Notification under ASX Listing Rule 4.3D

25 September 2018

PS&C Ltd (ASX: PSZ), the diversified information and communications group, advises that, following finalisation of the audit of the Company's year-end accounts, a change to the results and financial position reported in the Preliminary Final Report lodged with ASX on 28 August 2018 was identified that has been amended in the Audited Statutory Accounts to be lodged on the 26 September 2018.

The amendments relate to the treatment of the performance rights for key management staff and classification of borrowings.

The adjustment to profit does not impact cash earnings.

The treatment adopted in the Preliminary Final Report was to reflect the fair value of the performance rights based on when they vest. However, we have been advised that due to the non-dilute clause in the agreement the performance rights should be remeasured every balance date at their intrinsic value per AASB 2.

Under the long-term incentive conditions of Glenn Fielding's employment contract (approved by shareholders at the last Annual General meeting), performance rights will vest 12 months after share price targets were achieved. The terms of the plan are as follows:

- Performance rights (share grants) of up to 5% of the issued capital of PS&C.
- The rights are issued at nil cost and have the following general conditions:

Service condition

- 15% of the allocation is subject to continued employment with the Company
  - One third will vest after 12 months of employment
  - Two thirds will vest after 24 months employment and;
  - Fully vested after 36 months of employment

These rights will fully vest on a merger or takeover of the Company or in the event the Company terminates the Managing Director's employment agreement without just cause.

Performance condition

- 85% of the allocation vesting conditions are subject to share price performance in the Company as follows:
  - 40% of Performance condition rights will vest 12 months after the Company share price reaches 30 cents per share (see below)
  - 65% of Performance condition rights will vest 12 months after the Company share price reaches 45 cents (see below)
  - 100% of Performance condition rights will vest 12 months after the Company share price reaches 60 cents per share (see below)

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Note: to achieve the share price target, the share price hurdle needs to be achieved on any 20 days in any 60 consecutive trading days during the 3 year period, except the circumstance of a takeover.

Any additional performance rights issued are subject to the above service conditions.

The share price was over 30 cents during the period August 2017 and September 2017; 3,472,250 of performance shares will vest after 12 months, however $416,670 has been recognised as fair value of the performance shares using the Hoadley model. In addition, under the Hoadley model a fair value has been calculated based on the performance targets of 45 cents and 60 cents being achieved.

A fair value has also been calculated using the Hoadley model for Kurt Hansen's and Jeff Bennett's performance targets which are 35 cents, 45 cents and 60 cents respectively under the same service conditions and performance conditions.

As a result, the performance rights value which was shown in the Preliminary Final report of $88,980, is now shown at fair value of $791,789 in the Audited Statutory accounts. The increase in the fair value of $702,809 has resulted in a reduction in the profit and loss. This amendment therefore had an impact on the results and financial position reported in the Preliminary Final report of increasing the reported Operating Loss after tax by an amount of $945,143 and decreasing the total Shareholders Equity balance by an amount of $242,334 (from the previously reported Equity Balance of $81,222,307 to statutory reported balance of $80,979,973).

The liability will be measured at fair value through profit and loss on an ongoing basis during the performance rights period with movements recorded through the profit and loss.

In addition, a change in the classification of borrowings within the statement of financial position has occurred.

As at 30 June 2018, the Group had total debt obligations of $12,902,026 owing to the ANZ bank (the 'Lender') which incorporates various financial covenants. In June 2018 the group did not meet the minimum EBITDA under the banks defined requirements of its financing facility and therefore has breached this financial covenant. The group received a waiver of this breach from the lender after year-end, in doing this the Group has agreed to be bound by further conditions within the Group's financing facilities, including a reduction of debt levels in the financial year ending 30 June 2019. The directors of the group are confident that the Group will be able to meet these additional restrictions moving forward.

As a result, the Group did not have an unconditional right to defer settlement of its loan facilities for at least 12 months from reporting date. Hence, the groups borrowings have been classified as current liabilities as at 30 June 2018.