



Appendix 4E

30 June 2018
PS&C Limited

PS+C

1. Company details

Name of entity:	PS&C Ltd
ABN:	50 164 718 361
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	6.0% to	78,351,166
Loss from ordinary activities after tax attributable to the members of PS&C Ltd	up	64.6% to	(9,210,670)
Loss for the year attributable to the members of PS&C Ltd	up	64.6% to	(9,210,670)
		2018 Cents	2017 Cents
Basic earnings per share		(7.97)	(8.12)
Diluted earnings per share		(7.97)	(8.12)

Dividends

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

Comments

The loss for the group after providing for income tax amounted to \$9,210,670 (30 June 2017: \$5,596,221).

Please refer to the accompanying commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(9.22)	(41.17)

4. Control gained over entities

Name of entities (or group of entities)	Seisma Pty Ltd (Date Control Gained: 01 March 2018) NTH Consulting Pty Ltd (Date Control Gained: 01 May 2018)
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	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	867,700
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	N/A

On 01 March 2018, the group acquired 100% interest of Seisma Pty Ltd and on 01 May 2018, the group acquired 100% interest of NTH Consulting Pty Ltd. Seisma Pty Ltd contributed \$763,566 and NTH Consulting Pty Ltd contributed \$104,134 profit before tax to the group's consolidated loss from ordinary activities during the year ended 30 June 2018. Seisma Pty Ltd reported an operating profit before tax for the full year ended 30 June 2018 of \$1,657,082 and NTH Consulting Pty Ltd reported an operating loss before tax for the full year ended 30 June 2018 of \$100,794.

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. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

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

The financial statements are in the process of being audited and it is expected that an unqualified opinion will be issued.

10. Attachments

Details of attachments (if any):

An abridged set of unaudited financial statements for the year ended 30 June 2018 are presented below.

11. Signed

Signed  _____

Date: 28 August 2018

Glenn Fielding
Managing Director
Melbourne

PS&C Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated Group 2018 \$	2017 \$
Revenue	2	78,351,166	73,900,053
Other income	3	48,272	15,926
Expenses			
Third party materials and labour		(22,787,494)	(21,581,820)
Acquisition expenses		(402,526)	(67,035)
Employee benefits expense		(45,494,281)	(44,900,953)
Depreciation and amortisation expense		(401,248)	(272,544)
Impairment of assets	4	(9,612,395)	(6,852,985)
Write off of assets		(50)	(29,727)
Contingent consideration adjustments expense		(619,071)	-
Other expenses		(6,376,365)	(3,875,013)
Finance costs		(1,366,042)	(1,224,250)
Loss before income tax expense		(8,660,034)	(4,888,348)
Income tax expense		(550,636)	(707,873)
Loss after income tax expense for the year attributable to the members of PS&C Ltd		(9,210,670)	(5,596,221)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of PS&C Ltd		<u>(9,210,670)</u>	<u>(5,596,221)</u>
		Cents	Cents
Basic earnings per share		(7.97)	(8.12)
Diluted earnings per share		(7.97)	(8.12)

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

PS&C Ltd
Statement of financial position
As at 30 June 2018

	Note	Consolidated Group 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents		4,686,521	8,068,623
Trade and other receivables		14,163,496	11,160,620
Inventories		19,175	16,133
Income tax refund due		353,810	565,471
Other		3,256,710	1,589,578
Total current assets		<u>22,479,712</u>	<u>21,400,425</u>
Non-current assets			
Receivables		355,557	389,343
Property, plant and equipment		1,371,857	1,338,879
Intangibles	4	100,046,002	92,802,606
Deferred tax		1,047,296	1,105,385
Other		28,338	43,124
Total non-current assets		<u>102,849,050</u>	<u>95,679,337</u>
Total assets		<u>125,328,762</u>	<u>117,079,762</u>
Liabilities			
Current liabilities			
Trade and other payables		10,488,537	8,916,217
Borrowings	5	1,251,876	15,399,420
Employee benefits		1,513,972	1,303,748
Contingent consideration	6	9,135,687	3,265,188
Deferred consideration	7	1,930,575	10,338,000
Other		2,098,692	2,802,120
Total current liabilities		<u>26,419,339</u>	<u>42,024,693</u>
Non-current liabilities			
Payables		235,866	370,647
Borrowings	8	11,650,150	-
Deferred tax		-	1,740
Employee benefits		302,597	280,961
Contingent consideration	9	3,748,503	10,462,429
Deferred Consideration	10	1,750,000	-
Total non-current liabilities		<u>17,687,116</u>	<u>11,115,777</u>
Total liabilities		<u>44,106,455</u>	<u>53,140,470</u>
Net assets		<u>81,222,307</u>	<u>63,939,292</u>
Equity			
Issued capital	11	85,029,409	58,643,072
Reserves		177,072	69,724
Retained profits/(accumulated losses)		<u>(3,984,174)</u>	<u>5,226,496</u>
Total equity		<u>81,222,307</u>	<u>63,939,292</u>

