PEOPLE SECURITY & COMMUNICATION

PS&C LTD

ABN 50 164 718 361

Annual Report 2015

Corporate Directory

Directors
Terry Benfold
Non-Executive Chairman

Cass O'Connor
Non-Executive Director

Kevin McLaine
Managing Director

Company secretary
Julian Graham

Registered office
Level 8, 50 Queen Street
Melbourne Victoria 3000

Principal place of business
Level 8, 50 Queen Street
Melbourne Victoria 3000

Share register
Boardroom Pty Limited
ABN 14 003 209 836
Level 8, 446 Collins Street
Melbourne VIC 3000
Phone: 1300 737 760

Auditor
Nexia Australia
Level 18, 530 Collins Street
Melbourne VIC 3000

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

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

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

Website
www.pscgroup.com.au

Contents

PS&C

PEOPLE

- Consulting
- Contractor Management
- Permanent Recruitment

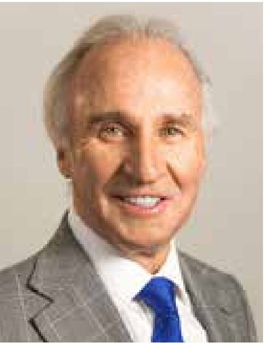
SECURITY

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

COMMUNICATION

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

Message from the Chairman



Dear Fellow Shareholders

It is with pleasure that I present PS&C Ltd's Annual Report for 2015.

The business has had a great year, significantly growing revenue and profits compared to the normalised 2014 results. The growth was assisted by the performance of Pure Hacking Pty Ltd which was acquired in August 2014. However, there was significant and pleasing organic revenue growth across each segment of the business.

Each of our operating entities has exciting growth opportunities and we intend to maximise those opportunities as best we can.

The company remains well positioned in the key areas of People, Security and Communication, with significant organic and acquisitive growth opportunities.

The company is in a strong financial position with $5.1 million in cash and $14.6 million of unused debt facilities that are in place to fund the company's growth.

The Board's objective is to pay 50% of profits in dividend, and have paid 6 cents per share for the 2015 financial year.

I would like to thank my non-executive director colleague Cass O'Connor for her support and also our management team for their efforts during the year.

Finally, to our shareholders, thank you for your support of PS&C Ltd.

Yours Sincerely

Terry Benfold
Chairman

Message from the Managing Director

Dear Shareholders

I am pleased to present to you the 2015 PS&C Ltd Annual Report.

HIGHLIGHTS

The company has had a great year, achieving growth on the normalised 2014 results as follows:

- Revenue up 33%
- Organic revenue up 23%
- EBIT before deferred consideration income and acquisition costs up 30%

REVIEW OF OPERATIONS

Additional information on the operation of each segment is as follows:

PEOPLE business derives income from:

- Consulting – sourcing specialist contractors to customers for medium and long-term projects. Traditionally, these contractors have been SAP professionals
- Contractor Management – managing the payroll function of contractors for customers
- Permanent Recruitment – sourcing and providing permanent employees to customers and receiving a once-off fee for service. Traditionally, these employees have been SAP professionals

PERFORMANCE

- During the year, the People business has invested via additional costs related to capacity which has led to a record number of billable days and consequently, revenue is 26% above the normalised FY14 revenue.
- EBIT is up 3% on FY14 (normalised).
- The full benefit of the extra expenditure is expected to grow profits in 2016 and beyond.

SECURITY business derives income from:

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

PERFORMANCE

- The acquisition of Pure Hacking has been a major success with EBIT exceeding the upper end of guidance.
- Hacklabs also performed well growing EBIT by 36%.
- Revenue is up 123% and EBIT up 131% on FY14 (normalised) across the security segment.
- Securus Global increased revenue despite a tough year earnings-wise due to capacity issues. It is anticipated that the business will return substantially increased profitability in 2016.
- With the division returning such a strong result, the Security segment is now PS&C's largest profit centre.
- The opportunity to grow in the cyber security sector organically and via acquisition remains a key strategic focus for the Group.

COMMUNICATION business derives income from:

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

PERFORMANCE

- Allcom Networks has been an excellent performer with revenue up 33% on FY14 (normalised) and EBIT up 57% on FY14 (normalised).
- The improved result has been driven by increased activity among their client base and consistently winning its share.
- Networks' pipeline remains strong, and we expect another robust year ahead.
- Allcom Consulting has been disappointing with EBIT well below FY14 (normalised).
- Despite Consulting's performance, the Communications segment delivered an EBIT 20% higher than FY14 (normalised).

CORPORATE costs are significantly higher than FY14 normalised. This extra cost comes from infrastructure put in place in regard to corporate accounting and finance, as well as human resources, to provide a support platform for growth across the Group.

FINANCIAL POSITION

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations with $5.1m of cash and $14.6m of unused debt facilities.

Message from the Managing Director

THE YEAR AHEAD

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

In terms of financial outlook, the company has a strong capital base and cash flows. We will look to leverage those strong points to continue to grow the businesses.

PS&C has a great team, a good spread of services that we are able to offer clients, we have a diverse range of clients across various industry verticals and we have good geographical presence. Whilst there is always the possibility of unforseen events, we firmly believe that strategies we have in place are the right strategies to enable the company to manage its risks in the future.

I would like to specifically thank our past Chairman, Adrian Wischer for his great work in seeing PS&C Ltd through its first year as a public company.

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

Thank you

Kevin McLaine
Managing Director

Our Board
Chairman And Directors

TERRY BENFOLD
Non-Executive Chairman

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

CASS O'CONNOR
Non-Executive Director

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

KEVIN MCLAINE
Managing Director

Kevin has over 20 years' experience in the Australian public market, having held senior roles at both Shomega Limited and CSG Limited. Kevin spent a number of years with GE Capital in Thailand as Managing Director of its commercial lending business. He has also been the general manager of a manufacturing facility. Kevin holds a Bachelor of Business and is a Fellow of CPA Australia and a member of the AICD.

Our Team
PS&C Ltd's Executive Management Team

JULIAN GRAHAM
Chief Financial Officer and Company Secretary

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

LEANNE O'CONNOR
People

Leanne has over 20 years' experience in the ICT and human resources industry. She established Systems and People in 1995 and is responsible for setting the strategic direction of Systems and People and managing the growth of the business.

ROB MCADAM
Security

Rob is the founder and CEO of Pure Hacking and has over 20 years' experience working in the security industry. Beginning his career in the NSW police force, nine years later he led IBM's ethical hacking team. Pure Hacking specialises in security consulting, penetration testing, managed security services and governance, risk and compliance.

