

PEOPLE SECURITY & COMMUNICATION



ABN 50 164 718 361

Annual Report 2016

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 10, 410 Collins Street
Melbourne Victoria 3000

Principal place of business

Level 10, 410 Collins 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

Moore Stephens

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

Message from the Chairman and Managing Director	2
Our Board	3
Directors' Report	4
Corporate Governance Statement	9
Auditor's Independence Declaration	10
Financial Statements	11
Statement of profit or loss & other comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16
Directors' declaration	47
Independent auditor's report	48
Shareholder information	50



PEOPLE

- Contracting
- Contractor Management
- Permanent Recruitment

SECURITY

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

COMMUNICATION

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

Message from Chairman and Managing Director



Dear Shareholders

We are pleased to present to you the 2016 PS&C Ltd (PSZ) annual report.

While the normalised earnings were down on the previous year the business made some important steps towards consolidating its future. The acquisition of Bexton IT Services Pty Ltd in October 2015, and Certitude Pty Ltd in January 2016, are important strategic steps for the group.

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

The company remains well positioned in all operating areas, with significant organic and acquisitive growth opportunities.

COMMENTARY ON THE BUSINESSES

PEOPLE business derives revenue from the following streams:

- Consulting – sourcing specialist contractors to customers for medium- and long-term projects. These contractors are typically SAP and project augmentation specialists.
- 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.

Performance

- The People business has performed well largely due to the acquisition of Bexton IT Services Pty Ltd during the year.
- The segment has increased earnings on 2015 on the back of revenue increase of 10%.

SECURITY business derives income from:

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

Performance

- The Security segment was down on 2015 due to not enough work being completed in the latter stages of the year to make up for first half shortfalls.
- The acquisition of Certitude is an important strategic step for the Company.
- Revenue increased slightly on 2015 however, profits were lower due to the increased sales being related to product sales.

- The business is able to be fully integrated now that the earn outs have been completed for the original businesses and this will aid efficiency in the future. The business will operate under common leadership for 2017.
- 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

- The Communication segment was significantly down on 2015 as customer demand was more subdued in the last two months of the financial year.
- In addition, the timing of customer deliveries is outside of the business' control and this impacts end of year results.

CORPORATE costs are in line with 2015.

THE YEAR AHEAD

We will continue our existing 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.

PS&C has a great team, a wide 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 2015-16 was not our best year thus far, we firmly believe that the strategies we have in place are aimed at growing the company in the long-term and will enable us to manage risks in the future.

Finally, we 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

Terry Benfold
Chairman

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 & Risk Management 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 & Risk Management 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.

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 2016 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

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 \$6,972,937. This represents profit for the period between 1 July 2015 to 30 June 2016 for the parent and operating entities.

REVIEW OF OPERATIONS

Refer to the message from the Chairman and Managing Director on page 2.

FINANCIAL POSITION

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations with \$3.5m of cash and \$4.9m of unused debt facilities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the Group purchased the businesses outlined in Note 39.

EVENTS AFTER THE REPORTING PERIOD

Other than that disclosed in Note 42, 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, broadening operations into new geographical regions, increase marketing activity as well as cross-selling to existing customers and expanding new client base.
- **COMMUNICATION** – focus on higher margin and longer term 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

	2016	2015
After the end of the financial year, the Directors declared there would be no final dividend (2015: 3 cents per share)	0	\$1,670,252

DIRECTORS' MEETINGS

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director were:

	Board of Directors		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Terry Benfold	10	10	2	2	3	3
Cass O'Connor	10	10	2	2	3	3
Kevin McLaine	10	10	–	–	–	–

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	200,000
Terry Benfold	100,000	100,000

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 37 of the financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 in relation to the audit for the financial year is provided in this report.

NON AUDIT SERVICES

Non-audit services are approved by resolution of the Audit & Risk Management Committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Moore Stephens, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2016 \$	2015 \$
Amounts paid and payable to Moore Stephens for non-audit services		
Taxation Services	73,000	47,660
Other	–	20,697
Total	73,000	68,357

Directors' Report

REMUNERATION REPORT – AUDITED

The directors present the consolidated entity's 2016 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).

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 between \$1.09 and \$1.20. Refer to the following tables as well as Note 29 to the accounts.

