PS&C Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	PS&C Ltd
ABN:	50 164 718 361
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	2.7%	to	37,373,336
Profit from ordinary activities after tax attributable to the members of PS&C Ltd	up	104.5%	to	269,358
Profit for the half-year attributable to the members of PS&C Ltd	up	104.5%	to	269,358

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

Comments
The profit for the consolidated entity after providing for income tax amounted to $269,358 (31 December 2016: loss of $5,987,060).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(13.32)	(41.17)

4. Control gained over entities

Not applicable.

5. Dividends

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

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

6. Dividend reinvestment plans

Not applicable.

7. Audit qualification or review

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

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

8. Attachments

Details of attachments (if any):

The Half Year Report of PS&C Ltd for the half-year ended 31 December 2017 is attached.

9. Signed

Signed ____________________________ Date: 22 February 2018

Glenn Fielding
Managing Director

PS&C Ltd

ABN 50 164 718 361

Half Year Report - 31 December 2017

PS&C Ltd
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of PS&C Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

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

Non-Executive Directors	Executive Directors
Terry Benfold (resigned 6 December 2017)	Glenn Fielding
Kevin McLaine (Chairperson from 6 December 2017)	
Nigel Warren (appointed 6 December 2017)	

Principal activities

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

- Provision of information and communications technology services

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $269,358 (31 December 2016: loss of $5,987,060).

Please refer to the accompanying commentary.

Significant changes in the state of affairs

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

Auditor's independence declaration

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

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

On behalf of the directors

____
Glenn Fielding
Managing Director

22 February 2018

MOORE STEPHENS

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

22 February 2018

Contents

General information

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

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

Level 10, 410 Collins Street, Melbourne VIC 3000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2018.

PS&C Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 31 Dec 2016 $
Revenue	3	37,373,336	38,394,822
Other income	4	36,916	6,962
Expenses			
Third party materials and labour		(8,155,735)	(5,099,365)
Acquisition expenses		(401,769)	(67,035)
Employee benefits expense		(24,280,018)	(29,310,184)
Depreciation and amortisation expense		(185,087)	(119,133)
Impairment of goodwill		-	(6,852,985)
Write off of assets		55	(19,678)
Contingent consideration adjustments		40,245	-
Other expenses		(3,235,731)	(1,826,988)
Finance costs		(634,390)	(621,812)
Profit/(loss) before income tax expense		557,822	(5,515,396)
Income tax expense		(288,464)	(471,664)
Profit/(loss) after income tax expense for the half-year attributable to the members of PS&C Ltd		269,358	(5,987,060)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the members of PS&C Ltd		269,358	(5,987,060)
		Cents	**Cents**
Basic earnings per share		0.34	(8.95)
Diluted earnings per share		0.34	(8.95)

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

PS&C Ltd
Consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 30 Jun 2017 $
Assets			
Current assets			
Cash and cash equivalents		3,230,211	8,068,623
Trade and other receivables		10,542,059	11,160,613
Inventories		16,467	16,133
Income tax receivable		-	565,471
Other		3,576,955	1,589,578
Total current assets		17,365,692	21,400,418
Non-current assets			
Receivables		511,789	389,343
Property, plant and equipment	5	1,441,437	1,338,880
Intangibles	6	92,802,606	92,802,606
Deferred tax		1,394,779	1,105,385
Other		35,731	43,124
Total non-current assets		96,186,342	95,679,338
Total assets		113,552,034	117,079,756
Liabilities			
Current liabilities			
Trade and other payables		7,094,357	8,916,210
Borrowings	7	13,202,026	15,399,420
Income tax payable		281,436	-
Employee benefits		1,245,860	1,303,749
Contingent consideration	8	9,156,843	3,265,188
Deferred consideration	9	2,150,575	10,338,000
Other		2,131,911	2,802,120
Total current liabilities		35,263,008	42,024,687
Non-current liabilities			
Payables		551,800	370,647
Deferred tax		-	1,740
Employee benefits		292,176	280,961
Contingent consideration	10	959,946	10,462,429
Total non-current liabilities		1,803,922	11,115,777
Total liabilities		37,066,930	53,140,464
Net assets		76,485,104	63,939,292
Equity			
Issued capital	11	70,900,123	58,643,072
Reserves		89,127	69,724
Retained profits		5,495,854	5,226,496
Total equity		76,485,104	63,939,292