CHRIS WILLIAMS
Security

Chris has had a long career in IT management with more than 10 years in IT Security. Chris has been instrumental in establishing a number of security practices including Dimension Data, Telecom NZ and Gen-I Australia. Previous management roles include: National Programs Director, Northern Region Manager, National Sales and Marketing Manager. Chris also ran his own successful business for 10 years.

DRAZEN DRAZIC
Security

Drazen formerly held roles at Credit Suisse First Boston as Vice President in charge of cyber security for Asia Pacific and was a Director at Pricewaterhouse Coopers where he advised clients on cyber security. Drazen established Securus in 2003.

CHRIS GATFORD
Security

Chris has been managing professional services businesses for in excess of 20 years in Australia and internationally. Chris is hands on and manages Hacklabs operations on a day to day basis.

MIKE SMITH & ANDREW LEIGH
Communication

Mike and Andrew are 30 year veterans of the Australian ICT services industry and founded Allcom 17 years ago. Mike and Andrew are responsible for the day to day operations of Allcom.

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 2015 and Auditors' Report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

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

NON EXECUTIVE DIRECTORS

Mr Terry Benfold (Chairman)

- Appointed director 30 October 2014, appointed Chairman 27 November 2014

Mr Adrian Wischer (Chairman)

- Appointed 9 July 2013 resigned 27 November 2014

Ms Cass O'Connor

- Appointed 11 October 2013

EXECUTIVE DIRECTOR

Mr Kevin McLaine

- Appointed 9 July 2013

GROUP SECRETARY

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

Mr Julian Graham

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 after income tax attributable to the members of PS&C Ltd was $7,116,772. This represents profit for the period between 1 July 2014 to 30 June 2015 for the parent and operating entities.

REVIEW OF OPERATIONS

Please refer to the Managing Director's Message.

FINANCIAL POSITION

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations with $5.1m of cash and $14.6m of unused debt facilities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the Group purchased the business outlined in Note 37.

EVENTS AFTER THE REPORTING PERIOD

Other than that disclosed in Note 40, there are no significant events after the reporting period.

LIKELY DEVELOPMENTS

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

- **PEOPLE** – add to core General IT competency via acquisition and organic growth.
- **SECURITY** – expand its offerings, particularly Cloud Security Service offerings, broadening operations into new geographical regions, increase marketing activity as well as cross-selling to existing customers and expanding new client base.
- **COMMUNICATION** – upgrade infrastructure, focus on higher margin offerings such as professional services and managed services, geographical diversification, increase advertising and marketing activities, as well as product development and foster strategic partnerships.

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

ENVIRONMENTAL REGULATION

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

DIVIDENDS PAID, RECOMMENDED AND DECLARED

	2015	2014
After the end of the financial year, the Directors declared a fully franked dividend of 3 cents per share to be paid on 15 October 2015.	$1,670,252	$1,517,216

The dividend is not provided for in the financial report.

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 Committee		Remuneration & Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Terry Benfold	9	9	1	1	–	–
Adrian Wischer [(i)]	5	5	1	1	1	1
Cass O’Connor	13	13	2	2	1	1
Kevin McLaine	13	13	–	–	–	–

(i) Adrian Wischer resigned 27 November 2014.

DIRECTORS’ INTERESTS IN SHARES OR OPTIONS

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

DIRECTORS’ RELEVANT INTERESTS IN:	ORDINARY SHARES OF PS&C LTD	OPTIONS OVER SHARES
Kevin McLaine	2,217,818	NIL
Cass O’Connor	NIL	100,000
Adrian Wischer	1,330,910	NIL
Terry Benfold	100,000	NIL

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

DIRECTORS’ INTERESTS IN CONTRACTS

Directors’ interests in contracts are disclosed in Note 35 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 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, Nexia Australia, 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.

	2015 $	2014 $
Amounts paid and payable to Nexia for non-audit services		
Investigating Accountants Report	–	85,000
Taxation Services	47,660	12,500
Other	20,697	–
Total	**68,357**	**97,500**

REMUNERATION REPORT – AUDITED

The directors present the consolidated entity's 2015 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.

In the future, the board will set 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).

At the end of the financial year, the board will assess the actual performance of the Group, the relevant business unit and the individual against the KPIs as set at the beginning of the financial year. As a result, a percentage of the predetermined maximum amount is awarded to the individual.

In respect to the current year, no predetermined KPI was established, and as such, no bonuses paid.

The board has developed an Employee and Director Option Plan. The Option Plan is aimed at incentivising employees to aid the Group in retaining skilled staff. Option grants are issued at a 15% premium to the share price at the time of issue and they vest over a period of three years. In addition, options have been granted to directors, key management personnel and other management, vesting over 3 years and exercise prices of $1.10 and $1.20. Refer to the following tables.

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

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

Name	Position
Julian Graham	Chief Financial Officer

DETAILS OF REMUNERATION

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

DIRECTORS' REMUNERATION

	SHORT-TERM	POST EMPLOYMENT	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED	OPTIONS AS % OF TOTAL
	Salary/Fees $	Superannuation $	Options $	$	%	%
2014						
Adrian Wischer (i)	80,000	7,400	–	87,400	–	–
Terry Benfold (ii)	–	–	–	–	–	–
Kevin McLaine	120,000	–	–	120,000	–	–
Cass O'Connor	40,000	3,700	–	43,700	–	–
	240,000	**11,100**	**–**	**251,100**	**–**	**–**
2015						
Adrian Wischer (i)	31,964	3,036	–	35,000	–	–
Terry Benfold (ii)	61,302	5,824	–	67,126	–	–
Kevin McLaine	160,000	–	–	160,000	–	–
Cass O'Connor	48,037	4,563	2,126	54,726	–	3.88%
	301,303	**13,423**	**2,126**	**316,852**	**–**	**0.67%**

(i) Employed for part of the relevant year. Mr Adrian Wischer resigned from position as Chairman on 27 November 2014.

(ii) Employed for part of the relevant year. Mr Terry Benfold commenced on 30 October 2014.