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

PS&C Ltd
Statement of changes in equity
For the year ended 30 June 2018

Consolidated Group	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 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)
<i>Transactions with members in their capacity as members:</i>				
Share-based payments	1,422,545	-	-	1,422,545
Employee share options reserve	-	31,644	-	31,644
Balance at 30 June 2017	<u>58,643,072</u>	<u>69,724</u>	<u>5,226,496</u>	<u>63,939,292</u>
Consolidated Group	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	58,643,072	69,724	5,226,496	63,939,292
Loss after income tax expense for the year	-	-	(9,210,670)	(9,210,670)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(9,210,670)	(9,210,670)
<i>Transactions with members in their capacity as members:</i>				
Contributions of equity, net of transaction costs	5,566,783	-	-	5,566,783
Share-based payments	20,819,554	-	-	20,819,554
Employee share options reserve	-	107,348	-	107,348
Balance at 30 June 2018	<u>85,029,409</u>	<u>177,072</u>	<u>(3,984,174)</u>	<u>81,222,307</u>

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

PS&C Ltd
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated Group 2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		84,684,391	87,548,462
Payments to suppliers and employees (inclusive of GST)		(85,280,682)	(78,979,743)
		(596,291)	8,568,719
Interest received		35,371	16,496
Other revenue		40	377,477
Interest and other finance costs paid		(1,150,259)	(897,389)
Income taxes paid		(282,626)	(970,056)
Net cash from operating activities		(1,993,765)	7,095,247
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	12	569,150	904,588
Payments for prior period's business acquisition	12	(4,129,337)	(1,426,675)
Acquisition Costs		(442,779)	(73,740)
Payments for property, plant and equipment		(516,977)	(832,939)
Payments for security deposits		-	(4,958)
Loans from/(to) related and other parties		(44,428)	-
Proceeds from disposal of property, plant and equipment		44,428	497
Proceeds from release of security deposits		62,217	-
Net cash used in investing activities		(4,457,726)	(1,433,227)
Cash flows from financing activities			
Proceeds from issue of shares	11	5,930,000	-
Proceeds/(repayment) of borrowings	5, 8	(2,497,394)	(1,102,175)
Share issue transaction costs		(363,217)	-
Net cash from/(used in) financing activities		3,069,389	(1,102,175)
Net increase/(decrease) in cash and cash equivalents		(3,482,102)	4,559,845
Cash and cash equivalents at the beginning of the financial year		8,068,623	3,508,778
Cash and cash equivalents at the end of the financial year		<u>4,686,521</u>	<u>8,068,623</u>

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

Note 1. Operating segments

Identification of reportable operating segments

The group is organised into four operating segments: Discover + Insights, Design + Process, Delivery + Cloud and Defend + Secure. Operating segments are determined by distinguishable components whereby the risk and returns are different from the other segments. The group previously presented operating segments as People, Security & Communications and following internal review the composition of reportable segments has changed to better reflect the service offerings and delivery model.