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

PS&C Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2016	57,220,527	38,080	10,822,717	68,081,324
Loss after income tax expense for the half-year	-	-	(5,987,060)	(5,987,060)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,987,060)	(5,987,060)
Transactions with members in their capacity as members:				
Share-based payments	1,422,546	-	-	1,422,546
Employee share options reserve	-	16,793	-	16,793
Balance at 31 December 2016	58,643,073	54,873	4,835,657	63,533,603

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2017	58,643,072	69,724	5,226,496	63,939,292
Profit after income tax expense for the half-year	-	-	269,358	269,358
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	269,358	269,358
Transactions with members in their capacity as members:				
Contributions of equity, net of transaction costs (note 11)	3,015,626	-	-	3,015,626
Share-based payments	9,241,425	-	-	9,241,425
Employee share options reserve	-	19,403	-	19,403
Balance at 31 December 2017	70,900,123	89,127	5,495,854	76,485,104

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

PS&C Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 31 Dec 2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		31,990,655	39,590,349
Payments to suppliers and employees (inclusive of GST)		(34,343,706)	(37,596,734)
		(2,353,051)	1,993,615
Interest received		20,344	6,929
Other revenue		-	377,477
Interest and other finance costs paid		(423,816)	(420,979)
Income taxes refunded/(paid)		267,309	(670,895)
Net cash from/(used in) operating activities		(2,489,214)	1,286,147
Cash flows from investing activities			
Payments for prior period's business acquisition	12	(2,781,104)	(1,426,675)
Acquisition Costs		(128,233)	(73,740)
Payments for property, plant and equipment	5	(316,220)	(659,154)
Loans from/(to) related and other parties		(44,428)	-
Proceeds from disposal of property, plant and equipment		44,428	295
Proceeds from release of security deposits		58,127	-
Net cash used in investing activities		(3,167,430)	(2,159,274)
Cash flows from financing activities			
Proceeds from issue of shares	11	3,195,769	-
Share issue transaction costs		(180,143)	-
Repayment of borrowings		(2,197,394)	(1,123,325)
Net cash from/(used in) financing activities		818,232	(1,123,325)
Net decrease in cash and cash equivalents		(4,838,412)	(1,996,452)
Cash and cash equivalents at the beginning of the financial half-year		8,068,623	3,508,778
Cash and cash equivalents at the end of the financial half-year		3,230,211	1,512,326

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations. As at 31 December 2017, the group's current liabilities exceed current assets by $17,897,316 primarily due to $13,202,026 of current borrowings, $9,156,843 of current contingent consideration and $2,150,575 of current deferred consideration. The group has renegotiated and extended its bank facility for a further two years. The contingent and deferred consideration represents the obligation to pay consideration following the acquisition of a business, some 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.

Note 2. Operating segments

Identification of reportable operating segments

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

Types of products and services

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

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

Intersegment transactions

There were no material transactions between operating segments

Intersegment receivables, payables and loans

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

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2017	People $	Security $	Communic- ations $	Corporate $	Total $
Revenue					
Sales to external customers	21,550,331	7,237,270	8,585,735	-	37,373,336
Total revenue	21,550,331	7,237,270	8,585,735	-	37,373,336
EBITDA	1,558,802	1,498,616	923,075	(2,663,783)	1,316,710
Depreciation and amortisation	(13,291)	(65,541)	(88,832)	(17,423)	(185,087)
Interest revenue	2,967	63	237	17,077	20,344
Finance costs	(1,399)	-	(7,393)	(625,598)	(634,390)
Deferred consideration adjustments	-	-	-	40,245	40,245
Profit/(loss) before income tax expense	1,547,079	1,433,138	827,087	(3,249,482)	557,822
Income tax expense					(288,464)
Profit after income tax expense					269,358
Assets					
Segment assets	8,699,072	4,699,294	4,850,479	95,303,189	113,552,034
Total assets					113,552,034
Liabilities					
Segment liabilities	3,082,290	3,011,316	5,081,112	25,892,212	37,066,930
Total liabilities					37,066,930