EXECUTIVES' REMUNERATION

	SHORT-TERM	POST EMPLOYMENT	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED	OPTIONS AS % OF TOTAL
	Salary/Fees $	Superannuation $	Options $	$	%	%
2014						
Julian Graham	93,440	8,643	–	102,083	–	–
	93,440	**8,643**	**–**	**102,083**	**–**	**–**
2015						
Julian Graham	203,052	19,290	11,987	234,329	–	5.12%
	203,052	**19,290**	**11,987**	**234,329**	**–**	**5.12%**

OPTIONS

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

					TERMS AND CONDITIONS FOR EACH GRANT			
	Vested Number	Granted Number	Grant Date	Value per option at grant date	Exercise Price $	Expiry Date	First Exercise Date	Last Exercise Date
Non-Executive Directors								
Cass O'Connor	–	100,000	1/12/14	0.0213	1.20	30/9/18	1/12/15	30/9/18
Executives								
Julian Graham	–	400,000	1/11/14	0.0300	1.10	30/9/18	1/11/15	30/9/18
		500,000						

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

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

	Balance 01/07/14 $	Value Granted $	Value Exercised $	Value Lapsed $	Balance 30/06/15 $
Non-Executive Directors					
Cass O'Connor	–	2,126	–	–	2,126
	–	**2,126**	**–**	**–**	**2,126**
Executives					
Julian Graham	–	11,987	–	–	11,987
	–	**11,987**	**–**	**–**	**11,987**

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

	Balance 01/07/15	Granted as remuneration	Options exercised	Options Lapsed	Balance 30/06/15	Total vested 30/06/15	Total Exercisable 30/06/15	Total Un-exercisable 30/06/15
Non-Executive Directors								
Cass O'Connor	–	100,000	–	–	100,000	–	–	100,000
	–	**100,000**	**–**	**–**	**100,000**	**–**	**–**	**100,000**
Executives								
Julian Graham	–	400,000	–	–	400,000	–	–	400,000
	–	**400,000**	**–**	**–**	**400,000**	**–**	**–**	**400,000**

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:

KEVIN MCLAINE, CHIEF EXECUTIVE OFFICER

- Permanent employment contract commencing 9 July 2013.
- As of 30 October 2014, the base fee is $180,000 including Superannuation.
- Termination by provision of 6 months' notice by the executive and 9 months by PS&C.

JULIAN GRAHAM, CHIEF FINANCIAL OFFICER

- Permanent employment contract commencing 1 December 2013.
- As of 30 October 2014, the base fee is $245,813 including Superannuation.
- Termination by provision of 6 months' notice by the executive and 9 months by PS&C.

End of Remuneration Report.

Signed in accordance with a resolution of the directors.

Kevin McLaine
Managing Director

Melbourne
Date: 20 August 2015

Corporate Governance Statement

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

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

PS&C will now publish its Corporate Governance Statement on its website rather than in its Annual Report. This statement may be viewed or downloaded at www.pscgroup.com.au/web/dyn_in/module_documentLibrary/PSC_Ltd_-_Corporate_Governance_Statement.pdf

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

Auditor's Independence Declaration

nexia
australia

the next solution

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 2015, 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.

Nexia

NEXIA MELBOURNE
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

20 August 2015

Nexia Melbourne
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info@nexiamelbourne.com.au, www.nexia.com.au

Financial Statements

Contents

General information

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

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

Level 8, 50 Queen Street, Melbourne VIC 3000

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 August 2015. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss & other comprehensive income
For the year ended 30 June 2015

		Consolidated Group	
	Note	2015 $	2014 $
Revenue	5	84,466,937	35,870,213
Other income	6	2,233,342	51,897
Expenses			
Third party materials and labour		(15,066,979)	(6,254,856)
Acquisition expenses		(600,593)	–
Employee benefits expense		(57,056,733)	(24,295,771)
Depreciation and amortisation expense		(189,894)	(111,363)
Other expenses		(3,431,453)	(609,249)
Finance costs		(1,044,996)	(14,568)
Profit before income tax expense		**9,309,631**	**4,636,303**
Income tax expense	7	(2,192,859)	(1,393,898)
Profit after income tax expense for the year attributable to the members of PS&C Ltd	28	**7,116,772**	**3,242,405**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the members of PS&C Ltd		**7,116,772**	**3,242,405**

		Cents	Cents
Basic earnings per share	42	13.09	10.33
Diluted earnings per share	42	13.09	10.33

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 2015

	Note	Consolidated Group 2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents	8	5,132,772	5,552,129
Trade and other receivables	9	12,456,940	7,646,568
Inventories	10	12,333	15,600
Other	11	2,116,840	1,932,041
Total current assets		**19,718,885**	**15,146,338**
Non-current assets			
Receivables	12	325,508	–
Property, plant and equipment	13	468,711	475,572
Intangibles	14	70,150,771	48,343,251
Deferred tax	15	1,176,346	1,090,775
Total non-current assets		**72,121,336**	**49,909,598**
Total assets		**91,840,221**	**65,055,936**
LIABILITIES			
Current liabilities			
Trade and other payables	16	7,231,744	4,224,687
Income tax	17	141,866	445,015
Employee benefits	18	993,465	543,183
Provisions	19	14,181,074	678,182
Other	20	4,305,965	3,580,598
Total current liabilities		**26,854,114**	**9,471,665**
Non-current liabilities			
Payables	21	317,584	–
Borrowings	22	4,163,526	–
Deferred tax	23	349	–
Employee benefits	24	97,761	141,416
Provisions	25	5,540,005	9,203,961
Total non-current liabilities		**10,119,225**	**9,345,377**
Total liabilities		**36,973,339**	**18,817,042**
Net assets		**54,866,882**	**46,238,894**
EQUITY			
Issued capital	26	47,663,827	42,996,489
Reserves	27	31,346	–
Retained profits	28	7,171,709	3,242,405
Total equity		**54,866,882**	**46,238,894**

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 2015

PEOPLE SECURITY & COMMUNICATION PS&C LTD

Consolidated Group	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2013	–	–	–	–
Profit after income tax expense for the year	–	–	3,242,405	3,242,405
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	3,242,405	3,242,405
Transactions with members in their capacity as members:				
Contributions of equity, net of transaction costs (note 26)	22,867,166	–	–	22,867,166
Share-based payments	20,129,323	–	–	20,129,323
Balance at 30 June 2014	**42,996,489**	**–**	**3,242,405**	**46,238,894**
Balance at 1 July 2014	42,996,489	–	3,242,405	46,238,894
Profit after income tax expense for the year	–	–	7,116,772	7,116,772
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	7,116,772	7,116,772
Transactions with members in their capacity as members:				
Share-based payments	4,667,338	–	–	4,667,338
Employee share options reserve	–	31,346	–	31,346
Dividends paid (note 29)	–	–	(3,187,468)	(3,187,468)
Balance at 30 June 2015	**47,663,827**	**31,346**	**7,171,709**	**54,866,882**