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	SHARE-BASED	TOTAL	TOTAL	OPTIONS AS
	SALARY/FEES	EMPLOYMENT	PAYMENTS		PERFORMANCE	% OF TOTAL
	\$	Superannuation	Options	\$	%	%
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	–	–
2016						
Terry Benfold	95,890	9,110	2,545	107,545	–	2.37%
Kevin McLaine	180,000	–	–	180,000	–	–
Cass O'Connor	52,055	4,945	2,545	59,545	–	4.27%
	327,945	14,055	5,090	347,090	–	–

(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	SHARE-BASED	TOTAL	TOTAL	OPTIONS AS
	SALARY/FEES	EMPLOYMENT	PAYMENTS		PERFORMANCE	% OF TOTAL
	\$	Superannuation	Options	\$	%	%
2015						
Julian Graham	203,052	19,290	11,987	234,329	–	5.12%
	203,052	19,290	11,987	234,329	–	–
2016						
Julian Graham	224,486	21,326	6,327	252,139	–	2.51%
	224,486	21,326	6,327	252,139	–	–

OPTIONS

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

	Vested Number	Granted Number	Grant Date	Value per option at grant date	TERMS AND CONDITIONS FOR EACH GRANT			
					Exercise Price \$	Expiry Date	First Exercise Date	Last Exercise Date
Non-Executive Directors								
Cass O'Connor	–	100,000	1/12/15	0.0334	1.17	30/11/19	30/11/16	30/11/18
Terry Benfold	–	100,000	1/12/15	0.0334	1.17	30/11/19	30/11/16	30/11/18
Executives								
Julian Graham	–	400,000	1/11/15	0.0335	1.09	31/10/19	31/10/16	31/10/18
		600,000						

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

Directors' Report

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

	Balance 01/07/15 \$	Value Granted \$	Value Exercised \$	Value Lapsed \$	Balance 30/06/16 \$
Non-Executive Directors					
Cass O'Connor	2,126	2,545	–	–	4,671
Terry Benfold	–	2,545			2,545
	2,126	5,090	–	–	7,216
Executives					
Julian Graham	11,987	6,327	–	–	18,314
	11,987	6,327	–	–	18,314

(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 30/06/16	Total vested 30/06/16	Total Exercisable 30/06/16	Total Un-exercisable 30/06/16
Non-Executive Directors								
Cass O'Connor	100,000	100,000	–	–	200,000	33,333	33,333	166,667
Terry Benfold	–	100,000			100,000	–	–	100,000
	100,000	200,000	–	–	300,000	33,333	33,333	266,667
Executives								
Julian Graham	400,000	400,000	–	–	800,000	133,333	133,333	666,667
	400,000	400,000	–	–	800,000	133,333	133,333	666,667

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 \$245,812 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: 18 August 2016

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 publishes its Corporate Governance Statement on its website rather than in its Annual Report. This statement may be viewed or downloaded at [http://pscgroup.com.au/documentLibrary/PSC_Ltd - Corporate_Governance_Statement.pdf](http://pscgroup.com.au/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 <http://pscgroup.com.au/corporateGovernance.html>

Auditor's Independence Declaration

MOORE STEPHENS

Moore Stephens Audit (Vic)

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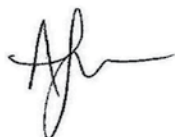
**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PS&C LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

18 August 2016

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Financial Statements

Contents

Statement of profit or loss and other comprehensive income	12
Statement of financial position	13
Statement of changes in equity.....	14
Statement of cash flows.....	15
Notes to the financial statements	16
Directors' declaration.....	47
Independent auditor's report to the members of PS&C Ltd.....	48

General information

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

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

Level 10, 410 Collins Street, Melbourne VIC 3000

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 August 2016. 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 2016

	Note	Consolidated Group	
		2016 \$	2015 \$
Revenue	4	85,333,617	84,466,937
Other income	5	5,604,042	2,233,342
Expenses			
Third party materials and labour		(17,806,772)	(15,066,979)
Acquisition expenses		(987,541)	(600,593)
Employee benefits expense		(58,286,170)	(57,056,733)
Depreciation and amortisation expense		(259,218)	(189,894)
Write off of assets		(271,804)	–
Other expenses		(3,662,739)	(3,431,453)
Finance costs		(1,351,702)	(1,044,996)
Profit before income tax expense		8,311,713	9,309,631
Income tax expense	6	(1,338,776)	(2,192,859)
Profit after income tax expense for the year attributable to the members of PS&C Ltd	30	6,972,937	7,116,772
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the members of PS&C Ltd		6,972,937	7,116,772
		Cents	Cents
Basic earnings per share	44	11.12	13.09
Diluted earnings per share	44	11.12	13.09