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2016	People $	Security $	Communic-ations $	Other $	Total $
Revenue					
Sales to external customers	25,939,318	6,011,150	6,444,354	-	38,394,822
Total revenue	25,939,318	6,011,150	6,444,354	-	38,394,822
EBITDA	2,159,540	1,535,713	(48,722)	(1,574,926)	2,071,605
Depreciation and amortisation	(21,439)	(23,138)	(57,056)	(17,500)	(119,133)
Impairment of goodwill	-	-	-	(6,852,985)	(6,852,985)
Interest revenue	63	1,684	-	5,182	6,929
Finance costs	(1,700)	-	(8,061)	(612,051)	(621,812)
Profit/(loss) before income tax expense	2,136,464	1,514,259	(113,839)	(9,052,280)	(5,515,396)
Income tax expense					(471,664)
Loss after income tax expense					(5,987,060)
Consolidated - 30 Jun 2017					
Assets					
Segment assets	7,937,458	3,702,856	4,821,933	100,617,509	117,079,756
Total assets					117,079,756
Liabilities					
Segment liabilities	3,313,440	2,005,344	7,849,551	39,972,129	53,140,464
Total liabilities					53,140,464

Note 3. Revenue

	Consolidated	
	31 Dec 2017 $	**31 Dec 2016 $**
Sales revenue		
Sale of services	30,500,935	32,577,658
Sale of goods	6,872,401	5,439,687
	37,373,336	38,017,345
Other revenue		
Lease surrender fee	-	377,477
Revenue	37,373,336	38,394,822

Note 4. Other income

	Consolidated	
	31 Dec 2017 $	**31 Dec 2016 $**
Net gain on disposal of property, plant and equipment	16,572	33
Interest income	20,344	6,929
Other income	36,916	6,962

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

	Consolidated 31 Dec 2017 $	Consolidated 30 Jun 2017 $
Leasehold improvements - at cost	472,345	328,769
Less: Accumulated depreciation	(78,769)	(46,788)
	393,576	281,981
Fixtures and fittings - at cost	90,556	89,891
Less: Accumulated depreciation	(24,143)	(19,312)
	66,413	70,579
Motor vehicles - at cost	122,354	164,951
Less: Accumulated depreciation	(72,474)	(82,155)
	49,880	82,796
Computer equipment - at cost	1,047,000	1,003,539
Less: Accumulated depreciation	(407,208)	(302,726)
	639,792	700,813
Office equipment - at cost	506,564	459,203
Less: Accumulated depreciation	(214,788)	(256,492)
	291,776	202,711
	1,441,437	1,338,880

Reconciliations

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

Consolidated	Leasehold Improvements $	Fixtures & Fittings $	Computer Equipment $	Office Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2017	281,981	70,579	700,290	203,234	82,796	1,338,880
Additions	143,576	665	37,402	134,577	-	316,220
Disposals	-	-	-	-	(27,856)	(27,856)
Write off of assets	-	-	-	(720)	-	(720)
Depreciation expense	(31,981)	(4,831)	(97,900)	(45,315)	(5,060)	(185,087)
Balance at 31 December 2017	393,576	66,413	639,792	291,776	49,880	1,441,437

Note 6. Non-current assets - intangibles

	Consolidated 31 Dec 2017 $	Consolidated 30 Jun 2017 $
Goodwill - at cost	92,802,606	92,802,606

Note 6. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $	Total $
Balance at 1 July 2017	92,802,606	92,802,606
Balance at 31 December 2017	92,802,606	92,802,606