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 2015

	Note	Consolidated Group 2015 $	2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		87,597,009	38,473,244
Payments to suppliers and employees (inclusive of GST)		(80,052,644)	(34,679,953)
		7,544,365	3,793,291
Interest received		59,347	51,897
Interest and other finance costs paid		(261,940)	(18,348)
Income taxes paid		(2,999,411)	(629,661)
Net cash from operating activities	41	4,342,361	3,197,179
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	37	(4,907,637)	(19,414,790)
Payments for prior period's business acquisition	37	(633,462)	–
Payments for property, plant and equipment	13	(173,771)	(100,133)
Payments for development of intangibles	14	(208,200)	–
Payments for security deposits		–	(98,027)
Proceeds from disposal of property, plant and equipment		5,046	597
Proceeds from release of security deposits		180,248	–
Net cash used in investing activities		(5,737,776)	(19,612,353)
Cash flows from financing activities			
Proceeds from issue of shares	26	–	25,100,000
Proceeds from borrowings		4,163,526	–
Share issue transaction costs		–	(3,132,697)
Dividends paid	29	(3,187,468)	–
Net cash from financing activities		976,058	21,967,303
Net increase/(decrease) in cash and cash equivalents		(419,357)	5,552,129
Cash and cash equivalents at the beginning of the financial year		5,552,129	–
Cash and cash equivalents at the end of the financial year	8	5,132,772	5,552,129

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending 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.

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 36.

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 2015 and the results of all subsidiaries for the year then ended. PS&C Ltd and its subsidiaries together are referred to in these financial statements as the 'group'.

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

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

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

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

Operating segments

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

Revenue recognition

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

Sale of goods

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

Rendering of services

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

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

Interest

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

Other revenue

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

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

Inventories

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

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

Goodwill

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the group is able to use or sell the asset; the group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years.

Patents and trademarks

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Finance costs

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

Provisions

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

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

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

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

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

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

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

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

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

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

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

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Business combinations

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

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

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

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2015. The group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 debtors 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.

Deferred consideration

The deferred 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 deferred 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. Restatement of comparatives

Reclassification

Final accounting for the business purchases that occurred during the financial year ended 30 June 2014 have been finalised resulting in increased deferred consideration and goodwill of $4,687,078.

Statement of profit or loss and other comprehensive income

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2014. However, as there were no adjustments made, the group has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2013. However, as there were no adjustments made as at 1 July 2013, the group has elected not to show the 1 July 2013 statement of financial position.

Note 4. Operating segments

Identification of reportable operating segments

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

Types of products and services

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

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

Intersegment transactions

There were no material transactions between operating segments.

Intersegment receivables, payables and loans

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

Operating segment information

	People $	Security $	Communic-ations $	Parent $	Intersegment eliminations/ unallocated $	Total $
CONSOLIDATED GROUP – 2015						
Revenue						
Sales to external customers	51,729,992	12,017,312	21,298,578	–	(578,945)	84,466,937
Total revenue	**51,729,992**	**12,017,312**	**21,298,578**	**–**	**(578,945)**	**84,466,937**
EBITDA	3,587,958	5,101,371	2,273,224	(477,379)	–	10,485,174
Depreciation and amortisation	(38,945)	(33,494)	(88,405)	(29,050)	–	(189,894)
Interest revenue	23,755	20,179	3,837	11,576	–	59,347
Finance costs	(4,204)	(6,302)	(5,365)	(1,029,125)	–	(1,044,996)
Profit/(loss) before income tax expense and management fee	**3,568,564**	**5,081,754**	**2,183,291**	**(1,523,978)**	**–**	**9,309,631**
Management fee	(1,830,720)	(425,292)	(753,755)	3,009,767		–
Profit/(loss) before income tax expense	**3,568,564**	**5,081,754**	**2,183,291**	**(1,523,978)**	**–**	**9,309,631**
Income tax expense						(2,192,859)
Profit after income tax expense						**7,116,772**
Assets						
Segment assets	7,345,429	6,795,604	6,614,495	75,899,900	(4,815,207)	91,840,221
Total assets						**91,840,221**
Liabilities						
Segment liabilities	4,778,262	2,180,930	6,020,148	24,573,348	(579,349)	36,973,339
Total liabilities						**36,973,339**
CONSOLIDATED GROUP – 2014						
Revenue						
Sales to external customers	23,036,348	3,400,986	9,432,879	–	–	35,870,213
Total revenue	**23,036,348**	**3,400,986**	**9,432,879**	**–**	**–**	**35,870,213**
EBITDA	2,465,628	1,692,853	1,201,285	(649,429)	–	4,710,337
Depreciation and amortisation	(30,056)	(28,280)	(50,986)	(2,041)	–	(111,363)
Interest revenue	25,684	23,420	2,793	–	–	51,897
Finance costs	–	(12,441)	(2,127)	–	–	(14,568)
Profit/(loss) before income tax expense	**2,461,256**	**1,675,552**	**1,150,965**	**(651,470)**	**–**	**4,636,303**
Income tax expense						(1,393,898)
Profit after income tax expense						**3,242,405**
Assets						
Segment assets	8,575,646	3,508,975	4,687,738	55,055,256	(6,771,679)	65,055,936
Total assets						**65,055,936**
Liabilities						
Segment liabilities	4,262,538	940,595	3,044,754	12,886,318	(2,317,163)	18,817,042
Total liabilities						**18,817,042**

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 5. Revenue

	Consolidated Group	
	2015 $	2014 $
Sale of services	69,027,061	30,582,787
Sale of goods	15,439,876	5,287,426
Revenue	**84,466,937**	**35,870,213**

Note 6. Other income

	Consolidated Group	
	2015 $	2014 $
Interest income	59,347	51,897
Deferred consideration adjustments	2,173,995	–
Other income	**2,233,342**	**51,897**