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 2016



		Consolidated Group	
	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	3,508,778	5,132,772
Trade and other receivables	8	16,245,280	12,456,940
Inventories	9	17,223	12,333
Income tax refund due	10	355,181	–
Other	11	1,325,139	2,116,840
Total current assets		21,451,601	19,718,885
Non-current assets			
Receivables	12	487,733	325,508
Property, plant and equipment	13	732,192	468,711
Intangibles	14	83,189,430	70,150,771
Deferred tax	15	1,227,769	1,176,346
Other	16	57,909	–
Total non-current assets		85,695,033	72,121,336
Total assets		107,146,634	91,840,221
LIABILITIES			
Current liabilities			
Trade and other payables	17	8,173,823	7,231,744
Borrowings	18	1,045,719	–
Income tax	19	–	141,866
Employee benefits	20	1,234,253	993,465
Provisions	21	1,880,316	14,181,074
Other	22	3,403,523	4,305,965
Total current liabilities		15,737,634	26,854,114
Non-current liabilities			
Payables	23	477,069	317,584
Borrowings	24	15,455,876	4,163,526
Deferred tax	25	632	349
Employee benefits	26	231,588	97,761
Provisions	27	7,162,511	5,540,005
Total non-current liabilities		23,327,676	10,119,225
Total liabilities		39,065,310	36,973,339
Net assets		68,081,324	54,866,882
EQUITY			
Issued capital	28	57,220,527	47,663,827
Reserves	29	38,080	31,346
Retained profits	30	10,822,717	7,171,709
Total equity		68,081,324	54,866,882

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 2016

Consolidated Group	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
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
<i>Transactions with members in their capacity as members:</i>				
Share-based payments (note 28)	4,667,338	–	–	4,667,338
Employee share options reserve (note 29)	–	31,346	–	31,346
Dividends paid (note 31)	–	–	(3,187,468)	(3,187,468)
Balance at 30 June 2015	47,663,827	31,346	7,171,709	54,866,882
Balance at 1 July 2015	47,663,827	31,346	7,171,709	54,866,882
Profit after income tax expense for the year	–	–	6,972,937	6,972,937
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	6,972,937	6,972,937
<i>Transactions with members in their capacity as members:</i>				
Share-based payments (note 28)	9,556,700	–	–	9,556,700
Employee share options reserve (note 29)	–	6,734	–	6,734
Dividends paid (note 31)	–	–	(3,321,929)	(3,321,929)
Balance at 30 June 2016	57,220,527	38,080	10,822,717	68,081,324

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 2016



	Note	Consolidated Group	
		2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		91,738,847	87,597,009
Payments to suppliers and employees (inclusive of GST)		(88,851,132)	(80,052,644)
		2,887,715	7,544,365
Interest received		26,878	59,347
Interest and other finance costs paid		(688,477)	(261,940)
Income taxes paid		(2,144,329)	(2,999,411)
Net cash from operating activities	43	81,787	4,342,361
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	39	(1,731,644)	(4,530,381)
Payments for prior period's business acquisition	39	(7,502,653)	(633,462)
Acquisition Costs		(987,541)	(377,256)
Payments for property, plant and equipment	13	(479,228)	(173,771)
Payments for development of intangibles	14	(92,970)	(208,200)
Proceeds from disposal of property, plant and equipment		–	5,046
Proceeds from release of security deposits	11	72,115	180,248
Net cash used in investing activities		(10,721,921)	(5,737,776)
Cash flows from financing activities			
Proceeds from borrowings	24	12,338,069	4,163,526
Dividends paid	31	(3,321,929)	(3,187,468)
Net cash from financing activities		9,016,140	976,058
Net decrease in cash and cash equivalents		(1,623,994)	(419,357)
Cash and cash equivalents at the beginning of the financial year		5,132,772	5,552,129
Cash and cash equivalents at the end of the financial year	7	3,508,778	5,132,772

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

Notes to the financial statements

30 June 2016

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 38.

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 2016 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 the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

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

Cash and cash equivalents

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

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (usually more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference

Notes to the financial statements

30 June 2016

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 wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

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

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

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying

either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

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

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

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

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

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

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

Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based

Notes to the financial statements

30 June 2016

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 2016. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate

performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and

Notes to the financial statements

30 June 2016

Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Goodwill and other indefinite life intangible assets

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Further information is detailed in Note 13.

