



# PS&C Limited

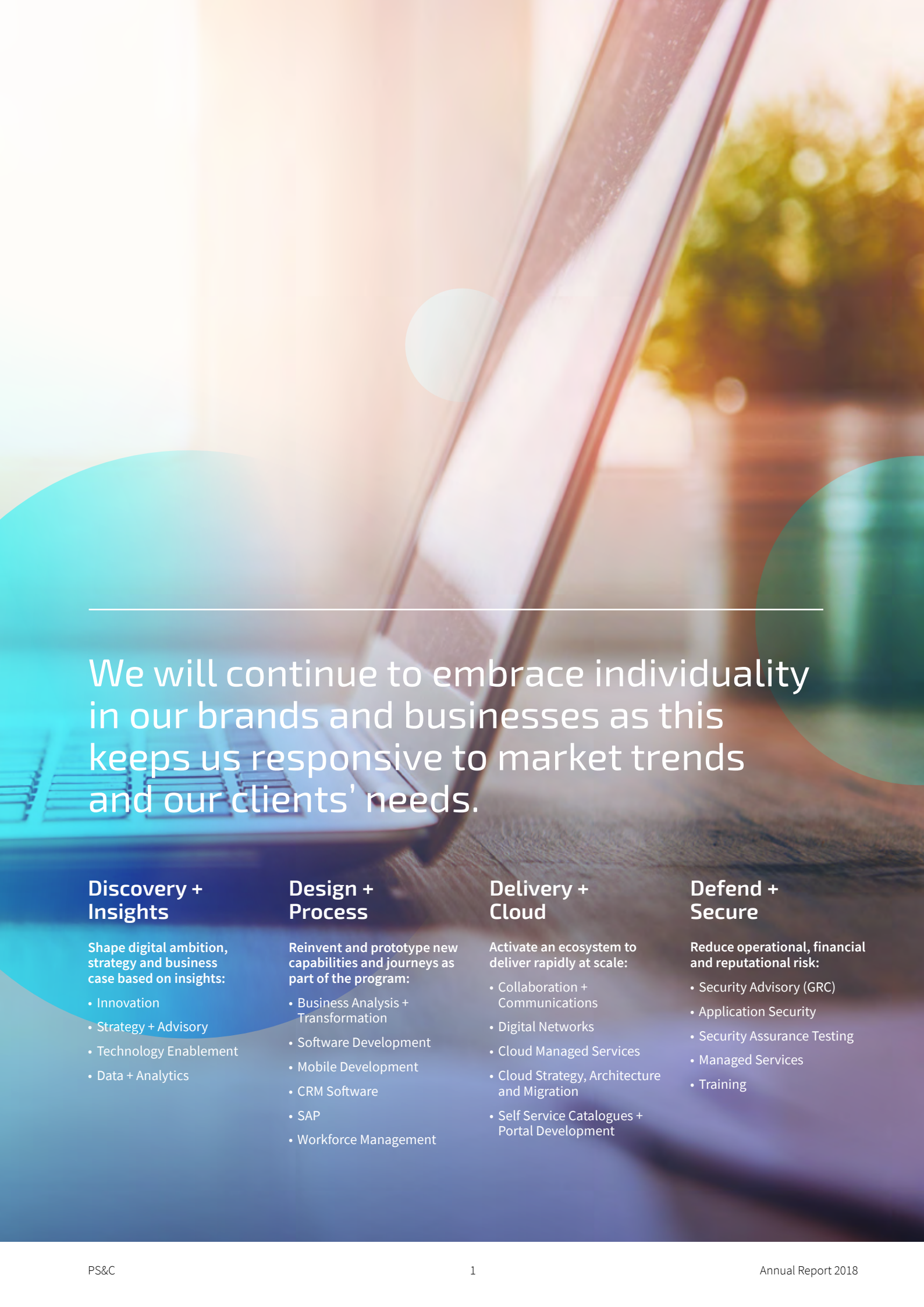
Annual Report  
2018

PS+C

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We will continue to embrace individuality in our brands and businesses as this keeps us responsive to market trends and our clients' needs.

### Discovery + Insights

Shape digital ambition, strategy and business case based on insights:

- Innovation
- Strategy + Advisory
- Technology Enablement
- Data + Analytics

### Design + Process

Reinvent and prototype new capabilities and journeys as part of the program:

- Business Analysis + Transformation
- Software Development
- Mobile Development
- CRM Software
- SAP
- Workforce Management

### Delivery + Cloud

Activate an ecosystem to deliver rapidly at scale:

- Collaboration + Communications
- Digital Networks
- Cloud Managed Services
- Cloud Strategy, Architecture and Migration
- Self Service Catalogues + Portal Development

### Defend + Secure

Reduce operational, financial and reputational risk:

- Security Advisory (GRC)
- Application Security
- Security Assurance Testing
- Managed Services
- Training

# Business Profile

PS&C Limited (PS&C) designs and develops solutions that connect our clients with their customers, strengthen the security of their operations, streamline their processes and create competitive advantage.

PS&C operates a federated model of 12 specialist brands. These brands provide specialist expertise as needed but can combine through shared delivery methodologies to help you realise larger transformational projects. This approach gives our clients flexibility, visibility and confidence to engage with us.












With over 400 consultants, a national footprint and a streamlined approach to engagement and delivery, we are well positioned to deliver real value to our clients and unique solutions for their customers.

Through our knowledge, platforms and processes, we make the world a smaller, more connected place.

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We are proud of the efforts made by our people, and the results they have delivered.

# Our Brands

 <b>Glass</b>	Glass focuses on customer experience and analytics to drive innovation and technology enablement for clients.
 <b>Bexton IT Services</b>	Bexton provides project augmentation for IT projects. We specialise in business analysis, project management and development teams for Enterprise clients.
 <b>Coroma</b>	Coroma helps organisations maximise their Salesforce investments, with a focus on mobile application and integration services.
 <b>Seisma</b>	Seisma has over 10 years' experience in providing business and technology consulting services for clients across the project lifecycle.
 <b>Systems + People</b>	Systems and People provides consulting services and recruitment for SAP projects nationally.
 <b>North</b>	North provides business, digital and technology consulting services including cyber security in the ACT, with a focus on Federal Government and agencies.
 <b>Allcom Networks</b>	Allcom is a professional services organisation that specialises in secured converged and collaboration technologies to public and private enterprises.
 <b>Sacon</b>	Sacon provide cloud strategy, migration and managed services to help clients drive efficiencies, lower costs and improve performance.
 <b>Pure Hacking</b>	We defend, protect and assure your applications and IT infrastructure from damaging and costly attacks, ensuring the integrity of your organisation is maintained.
 <b>HackLabs</b>	HackLabs is a specialist penetration testing group that works with clients to identify and mitigate security vulnerabilities.
 <b>Securus Global</b>	Securus Global provides Security Advisory, Assessment and Assurance services to Government and Enterprise clients.
 <b>Certitude</b>	Certitude assists senior management identify and control risks across their processes, people and technologies.

# Chairperson and CEO Report



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We look forward to continued relationships with our clients, helping them grow their businesses through innovation, technology and greater connection with their customers.

## **We are pleased to present the 2018 PS&C Ltd (PS&C) (PSZ.AX) Annual Report.**

Dear fellow shareholders,

We have had a very busy 12 months, with our structural changes starting to bear fruit, not only in an improved set of figures, but also in our growth into new technologies, markets and geographies. The market continues to grow and evolve, and we feel that PS&C's new structure allows us to meet market requirements faster and more effectively and our solid reputation in cyber security is gaining momentum as the shift to a digital economy evolves.

We are proud of the efforts made by our people and the results they have delivered. In addition to revenue and headcount improvements, we have also implemented substantial organisational improvements aimed at propelling our growth in future years.

This includes:

- Centralising a National Recruitment Team and Strategy.
- Introduction of a Group Sales and Marketing function.
- Moved into the ACT market with the acquisition of North Consulting.
- Successful acquisition of Seisma into PS&C, growing our Sales Capability, adding scale to our consulting base and growing our base of Enterprise clients.