Note 7. Income tax expense

	Consolidated Group	
	2015 $	2014 $
Income tax expense		
Current tax	2,360,249	1,074,676
Deferred tax – origination and reversal of temporary differences	(60,608)	319,222
Adjustment recognised for prior periods	(106,782)	–
Aggregate income tax expense	2,192,859	1,393,898
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	(60,957)	319,222
Increase in deferred tax liabilities (note 23)	349	–
Deferred tax – origination and reversal of temporary differences	(60,608)	319,222
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	9,309,631	4,636,303
Tax at the statutory tax rate of 30%	2,792,889	1,390,891
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable deferred consideration adjustments	(652,199)	–
Non-deductible expenses	242,231	3,007
Tax offset for R&D claim	(83,280)	–
	2,299,641	1,393,898
Adjustment recognised for prior periods	(106,782)	–
Income tax expense	**2,192,859**	**1,393,898**
Amounts credited directly to equity		
Deferred tax assets (note 15)	–	(915,331)

Note 8. Current assets – cash and cash equivalents

	Consolidated Group	
	2015 $	**2014 $**
Cash on hand	3,252	1,332
Cash at bank	5,129,520	5,550,797
	5,132,772	**5,552,129**

Note 9. Current assets – trade and other receivables

	Consolidated Group	
	2015 $	**2014 $**
Trade receivables	11,796,391	7,513,881
Less: Provision for impairment of receivables	(68,178)	(62,071)
	11,728,213	7,451,810
Other receivables	696,772	96,447
GST receivable	31,955	98,311
	12,456,940	**7,646,568**

Impairment of receivables

The group has recognised a loss of $68,178 in profit or loss in respect of impairment of receivables for the year ended 30 June 2015 ($62,071 in 2014).

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

	Consolidated Group	
	2015 $	**2014 $**
0 to 3 months overdue	–	1,153
3 to 6 months overdue	68,178	10,243
Over 6 months overdue	–	50,675
	68,178	**62,071**

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

	Consolidated Group	
	2015 $	**2014 $**
Opening balance	62,071	–
Additional provisions recognised	68,178	62,071
Receivables written off during the year as uncollectable	(62,071)	–
Closing balance	**68,178**	**62,071**

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $1,354,219 as at 30 June 2015 ($1,729,335 as at 30 June 2014).

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	
	2015 $	2014 $
0 to 3 months overdue	1,202,723	1,503,231
3 to 6 months overdue	92,639	169,107
Over 6 months overdue	58,857	56,997
	1,354,219	**1,729,335**

Note 10. Current assets – inventories

	Consolidated Group	
	2015 $	2014 $
Stock on hand – at cost	12,333	15,600

Note 11. Current assets – other

	Consolidated Group	
	2015 $	2014 $
Accrued revenue	1,758,962	1,521,927
Prepayments	214,148	142,763
Security deposits	143,730	267,351
	2,116,840	**1,932,041**

Note 12. Non-current assets – receivables

	Consolidated Group	
	2015 $	2014 $
Other receivables	325,508	–

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

	Consolidated Group	
	2015 $	2014 $
Leasehold improvements – at cost	38,611	26,412
Less: Accumulated depreciation	(7,919)	(6,254)
	30,692	**20,158**
Fixtures and fittings – at cost	134,453	135,064
Less: Accumulated depreciation	(35,836)	(13,825)
	98,617	**121,239**
Computer equipment – at cost	238,049	139,527
Less: Accumulated depreciation	(122,206)	(43,654)
	115,843	**95,873**
Office equipment – at cost	313,788	287,384
Less: Accumulated depreciation	(90,229)	(49,082)
	223,559	**238,302**
	468,711	**475,572**

Reconciliations

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

Consolidated Group	Leasehold Improvements $	Fixtures & Fittings $	Computer Equipment $	Office Equipment $	Total $
Balance at 1 July 2013	–	–	–	–	–
Additions	6,622	2,658	10,834	80,019	100,133
Additions through business combinations (note 37)	19,790	133,003	126,889	207,717	487,399
Disposals	–	(597)	–	–	(597)
Depreciation expense	(6,254)	(13,825)	(41,850)	(49,434)	(111,363)
Balance at 30 June 2014	20,158	121,239	95,873	238,302	475,572
Additions	12,199	–	99,155	62,417	173,771
Additions through business combinations (note 37)	–	–	–	14,308	14,308
Disposals	–	(414)	–	(4,632)	(5,046)
Depreciation expense	(1,665)	(22,208)	(79,185)	(86,836)	(189,894)
Balance at 30 June 2015	**30,692**	**98,617**	**115,843**	**223,559**	**468,711**

Note 14. Non-current assets – intangibles

	Consolidated Group	
	2015 $	2014 $
Goodwill – at cost	69,940,606	48,341,286
Development – at cost	208,200	–
Patents and trademarks – at cost	1,965	1,965
	70,150,771	**48,343,251**

Reconciliations

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

Consolidated Group	Goodwill $	Patents and Trademarks $	Development $	Total $
Balance at 1 July 2013	–	–	–	–
Additions through business combinations (note 37)	48,341,286	1,965	–	48,343,251
Balance at 30 June 2014	48,341,286	1,965	–	48,343,251
Additions	314,619	–	208,200	522,819
Additions through business combinations (note 37)	21,284,701	–	–	21,284,701
Balance at 30 June 2015	**69,940,606**	**1,965**	**208,200**	**70,150,771**

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	
	2015 $	2014 $
People	19,907,877	19,664,207
Security	34,355,853	13,000,203
Communications	15,676,876	15,676,876
Total	**69,940,606**	**48,341,286**

PS&C undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 30 June 2015 to support the carrying value of goodwill. The recoverable amount was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the business. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using projected cashflows approved by the board covering year 1. The present value of future cash flows for years 2 to 5 have been calculated using a terminal growth rate of 3% (2014: 3%) and a discount rate of 14.90% (2014:13.38%) has been used to determine value in use.
In addition, average EBITDA growth rates used for years 2 to 5 were:

People: 3%

Security: 4%

Communications: 6%

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

	Consolidated Group	
	2015 $	2014 $
People	17,373,383	23,073,275
Security	20,078,356	10,005,058
Communications	10,762,184	9,482,511
Total	**48,213,923**	**42,560,844**

Management believes that there are no reasonably possible changes to the key assumptions on which the recoverable amount of goodwill is based that would cause any CGU's carrying value to exceed its recoverable amount.