Income tax

The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Contingent consideration

The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the contingent consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

The group is organised into 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 and Bexton IT Services Pty Ltd, is involved in sourcing and providing specialist contractors to customers for medium and long term ICT projects, while also managing the payroll function for customers
Security	The Security segment, comprising Pure Hacking Pty Ltd, Securus Global Consulting Pty Ltd, Hacklabs Pty Ltd and Certitude 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.

Notes to the financial statements

30 June 2016

Operating segment information

	People \$	Security \$	Communications \$	Other \$	Total \$
CONSOLIDATED GROUP – 2016					
Revenue					
Sales to external customers	56,825,112	12,514,657	15,993,848	–	85,333,617
Total revenue	56,825,112	12,514,657	15,993,848	–	85,333,617
EBITDA	4,347,124	3,056,730	319,204	2,172,697	9,895,755
Depreciation and amortisation	(43,034)	(86,983)	(99,869)	(29,332)	(259,218)
Interest revenue	1,263	2,184	-	23,431	26,878
Finance costs	–	(646)	(2,043)	(1,349,013)	(1,351,702)
Profit before income tax expense	4,305,353	2,971,285	217,292	817,783	8,311,713
Income tax expense					(1,338,776)
Profit after income tax expense					6,972,937
Assets					
Segment assets	8,502,519	3,130,198	7,910,872	87,603,045	107,146,634
Total assets					107,146,634
Liabilities					
Segment liabilities	3,960,608	2,028,111	6,837,644	26,238,947	39,065,310
Total liabilities					39,065,310
CONSOLIDATED GROUP – 2015					
Revenue					
Sales to external customers	51,729,992	12,017,312	20,719,633	–	84,466,937
Total revenue	51,729,992	12,017,312	20,719,633	–	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	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	6,748,605	6,351,731	71,394,456	91,840,221
Total assets					91,840,221
Liabilities					
Segment liabilities	6,494,219	(534,858)	6,483,962	24,530,016	36,973,339
Total liabilities					36,973,339

Revenue by geographical area

There are no material sales to external customers outside of Australia. There are no material holdings of non-current assets outside of Australia.

Note 4. Revenue

	Consolidated Group	
	2016 \$	2015 \$
Sale of services	71,915,036	69,027,061
Sale of goods	13,418,581	15,439,876
Revenue	85,333,617	84,466,937

Note 5. Other income

	Consolidated Group	
	2016 \$	2015 \$
Interest income	26,878	59,347
Contingent consideration adjustments	5,577,164	2,173,995
Other income	5,604,042	2,233,342

Note 6. Income tax expense

	Consolidated Group	
	2016 \$	2015 \$
Income tax expense		
Current tax	1,171,485	2,360,249
Deferred tax – origination and reversal of temporary differences	27,136	(60,608)
Adjustment recognised for prior periods	140,155	(106,782)
Aggregate income tax expense	1,338,776	2,192,859
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	26,853	(60,957)
Increase in deferred tax liabilities (note 25)	283	349
Deferred tax – origination and reversal of temporary differences	27,136	(60,608)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	8,311,713	9,309,631
Tax at the statutory tax rate of 30%	2,493,514	2,792,889
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable deferred consideration adjustments	(1,673,149)	(652,199)
Non-deductible expenses	378,256	242,231
Tax offset for R&D claim	–	(83,280)
	1,198,621	2,299,641
Adjustment recognised for prior periods	140,155	(106,782)
Income tax expense	1,338,776	2,192,859

Notes to the financial statements

30 June 2016

Note 7. Current assets – cash and cash equivalents

	Consolidated Group	
	2016 \$	2015 \$
Cash on hand	1,704	3,252
Cash at bank	3,507,074	5,129,520
	3,508,778	5,132,772

Note 8. Current assets – trade and other receivables

	Consolidated Group	
	2016 \$	2015 \$
Trade receivables	15,034,240	11,796,391
Less: Provision for impairment of receivables	(128,212)	(68,178)
	14,906,028	11,728,213
Other receivables	1,316,053	696,772
GST receivable	23,199	31,955
	16,245,280	12,456,940

Impairment of receivables

The group has recognised a loss of \$60,034 in profit or loss in respect of impairment of receivables for the year ended 30 June 2016 (\$68,178 in 2015).