## **FY18 at a Glance**

Our Group has achieved the following strong results in FY18:

- Results within recent guidance range.
- Operating revenue up 6% to \$78.3m (pcp: \$73.9m).
- Normalised EBITDA up 18% to \$7.2m (pcp: \$6.1m).
- FY19 operating EBITDA expected to be \$10m – \$12m.

- Reported NPAT impacted by goodwill write down.
- Billable consultants increased 62% to 420 (pcp: 260).
- Debt reduced by \$2.49m.
- Operational functions streamlined.
- Base for growth on lower average cost.
- Sales capability expanded.
- Successful completion of Seisma and North Consulting acquisitions.

In the past financial year, we have streamlined the business to be more responsive to market needs, thus maximising our value to clients. Our federated model ensures that our clients can easily engage with us for specialist services whilst still having easy access to the full range of services we provide.



A background image showing a hand holding a pen over a laptop keyboard, with a warm, orange-toned light filter. There are several semi-transparent circular overlays in teal and orange colors.

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+6%

Operating revenue up 6%  
to \$78.3m (pcp: \$73.9m)

+18%

Normalised EBITDA  
up 18% to \$7.2m  
(pcp: \$6.1m)

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+62%

Billable consultants  
increased 62% to 420  
(pcp: 260)

-2.49m

Debt reduced by \$2.49m

## Chairperson and CEO Report continued



Our investment in Brisbane through Glass is starting to yield results, with the Glass team being recognised in their marketplace as thought leaders, helping clients shape their Digital Strategy, implement innovation mind sets into their teams, and deliver unique experiences for their clients. We have started to expand Glass's capabilities nationally and this growth will accelerate in the coming year.

We have been working more closely with key vendors in the marketplace, strengthening relationships which in turn is leading to us being brought into discussions with clients earlier, resulting in real partnerships, as opposed to 'order-taking' work. Notably we have now been recognised as a Silver Partner with Salesforce and our relationship with cloud transformation group Right Cloud has seen us win competitive tenders with new Enterprise clients.

FY18 saw us make two strategic acquisitions, in line with our stated strategy around growth.

- Seisma was acquired in March, providing us with an expanded sales team, greater consultant scale as well as relationships with many Tier 1 Enterprise clients.
- North Consulting was acquired in May, providing us with an ACT based presence, focused on serving the unique needs of Federal Government and Government agencies.

We continue our approach of maintaining what is unique in our brands, whilst centralising back office and sales functions, as this provides value to our clients, flexibility in engagements and opportunities for our consultants to grow their careers with us.

### The Year Ahead

Our businesses are positioned for strong growth in FY19 by design. Our investments in Cyber Security, Cloud Migration, Salesforce and SAP, have all been made with an eye to what Australian businesses need as they start to embrace the Digital Economy. We will continue to embrace individuality in our brands and businesses as this keeps us responsive to market trends and our clients' needs.

As we continue to grow, we will be expanding our previously regional offerings to our national base of clients, and this is only possible due to the back-office improvements and national sales capability introduced in FY18. We look forward to continued relationships with our clients, helping them grow their businesses through innovation, technology and greater connection with their customers.

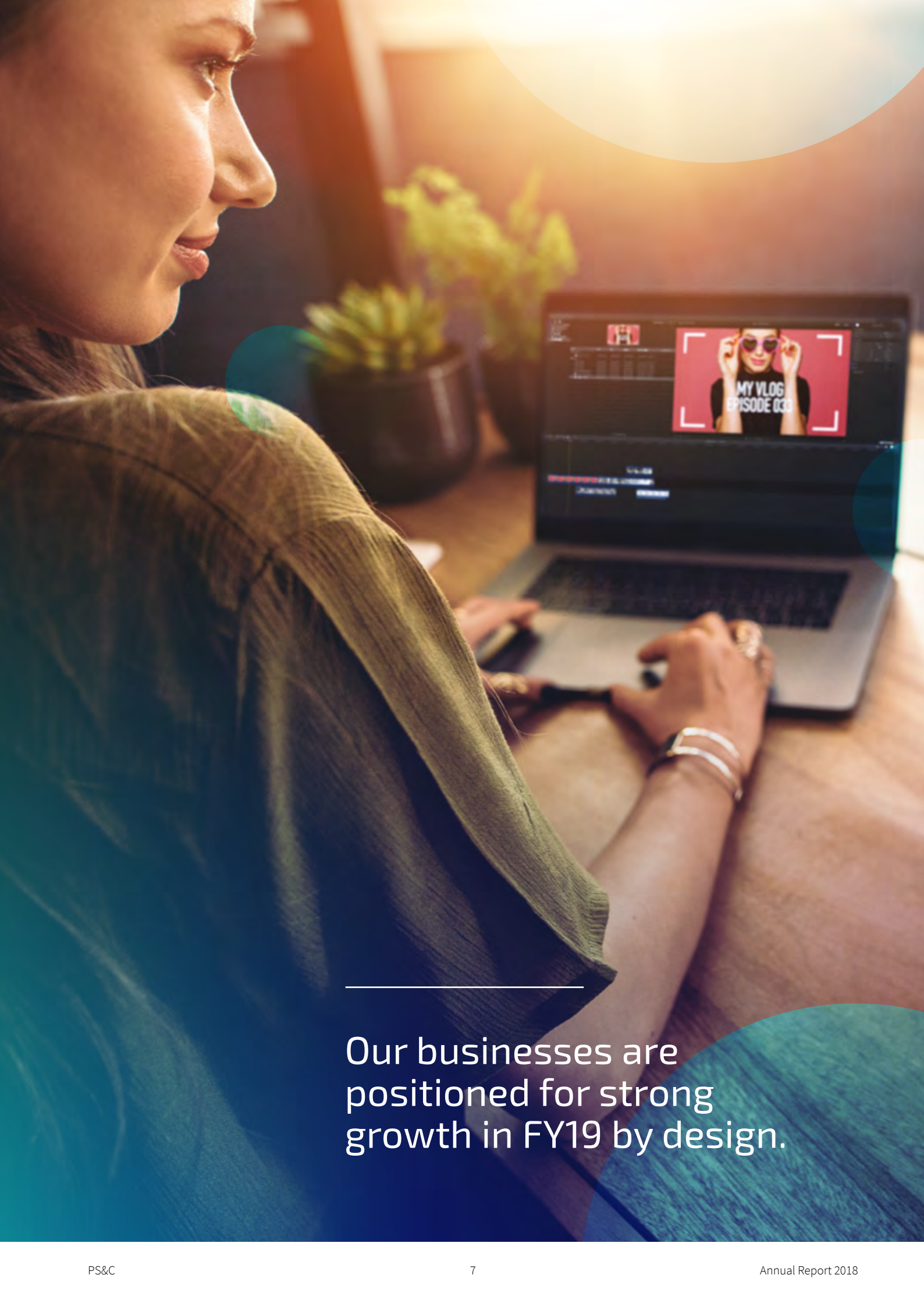
On behalf of the Board of Directors and the Executives of PS&C, I would like to thank our staff and their families for their diligent work throughout 2018, and also thank our clients for their continued trust and support. The PS&C Group is well positioned to grow our market position through continuing the execution of our strategy and our responsiveness to client needs. I look forward to sharing in the future success of the Group as we continue to deliver real value to our clients, and unique solutions for their customers.

Thanks to our Board colleague Nigel Warren for his diligence and support and also to our former Chairperson, Terry Benfold for his great contribution to PS&C.

**Kevin McLaine**  
Chairperson

**Glenn Fielding**  
Managing Director and CEO





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Our businesses are  
positioned for strong  
growth in FY19 by design.

# 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 2018 and Auditors' Report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

## Directors

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

### Non-Executive Directors

#### Mr Kevin McLaine (Chairperson)

- Appointed Director 9 July 2013, appointed Chairperson 6 December 2017.
- Kevin has over 20 years' experience in the Australian public market, having held senior roles at both Shomega Limited and CSG Limited. Kevin spent several 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 a member of the Audit & Risk Management Committee (Chair from 30 May 2017 to 6 December 2017) and is Chair of the Remuneration & Nomination Committee (appointed 6 December 2017).

