment of the forecasts used to calculate the provision involves judgements about the future results of the businesses acquired which are inherently uncertain.

Our procedures included, amongst others:

- We evaluated management's cash flow forecasts and the process by which they were developed, including verifying the mathematical accuracy of the underlying calculations. We also compared them to the latest board approved budgets.
- We compared current year actual results with the figures included in the prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic.
- We reviewed management's key assumptions for long –term growth rates in the forecasts by comparing them to historical results and economic and industry forecasts.
- Finally we assessed the adequacy of the Group's disclosure of assumptions used in respect to value in used calculations.

KEY AUDIT MATTER 3 – NET CURRENT ASSET DEFICIENCY & GOING CONCERN
Refer to Note 1 "Net Current Asset Deficiency"

The Group has a net current asset deficiency of $19,997,302 as at 30 June 2017 which is primarily due to $15,399,420 of borrowings becoming current and $12,893,188 of current deferred and contingent consideration due in the next 12 months.

We focused on this area due to the significance of the net current asset deficiency at 30 June 2017 and the dependence of the group on being able to re-finance its debt or source alternative finance to continue to be able to meet its obligations as and when they fall due.

Our procedures included, amongst others:

- We obtained and reviewed management's cash flow forecast to assess whether the group's current cash levels and future forecasted cash levels could sustain operations of the group for at least 12 months.
- We assessed the ability of the group to settle its current deferred and contingent consideration liabilities by means other than cash.
- We assessed the likelihood of the group being able to negotiate and extend its current borrowing facility. Further, we reviewed director minutes post year end and obtaining an update from the bank regarding the likelihood of extension.
- Ensured adequate disclosure of the net current asset deficiency & going concern had been made in the financial report.

MOORE STEPHENS

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors;

- conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern; and

MOORE STEPHENS

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of PS&C Limited, for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

27 September 2017

Shareholder information

The shareholder information set out below was applicable as at 22nd August 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders	Number of shares
1-1,000	260	179,231
1,001-5,000	542	1,582,370
5,001-10,000	265	2,182,114
10,001-100,000	412	12,984,826
100,001 and over	67	67,471,003
Totals	**1,546**	**84,399,544**
Holdings less than a marketable parcel	371	328,826

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
Holder Name	**Number held**	**% of total shares issued**
PH1 PTY LTD, PURE HACKING UNIT A/C	9,892,831	11.72
IQ RENTAL & FINANCE PTY LTD, WATTS FAMILY A/C	7,565,000	8.96
KANDO CORPORATION PTY LTD	3,500,000	4.15
MASAL PTY LTD	3,500,000	4.15
M & N SMITH & ASSOCIATES PTY LTD, M & N SMITH INVESTMENT A/C	2,962,144	3.51
MR DRAZEN DRAZIC, DRAZIC FAMILY A/C	2,896,062	3.43
MR BLAIR CAMERON GOWANS	2,890,906	3.43
MRS LAURA CATHERINE GOWANS	2,890,906	3.43
MR ANDREW JOSEPH LEIGH	2,685,457	3.18
MR CHRISTOPHER GATFORD	2,857,063	3.39
MR MARK EDWIN TOWNSEND, KAOS HOLDINGS A/C	2,333,334	2.76
RJJB CROCIANI PTY LTD, RJJB CROCIANI FAMILY A/C	2,333,333	2.76
CYKM PTY LTD, CYKM A/C	2,333,333	2.76
HATDON PTY LTD, HATDON SUPER FUND A/C	2,156,040	2.55
BRAD ALLAN PTY LTD, BRAD ALLAN SUPER FUND A/C	1,887,818	2.24
KESER HOLDINGS PTY LTD	1,065,213	1.26
WIFAM INVESTMENTS PTY LTD, WISCHER FAMILY S/F A/C	750,000	0.89
MR BRENDAN THOMAS BIRTHISTLE	663,500	0.79
MR GRIGORIY LOUTZIK	583,001	0.69
MR GORDON DENBY COAD	550,000	0.65
	56,295,941	**66.70**

Shareholder information

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
McAdam, Robert Ian	9,892,831	11.72
Watts, Edward & Sarah	8,005,000	9.48

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary	14/10/2017	1,585,468
Ordinary	15/10/2017	867,536
Ordinary	20/10/2017	2,762,225
Ordinary	13/01/2018	532,607
Ordinary	07/07/2018	3,500,000
Ordinary	14/10/2018	1,585,468
Ordinary	07/07/2019	3,500,000
		14,333,304

PEOPLE SECURITY & COMMUNICATION PS&C LTD

ABN 50 164 718 361
(T) +61 3 9682 2699
(F) +61 3 9696 6904
(E) info@pscgroup.com.au

L10 410 Collins Street. Melbourne.
Victoria. Australia. 3000