Note 15. Non-current assets – deferred tax

	Consolidated Group	
	2015 $	2014 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	20,453	–
Employee benefits	429,092	258,281
Expenses deductible over five years	186,883	–
	636,428	258,281
Amounts recognised in equity:		
Transaction costs on share issue	539,918	832,494
Deferred tax asset	**1,176,346**	**1,090,775**
Movements:		
Opening balance	1,090,775	–
Credited/(charged) to profit or loss (note 7)	60,957	(319,222)
Credited to equity (note 7)	–	915,331
Additions through business combinations (note 37)	24,614	494,666
Closing balance	**1,176,346**	**1,090,775**

Note 16. Current liabilities – trade and other payables

	Consolidated Group	
	2015 $	2014 $
Trade payables	3,744,903	2,063,816
GST payable	941,351	1,031,626
Other payables	2,545,490	1,129,245
	7,231,744	**4,224,687**

Refer to note 30 for further information on financial instruments.

Note 17. Current liabilities – income tax

	Consolidated Group	
	2015 $	2014 $
Provision for income tax	141,866	445,015

Note 18. Current liabilities – employee benefits

	Consolidated Group	
	2015 $	2014 $
Annual leave	602,600	325,384
Long service leave	390,865	217,799
	993,465	**543,183**

Note 19. Current liabilities – provisions

	Consolidated Group	
	2015 $	2014 $
Deferred consideration	14,181,074	678,182

Deferred consideration

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

The final accounting for the business purchases that occurred during the financial year ended 30 June 2014 resulted in the current liability for deferred consideration in 2014 reducing from $1,005,000 to $678,182 (reduction of $326,818). Refer to Note 3 for further information.

Movements in provisions

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

Consolidated Group – 2015	**Deferred Consideration $**
Carrying amount at the start of the year	678,182
Additions through business combinations (note 37)	10,275,659
Amounts transferred from non-current	3,481,420
Payments	(1,007,925)
Interest expense	753,738
Carrying amount at the end of the year	**14,181,074**

Note 20. Current liabilities – other

	Consolidated Group	
	2015 $	2014 $
Accrued expenses	3,848,173	2,944,261
Revenue received in advance	457,792	636,337
	4,305,965	**3,580,598**

Note 21. Non-current liabilities – payables

	Consolidated Group	
	2015 $	2014 $
Other payables	317,584	–

Refer to note 30 for further information on financial instruments.

Note 22. Non-current liabilities – borrowings

	Consolidated Group	
	2015 $	2014 $
Bank loans	4,163,526	–

Refer to note 30 for further information on financial instruments.

Total secured liabilities

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

	Consolidated Group	
	2015 $	2014 $
Bank loans	4,163,526	–

Financing arrangements

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

	Consolidated Group	
	2015 $	2014 $
Total facilities		
Bank loans	17,000,000	2,000,000
Credit Card Facility	375,000	174,000
Foreign Currency Dealing Facility	600,000	600,000
Indemnity/Guarantee Facilities	500,000	667,126
Electronic Payaway Facility	500,000	–
	18,975,000	**3,441,126**
Used at the reporting date		
Bank loans	4,163,526	–
Credit Card Facility	38,904	12,678
Foreign Currency Dealing Facility	–	–
Indemnity/Guarantee Facilities	158,675	167,126
Electronic Payaway Facility	–	–
	4,361,105	**179,804**
Unused at the reporting date		
Bank loans	12,836,474	2,000,000
Credit Card Facility	336,096	161,322
Foreign Currency Dealing Facility	600,000	600,000
Indemnity/Guarantee Facilities	341,325	500,000
Electronic Payaway Facility	500,000	–
	14,613,895	**3,261,322**

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

Note 23. Non-current liabilities – deferred tax

	Consolidated Group	
	2015 **$**	**2014** **$**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Unrealised foreign currency gains/losses	349	–
Deferred tax liability	**349**	**–**
Movements:		
Credited to profit or loss (note 7)	349	–

Note 24. Non-current liabilities – employee benefits

	Consolidated Group	
	2015 **$**	**2014** **$**
Long service leave	97,761	141,416

Note 25. Non-current liabilities – provisions

	Consolidated Group	
	2015 **$**	**2014** **$**
Deferred consideration	5,540,005	9,203,961

Deferred consideration

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

The final accounting for the business purchases that occurred during the financial year ended 30 June 2014 resulted in the non-current liability for deferred consideration in 2014 increasing from $4,190,065 to $9,203,961 (increase of $5,013,896). Refer to Note 3 for further information.

Movements in provisions

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

Consolidated Group – 2015	**Deferred Consideration $**
Carrying amount at the start of the year	9,203,961
Additions through business combinations (note 37)	1,991,459
Amounts transferred to current	(3,481,420)
Unused amounts reversed	(2,173,995)
Carrying amount at the end of the year	**5,540,005**

Note 26. Equity – issued capital

	Consolidated Group			
	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares – fully paid	55,675,076	50,573,869	47,663,827	42,996,489

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
2014				
Balance	1 July 2013	–		–
Shares issued to directors	1 December 2013	5,444,546	$0.02	100,000
Shares issued to vendors	1 December 2013	20,129,323	$1.00	20,129,323
Shares issued pursuant to the capital raising	1 December 2013	25,000,000	$1.00	25,000,000
Costs associated with the capital raising	1 December 2013	–	$0.00	(3,132,697)
Deferred tax asset associated with the capital raising	1 December 2013	–	$0.00	899,863
Balance	**30 June 2014**	**50,573,869**		**42,996,489**
2015				
Issue of shares to vendors	1 October 2014	5,101,207	$0.91	4,667,338
Balance	**30 June 2015**	**55,675,076**		**47,663,827**

Note 27. Equity – reserves

	Consolidated Group	
	2015 $	2014 $
Employee share options reserve	31,346	–

Employee share options reserve

This reserve is used to recognise options granted to directors and employees under the PS&C Directors and Employee Benefits Plan.

Movements in reserves

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

Consolidated Group	Employee share option reserve $	Total $
Balance at 1 July 2013	–	–
Balance at 30 June 2014	–	–
Options granted	31,346	31,346
Balance at 30 June 2015	**31,346**	**31,346**

Note 28. Equity – retained profits

	Consolidated Group	
	2015 $	2014 $
Retained profits at the beginning of the financial year	3,242,405	–
Profit after income tax expense for the year	7,116,772	3,242,405
Dividends paid (note 29)	(3,187,468)	–
Retained profits at the end of the financial year	**7,171,709**	**3,242,405**

Note 29. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated Group	
	2015 $	2014 $
Fully franked final dividend of 3 cents per share paid 15 October 2014 (in respect of the year ended 30 June 2014)	1,517,216	–
Fully franked interim dividend of 3 cents per share paid 15 April 2015 (in respect of the year ended 30 June 2015)	1,670,252	–
	3,187,468	**–**

Franking credits

	Consolidated Group	
	2015 $	2014 $
Franking credits available at the reporting date based on a tax rate of 30%	4,495,890	3,802,711
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	(23,014)	445,015
Franking credits available for subsequent financial years based on a tax rate of 30%	4,472,876	4,247,726
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(715,822)	(650,235)
Net franking credits available based on a tax rate of 30%	**3,757,054**	**3,597,491**

Note 30. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

Price risk

The group is not exposed to any significant price risk.