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

	Consolidated Group	
	2016 \$	2015 \$
0 to 3 months overdue	60,034	–
3 to 6 months overdue	38,224	68,178
Over 6 months overdue	29,954	–
	128,212	68,178

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

	Consolidated Group	
	2016 \$	2015 \$
Opening balance	68,178	62,071
Additional provisions recognised	60,034	68,178
Receivables written off during the year as uncollectable	–	(62,071)
Closing balance	128,212	68,178

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,444,590 as at 30 June 2016 (\$1,354,219 as at 30 June 2015).

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	
	2016 \$	2015 \$
0 to 3 months overdue	1,392,011	1,202,723
3 to 6 months overdue	52,579	92,639
Over 6 months overdue	–	58,857
	1,444,590	1,354,219

Note 9. Current assets – inventories

	Consolidated Group	
	2016 \$	2015 \$
Stock on hand – at cost	17,223	12,333

Note 10. Current assets – income tax refund due

	Consolidated Group	
	2016 \$	2015 \$
Income tax refund due	355,181	–

Note 11. Current assets – other

	Consolidated Group	
	2016 \$	2015 \$
Accrued revenue	967,089	1,758,962
Prepayments	286,435	214,148
Security deposits	71,615	143,730
	1,325,139	2,116,840

Note 12. Non-current assets – receivables

	Consolidated Group	
	2016 \$	2015 \$
Other receivables	487,733	325,508

Notes to the financial statements

30 June 2016

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

	Consolidated Group	
	2016 \$	2015 \$
Leasehold improvements – at cost	49,701	38,611
Less: Accumulated depreciation	(18,403)	(7,919)
	31,658	30,692
Fixtures and fittings – at cost	158,977	134,453
Less: Accumulated depreciation	(55,744)	(35,836)
	103,233	98,617
Motor vehicles – at cost	45,828	–
Less: Accumulated depreciation	(38,800)	–
	7,028	–
Computer equipment – at cost	526,039	238,049
Less: Accumulated depreciation	(188,131)	(122,206)
	337,908	115,843
Office equipment – at cost	420,198	313,788
Less: Accumulated depreciation	(167,833)	(90,229)
	252,365	223,559
	732,192	468,711

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 Improve- ments \$	Fixtures & Fittings \$	Computer Equipment \$	Office Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 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 39)	–	–	–	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
Additions	11,090	31,457	308,512	128,169	–	479,228
Additions through business combinations (note 39)	–	264	–	4,038	7,837	12,139
Write off of assets	–	(3,985)	(3,279)	(1,130)	–	(8,394)
Transfers in/(out)	–	–	10,414	(10,414)	–	–
Depreciation expense	(10,124)	(23,120)	(93,582)	(91,857)	(809)	(219,492)
Balance at 30 June 2016	31,658	103,233	337,908	252,365	7,028	732,192

Note 14. Non-current assets – intangibles

	Consolidated Group	
	2016 \$	2015 \$
Goodwill – at cost	83,189,430	69,940,606
Development – at cost	–	208,200
Patents and trademarks – at cost	1,965	1,965
Less: Accumulated amortisation	(1,965)	–
	–	1,965
	83,189,430	70,150,771

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 30 June 2014	48,341,286	1,965	–	48,343,251
Additions	314,619	–	208,200	522,819
Additions through business combinations (note 39)	21,284,701	–	–	21,284,701
Balance at 30 June 2015	69,940,606	1,965	208,200	70,150,771
Additions	–	–	92,970	92,970
Additions through business combinations (note 39)	13,248,824	–	–	13,248,824
Write off of assets	–	–	(263,410)	(263,410)
Amortisation expense	–	(1,965)	(37,760)	(39,725)
Balance at 30 June 2016	83,189,430	–	–	83,189,430

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	
	2016 \$	2015 \$
People	31,467,651	19,907,877
Security	36,044,903	34,355,853
Communications	15,676,876	15,676,876
Total	83,189,430	69,940,606

Notes to the financial statements

30 June 2016

PS&C undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 30 June 2016 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% (2015: 3%) and a discount rate of 9.4% (2015:14.9%) has been used to determine value in use. In addition, average EBITDA growth rates used for years 2 to 5 were:

People:	6%
Security:	6%
Communications:	10%

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

	Consolidated Group	
	2016 \$	2015 \$
People	40,283,482	17,373,383
Security	55,085,804	20,078,356
Communications	8,460,625	10,762,184
Total	103,829,911	48,213,923

Significant estimate: Impact of possible change in key assumptions – Communications CGU

The value in use amount of the Communications CGU is estimated to be \$25,175,455 (2015: \$26,674,961). This exceeds the carrying amount of the CGU at 30 June 2016 by \$8,460,625 (2015: \$10,762,184). The recoverable amount of this CGU would equal its carrying amount if the pre-tax discount rate was increased from 9.4% to 12.7%.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Communications CGU to exceed its recoverable amount.