The net assets recognised in the 30 June 2017 financial statements was based on a provisional fair value assessment of the entities acquired in June 2017. The final assessment had not been completed by the date the 2017 financial statements were approved for issue by the Board. The fair value assessment has now revised and therefore the 30 June 2017 comparative information has been updated to reflect adjustments to the provisional amounts. As a result, the following changes have arisen:

Increase in net assets of entities acquired: $113,974
Increase in deferred consideration liability: $710,000
Increase in goodwill: $596,026

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	
	31 Dec 2017 $	**30 Jun 2017 $**
People	47,621,812	47,621,812
Security	36,356,903	36,356,903
Communications	8,823,891	8,823,891
Total goodwill	92,802,606	92,802,606

PS&C undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 31 December 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% (Jun 2017: 3%) and a discount rate of 14.55% (Jun 2017: 12%) 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:

Note 6. Non-current assets - intangibles (continued)

	Consolidated	
	31 Dec 2017 $	30 Jun 2017 $
People	-	35,436,219
Security	-	15,925,356
Communications	-	596,044
Total	-	51,957,619

Note 7. Current liabilities - borrowings

	Consolidated	
	31 Dec 2017 $	30 Jun 2017 $
Bank loans	13,202,026	15,399,420

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

	Consolidated	
	31 Dec 2017 $	30 Jun 2017 $
Total facilities		
Bank loans	17,050,000	17,550,000
Credit card facility	375,000	375,000
Indemnity/guarantee facility	500,000	500,000
Electronic payaway facility	500,000	500,000
	18,425,000	18,925,000
Used at the reporting date		
Bank loans	13,202,026	15,399,420
Credit card facility	103,187	65,305
Indemnity/guarantee facility	491,299	192,830
Electronic payaway facility	-	-
	13,796,512	15,657,555
Unused at the reporting date		
Bank loans	3,847,974	2,150,580
Credit card facility	271,813	309,695
Indemnity/guarantee facility	8,701	307,170
Electronic payaway facility	500,000	500,000
	4,628,488	3,267,445

The current bank facility matured in January 2018 and was extended for a further two years.

Note 8. Current liabilities - contingent consideration

	Consolidated	
	31 Dec 2017	**30 Jun 2017**
	$	**$**
Contingent consideration	9,156,843	3,265,188

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 half-year, other than employee benefits, are set out below:

Consolidated - 31 Dec 2017	Contingent Consideration $
Carrying amount at the start of the half-year	3,265,188
Amounts transferred from non-current	9,636,156
Payments	(3,764,412)
Over-provision adjustment	(40,245)
Unwinding of discount	60,156
Carrying amount at the end of the half-year	9,156,843

Note 9. Current liabilities - deferred consideration

	Consolidated	
	31 Dec 2017	**30 Jun 2017**
	$	**$**
Deferred Consideration	2,150,575	10,338,000

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.

The net assets recognised in the 30 June 2017 financial statements was based on a provisional fair value assessment of the entities acquired in June 207. The final assessment had not been completed by the date the 2017 financial statements were approved for issue by the Board. The fair value assessment has now revised and therefore the 30 June 2017 comparative information has been updated to reflect adjustments to the provisional amounts. As a result, the following changes have arisen:
Increase in net assets of entities acquired: $113,974
Increase in deferred consideration liability: $710,000
Increase in goodwill: $596,026

Note 10. Non-current liabilities - contingent consideration

	Consolidated	
	31 Dec 2017	**30 Jun 2017**
	$	**$**
Contingent consideration	959,946	10,462,429

Note 10. Non-current liabilities - contingent consideration (continued)

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 half-year, other than employee benefits, are set out below:

Consolidated - 31 Dec 2017	Contingent Consideration $
Carrying amount at the start of the half-year	10,462,429
Amounts transferred to current	(9,636,156)
Unwinding of discount	133,673
Carrying amount at the end of the half-year	959,946

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2017 Shares	**30 Jun 2017 Shares**	**31 Dec 2017 $**	**30 Jun 2017 $**
Ordinary shares - fully paid	122,504,502	70,113,762	70,900,123	58,643,072