#### Mr Terry Benfold

- Appointed Director 30 October 2014, appointed Chairperson 27 November 2014.
- Resigned 6 December 2017.
- 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 was Chair of the Remuneration & Nomination Committee and was a member of the Audit & Risk Management Committee.

#### Mr Nigel Warren

- Appointed Director 6 December 2017.
- Nigel has been an investment Director for Invest Australia in San Francisco, the Vice President of Sales for Equilibrium Inc. an enterprise software and services company and the Australian Counsel-General in San Francisco. He has also held the position of Senior Trade Commissioner Latin America based in Santiago, Chile. He has a Bachelor of International Business and is a member of the AICD. He is Chair of the Audit & Risk Management Committee (appointed 6 December 2017) and a member of the Remuneration & Nomination Committee.

### 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 demonstrated 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. Glenn 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 Jeff Bennett

- Jeff is a highly experienced finance Executive with extensive experience in all facets of finance and business within IT. Jeff has spent the last 10 years at DXC Technology, Computer Sciences Corporation, UXC Limited and Ingena Limited in senior finance roles. Jeff has experience as Chairman of the Board of a publicly listed company and is currently a Non-Executive Director of publicly listed company Kneo Media Ltd. In addition, he has a thorough understanding of the complexities involved with multinationals and companies listed on the ASX. Jeff holds a Bachelor of Commerce and is a Fellow 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 (\$10,155,813). This represents profit/(loss) for the period between 1 July 2017 to 30 June 2018 for the parent and operating entities.

## Review of Operations

Refer to the messages from the Chairperson and Managing Director on pages 1 to 6.

## Financial Position

The Directors believe the Group is in a stable financial position to expand and grow its current operations with \$4.7m of cash and access to capital via the equity markets.

## 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:

- **Discovery + Insights** – continued growth of diverse service offerings for Innovation and Amplified Intelligence in the Queensland market with services available to replicate/leverage nationally.
- **Design + Process** – add to core General IT competency via organic growth and expanding the number of Master Service Agreements with Tier 1 Enterprises and Government agencies.
- **Delivery + Cloud** – continued growth in cloud migration, increase service offerings, project opportunities and software sales-based annuities through strengthened vendor relationships, improving margins through the rebalancing of permanent/contractor staff mix and expanding the number of large scale cloud projects.
- **Defend + Secure** – 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.

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.



# Directors' Report continued

## Dividends Paid, Recommended and Declared

	2018	2017
After the end of the financial year, the Directors declared there would be no final dividend (2017: 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*	6	6	2	2	0	0
Kevin McLaine	17	17	3	3	1	1
Glenn Fielding	17	17	3	3	0	0
Nigel Warren**	11	11	1	1	1	1

\* Terry Benfold resigned as Chairperson on 6 December 2017.

\*\* Nigel Warren appointed as a Non-Executive Director on 6 December 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	3,696,040	NIL
Glenn Fielding	5,310,672	NIL
Nigel Warren	NIL	NIL

## Executives' Interests in Shares or Options

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

Executives' Relevant Interests in:	Ordinary Shares of PS&C Ltd	Options Over Shares
Kurt Hansen	628,350	NIL
Jeff Bennett	500,000	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*.

	2018 \$	2017 \$
Amounts paid and payable to Moore Stephens for non-audit services		
Taxation Services	NIL	2,745
Other	NIL	98,196
<b>Total</b>	<b>NIL</b>	<b>100,941</b>

## Remuneration Report – Audited

The Directors present the consolidated entity's 2018 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 three years and exercise prices of between \$0.39 and \$1.20. Refer to the following tables as well as Note 28 to the accounts.

In addition, the Board have a performance rights plan in place for senior Executives, the details of which are outlined below.

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 (Resigned 30 September 2017)
Jeff Bennett	Chief Financial Officer
Kurt Hansen	Executive General Manager – Security

# Directors' Report continued

## 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/ Shares as % of Total
	Salary/Fees	Super-annuation	Options/ Shares			
	\$	\$	\$	\$	%	%
<b>2017</b>						
Terry Benfold	95,890	9,110	636	105,636	–	0.60%
Kevin McLaine	180,000	–	–	180,000	–	–
Cass O'Connor <sup>(1)</sup>	47,717	4,533	636	52,886	–	1.20%
Glenn Fielding <sup>(2)</sup>	121,016	11,497	–	132,513	–	–
	444,623	25,140	1,272	471,035	–	0.27%
<b>2018</b>						
Terry Benfold <sup>(3)</sup>	41,430	3,936	–	45,366	–	–
Kevin McLaine	125,000	–	–	125,000	–	–
Glenn Fielding	347,032	32,968	630,729	1,010,730	62.40%	62.40%
Nigel Warren <sup>(4)</sup>	42,742	4,060	–	46,802	–	–
	556,204	40,964	630,729	1,227,898	51.37%	51.37%

(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.

(3) Terry Benfold resigned 6 December 2017.

(4) Nigel Warren appointed as Non-Executive Director on 6 December 2017.

## Executives' Remuneration

	Short Term	Post Employment	Share-Based Payments	Total	Total Performance Related	Options/ Shares as % of Total
	Salary/Fees	Super-annuation	Options/ Shares			
	\$	\$	\$	\$	%	%
<b>2017</b>						
Julian Graham	224,486	21,326	2,542	248,354	–	1.02%
	224,486	21,326	2,542	248,354	–	1.02%
<b>2018</b>						
Julian Graham <sup>(1)</sup>	249,805	5,332	–	255,136	–	–
Kurt Hansen <sup>(2)</sup>	279,885	26,589	108,824	415,298	26.20%	26.20%
Jeff Bennett <sup>(3)</sup>	175,764	16,698	52,236	244,697	21.35%	21.35%
	705,454	48,618	161,060	915,132	17.60%	17.60%

(1) Julian Graham resigned 30 September 2017.

(2) Kurt Hansen appointed EGM – Security 17 August 2017.

(3) Jeff Bennett appointed CFO 16 October 2017.



## Options

### (a) Compensation Options

There were no options granted nor did any vest during the year.

	Balance 01/07/17 \$	Value Granted \$	Value Exercised \$	Value Lapsed \$	Balance 30/06/18 \$
<b>Non-Executive Directors</b>					
Terry Benfold	3,181	–	–	(3,181)	–
	<b>3,181</b>	<b>–</b>	<b>–</b>	<b>(3,181)</b>	<b>–</b>
<b>Executives</b>					
Julian Graham	20,856	–	–	(20,856)	–
	<b>20,856</b>	<b>–</b>	<b>–</b>	<b>(20,856)</b>	<b>–</b>

	Balance 01/07/17	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/18
<b>Non-Executive Directors</b>					
Terry Benfold	200,000	–	–	(200,000)	–
	<b>200,000</b>	<b>–</b>	<b>–</b>	<b>(200,000)</b>	<b>–</b>
<b>Executives</b>					
Julian Graham	1,200,000	–	–	(1,200,000)	–
	<b>1,200,000</b>	<b>–</b>	<b>–</b>	<b>(1,200,000)</b>	<b>–</b>

## 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%).
    - » Performance rights targets are 30 cents, 45 cents and 60 cents. The share price hurdles need to be achieved on any 20 days within any 60 day consecutive period.
- Termination by provision of 6 months' notice by the Executive and 9 months by PS&C.

### Julian Graham, Chief Financial Officer (Resigned 30 September 2017)

- 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.

# Directors' Report continued

## Kurt Hansen, Executive General Manager – Security

- Permanent employment contract commencing 17 August 2017.
- Remuneration:
  - Base salary \$350,000 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%).
    - » Performance rights targets are 35 cents, 45 cents and 60 cents. The share price hurdles need to be achieved on any 20 days within any 60 day consecutive period.
- Termination by provision of 6 months' notice by the Executive and 9 months by PS&C.

## Jeff Bennett, Chief Financial Officer

- Permanent employment contract commencing 16 October 2017.
- Remuneration:
  - Base salary \$270,000 inclusive of superannuation
  - Short-term incentive (STI) of \$100,000 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%).
    - » Performance rights targets are 35 cents, 45 cents and 60 cents. The share price hurdles need to be achieved on any 20 days within any 60 day consecutive period.
- 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.