Types of products and services

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

Discovery + Insights	The Discovery + Insights segment, comprising GlassandCo Pty Ltd, is involved in shaping digital ambition, strategy and business case based on insights.
Design + Process	The Design + Process segment, comprising Systems and People Pty Ltd, Bexton IT Services Pty Ltd, Coroma Consulting Pty Ltd and Seisma 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. It is focused on reinventing and prototyping new capabilities and journeys as part of the program.
Delivery + Cloud	The Delivery + Cloud segment, comprising Allcom Networks Pty Ltd and Sacon Pty Ltd, is involved in consulting and implementation of services around unified communications, conferencing and messaging, contact centre solutions and secure voice technologies.
Defend + Secure	The Defend + Secure segment, comprising Pure Hacking Pty Ltd, Securus Global Consulting Pty Ltd, Hacklabs Pty Ltd, Certitude Pty Ltd and NTH Consulting Pty Ltd, is involved in services and consulting around reducing operational, financial, reputational risk and cyber security matters.

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 1. Operating segments (continued)

Operating segment information

	Discovery + Insights	Design + Process	Delivery + Cloud	Defend + Secure	Corporate	Total
Consolidated Group - 2018	\$	\$	\$	\$	\$	\$
Revenue						
Sales to external customers	1,460,575	42,080,796	20,997,085	13,812,710	-	78,351,166
Total revenue	<u>1,460,575</u>	<u>42,080,796</u>	<u>20,997,085</u>	<u>13,812,710</u>	<u>-</u>	<u>78,351,166</u>
EBITDA	(1,402,033)	4,141,248	3,591,945	2,142,074	(5,788,954)	2,684,280
Depreciation and amortisation	-	(19,682)	(179,330)	(142,871)	(59,365)	(401,248)
Impairment of assets	-	-	-	-	(9,612,395)	(9,612,395)
Interest revenue	-	2,081	5,493	95	27,702	35,371
Finance costs	-	(67)	(17,196)	-	(1,348,779)	(1,366,042)
Profit/(loss) before income tax expense	<u>(1,402,033)</u>	<u>4,123,580</u>	<u>3,400,912</u>	<u>1,999,298</u>	<u>(16,781,791)</u>	<u>(8,660,034)</u>
Income tax expense						(550,636)
Loss after income tax expense						<u>(9,210,670)</u>
Assets						
Segment assets	1,153,418	9,738,649	6,182,611	4,141,277	104,112,807	125,328,762
Total assets						<u>125,328,762</u>
Liabilities						
Segment liabilities	508,724	5,171,390	5,753,893	2,526,701	30,145,747	44,106,455
Total liabilities						<u>44,106,455</u>

Note 1. Operating segments (continued)

	Discovery + Insights	Design + Process	Delivery + Cloud	Defend + Secure	Corporate	Total
Consolidated Group - 2017	\$	\$	\$	\$	\$	\$
Revenue						
Sales to external customers	-	45,645,347	15,949,913	12,304,793	-	73,900,053
Total revenue	-	45,645,347	15,949,913	12,304,793	-	73,900,053
EBITDA	(3,158)	3,775,218	508,015	2,806,499	(3,641,639)	3,444,935
Depreciation and amortisation	(1,300)	(35,865)	(106,678)	(94,435)	(34,266)	(272,544)
Impairment of assets	-	-	-	-	(6,852,985)	(6,852,985)
Interest revenue	-	114	1,736	2,677	11,969	16,496
Finance costs	-	(6,233)	(15,673)	-	(1,202,344)	(1,224,250)
Profit/(loss) before income tax expense	(4,458)	3,733,234	387,400	2,714,741	(11,719,265)	(4,888,348)
Income tax expense						(707,873)
Loss after income tax expense						(5,596,221)
Assets						
Segment assets	28,212	6,772,961	5,772,198	3,702,856	100,803,535	117,079,762
Total assets						117,079,762
Liabilities						
Segment liabilities	(468)	2,411,677	8,451,789	2,005,344	40,272,128	53,140,470
Total liabilities						53,140,470

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 2. Revenue

	Consolidated Group	
	2018	2017
	\$	\$
<i>Sales revenue</i>		
Sale of services	67,420,975	59,518,712
Sale of goods	10,930,151	14,003,864
	<u>78,351,126</u>	<u>73,522,576</u>
<i>Other revenue</i>		
Lease surrender fee	40	377,477
Revenue	<u><u>78,351,166</u></u>	<u><u>73,900,053</u></u>