Note 15. Non-current assets – deferred tax

	Consolidated Group	
	2016 \$	2015 \$
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	38,464	20,453
Employee benefits	616,097	429,092
Expenses deductible over five years	60,504	186,883
Accrued expenses	152,759	–
	867,824	636,428
Amounts recognised in equity:		
Transaction costs on share issue	359,945	539,918
Deferred tax asset	1,227,769	1,176,346
Movements:		
Opening balance	1,176,346	1,090,775
Credited/(charged) to profit or loss (note 6)	(26,853)	60,957
Additions through business combinations (note 39)	78,276	24,614
Closing balance	1,227,769	1,176,346

Note 16. Non-current assets – other

	Consolidated Group	
	2016 \$	2015 \$
Prepayments	57,909	–

Note 17. Current liabilities – trade and other payables

	Consolidated Group	
	2016 \$	2015 \$
Trade payables	4,239,243	3,744,903
GST payable	966,494	941,351
Other payables	2,968,086	2,545,490
	8,173,823	7,231,744

Refer to note 32 for further information on financial instruments.

Note 18. Current liabilities – borrowings

	Consolidated Group	
	2016 \$	2015 \$
Bank loans	1,045,719	–

Refer to note 32 for further information on financial instruments.

Note 19. Current liabilities – income tax

	Consolidated Group	
	2016 \$	2015 \$
Provision for income tax	–	141,866

Note 20. Current liabilities – employee benefits

	Consolidated Group	
	2016 \$	2015 \$
Annual leave	759,940	602,600
Long service leave	474,313	390,865
	1,234,253	993,465

Notes to the financial statements

30 June 2016

Note 21. Current liabilities – provisions

	Consolidated Group	
	2016 \$	2015 \$
Contingent consideration	1,880,316	14,181,074

Contingent 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.

Movements in provisions

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

Consolidated Group – 2016	Contingent Consideration \$
Carrying amount at the start of the year	14,181,074
Additions through business combinations (note 39)	1,581,410
Payments	(14,181,074)
Interest expensed	298,906
Carrying amount at the end of the year	1,880,316

Note 22. Current liabilities – other

	Consolidated Group	
	2016 \$	2015 \$
Accrued expenses	2,409,050	3,848,173
Revenue received in advance	994,473	457,792
	3,403,523	4,305,965

Note 23. Non-current liabilities – payables

	Consolidated Group	
	2016 \$	2015 \$
Other payables	477,069	317,584

Refer to note 32 for further information on financial instruments.

Note 24. Non-current liabilities – borrowings

	Consolidated Group	
	2016 \$	2015 \$
Bank loans	15,455,876	4,163,526

Refer to note 32 for further information on financial instruments.

Total secured liabilities

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

	Consolidated Group	
	2016 \$	2015 \$
Bank loans	16,501,595	4,163,526

Financing arrangements

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

	Consolidated Group	
	2016 \$	2015 \$
Total facilities		
Bank loans	20,300,000	17,000,000
Credit Card Facility	375,000	375,000
Foreign Currency Dealing Facility	–	600,000
Indemnity/Guarantee Facilities	500,000	500,000
Electronic Payaway Facility	500,000	500,000
	21,675,000	18,975,000
Used at the reporting date		
Bank loans	16,501,595	4,163,526
Credit Card Facility	43,023	38,904
Foreign Currency Dealing Facility	–	–
Indemnity/Guarantee Facilities	275,598	158,675
Electronic Payaway Facility	–	–
	16,820,216	4,361,105
Unused at the reporting date		
Bank loans	3,798,405	12,836,474
Credit Card Facility	331,977	336,096
Foreign Currency Dealing Facility	–	600,000
Indemnity/Guarantee Facilities	224,402	341,325
Electronic Payaway Facility	500,000	500,000
	4,854,784	14,613,895

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

Notes to the financial statements

30 June 2016

Note 25. Non-current liabilities – deferred tax

	Consolidated Group	
	2016 \$	2015 \$
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Unrealised foreign currency gains/losses	632	349
Deferred tax liability	632	349
Movements:		
Opening Balance	349	–
Credited to profit or loss (note 6)	283	349
Closing Balance	632	349

Note 26. Non-current liabilities – employee benefits

	Consolidated Group	
	2016 \$	2015 \$
Long service leave	231,588	97,761

Note 27. Non-current liabilities – provisions

	Consolidated Group	
	2016 \$	2015 \$
Contingent consideration	7,162,511	5,540,005

Contingent 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.