**Glenn Fielding**  
Managing Director and CEO

Melbourne  
Date: 26 September 2018

# Auditor's Independence Declaration

## MOORE STEPHENS

Moore Stephens Audit (Vic)

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Melbourne Victoria 3000  
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[www.moorestephens.com.au](http://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 2018, there have been:

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



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



**ANDREW JOHNSON**  
Partner  
Audit & Assurance Services

Melbourne, Victoria

26 September 2018

Moore Stephens Audit (Vic) ABN 16 847 721 257. Liability limited by a scheme approved under Professional Standards legislation.  
An independent member of Moore Stephens International Limited - members in principal cities all throughout the world.



# Financial Statements

30 June 2018

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## 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](http://www.pscgroup.com.au)

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 September 2018. The Directors have the power to amend and reissue the financial statements.

# Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 30 June 2018

		Consolidated Group	
		2018 \$	2017 \$
<b>Revenue</b>	<b>Note</b>		
	4	78,351,166	73,900,053
Other income	5	48,272	15,926
<b>Expenses</b>			
Third party materials and labour		(22,787,494)	(21,581,820)
Acquisition expenses	38	(402,526)	(67,035)
Employee benefits expense		(46,431,224)	(44,900,953)
Depreciation and amortisation expense	13	(401,248)	(272,544)
Impairment of assets	14	(9,612,395)	(6,852,985)
Write off of assets	13	(50)	(29,727)
Contingent consideration adjustments expense		(619,071)	–
Other expenses		(6,142,231)	(3,875,013)
Finance costs		(1,366,042)	(1,224,250)
<b>Loss before income tax expense</b>		<b>(9,362,843)</b>	<b>(4,888,348)</b>
Income tax expense	6	(792,970)	(707,873)
<b>Loss after income tax expense for the year attributable to the members of PS&amp;C Ltd</b>	<b>29</b>	<b>(10,155,813)</b>	<b>(5,596,221)</b>
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year attributable to the members of PS&amp;C Ltd</b>		<b>(10,155,813)</b>	<b>(5,596,221)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	43	(8.79)	(8.12)
Diluted earnings per share	43	(8.79)	(8.12)

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 2018

		Consolidated Group	
		2018	2017
	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4,686,521	8,068,623
Trade and other receivables	8	14,163,496	11,160,620
Inventories	9	19,175	16,133
Income tax refund due	10	239,485	565,471
Other	11	3,256,710	1,589,578
<b>Total current assets</b>		<b>22,365,387</b>	<b>21,400,425</b>
<b>Non-current assets</b>			
Receivables	12	355,557	389,343
Property, plant and equipment	13	1,371,857	1,338,879
Intangibles	14	100,046,002	92,802,606
Deferred tax	15	1,079,177	1,105,385
Other		28,338	43,124
<b>Total non-current assets</b>		<b>102,880,931</b>	<b>95,679,337</b>
<b>Total assets</b>		<b>125,246,318</b>	<b>117,079,762</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	10,648,427	8,916,217
Borrowings	17	12,902,026	15,399,420
Employee benefits	18	1,513,972	1,303,748
Contingent consideration	19	–	3,265,188
Deferred consideration	20	10,316,262	10,338,000
Other	21	2,098,692	2,802,120
<b>Total current liabilities</b>		<b>37,479,379</b>	<b>42,024,693</b>
<b>Non-current liabilities</b>			
Payables	22	235,866	370,647
Deferred tax	23	–	–
Employee benefits	24	302,597	1,740
Contingent consideration	25	4,498,503	280,961
Deferred consideration	26	1,750,000	–
<b>Total non-current liabilities</b>		<b>6,786,966</b>	<b>11,115,777</b>
<b>Total liabilities</b>		<b>44,266,345</b>	<b>53,140,470</b>
<b>Net assets</b>		<b>80,979,973</b>	<b>63,939,292</b>
<b>Equity</b>			
Issued capital	27	85,029,409	58,643,072
Reserves	28	818,803	69,724
Retained profits/(accumulated losses)	29	(4,868,239)	5,226,496
<b>Total equity</b>		<b>80,979,973</b>	<b>63,939,292</b>

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 2018

<b>Consolidated Group</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Retained Profits \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2016</b>		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 (Note 27)	1,422,545	–	–	1,422,545
Employee share options/Performance rights reserve (Note 28)	–	31,644	–	31,644
<b>Balance at 30 June 2017</b>	<b>58,643,072</b>	<b>69,724</b>	<b>5,226,496</b>	<b>63,939,292</b>
<b>Balance at 1 July 2017</b>	<b>58,643,072</b>	<b>69,724</b>	<b>5,226,496</b>	<b>63,939,292</b>
Loss after income tax expense for the year	–	–	(10,155,813)	(10,155,813)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	(10,155,813)	(10,155,813)
<i>Transactions with members in their capacity as members:</i>				
Contributions of equity, net of transaction costs (Note 27)	5,566,783	–	–	5,566,783
Share-based payments (Note 27)	20,819,554	–	–	20,819,554
Employee share options/Performance rights reserve (Note 28)	–	810,157	–	810,157
Transfer of expired share options to retained earnings (Note 28)	–	(61,078)	61,078	–
<b>Balance at 30 June 2018</b>	<b>85,029,409</b>	<b>818,803</b>	<b>(4,868,239)</b>	<b>80,979,973</b>

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 2018

	Note	Consolidated Group	
		2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		84,684,391	87,548,462
Payments to suppliers and employees (inclusive of GST)		(85,120,792)	(78,979,743)
		(436,401)	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		(442,516)	(970,056)
Net cash from/(used in) operating activities	42	(1,993,765)	7,095,247
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	38	569,150	904,588
Payments for prior period's business acquisition	38	(4,129,337)	(1,426,675)
Acquisition Costs	38	(442,779)	(73,740)
Payments for property, plant and equipment	13	(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)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	27	5,930,000	-
Proceeds/(repayment) of borrowings	17, 44	(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		(3,382,102)	4,559,845
Cash and cash equivalents at the beginning of the financial year		8,068,623	3,508,778
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>4,686,521</b>	<b>8,068,623</b>

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

# Notes to the Financial Statements

30 June 2018

## 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 2018, the group's current liabilities exceed current assets by \$15,113,992 primarily due to \$12,902,026 of current borrowings and \$10,316,262 of current deferred consideration. The group's loan facility incorporates various financial covenants, one of which was breached at the reporting date. The group received a waiver of this breach from the lender but is required to classify the debt as current as it does not have an unconditional right to defer its loan facilities for at least 12 months from reporting date. The 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 forecasting to trade 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 2018 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.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 1. Significant Accounting Policies continued

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.

# Notes to the Financial Statements continued

## 30 June 2018

### **Note 1. Significant Accounting Policies** continued

#### **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.

##### **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.

# Notes to the Financial Statements continued

## 30 June 2018

### **Note 1. Significant Accounting Policies** continued

#### **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.

#### **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 2018. 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 July 2018 but the impact of its adoption is yet to be assessed by the Group. The Directors anticipate that the adoption of AASB 9 will not have a material impact on 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 July 2018 but the impact of its adoption is yet to be assessed by the Group. The Directors anticipate that the adoption of AASB 15 will not have a material impact on the group.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 1. Significant Accounting Policies continued

#### 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 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:

<b>Discovery + Insights</b>	The Discovery + Insights segment, comprising GlassandCo Pty Ltd, is involved in shaping digital ambition, strategy and business cases based on insights.
<b>Design + Process</b>	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.
<b>Delivery + Cloud</b>	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.
<b>Defend + Secure</b>	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 digital 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.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 3. Operating Segments continued