Note 3. Other income

	Consolidated Group	
	2018	2017
	\$	\$
Net gain/(loss) on disposal of property, plant and equipment	12,901	(570)
Interest income	35,371	16,496
Other income	<u>48,272</u>	<u>15,926</u>

Note 4. Non-current assets - intangibles

	Consolidated Group	
	2018	2017
	\$	\$
Goodwill - at cost	<u>100,046,002</u>	<u>92,802,606</u>

Reconciliations

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

Consolidated Group	Goodwill
	\$
Balance at 1 July 2016	83,904,480
Additions through business combinations (note 12)	15,751,111
Impairment of assets	<u>(6,852,985)</u>
Balance at 30 June 2017	92,802,606
Additions through business combinations (note 12)	16,855,791
Impairment of assets	<u>(9,612,395)</u>
Balance at 30 June 2018	<u>100,046,002</u>

Impairment testing for goodwill

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

	Consolidated Group	
	2018	2017
	\$	\$
Design + Process	51,329,627	37,456,633
Delivery + Cloud	14,887,381	18,989,071
Defend + Secure	33,828,994	36,356,902
Total	<u>100,046,002</u>	<u>92,802,606</u>

Note 4. Non-current assets - intangibles (continued)

The group undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 30 June 2018 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% (2017: 3%) and a discount rate of 16.5% (2017: 12%) has been used to determine value in use. In addition, average EBITDA growth rates used for years 2 to 5 was 10%.

The estimated recoverable amount exceeded the carrying value for each CGU by the following amounts:

	Consolidated Group	
	2018	2017
	\$	\$
Design + Process	17,518,098	20,948,411
Delivery + Cloud	20,629,513	20,455,816
Defend + Secure	-	15,925,356
Total	38,147,611	57,329,583

Impairment

At 30 June 2018, an impairment loss of \$5,510,705 was recognised in the profit and loss for the Defend + Secure CGU. This was a result of impairment testing undertaken whereby the carrying amount of the Defend + Secure CGU exceeded the recoverable amount based on long term forecasts. The group has taken a more conservative approach to future forecasts and have significantly increased the WACC from 12.0% in FY17 to 16.5% in FY18.

The Defend + Secure CGU has undergone a restructure to ensure it is positioned to take advantage of changing customer demands in the future while also having a wider service offering going forward.

At 30 June 2018, an impairment loss of \$4,101,690 was recognised in the profit and loss for the Delivery + Cloud CGU, due to the carrying amount of the Allcom Networks business exceeding its recoverable amount.

Note 5. Current liabilities - borrowings

	Consolidated Group	
	2018	2017
	\$	\$
Bank loans	1,251,876	15,399,420

The current bank facility portion matures in September 2018, with the non-current bank facility portion maturing in January 2020.

Note 6. Current liabilities - contingent consideration

	Consolidated Group	
	2018	2017
	\$	\$
Contingent consideration	9,135,687	3,265,188

Note 6. 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. The contingent consideration liability is reassessed at each reporting date 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.

Movements in provisions

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

	Contingent Consideration \$
Consolidated Group - 2018	
Carrying amount at the start of the year	3,265,188
Additional provisions recognised	(43,557)
Amounts transferred from non-current	9,636,156
Payments	(3,764,412)
Unwinding of discount	42,312
	<hr/>
Carrying amount at the end of the year	<u>9,135,687</u>

The net assets of the entities acquired and 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 been finalised and therefore the 30 June 2017 comparative information has been updated to reflect adjustments to the provisional amounts. As a result, intangible assets increased by \$596,026, net assets increased by \$113,974 and contingent consideration (provisions) increased by \$710,000.

Note 7. Current liabilities - deferred consideration

	Consolidated Group	
	2018	2017
	\$	\$
Deferred consideration	<u>1,930,575</u>	<u>10,338,000</u>

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

Note 8. Non-current liabilities - borrowings

	Consolidated Group	
	2018	2017
	\$	\$
Bank loans	<u>11,650,150</u>	<u>-</u>

The current bank facility portion matures in September 2018, with the non-current bank facility portion maturing in January 2020.

