



FUSE ADVISORY

A different kind of law firm

...

P +61 (0)3 5221 8414

F +61 (0)3 5221 0877

184 Moorabool Street,

Geelong VIC 3220

...

fuseadvisory.com

11 October 2018

Mr Daniel Nicholson
ASX Compliance - Perth
Level 40 Central Park 152-158 St George's Terrace
PERTH WA 6000
(daniel.nicholson@asx.com.au)

Matter No:
18EFILE.FID00796
BY EMAIL

Copy to tradinghaltsperth@asx.com.au

Dear Daniel

**Response to ASX query
PLC Financial Solutions Limited (ASX: PLC)**

We refer to your letter dated 5 October 2018.

We act for PLC Financial Solutions Limited (the **Company**).

On behalf of the Company, we respond to your questions as follows:

1 Is the Company able to confirm that in the Directors' opinion, the Financial Report:

- (a) complies with the relevant Accounting Standards; and**
- (b) gives a true and fair view of the financial performance and financial position of the Company?**

Yes.

2 ASX understands the Company incurred \$540,000 in expenses relating to various corporate advisory, promotional, marketing and other professional services.

- (a) Why was the Company unable to provide the auditor sufficient and appropriate audit evidence in relation to these expenses totalling \$540,000?**

The Company did provide the auditor with evidence in relation to the expenses in question. This evidence was reviewed by the auditor prior to the preparation and release of the Company's Appendix 4E – Preliminary Financial Report on 3 September 2018.

Unfortunately, timing prohibited the Company from being able to provide such further supporting evidence as requested by the technical partners in time before the Financial Report was signed off.

The Company has since collated all the requested further supporting evidence to support the expenditure in question.

- (b) What steps does the Company propose to take to ensure in future periods it is able to provide its auditors with sufficient and**

appropriate audit evidence to substantiate corporate, advisory, promotional, marketing and other professional services expenses?

The Company will implement procedures to ensure that a written agreement and/or purchase order is in place with the relevant supplier where the dollar value of the goods and/or services to be provided is in excess of \$10,000.

The Company will also ensure that the receipt of invoices is centralised with the independent accounting firm.

(c) To whom were payments made in relation to the \$540,000 of expenses incurred by the Company.

A list of the suppliers to whom the payments were made in relation to the various corporate advisory, promotional, marketing and other professional services is enclosed as Annexure A. We respectfully request the details of the suppliers be kept confidential.

3 The Company recorded \$201,000 of asset additions relating to leasehold improvements during the year ended 30 June 2018 pursuant to the disclosures contained in the Financial Report.

(a) What were the leasehold asset additions?

The leasehold additions relate to office refurbishments undertaken at the Company's head office. These refurbishments were undertaken as part of the Company's plans to grow and develop its money lending business in Australia and to create an office environment conducive to this need.

(b) Why was the Company unable to provide the auditor sufficient and appropriate evidence in relation to these asset additions totalling \$201,000?

The Company did provide the auditor with evidence in relation to the leasehold asset additions.

Unfortunately, timing prohibited the Company from being able to provide such further supporting evidence as requested by the technical partners in time before the Financial Report was signed off.

(c) What steps does the Company propose to take to ensure in future periods it is able to provide its auditors with sufficient and appropriate evidence to substantiate asset acquisitions?

The Company will implement procedures to ensure that a written agreement and/or purchase order is in place with the relevant supplier where the dollar value of the assets to be provided is in excess of \$10,000.

The Company will also ensure that the receipt of invoices is centralised with the independent accounting firm.

(d) To whom were payments made in relation to the \$201,000 of leasehold additions acquire by the Company?

A list of the suppliers to whom the payments were made in relation to the leasehold additions is enclosed as Annexure A. We respectfully request the details of the suppliers be kept confidential.

- 4 Commenting specifically on the \$0 nil cash paid for property, plant and equipment during the year ended 30 June 2018 as disclosed in the Company's Appendix 4C Disclosure, on what basis did the Company acquire the leasehold asset with a value of \$201,000 as set out in the Financial Report?**

The office refurbishments commenced during the last quarter of the 2017/18 financial year but the payment of such progress invoices did not occur until July and August 2018. Accordingly, expenditure was accrued (not expensed) and will be reflected in the cashflows of the first quarter 2018/19 Appendix 4C to be released on or before 31 October 2018.

The office refurbishments are expected to be completed before end of 2018.

- 5 In relation to the Financial Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of the Company's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?**

Yes.

- 6 If the answer to Question 5 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of the Company's Corporate Governance Disclosure?**

Not applicable.

- 7 What enquiries did the Board make of management to satisfy itself that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company?**

The Company has engaged an independent accounting firm that is responsible for:

- (a) the maintenance of the Company's accounting systems and records, which includes processing and payment of an invoices following approval in accordance with delegated authorities.
- (b) preparation of management accounts, quarterly Appendix 4Cs, and half and full year financial statements.

The Company continually reviews the systems and internal controls it has in place to ensure they are operating effectively and will adjust these systems as required.

- 8 Commenting specifically on the Disclaimer, does the Board consider the Company has a sound system of risk management and internal control which is operating effectively?**

Yes. See the answer to 7 above.

9 Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.

The Company is of the view that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.

As noted in the Directors' Report within the Financial Report, the Company is actively seeking to grow its existing money lending business. The Company anticipates that it will be in a position to provide a further market update prior to 30 October 2018.

10 If the answer to questions 9 is 'no', please explain what steps the Company has taken, or proposed to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.

Not applicable.

11 Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.