#### Operating Segment Information

	Discovery + Insights \$	Design + Process \$	Delivery + Cloud \$	Defend + Secure \$	Corporate \$	Total \$
<b>Consolidated Group – 2018</b>						
<b>Revenue</b>						
Sales to external customers	1,460,575	42,080,796	20,997,085	13,812,710	–	78,351,166
<b>Total revenue</b>	<b>1,460,575</b>	<b>42,080,796</b>	<b>20,997,085</b>	<b>13,812,710</b>	<b>–</b>	<b>78,351,166</b>
<b>EBITDA</b>	<b>(1,402,033)</b>	<b>4,141,248</b>	<b>3,591,945</b>	<b>2,142,074</b>	<b>(6,491,763)</b>	<b>1,981,471</b>
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)
<b>Profit/(loss) before income tax expense</b>	<b>(1,402,033)</b>	<b>4,123,580</b>	<b>3,400,912</b>	<b>1,999,298</b>	<b>(17,484,600)</b>	<b>(9,362,843)</b>
Income tax expense						(792,970)
<b>Loss after income tax expense</b>						<b>(10,155,813)</b>
<b>Assets</b>						
Segment assets	1,154,826	9,738,649	6,182,611	4,090,907	104,079,600	125,246,318
<b>Total assets</b>						<b>125,246,318</b>
<b>Liabilities</b>						
Segment liabilities	508,724	5,331,280	5,753,893	2,526,701	30,145,747	44,266,345
<b>Total liabilities</b>						<b>44,266,345</b>
<b>Consolidated Group – 2017</b>						
<b>Revenue</b>						
Sales to external customers	–	45,645,347	15,949,913	12,304,793	–	73,900,053
<b>Total revenue</b>	<b>–</b>	<b>45,645,347</b>	<b>15,949,913</b>	<b>12,304,793</b>	<b>–</b>	<b>73,900,053</b>
<b>EBITDA</b>	<b>(3,158)</b>	<b>3,775,218</b>	<b>508,015</b>	<b>2,806,499</b>	<b>(3,641,639)</b>	<b>3,444,935</b>
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)
<b>Profit/(loss) before income tax expense</b>	<b>(4,458)</b>	<b>3,733,234</b>	<b>387,400</b>	<b>2,714,741</b>	<b>(11,719,265)</b>	<b>(4,888,348)</b>
Income tax expense						(707,873)
<b>Loss after income tax expense</b>						<b>(5,596,221)</b>
<b>Assets</b>						
Segment assets	28,212	6,772,961	5,772,198	3,702,856	100,803,535	117,079,762
<b>Total assets</b>						<b>117,079,762</b>
<b>Liabilities</b>						
Segment liabilities	(468)	2,411,677	8,451,789	2,005,344	40,272,128	53,140,470
<b>Total liabilities</b>						<b>53,140,470</b>

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

## Note 5. 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
<b>Other income</b>	<b>48,272</b>	<b>15,926</b>

## Note 6. Income Tax Expense

	Consolidated Group	
	2018	2017
	\$	\$
<b>Income tax expense</b>		
Current tax	768,502	525,528
Deferred tax – origination and reversal of temporary differences	24,468	182,345
<b>Aggregate income tax expense</b>	<b>792,970</b>	<b>707,873</b>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (Note 15)	26,208	181,237
Increase/(decrease) in deferred tax liabilities (Note 23)	(1,740)	1,108
Deferred tax – origination and reversal of temporary differences	24,468	182,345
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>		
Loss before income tax expense	(9,362,843)	(4,888,348)
Tax at the statutory tax rate of 30%	(2,808,853)	(1,466,504)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	2,883,718	2,055,896
Non-deductible expenses	718,105	118,481
	792,970	707,873
Prior year tax losses not recognised now recouped	–	–
<b>Income tax expense</b>	<b>792,970</b>	<b>707,873</b>

# Notes to the Financial Statements continued

## 30 June 2018

### Note 7. Current Assets – Cash and Cash Equivalents

	Consolidated Group	
	2018	2017
	\$	\$
Cash on hand	1,736	2,005
Cash at bank	4,684,785	8,066,618
	<b>4,686,521</b>	<b>8,068,623</b>

### Note 8. Current assets – trade and other receivables

	Consolidated Group	
	2018	2017
	\$	\$
Trade receivables	13,360,958	10,502,137
Less: Provision for impairment of receivables	(26,638)	(72,250)
	<b>13,334,320</b>	<b>10,429,887</b>
Other receivables	769,936	674,697
GST receivable	59,240	56,036
	<b>14,163,496</b>	<b>11,160,620</b>

### Impairment of Receivables

The Group has not recognised a profit or loss in respect of impairment of receivables for the year ended 30 June 2018 (\$62,731 in 2017).

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

	Consolidated Group	
	2018	2017
	\$	\$
Over 6 months overdue	26,638	72,250

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

	Consolidated Group	
	2018	2017
	\$	\$
Opening balance	72,250	128,212
Additional provisions recognised	–	62,731
Additions through business combinations	–	36,250
Receivables written off during the year as uncollectable	–	(122,765)
Unused amounts reversed	(45,612)	(32,178)
<b>Closing balance</b>	<b>26,638</b>	<b>72,250</b>

### Past Due But Not Impaired

Customers with balances past due but without provision for impairment of receivables amount to \$4,418,196 as at 30 June 2018 (\$2,771,357 as at 30 June 2017).

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	
	2018	2017
	\$	\$
0 to 3 months overdue	3,476,095	2,484,030
3 to 6 months overdue	882,371	176,992
Over 6 months overdue	59,730	110,335
	<b>4,418,196</b>	<b>2,771,357</b>

### Note 9. Current Assets – Inventories

	Consolidated Group	
	2018	2017
	\$	\$
Stock on hand – at cost	19,175	16,133

### Note 10. Current Assets – Income Tax Refund Due

	Consolidated Group	
	2018	2017
	\$	\$
Income tax refund due	239,485	565,471

### Note 11. Current Assets – Other

	Consolidated Group	
	2018	2017
	\$	\$
Accrued revenue	2,442,167	911,761
Prepayments	765,565	601,244
Security deposits	48,978	76,573
	<b>3,256,710</b>	<b>1,589,578</b>

### Note 12. Non-current Assets – Receivables

	Consolidated Group	
	2018	2017
	\$	\$
Other receivables	355,557	389,343

# Notes to the Financial Statements continued

## 30 June 2018

### Note 13. Non-current Assets – Property, Plant and Equipment

	Consolidated Group	
	2018	2017
	\$	\$
Leasehold improvements – at cost	517,022	328,769
Less: Accumulated depreciation	(128,989)	(46,788)
	<b>388,033</b>	<b>281,981</b>
Fixtures and fittings – at cost	100,640	89,891
Less: Accumulated depreciation	(38,444)	(19,312)
	<b>62,196</b>	<b>70,579</b>
Motor vehicles – at cost	122,354	164,951
Less: Accumulated depreciation	(77,535)	(82,155)
	<b>44,819</b>	<b>82,796</b>
Computer equipment – at cost	1,076,689	1,003,015
Less: Accumulated depreciation	(503,598)	(302,726)
	<b>573,091</b>	<b>700,289</b>
Office equipment – at cost	580,140	459,726
Less: Accumulated depreciation	(276,422)	(256,492)
	<b>303,718</b>	<b>203,234</b>
	<b>1,371,857</b>	<b>1,338,879</b>

### Reconciliations

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

	Leasehold Improvements \$	Fixtures and Fittings \$	Computer Equipment \$	Office Equipment \$	Motor Vehicles \$	Total \$
<b>Consolidated Group</b>						
Balance at 1 July 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)	–	–	–	–	77,086	77,086
Disposals	–	–	(1,066)	–	–	(1,066)
Write off of assets	(9,221)	(12,779)	–	(7,727)	–	(29,727)
Depreciation expense	(42,813)	(19,875)	(104,906)	(103,633)	(1,318)	(272,545)
Balance at 30 June 2017	<b>281,981</b>	<b>70,579</b>	<b>700,289</b>	<b>203,234</b>	<b>82,796</b>	<b>1,338,879</b>
Additions	<b>180,904</b>	<b>846</b>	<b>75,794</b>	<b>221,625</b>	<b>–</b>	<b>479,169</b>
Disposals	–	–	–	(8,090)	(27,856)	(35,946)
Prior Year Adjustment	–	–	(8,947)	–	–	(8,947)
Write off of assets	–	–	–	(50)	–	(50)
Transfers in/(out)	<b>4,228</b>	–	–	(4,228)	–	–
Depreciation expense	<b>(79,080)</b>	<b>(9,229)</b>	<b>(194,045)</b>	<b>(108,773)</b>	<b>(10,121)</b>	<b>(401,248)</b>
<b>Balance at 30 June 2018</b>	<b>388,033</b>	<b>62,196</b>	<b>573,091</b>	<b>303,718</b>	<b>44,819</b>	<b>1,371,857</b>