Note 8. Non-current liabilities - borrowings (continued)

Total secured liabilities

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

	Consolidated Group	
	2018	2017
	\$	\$
Bank loans	<u>12,902,026</u>	<u>15,399,420</u>

Financing arrangements

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

	Consolidated Group	
	2018	2017
	\$	\$
Total facilities		
Bank loans	16,450,000	17,550,000
Credit Card Facility	575,000	375,000
Indemnity/Guarantee Facilities	500,000	500,000
Electronic Payaway Facility	500,000	500,000
	<u>18,025,000</u>	<u>18,925,000</u>
Used at the reporting date		
Bank loans	12,902,026	15,399,420
Credit Card Facility	105,919	65,305
Indemnity/Guarantee Facilities	491,298	192,830
Electronic Payaway Facility	-	-
	<u>13,499,243</u>	<u>15,657,555</u>
Unused at the reporting date		
Bank loans	3,547,974	2,150,580
Credit Card Facility	469,081	309,695
Indemnity/Guarantee Facilities	8,702	307,170
Electronic Payaway Facility	500,000	500,000
	<u>4,525,757</u>	<u>3,267,445</u>

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 9. Non-current liabilities - contingent consideration

	Consolidated Group	
	2018	2017
	\$	\$
Contingent consideration	<u>3,748,503</u>	<u>10,462,429</u>

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. The contingent consideration liability is reassessed at each reporting date 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.

Note 9. Non-current liabilities - contingent consideration (continued)

Movements in provisions

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

	Contingent Consideration \$
Consolidated Group - 2018	
Carrying amount at the start of the year	10,462,429
Additional provisions recognised	662,628
Additions through business combinations (note 12)	1,992,257
Amounts transferred to current	(9,636,156)
Unwinding of discount	267,345
Carrying amount at the end of the year	<u>3,748,503</u>

Note 10. Non-current liabilities - Deferred consideration

	Consolidated Group	
	2018	2017
	\$	\$
Deferred consideration	<u>1,750,000</u>	<u>-</u>

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

Note 11. Equity - issued capital

	Consolidated Group			
	2018	2017	2018	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>204,245,421</u>	<u>70,113,762</u>	<u>85,029,409</u>	<u>58,643,072</u>

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	66,067,022		57,220,527
Issue of shares in satisfaction of Earn Out and other payments to Bexton	14 October 2016	4,046,740	\$0.35	1,422,545
Balance	30 June 2017	70,113,762		58,643,072
Issue of shares on Acquisition of Sacon and Coroma	07 July 2017	14,000,000	\$0.25	3,463,012
Issue of shares to Moonah Capital Partners in satisfaction of consulting fees	07 July 2017	285,782	\$0.25	70,690
Issue of shares in satisfaction of Earn Out to Bexton	24 November 2017	10,666,071	\$0.26	2,823,309
Issue of shares on Acquisition of Sacon	24 November 2017	5,008,139	\$0.25	1,288,213
Issue of shares on Acquisition of Coroma	24 November 2017	6,451,900	\$0.25	1,596,200
Capital raise - Tranche 1	08 December 2017	15,978,848	\$0.20	3,195,770
Capital raise - Tranche 2	31 January 2018	11,521,152	\$0.20	2,304,230
Capital raise costs				(363,217)
Shares issued in completion of Share Purchase Plan	02 February 2018	2,150,000	\$0.20	430,000
Issue of shares to Moonah Capital Partners in satisfaction of consulting fees	02 February 2018	1,140,650	\$0.20	228,130
Issue of shares on Acquisition of Seisma	12 June 2018	63,823,527	\$0.17	10,850,000
Issue of shares on Acquisition of NTH	12 June 2018	3,105,590	\$0.16	500,000
Balance	30 June 2018	<u>204,245,421</u>		<u>85,029,409</u>

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 12. Business combinations

(a) Current Period

Seisma Pty Ltd

On 1 March 2018, PS&C Ltd acquired 100% of the ordinary shares of Seisma Pty Ltd. This is an IT consulting business and operates in the Design + Process division of the group. Details of the purchase consideration, the net assets acquired and goodwill are set out below. The goodwill of \$13,872,995 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 revenue of \$7,245,190 and profit after tax of \$704,136 from 1 March 2018 to 30 June 2018. If the acquisition occurred on 1 July 2017, the full year contribution would have been a profit after tax of \$1,470,702.