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2016	70,113,762		58,643,072
Issue of shares in satisfaction of completion payments to Sacon and Coroma	7 July 2017	14,000,000	$0.25	3,463,013
Issue of shares to Moonah Capital Partners in satisfaction of consulting services	7 July 2017	285,782	$0.25	70,690
Issue of shares in satisfaction of completion payments to Sacon and Coroma	24 November 2017	9,637,834	$0.25	2,384,400
Issue of shares in satisfaction of completion payments to Sacon	24 November 2017	1,822,205	$0.27	500,013
Issue of shares in satisfaction of earn out payments to Bexton	24 November 2017	10,666,071	$0.25	2,823,309
Capital raise - tranche 1	8 December 2017	15,978,848	$0.20	3,195,769
Capital raise costs		-	$0.00	(180,143)
Balance	31 December 2017	122,504,502		70,900,123

Note 12. Business combinations

Sacon Group Pty Ltd

Note 12. Business combinations (continued)

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 $10,165,180 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 $443,396. 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 $5,585,931 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 $476,218. 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.

Note 12. Business combinations (continued)

Details of the acquisition are as follows:

	Sacon Group Pty Ltd Fair value $	Coroma Consulting Pty Ltd Fair value $	Total Provision Acquired Fair value $	Adjustments Fair value $	Adjusted Provisional Fair value $
Cash and cash equivalents	162,224	742,346	904,570	18	904,588
Trade receivables	728,564	703,664	1,432,229	(80,341)	1,351,888
Income tax refund due	241	-	241	(241)	-
Work in progress	-	-	-	41,117	41,117
Prepayments	2,727	33,794	36,521	727	37,248
Plant and equipment	1,329	12,748	14,077	(14,077)	-
Motor vehicles	86,411	-	86,411	(9,325)	77,086
Deferred tax asset	-	-	-	58,853	58,853
Trade payables	(108,084)	(85,167)	(193,251)	-	(193,251)
Provision for income tax	-	(259,634)	(259,634)	25,396	(234,238)
Employee benefits	(13,546)	(99,013)	(112,559)	(9,632)	(122,191)
Other liabilities	(302,250)	(593,688)	(895,939)	101,479	(794,460)
Net assets acquired	557,616	455,050	1,012,666	113,974	1,126,640
Goodwill	9,819,008	5,336,077	15,155,085	596,026	15,751,111
Acquisition-date fair value of the total consideration transferred	10,376,624	5,791,127	16,167,751	710,000	16,877,751
Representing:					
Deferred consideration	6,300,000	3,328,000	9,628,000	710,000	10,338,000
Contingent consideration	4,076,624	2,463,127	6,539,751	-	6,539,751
	10,376,624	5,791,127	16,167,751	710,000	16,877,751
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	710,000	16,877,751
Less: cash and cash equivalents	(162,224)	(742,346)	(904,570)	(18)	(904,588)
Less: deferred consideration	(6,300,000)	(3,328,000)	(9,628,000)	(710,000)	(10,338,000)
Less: contingent consideration	(4,076,624)	(2,463,127)	(6,539,751)	-	(6,539,751)
Net cash received	(162,224)	(742,346)	(904,570)	(18)	(904,588)

The net assets recognised in the 30 June 2017 financial statements was based on a provisional fair value assessment.
The final assessment had not been completed by the date the 2017 financial statements were approved for issue by the Board. The fair value assessment has now revised and therefore the 30 June 2017 comparative information has been updated to reflect adjustments to the provisional amounts. As a result, the following changes have arisen:
Increase in net assets of entities acquired: $113,974
Increase in deferred consideration liability: $710,000
Increase in goodwill: $596,026

Note 13. Events after the reporting period

The current bank facility matured in January 2018 and was extended for a further two years.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

PS&C Ltd
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

____
Glenn Fielding
Managing Director

22 February 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PS&C Limited (**the company**), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Conclusion

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

a. giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

22 February 2018