Interest rate risk

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

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

	2015		2014	
Consolidated Group	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank	1.25%	5,129,520	1.66%	5,550,797
Bank loans	3.54%	(4,163,526)	–%	–
Net exposure to cash flow interest rate risk		**965,994**		**5,550,797**

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

Credit risk

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

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

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

Liquidity risk

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

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated Group	
	2015 $	**2014 $**
Bank loans	12,836,474	2,000,000
Credit Card Facility	336,096	161,322
Foreign Currency Dealing Facility	600,000	600,000
Indemnity/Guarantee Facilities	341,325	500,000
Electronic Payaway Facility	500,000	–
	14,613,895	**3,261,322**

Subject to meeting bank covenants, the bank facilities can be drawn at any time. This current facility was established in June 2015 and matures in November 2017.

Maturity Analysis

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

	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Consolidated Group – 2015						
Non-derivatives						
Non-interest bearing						
Trade payables	–%	3,744,903	–	–	–	3,744,903
GST payables (net)	–%	909,396	–	–	–	909,396
Other payables	–%	2,545,490	317,584	–	–	2,863,074
Accrued expenses	–%	3,848,173	–	–	–	3,848,173
Interest-bearing – variable						
Bank loans	3.54%	–	4,163,526	–	–	4,163,526
Total non-derivatives		**11,047,962**	**4,481,110**	**–**	**–**	**15,529,072**
Consolidated Group – 2014						
Non-derivatives						
Non-interest bearing						
Trade payables	–%	2,063,816	–	–	–	2,063,816
GST payables (net)	–%	933,315	–	–	–	933,315
Other payables	–%	1,129,245	–	–	–	1,129,245
Accrued expenses	–%	2,944,261	–	–	–	2,944,261
Total non-derivatives		**7,070,637**	**–**	**–**	**–**	**7,070,637**

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

Fair value of financial instruments

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

Note 31. Key management personnel disclosures

Compensation

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

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Australia, the auditor of the company:

	Consolidated Group	
	2015 $	2014 $
Audit services – Nexia Australia		
Audit or review of the financial statements	115,000	115,000
Other services – Nexia Australia		
Taxation services	47,660	12,500
Other	20,697	–
Investigating Accountants Report	–	85,000
	68,357	97,500
	183,357	**212,500**

Note 33. Contingent liabilities

The group has given bank guarantees as at 30 June 2015 of $158,675 (2014: $167,126) in satisfaction of building lease guarantees.

Note 34. Commitments

	Consolidated Group	
	2015 $	2014 $
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	545,919	575,741
One to five years	1,132,431	445,145
	1,678,350	**1,020,886**

Operating lease commitments includes contracted amounts for various offices under non-cancellable operating leases expiring within 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 35. Related party transactions

Parent entity

PS&C Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 38.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Group	
	2015 $	2014 $
Payment for goods and services:		
Success fee paid to Moonah Capital Partners Pty Ltd which is owned by Brad Allan, a former director of PS&C Ltd.	–	850,000
Share of success fee paid to Moonah Capital Partners Pty Ltd that was payable to Kevin McLaine	–	375,000

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	
	2015 $	2014 $
Current receivables:		
Trade receivables from commonly controlled entity	309,764	–
Current payables:		
Trade payables to commonly controlled entity	309,764	–

Loans to/from related parties

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

	Consolidated Group	
	2015 $	2014 $
Current receivables:		
Loans to commonly controlled entities	579,349	2,317,163
Current borrowings:		
Loans from commonly controlled entities	579,349	2,317,163

Terms and conditions

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

Note 36. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2015 $	2014 $
Profit after income tax	1,460,319	33,426
Total comprehensive income	**1,460,319**	**33,426**

Statement of financial position

	Parent	
	2015 $	2014 $
Total current assets	911,542	1,265,326
Total assets	75,872,691	55,055,257
Total current liabilities	14,839,798	2,811,106
Total liabilities	24,546,137	12,025,648
Equity		
Issued capital	47,663,522	42,996,183
Employee share options reserve	31,346	–
Retained profits	3,631,685	33,426
Total equity	**51,326,553**	**43,029,609**

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

Please see note 39 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 37. Under the terms of the agreements, the parent entity may have to pay more than what has been provided for in deferred consideration in note 37 if the entities' operating performance is better than forecast for the purposes of calculating deferred consideration. Other than that, the parent entity had no contingent liabilities as at 30 June 2015.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2015.

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 37. Business combinations

(a) Pure Hacking Pty Ltd

On 1 August 2014 PS&C Ltd acquired 100% of the ordinary shares of Pure Hacking Pty Ltd. This is an IT Security business and operates in the Security division of the consolidated entity. Details of the purchase consideration, the net assets acquired and goodwill are set out below. The goodwill of $21,284,701 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 $5,948,701 and profit after tax of $2,397,305 to the consolidated entity for the period from 1 August 2014 to 30 June 2015. If the acquisition occurred on 1 July 2014, the full year contribution would have been profit after tax of $2,397,305. Under the terms of the agreement, the parent entity may have to pay more (or less) than what has been provided for in deferred consideration if the entity's operating performance is better (or worse) than forecast for the purposes of calculating deferred consideration. The Directors are still assessing any potential impacts to the total consideration transferred whilst within the measurement period.