NTH Consulting Pty Ltd

On 1 May 2018, PS&C Ltd acquired 100% of the ordinary shares of NTH Consulting Pty Ltd. This is an IT consulting business and currently operates in the Defend + Secure division of the group. Details of the purchase consideration, the net assets acquired and goodwill are set out below. The goodwill of \$2,982,796 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 revenues of \$615,259 and profit after tax of \$134,272 from 1 May 2018 to 30 June 2018. If the acquisition occurred on 1 July 2017, the full year contribution would have been loss after tax of \$70,655. 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:

	Seisma Pty Ltd Fair value \$	NTH Consulting Pty Ltd Fair value \$	Total Acquired Fair value \$
Cash and cash equivalents	918,777	150,373	1,069,150
Trade receivables	3,259,794	161,630	3,421,424
Other receivables	36,371	-	36,371
Prepayments	5,649	-	5,649
Security deposits	34,622	-	34,622
Other non-current assets	-	746	746
Trade payables	(3,149,007)	(86,508)	(3,235,515)
Other payables	(184,922)	(192,723)	(377,645)
Employee benefits	(4,272)	(15,104)	(19,376)
Other liabilities	(1,225,854)	(99,989)	(1,325,843)
Net liabilities acquired	(308,842)	(81,575)	(390,417)
Goodwill	13,872,995	2,982,796	16,855,791
Acquisition-date fair value of the total consideration transferred	<u>13,564,152</u>	<u>2,901,222</u>	<u>16,465,374</u>
Representing:			
Cash paid or payable to vendor	-	500,000	500,000
PS&C Ltd shares issued to vendor	10,850,000	500,000	11,350,000
Deferred consideration	2,714,152	-	2,714,152
Contingent consideration - current	-	1,710,432	1,710,432
Contingent consideration - non-current	-	190,790	190,790
	<u>13,564,152</u>	<u>2,901,222</u>	<u>16,465,374</u>
Cash used to acquire business, net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	13,564,152	2,901,222	16,465,374
Less: cash and cash equivalents	(918,777)	(150,373)	(1,069,150)
Less: deferred consideration	(2,714,152)	-	(2,714,152)
Less: shares issued by company as part of consideration	(10,850,000)	(500,000)	(11,350,000)
Less: contingent consideration	-	(1,901,222)	(1,901,222)
Net cash used/(received)	<u>(918,777)</u>	<u>349,627</u>	<u>(569,150)</u>

Acquisition costs expensed to the statement of profit or loss and other comprehensive income during the year ended 30 June 2018 was \$402,526 (2017: \$67,035) 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 2018, cash payments of \$4,129,939 were made to the vendors of the businesses acquired in prior periods, in satisfaction of business purchase and earn out payments as per the terms of the share sale and purchase agreements. In addition, \$9,170,734 worth of PS&C Ltd shares (equal to 36,126,110 shares) were issued in satisfaction of business purchase and earn out payments, as per the terms of the share sale and purchase agreements.

Note 12. Business combinations (continued)

(b) Prior 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 \$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.

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.

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 Provisional Acquired Fair value \$	Adjustments Fair value \$	Final 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	<u>10,376,624</u>	<u>5,791,127</u>	<u>16,167,751</u>	<u>710,000</u>	<u>16,877,751</u>
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
	<u>10,376,624</u>	<u>5,791,127</u>	<u>16,167,751</u>	<u>710,000</u>	<u>16,877,751</u>
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	<u>(162,224)</u>	<u>(742,346)</u>	<u>(904,570)</u>	<u>(18)</u>	<u>(904,588)</u>

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 been finalised 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

	Consolidated Group	
	2018	2017
	\$	\$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	16,465,374	16,877,751
Less: cash and cash equivalents	(1,069,150)	(904,588)
Less: contingent consideration	(1,901,222)	(6,539,751)
Less: shares issued by company as part of consideration	(11,350,000)	-
Less: deferred consideration	(2,714,152)	(10,338,000)
Net cash received	<u>(569,150)</u>	<u>(904,588)</u>

Note 12. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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.