## Note 14. Non-current Assets – Intangibles

	Consolidated Group	
	2018	2017
	\$	\$
Goodwill – at cost	100,046,002	92,802,606

### Reconciliations

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

	Goodwill	Total
	\$	\$
<b>Consolidated Group</b>		
Balance at 1 July 2016	83,904,480	83,904,480
Additions through business combinations (Note 38)	15,751,111	15,751,111
Impairment of assets	(6,852,985)	(6,852,985)
Balance at 30 June 2017	92,802,606	92,802,606
Additions through business combinations (Note 38)	16,855,791	16,855,791
Impairment of assets	(9,612,395)	(9,612,395)
<b>Balance at 30 June 2018</b>	<b>100,046,002</b>	<b>100,046,002</b>

### 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
<b>Total</b>	<b>100,046,002</b>	<b>92,802,606</b>

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 cash flows approved by the Board covering year 1. The present value of future cash flows for years 2 to 5 have been calculated using a terminal growth rate of 3% (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	15,576,447
Delivery + Cloud	20,629,513	20,455,816
Defend + Secure	–	15,925,356
<b>Total</b>	<b>38,147,611</b>	<b>51,957,619</b>



# Notes to the Financial Statements continued

## 30 June 2018

### Note 14. Non-current Assets – Intangibles continued

#### 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 forecast 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.

Impact of a reasonably possible change in key assumptions:

Following the impairment loss recognised in the Group's Defend + Secure CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment. For remaining CGU's there is sufficient headroom available and therefore there are no reasonable changes to assumptions which are likely to cause impairment.

### Note 15. Non-current Assets – Deferred Tax

	Consolidated Group	
	2018	2017
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Impairment of receivables	7,991	10,800
Employee benefits	695,648	459,423
Expenses deductible over five years	179,878	37,901
Accrued expenses	156,077	318,852
Franking deficit tax	39,583	39,583
Additions through business combinations (Note 38)	–	58,853
	<b>1,079,177</b>	<b>925,412</b>
Amounts recognised in equity:		
Transaction costs on share issue	–	179,973
<b>Deferred tax asset</b>	<b>1,079,177</b>	<b>1,105,385</b>
<i>Movements:</i>		
Opening balance	1,105,385	1,227,769
Charged to profit or loss (Note 6)	(26,208)	(181,237)
Additions through business combinations (Note 38)	–	58,853
<b>Closing balance</b>	<b>1,079,177</b>	<b>1,105,385</b>

### Note 16. Current Liabilities – Trade and Other Payables

	Consolidated Group	
	2018	2017
	\$	\$
Trade payables	5,302,931	5,739,767
GST payable	1,072,287	1,013,555
Other payables	4,273,209	2,162,895
	<b>10,648,427</b>	<b>8,916,217</b>

Refer to Note 31 for further information on financial instruments.

## Note 17. Current Liabilities – Borrowings

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

Refer to Note 31 for further information on financial instruments.

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 and, in doing this, the group has agreed to be bound by further conditions within the group's financial facilities, including a reduction in 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 borrowings of the group have been classified as current liabilities as at 30 June 2018.

	Consolidated Group	
	2018	2017
	\$	\$
<b>Total secured liabilities</b>		
The total secured current liabilities are as follows:		
<b>Bank loans</b>	<b>12,902,026</b>	15,399,420

### Financing arrangements

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

#### 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
	<b>18,025,000</b>	18,925,000

#### 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	-	-
	<b>13,499,243</b>	15,657,555

#### 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
	<b>4,525,757</b>	3,267,445

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.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 18. Current Liabilities – Employee Benefits

	Consolidated Group	
	2018	2017
	\$	\$
Annual leave	1,165,765	934,309
Long service leave	348,207	369,439
	<b>1,513,972</b>	<b>1,303,748</b>

### Note 19. Current Liabilities – Contingent Consideration

	Consolidated Group	
	2018	2017
	\$	\$
Contingent consideration	–	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. 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 \$
<b>Consolidated Group – 2018</b>	
Carrying amount at the start of the year	3,265,188
Additional provisions recognised	(43,557)
Amounts transferred from non-current	422,469
Payments	(3,764,412)
Unwinding of discount	120,312
<b>Carrying amount at the end of the year</b>	<b>–</b>

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 20. Current Liabilities – Deferred Consideration

	Consolidated Group	
	2018	2017
	\$	\$
Deferred consideration	10,316,262	10,338,000

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 21. Current Liabilities – Other

	Consolidated Group	
	2018	2017
	\$	\$
Other payables	910	–
Accrued expenses	1,457,887	1,727,039
Revenue received in advance	614,934	1,075,081
Other current liabilities	24,961	–
	2,098,692	2,802,120

## Note 22. Non-current Liabilities – Payables

	Consolidated Group	
	2018	2017
	\$	\$
Other payables	235,866	370,647

Refer to Note 31 for further information on financial instruments.

## Note 23. Non-current Liabilities – Deferred Tax

	Consolidated Group	
	2018	2017
	\$	\$
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	–	1,740
Deferred tax liability	–	1,740
Movements:		
Opening balance	1,740	632
Charged/(credited) to profit or loss (Note 6)	(1,740)	1,108
Closing balance	–	1,740

# Notes to the Financial Statements continued

## 30 June 2018

### Note 24. Non-current Liabilities – Employee Benefits

	Consolidated Group	
	2018	2017
	\$	\$
Annual leave	–	392
Long service leave	302,597	280,569
	302,597	280,961

### Note 25. Non-current Liabilities – Contingent Consideration

	Consolidated Group	
	2018	2017
	\$	\$
Contingent consideration	4,498,503	10,462,429

#### 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 \$
<b>Consolidated Group – 2018</b>	
Carrying amount at the start of the year	10,462,429
Additional provisions recognised	662,628
Additions through business combinations (Note 39)	1,992,257
Amounts transferred to deferred	(8,385,687)
Amounts transferred to current	-422,469
Unwinding of discount	189,345
<b>Carrying amount at the end of the year</b>	<b>4,498,503</b>



## Note 26. Non-current Liabilities – Deferred Consideration

	Consolidated Group	
	2018	2017
	\$	\$
Deferred consideration	1,750,000	–

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 27. Equity – Issued Capital

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

### 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		–	\$0.00	(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	204,245,421		85,029,409

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.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 28. Equity – Reserves

	Consolidated Group	
	2018	2017
	\$	\$
Employee share options/Performance rights reserve	818,803	69,724

#### Employee Share Options/Performance Rights Reserve

This reserve is used to recognise options and performance rights 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/ Performance Rights Reserve \$	Total \$
Balance at 1 July 2016	38,080	38,080
Options granted	31,644	31,644
Balance at 30 June 2017	69,724	69,724
Options granted	18,368	18,368
Performance rights	791,789	791,789
Expired Options	(61,078)	(61,078)
Balance at 30 June 2018	818,803	818,803

#### Options on Issue 30 June 2018:

Issue	Expiry Date	Exercise Price	Opening 01/07/2017	Issued	Exercised	Lapsed	Closing 30/06/2018
Issue to employees #1	30/10/2019	\$1.10	100,000	-	-	(100,000)	-
Issue to employees #2	30/10/2021	\$1.09	1,110,000	-	-	(405,000)	705,000
Issue to employees #3	14/12/2022	\$0.39	1,780,000	-	-	(420,000)	1,360,000
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 #2	30/11/2019	\$1.17	100,000	-	-	(100,000)	-
Issue to Directors #3	14/12/2022	\$0.39	100,000	-	-	(100,000)	-
<b>Total</b>			<b>4,390,000</b>	<b>-</b>	<b>-</b>	<b>(2,325,000)</b>	<b>2,065,000</b>