The deferred consideration amounts payable may be satisfied by way of an issue of share at the Company's discretion.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	175,617
Trade receivables	756,683
Security Deposits	56,627
Plant and equipment	14,308
Deferred tax asset	24,614
Trade payables	(47,607)
Provision for income tax	(389,555)
Employee benefits	(112,816)
Other liabilities	(626,080)
Net liabilities acquired	(148,209)
Goodwill	21,284,701
Acquisition-date fair value of the total consideration transferred	**21,136,492**
Representing:	
Cash paid or payable to vendor	4,705,998
PS&C Ltd shares issued to vendor	4,163,376
Deferred consideration – current	10,275,659
Deferred consideration – non-current	1,991,459
	21,136,492
Acquisition costs expensed to profit or loss (in relation to Pure Hacking acquisition only)	**377,256**

	Consolidated Group	
	2015 $	**2014 $**
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	21,136,492	–
Less: cash and cash equivalents	(175,617)	–
Less: shares issued by company as part of consideration	(4,163,376)	–
Less: deferred consideration	(12,267,118)	–
Net cash used	**4,530,381**	**–**

(b) Prior Period

The following acquisitions were made on 1 December 2013 and reported in the previous corresponding period:

- Allcom Networks Pty Ltd
- Allcom Consulting Services Pty Ltd
- Systems and People Pty Ltd
- Securus Global Consulting Pty Ltd
- Hacklabs Pty Ltd

Final accounting for these business purchases have been finalised resulting in increased deferred consideration and goodwill of $4,687,078 as at 30 June 2014.

In addition, a cash payment of $633,462 was made to the vendor of Hacklabs Pty Ltd during the period and $503,962 worth of PS&C Ltd shares were issued in satisfaction of a post-completion payment, as per the terms of the agreement.

Note 38. 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:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2015 %**	**2014 %**
Allcom Networks Pty Ltd	Australia	100.00%	100.00%
Allcom Consulting Services Pty Ltd	Australia	100.00%	100.00%
Systems and People Pty Ltd	Australia	100.00%	100.00%
Securus Global Consulting Pty Ltd	Australia	100.00%	100.00%
Hacklabs Pty Ltd	Australia	100.00%	100.00%
Pure Hacking Pty Ltd	Australia	100.00%	–%

Note 39. 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
- Allcom Consulting Services Pty Ltd
- Systems and People Pty Ltd
- Securus Global Consulting Pty Ltd
- Hacklabs Pty Ltd
- Pure Hacking 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, 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 40. Events after the reporting period

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 41. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated Group	
	2015 $	**2014 $**
Profit after income tax expense for the year	7,116,772	3,242,405
Adjustments for:		
Depreciation and amortisation	189,894	111,363
Share-based payments	31,346	–
Revenue – non-cash	(142,020)	–
Other revenue – non-cash	(2,173,995)	–
Other expenses – non-cash	398,049	–
Finance costs – non-cash	783,056	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(4,379,197)	(755,062)
Decrease in inventories	3,267	129,314
Increase in deferred tax assets	(60,957)	(596,109)
Increase in accrued revenue	(237,035)	(1,521,927)
Increase in prepayments	(71,385)	(142,763)
Decrease in other operating assets	–	755,933
Increase/(decrease) in trade and other payables	3,030,781	(1,022,055)
Increase/(decrease) in provision for income tax	(745,944)	1,360,346
Increase in deferred tax liabilities	349	–
Increase/(decrease) in employee benefits	293,811	(70,192)
Increase in other operating liabilities	305,569	1,705,927
Net cash from operating activities	**4,342,361**	**3,197,179**

Note 42. Earnings per share

	Consolidated Group	
	2015 $	**2014 $**
Profit after income tax attributable to the members of PS&C Ltd	7,116,772	3,242,405

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	54,375,316	31,398,755
Weighted average number of ordinary shares used in calculating diluted earnings per share	54,375,316	31,398,755

	Cents	**Cents**
Basic earnings per share	13.09	10.33
Diluted earnings per share	13.09	10.33

Directors' declaration
30 June 2015

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 2015 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 39 to the financial statements.

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

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

On behalf of the directors

Kevin McLaine
Managing Director

20 August 2015
Melbourne

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

Report on the Financial Report

We have audited the accompanying financial report of PS&C Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

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

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Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 4 to 6 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Auditor's Opinion

In our opinion the remuneration report of PS&C Limited for the year ended 30 June 2015 complies with s 300A of the *Corporations Act 2001*.

Nexia

NEXIA MELBOURNE
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne

20 August 2015

Shareholder information

The shareholder information set out below was applicable as at 8th September 2015.

Distribution of equitable securities

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

	Number of holders	Number of shares
1 – 1,000	60	41,549
1,001 – 5,000	339	1,105,552
5,001 – 10,000	299	2,478,574
10,001 – 100,000	496	14,246,345
100,001 and over	55	37,803,056
Totals	**1,249**	**55,675,076**
Holdings less than a marketable parcel	20	5,736

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
Holder Name	**Number held**	**% of total shares issued**
PH1 PTY LTD <PURE HACKING UNIT A/C>	4,368,381	7.846
MS LEANNE MAREE O'CONNOR	4,242,369	7.620
SYNERGY CONTRACTING PTY LTD	4,242,369	7.620
MR DRAZEN DRAZIC <DRAZIC FAMILY A/C>	2,896,062	5.202
MR ANDREW JOSEPH LEIGH	2,241,742	4.026
MICHAEL JOHN SMITH	2,241,741	4.026
BRAD ALLAN PTY LTD <BRAD ALLAN SUPER FUND A/C>	2,177,818	3.912
HATDON PTY LTD <HATDON SUPER FUND A/C>	2,156,040	3.873
MR CHRISTOPHER GATFORD	2,132,723	3.831
WIFAM INVESTMENTS PTY LTD <WISCHER FAMILY S/F A/C>	1,315,910	2.364
JEREMY AND LYNETTE KING SUPERANNUATION PTY LTD	750,000	1.347
EQUITAS NOMINEES PTY LIMITED <3021524 A/C>	716,063	1.286
MRS JESSIE BLACKBURN	450,000	0.808
MR PETER FERNIE	388,733	0.698
KINGSTRUST PTY LTD	350,000	0.629
ALAN BLACKBURN & ASSOCIATES PTY LTD <AGB SUPERANNUATION ACCOUNT>	317,884	0.571
MR BERISLAV OLIC & MRS ANDELKA OLIC <OLIC FAMILY A/C>	316,688	0.569
M & N SMITH & ASSOCIATES PTY LTD	316,688	0.569
A A LEIGH & ASSOCIATES PTY LTD <AA LEIGH FAMILY A/C>	316,687	0.569
ATV EVENT HORIZON PTY LTD <EVENT HORIZON A/C>	305,687	0.549
	32,243,585	**57.914**

Shareholder information

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Leanne O'Connor	8,484,738	15.22%
Robert McAdam	4,368,381	7.83%
Drazen Drazic	3,284,798	5.89%

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

	Expiry date	Number of shares
Ordinary	1/8/2015	2,184,191
Ordinary	2/12/2015	12,786,935
Ordinary	1/8/2016	2,184,190

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