Movements in provisions

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

	Contingent Consideration \$
Consolidated Group – 2016	
Carrying amount at the start of the year	5,540,005
Additions through business combinations (note 39)	7,162,512
Interest expensed	291,540
Unused amounts reversed	(5,831,546)
Carrying amount at the end of the year	7,162,511

Note 28. Equity – issued capital

	Consolidated Group			
	2016 Shares	2015 \$	2016 Shares	2015 \$
Ordinary shares – fully paid	66,067,022	55,675,076	57,220,527	47,663,827

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2014	50,573,869		42,996,489
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
Issue of shares on acquisition of Bexton	15 October 2015	1,735,072	\$0.84	1,458,328
Issue of shares to vendors in satisfaction of Earn Out payments	19 October 2015	7,591,661	\$0.93	7,052,653
Issue of shares on acquisition of Certitude	13 January 2016	1,065,213	\$0.98	1,045,719
Balance	30 June 2016	66,067,022		57,220,527

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents

Note 29. Equity – reserves

	Consolidated Group	
	2016 \$	2015 \$
Employee share options reserve	38,080	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. Further information on the operation of this plan is outlined in the Directors' Report.

Movements in reserves

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

Consolidated Group	Employee share option reserve \$	Total \$
Balance at 1 July 2014	–	–
Options granted	31,346	31,346
Balance at 30 June 2015	31,346	31,346
Options granted	6,734	6,734
Balance at 30 June 2016	38,080	38,080

Notes to the financial statements

30 June 2016

Options on issue 30 June 2016:

Issue	Expiry date	Exercise price	Opening 01/07/2015	Issued	Exercised	Lapsed	Closing 30/06/2016
Issue to employees	30/10/2021	\$1.09	250,000	1,130,000	–	(150,000)	1,230,000
Issue to key management personnel	31/10/2019	\$1.09	400,000	400,000	–	–	800,000
Issue to Directors	30/11/2019	\$1.17	100,000	200,000	–	–	300,000
TOTAL			750,000	1,730,000	–	(150,000)	2,330,000

Options on issue 30 June 2015:

Issue	Expiry date	Exercise price	Opening 01/07/2014	Issued	Exercised	Lapsed	Closing 30/06/2015
Issue to employees	30/09/2020	\$1.10	–	250,000	–	–	250,000
Issue to key management personnel	30/09/2018	\$1.10	–	400,000	–	–	400,000
Issue to Directors	30/09/2018	\$1.20	–	100,000	–	–	100,000
TOTAL			–	750,000	–	–	750,000

Note 30. Equity – retained profits

	Consolidated Group	
	2016 \$	2015 \$
Retained profits at the beginning of the financial year	7,171,709	3,242,405
Profit after income tax expense for the year	6,972,937	7,116,772
Dividends paid (note 31)	(3,321,929)	(3,187,468)
Retained profits at the end of the financial year	10,822,717	7,171,709

Note 31. Equity – dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated Group	
	2016 \$	2015 \$
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
Fully franked final dividend of 3 cents per share paid 15 October 2015 (in respect of the year ended 30 June 2015)	1,670,252	–
Fully franked interim dividend of 2.5 cents per share paid 13 April 2016 (in respect of the year ended 30 June 2016)	1,651,677	–
	3,321,929	3,187,468

Franking credits

	Consolidated Group	
	2016 \$	2015 \$
Franking credits available at the reporting date based on a tax rate of 30%	5,292,505	4,495,890
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)
Franking credits available for subsequent financial years based on a tax rate of 30%	5,292,505	4,472,876
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)
Net franking credits available based on a tax rate of 30%	5,292,505	3,757,054

Note 32. 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:

	2016		2015	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated Group				
Cash at bank	1.59%	3,507,074	1.25%	5,129,520
Bank loans	4.31%	(16,501,595)	3.54%	(4,163,526)
Net exposure to cash flow interest rate risk		(12,994,521)		965,994

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

At 30 June 2016, if interest rates had changed by +/- 100 basis points from the year end rates, with all other variables held constant, post tax profit for the year would have been \$115,511 lower/higher (2015: \$29,145 lower/higher), as a result of higher/lower interest expense from variable rate borrowings.