#### 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
<b>Total</b>			<b>2,330,000</b>	<b>2,380,000</b>	<b>-</b>	<b>(320,000)</b>	<b>4,390,000</b>

## Note 29. Equity – Retained Profits/(Accumulated Losses)

	Consolidated Group	
	2018	2017
	\$	\$
Retained profits at the beginning of the financial year	5,226,496	10,822,717
Loss after income tax expense for the year	(10,155,813)	(5,596,221)
Transfer from options reserve	61,078	–
<b>Retained profits/(accumulated losses) at the end of the financial year</b>	<b>(4,868,239)</b>	<b>5,226,496</b>

## Note 30. Equity – Dividends

### Dividends

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

### Franking Credits

	Consolidated Group	
	2018	2017
	\$	\$
Franking credits available at the reporting date based on a tax rate of 30%	6,390,878	6,262,562
<b>Franking credits available for subsequent financial years based on a tax rate of 30%</b>	<b>6,390,878</b>	<b>6,262,562</b>

## 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, and 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.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 31. Financial Instruments continued

#### Interest Rate Risk continued

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:

	2018		2017	
	Weighted Average Interest Rate %	Balance \$	Weighted Average Interest Rate %	Balance \$
<b>Consolidated Group</b>				
Cash at bank	0.43%	4,684,785	1.32%	8,066,618
Bank loans	4.19%	(12,902,026)	3.93%	(15,399,420)
<b>Net exposure to cash flow interest rate risk</b>		<b>(8,217,241)</b>		<b>(7,332,802)</b>

At 30 June 2018, 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 \$90,314 lower/higher (2017: \$107,796 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 the 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	
	2018 \$	2017 \$
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
	<b>4,525,757</b>	<b>3,267,445</b>

Subject to meeting bank covenants, the bank facilities can be drawn at any time.

## 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 \$
<b>Consolidated Group – 2018</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	–	5,302,931	235,866	–	–	5,538,797
GST payables (net)	–	1,013,555	–	–	–	1,013,555
Other payables	–	1,019,841	–	–	–	1,019,841
Accrued expenses	–	1,143,054	–	–	–	1,143,054
<i>Interest-bearing – variable</i>						
Bank loans	4.19%	12,902,026	–	–	–	12,902,026
Total non-derivatives		24,315,637	235,866	–	–	24,686,284

The bank loan has been classified as a current liability by default given the breach of a financial covenant. The group received a waiver of this breach from the lender after year-end and, in doing this, the group has agreed to be bound by further conditions within the group's financial facilities. The group therefore does not intend on paying back the entire bank loan within 12 months – \$11,650,150 is contractually maturing in December 2019

	Weighted Average Interest Rate %	1 Year or Less \$	Between 1 and 2 Years \$	Between 2 and 5 Years \$	Over 5 Years \$	Remaining Contractual Maturities \$
<b>Consolidated Group – 2017</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
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
<i>Interest-bearing – variable</i>						
Bank loans	3.93%	15,399,420	–	–	–	15,399,420
Total non-derivatives		26,123,113	370,647	–	–	26,493,760

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.



# Notes to the Financial Statements continued

## 30 June 2018

### Note 32. Key Management Personnel Disclosures

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated Group	
	2018	2017
	\$	\$
Short-term employee benefits	1,077,299	669,109
Post-employment benefits	89,583	46,466
Termination benefits	184,359	–
Share-based payments	791,789	3,814
	2,143,030	719,389

Further details of key management personnel compensation are contained within the Remuneration Report section of the Directors' 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	
	2018	2017
	\$	\$
<b>Audit services – Moore Stephens (Vic) Pty Ltd</b>		
Audit or review of the financial statements	187,500	125,000
<b>Other services – Moore Stephens (Vic) Pty Ltd</b>		
Taxation services	–	2,745
Due diligence	–	98,196
	–	100,941
	187,500	225,941

### Note 34. Contingent Liabilities

The Group has given bank guarantees as at 30 June 2018 of \$491,298 (2017: \$192,830) in satisfaction of building lease guarantees, as per the financing arrangements outlined in Note 23.

### Note 35. Commitments

	Consolidated Group	
	2018	2017
	\$	\$
<b>Lease commitments – operating</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	991,047	505,358
One to five years	1,799,662	485,023
	2,790,709	990,381

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	
	2018	2017
	\$	\$
Current receivables:		
Trade receivables from commonly controlled entity	987,607	26,235
Current payables:		
Trade payables to commonly controlled entity	987,607	26,235

### Loans to/from Related Parties

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

	Consolidated Group	
	2018	2017
	\$	\$
Current receivables:		
Loans to commonly controlled entities	15,347,398	14,008,918
Current borrowings:		
Loans from commonly controlled entities	15,347,398	14,008,918

### 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	
	2018	2017
	\$	\$
Loss after income tax	(15,819,302)	(10,368,557)
<b>Total comprehensive income</b>	<b>(15,819,302)</b>	<b>(10,368,557)</b>

# Notes to the Financial Statements continued

## 30 June 2018

### Note 37. Parent Entity Information continued

#### Statement of Financial Position

	2018 \$	Parent 2017 \$
Total current assets	3,395,708	7,518,319
Total assets	109,300,583	106,412,406
Total current liabilities	39,233,225	43,504,182
Total liabilities	45,493,573	53,982,589
Equity		
Issued capital	85,029,104	58,642,767
Employee share options/Performance rights reserve	818,803	69,724
Accumulated losses	(22,040,897)	(6,282,674)
<b>Total equity</b>	<b>63,807,010</b>	<b>52,429,817</b>

#### 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 2018.

#### Capital commitments – Property, Plant and Equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018.

#### 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

##### 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 \$533,189 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 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 \$72,538 from 1 May 2018 to 30 June 2018. If the acquisition occurred on 1 July 2017, the full year contribution would have been a 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.

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	13,564,153	2,901,221	16,465,374
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
	13,564,152	2,901,222	16,465,374
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)	(918,777)	349,627	(569,150)

# Notes to the Financial Statements continued

## 30 June 2018

### **Note 38. Business combinations** continued

#### **(a) Current Period** continued

Acquisition costs expensed to the statement of profit or loss and other comprehensive income during the year ended 30 June 2018 amounted to \$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.

#### **(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. 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.

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
<b>Acquisition-date fair value of the total consideration transferred</b>	<b>10,376,624</b>	<b>5,791,127</b>	<b>16,167,751</b>	<b>710,000</b>	<b>16,877,751</b>
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
	<b>10,376,624</b>	<b>5,791,127</b>	<b>16,167,751</b>	<b>710,000</b>	<b>16,877,751</b>
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)
<b>Net cash received</b>	<b>(162,224)</b>	<b>(742,346)</b>	<b>(904,570)</b>	<b>(18)</b>	<b>(904,588)</b>

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



# Notes to the Financial Statements continued

## 30 June 2018

### Note 38. Business Combinations continued

#### (b) Prior Period continued

	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)
<b>Net cash received</b>	<b>(569,150)</b>	<b>(904,588)</b>

### 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:

Name	Principal Place of Business/ Country of Incorporation	Ownership Interest	
		2018	2017
		%	%
Allcom Networks Pty Ltd	Australia	100.00%	100.00%
GlassandCo 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%	100.00%
Coroma Consulting Pty Ltd	Australia	100.00%	100.00%
Seisma Pty Ltd	Australia	100.00%	–
NTH 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

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

Seisma Pty Ltd

NTH 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**

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.