The Company confirms:

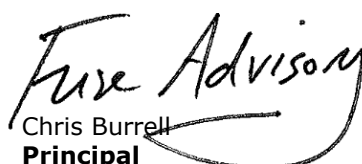
- (a) it is in compliance with the listing rules and, in particular, listing rules 3.1 and 12.2; and
- (b) there is no information that should be given to ASX about its financial condition in accordance with listing rule 3.1 that has not already been released to the market.

12 Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an office of the Company with delegated authority from the Board to respond to ASX on disclosure matters.

The Company confirms that the responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority to respond to ASX on disclosure matters.

Please feel free to contact the writer if you have any further queries.

Yours faithfully


Chris Burrell
Principal

+61 (0)417 832 153
chris@fuseadvisory.com

Encl.



5 October 2018

Ms Eryn Kestel
Company Secretary
PLC Financial Solutions Limited
By email: eryn@kestelcorp8.com.au

Dear Ms Kestel

PLC Financial Solutions Limited (the "Company") – Financial Condition Query

ASX Limited ("ASX") refer to the following:

1. The Company's 2018 Annual Financial Report lodged with the ASX on 28 September 2018 ("Financial Report") which included an Independent Audit Report from Moore Stephens on pages 53 to 54 ("Auditor's Report").
2. The Disclaimer of Opinion in the Auditor's Report (page 53) which reads as follows ("Disclaimer"):

"We were engaged to audit the financial statements of PLC Financial Solutions Limited (the Company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

During the year ended 30 June 2018, the Group incurred \$201,000 in office leasehold refurbishment costs (which forms part of the \$318,800 in total "Property, Plant & Equipment" shown in the Statement of Financial Position) and \$0.54 million in expenses (forming part of the \$1.629 million in Administrative expenses reported in the "Statement of Profit or Loss and Other Comprehensive Income") related to various corporate advisory, promotional, marketing and other professional services.

We were unable to obtain sufficient appropriate evidence regarding these costs which are reflected in the Group's financial report. Consequently, we were unable to determine whether any adjustments were necessary in respect of the accompanying consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity for the year then ended.

As a consequence of the standalone materiality of these items above and the possible impact upon other balances within the financial statements, we considered the potential impact to be material and pervasive to the overall financial statements.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report."

-
3. The Company's 2018 Corporate Governance Disclosure lodged with the ASX on 28 September 2018 ("Corporate Governance Disclosure") which, on page 6, provides confirmation that the Company complies with the Corporate Governance Principles and Recommendation (3rd Edition) 4.2 which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

4. The Company's Appendix 4C – Quarterly Cash Flow Report for the period ended 30 June 2018 lodged 31 July 2018, which disclosed that the Company paid \$0 (nil) cash to acquire property, plant and equipment during the period 1 July 2017 to 30 June 2018 ("Appendix 4C Disclosure").
5. ASX Listing Rules 12.1, 12.2 and 19.11A:

Financial condition

- | | |
|---------------------|--|
| Listing Rule 12.1 | <i>The level of any entity's operations must, in ASX's opinion, be sufficient to warrant the continued operation of the entity's securities and its continued listing.</i> |
| Listing Rule 12.2 | <i>An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.</i> |
| Listing Rule 19.11A | <i>If a listing rule requires an entity to give ASX accounts, the following rules apply</i>
<i>...</i>
<i>(b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.</i> |

Questions for response

In light of the Auditor's Report, the Disclaimer, the information contained in the Financial Report, Corporate Governance Disclosure, the Appendix 4C Disclosure and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion, the Financial Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of the financial performance and financial position of the Company?
2. ASX understands that the Company incurred \$540,000 in expenses relating to various corporate advisory, promotional, marketing and other professional services.
 - (a) Why was the Company unable to provide the auditor sufficient and appropriate audit evidence in relation to these expenses totalling \$540,000?
 - (b) What steps does the Company propose to take to ensure in future periods it is able to provide its auditor with sufficient and appropriate audit evidence to substantiate corporate, advisory, promotional, marketing and other professional services expenses?
 - (c) To whom were payments made in relation to the \$540,000 of expenses incurred by the Company?
3. The Company recorded \$201,000 of asset additions relating to leasehold improvements during the year ended 30 June 2018 pursuant to the disclosures contained in its Financial Report.
 - (a) What were the leasehold asset additions?
 - (b) Why was the Company unable to provide the auditor sufficient and appropriate evidence in relation to these asset additions totalling \$201,000?
 - (c) What steps does the Company propose to take to ensure in future periods it is able to provide its auditor with sufficient and appropriate evidence to substantiate asset acquisitions?
 - (d) To whom were payments made in relation to the \$201,000 of leasehold additions acquired by the Company?
4. Commenting specifically on the \$0 nil cash paid for property, plant and equipment during the year ended 30 June 2018 as disclosed in the Company's Appendix 4C Disclosure, on what basis did the Company acquire the leasehold asset with a value of \$201,000 as set out in the Financial Report?
5. In relation to the Financial Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of the Company's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?

-
6. If the answer to Question 5 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of the Company's Corporate Governance Disclosure?
 7. What enquiries did the Board make of management to satisfy itself that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company?
 8. Commenting specifically on the Disclaimer, does the Board consider the Company has a sound system of risk management and internal control which is operating effectively?
 9. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please explain the basis for this conclusion.
 10. If the answer to questions 9 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
 11. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1 and 12.2.
 12. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Please note ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by 7:00am WST, Friday 12 October 2018.

Any response should be sent to tradinghaltspert@asx.com.au. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please let me know.

Yours faithfully

Daniel Nicholson
Adviser, Listings Compliance (Perth)