# Notes to the Financial Statements continued

## 30 June 2018

### Note 42. Reconciliation of Loss After Income Tax to Net cash From/(Used in) Operating Activities

	Consolidated Group	
	2018	2017
	\$	\$
Loss after income tax expense for the year	(10,155,813)	(5,596,221)
Adjustments for:		
Depreciation and amortisation	410,196	272,544
Impairment	9,612,395	6,852,985
Share-based payments	20,819,554	1,422,545
Write off of assets	–	29,727
Net loss/(gain) on disposal of non-current assets	(12,901)	570
Interest received – non-cash	35,371	16,496
Other revenue – non-cash	(35,371)	(16,496)
Other expenses – non-cash	(8,126,304)	57,732
Finance costs – non-cash	215,783	326,861
Change in operating assets and liabilities:		
Decrease in trade and other receivables	488,705	6,534,945
Decrease/(increase) in inventories	(3,042)	1,090
Decrease/(increase) in income tax refund due	325,986	(185,135)
Decrease in deferred tax assets	26,208	181,237
Decrease/(increase) in accrued revenue	(1,530,406)	55,328
Increase in prepayments	(143,886)	(221,659)
Decrease/(increase) in other operating assets	74,549	(1)
Decrease in trade and other payables	(2,014,821)	(311,775)
Decrease in provision for income tax	–	(259,393)
Increase/(decrease) in deferred tax liabilities	(1,740)	1,108
Increase/(decrease) in employee benefits	212,484	(3,322)
Increase/(decrease) in other provisions	(9,665,657)	3,690,531
Decrease in other operating liabilities	(2,525,055)	(5,754,450)
<b>Net cash from/(used in) operating activities</b>	<b>(1,993,765)</b>	<b>7,095,247</b>

## Note 43. Earnings Per Share

	Consolidated Group	
	2018 \$	2017 \$
Loss after income tax attributable to the members of PS&C Ltd	(10,155,813)	(5,596,221)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	115,577,756	68,938,544
Weighted average number of ordinary shares used in calculating diluted earnings per share	115,577,756	68,938,544
	Cents	Cents
Basic earnings per share	(8.79)	(8.12)
Diluted earnings per share	(8.79)	(8.12)

## Note 44. Changes in Liabilities Arising From Financing Activities

Consolidated Group	Borrowings \$	Total \$
Balance at 1 July 2016	16,501,595	16,501,595
Proceeds from loans	5,426,675	5,426,675
Repayment of loans	(6,528,850)	(6,528,850)
Balance at 30 June 2017	15,399,420	15,399,420
Proceeds from loans	2,300,000	2,300,000
Repayment of loans	(4,797,394)	(4,797,394)
Balance at 30 June 2018	12,902,026	12,902,026

# Directors' Declaration

30 June 2018

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 2018 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 41 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



**Glenn Fielding**  
Managing Director

26 September 2018  
Melbourne

# Independent Auditor's Report to the Members of PS&C Ltd

## MOORE STEPHENS

Moore Stephens Audit (Vic)

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### 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 2018, 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 2018 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.



# Independent Auditor's Report to the Members of PS&C Ltd continued

## MOORE STEPHENS

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### KEY AUDIT MATTER 1 – VALUE OF INTANGIBLE ASSETS Refer to Note 14 “Non-current assets - intangibles”

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As described in note 14 to the financial statements, the Group carries Goodwill totalling approximately \$100m at 30 June 2018. The goodwill recognised by the group arose as part of the acquisition of the groups subsidiaries.

The Group's Goodwill balance is recognised in three Cash Generating Units (CGU's): “Design + Process” (\$51m), “Delivery + Cloud” (\$15M) and “Defend + Secure” (\$34m).

We considered this a key audit matter due to the size of this balance as it makes up 79.9% of total assets of the Group and because the directors' assessment of the 'value in use' of the Group's CGUs involves complex judgements about the future results of the CGUs and the discount rates applied to the future cash flows which are both 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 also challenged whether:
  1. Management's key assumptions for long – term growth rates in the forecasts were appropriate by comparing them to historical results;
  2. The discount rate used in the model was appropriate 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 independently developed expectations regarding the impairment testing results based on our understanding of the CGUs and the Group's historic achievement of budgeted results. We evaluated the Group's impairment testing results against those expectations.
- We assessed the adequacy of the Group's disclosure of key assumptions used and sensitivities to changes in assumptions as required by Australian Accounting Standards.

**KEY AUDIT MATTER 2 – CONTINGENT AND DEFERRED CONSIDERATION LIABILITIES**

Refer to Notes 19 and 20 & Notes 25 and 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 in previous financial years.

We focused on this area due to the size of the liability balances (\$16.6m as at 30 June 2018) 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.
- 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 “Going Concern”

The Group has a net current asset deficiency of \$15,113,992 as at 30 June 2018 which is primarily due to \$12,902,026 of borrowings becoming current due to a breach of loan covenant and \$10,316,262 of current deferred 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 2018 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 challenged and tested the assumptions used by management in its cash flow forecast, including the ability of the Group to settle its current deferred consideration liabilities by way of shares in PS&C Ltd, rather than by cash.
- Obtained evidence that a waiver of breach of financial covenant has been received and assessed the likelihood of the Group meeting financials covenants over the next 12 months.
- Ensured adequate disclosure of the net current asset deficiency had been made in the financial report.

# Independent Auditor's Report to the Members of PS&C Ltd continued

## 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 2018, 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.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

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 11 to 14 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of PS&C Limited, for the year ended 30 June 2018 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 AUDIT (VIC)**  
ABN 16 847 721 257



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

Melbourne, Victoria

26 September 2018

# Shareholder Information

30 June 2018

The shareholder information set out below was applicable as at 31 August 2018.

## Distribution of Equitable Securities

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

	Number of Holders	Number of Shares
1 to 1,000	230	146,836
1,001 to 5,000	396	1,154,173
5,001 to 10,000	227	1,867,576
10,001 to 100,000	427	15,422,283
100,001 and over	164	185,654,550
	<b>1,444</b>	<b>204,245,418</b>
<b>Holding less than a marketable parcel</b>	<b>46</b>	<b>1,967</b>

## Equity Security Holders

### Twenty Largest Quoted Equity Security Holders

The names of the 20 largest security holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number Held	% of Total Shares Issued
IITCA PTY LTD, THE HOGELAND FAMILY A/C	10,294,118	4.71
FIP INVESTMENTS PTY LTD	10,150,000	4.64
MCADAM FAMILY HOLDINGS PTY LIMITED	8,271,328	3.78
MR BLAIR CAMERON GOWANS	8,223,941	3.76
INFINITE NOMINEES GROUP PTY LTD	7,058,824	3.23
PJW CONSULTING GROUP PTY LTD, THE WIGHTON FAMILY A/C	6,176,470	2.83
MASAL PTY LTD	6,004,070	2.75
MRS LAURA CATHERINE GOWANS	6,004,069	2.75
HGQ INVESTMENTS PTY LTD	5,558,821	2.54
MR COREY PETER YEATMAN	4,483,967	2.05
MR MARK EDWIN TOWNSEND, KAOS HOLDING A/C	4,483,966	2.05
MRS LAURA CATHERINE GOWANS	4,348,091	1.99
IQ RENTAL & FINANCE PTY LTD, WATTS FAMILY A/C	4,300,000	1.97
MR EDWARD WATTS & MRS SARAH WATTS, THE WATTS SUPER FUND A/C	4,300,000	1.97
RJJB CROCIANI PTY LTD, RJJB CROCIANI FAMILY A/C	4,056,179	1.86
MRS GOOLESTAN DINSHAW KATRAK	4,000,000	1.83
HATDON PTY LTD, HATDON SUPER FUND A/C	3,656,040	1.67
MRS LAURA GOWANS	3,652,247	1.67
M & N SMITH & ASSOCIATES PTY LTD, M & N SMITH INVESTMENT A/C	2,962,144	1.36
MR DRAZEN DRAZIC, DRAZIC FAMILY A/C	2,896,062	1.33
	<b>110,880,337</b>	<b>50.74</b>

## Unquoted equity securities

There are no unquoted equity securities.

## Substantial Holders

There are no substantial holders in the Company.

## 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	13/10/2018	1,585,468
Ordinary	24/11/2018	9,614,785
Ordinary	14/12/2018	11,783,157
Ordinary	06/06/2019	3,500,000
Ordinary	14/06/2019	14,888,752
Ordinary	24/11/2019	2,504,068
Ordinary	16/12/2019	11,783,158
Ordinary	15/06/2020	11,783,167
		<b>67,442,555</b>



PS+C