Notes to the financial statements

30 June 2016

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in 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	
	2016 \$	2015 \$
Bank loans	3,798,405	12,836,474
Credit Card Facility	331,977	336,096
Foreign Currency Dealing Facility	–	600,000
Indemnity/Guarantee Facilities	224,402	341,325
Electronic Payaway Facility	500,000	500,000
	4,854,784	14,613,895

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 – 2016						
Non-derivatives						
Non-interest bearing						
Trade payables	–%	4,239,243	–	–	–	4,239,243
GST payables (net)	–%	943,295	–	–	–	943,295
Other payables	–%	2,968,087	477,069	–	–	3,445,156
Accrued expenses	–%	2,409,050	–	–	–	2,409,050
Interest-bearing – variable						
Bank loans	4.31%	1,045,719	15,455,876	–	–	16,501,595
Total non-derivatives		11,605,394	15,932,945	–	–	27,538,339
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

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 33. Key management personnel disclosures

Compensation

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

Notes to the financial statements

30 June 2016

Note 34. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Stephens (Vic) Pty Ltd, the auditor of the company:

	Consolidated Group	
	2016 \$	2015 \$
Audit services – Moore Stephens (Vic) Pty Ltd		
Audit or review of the financial statements	125,000	115,000
Other services – Moore Stephens (Vic) Pty Ltd		
Taxation services	73,000	47,660
Other	–	20,697
	73,000	68,357
	198,000	183,357

Note 35. Contingent liabilities

The group has given bank guarantees as at 30 June 2016 of \$275,598 (2015: \$158,675) in satisfaction of building lease guarantees, as per the financing arrangements outlined in note 24.

Note 36. Commitments

	Consolidated Group	
	2016 \$	2015 \$
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	548,119	545,919
One to five years	869,474	1,132,431
	1,417,593	1,678,350

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 37. Related party transactions

Parent entity

PS&C Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 40.

Key management personnel

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

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

	Consolidated Group	
	2016 \$	2015 \$
Current receivables:		
Trade receivables from commonly controlled entity	104,456	309,764
Current payables:		
Trade payables to commonly controlled entity	104,456	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	
	2016 \$	2015 \$
Current receivables:		
Loans to commonly controlled entities	4,802,153	579,349
Current borrowings:		
Loans from commonly controlled entities	4,802,153	579,349

Terms and conditions

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

Note 38. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016 \$	2015 \$
Profit after income tax	1,776,128	1,460,319
Total comprehensive income	1,776,128	1,460,319

Statement of financial position

	Parent	
	2016 \$	2015 \$
Total current assets	2,647,675	911,542
Total assets	91,274,257	75,872,691
Total current liabilities	7,304,857	14,839,799
Total liabilities	29,930,070	24,546,138
Equity		
Issued capital	57,220,222	47,663,522
Employee share options reserve	38,080	31,346
Retained profits	4,085,885	3,631,685
Total equity	61,344,187	51,326,553

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

Please see note 41 in relation to the deed of cross guarantee in place.

Contingent liabilities

The parent entity has entered into acquisition agreements with the entities described in note 39. Under the terms of the agreements, the parent entity may have to pay more than what has been provided for in contingent consideration in note 39 if the entities' operating performance is better than forecast for the purposes of calculating contingent consideration. Other than that, the parent entity had no contingent liabilities as at 30 June 2016.

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 39. Business combinations

(a) Bexton IT Services Pty Ltd

On 1 October 2015 PS&C Ltd acquired 100% of the ordinary shares of Bexton IT Services Pty Ltd. This is an IT consulting business and operates in the People division of the consolidated entity. Details of the purchase consideration, the net assets acquired and goodwill are set out below. The goodwill of \$11,559,775 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 \$5,098,028 and profit before tax of \$1,033,951 to the consolidated entity for the period from 1 October 2015 to 30 June 2016. Prior period profits (pre-acquisition) are un-audited and therefore are not disclosed herein. Under the terms of the agreement, the parent entity may have to pay more (or less) than what has been provided for in contingent consideration if the entity's operating performance is better (or worse) than forecast for the purposes of calculating contingent consideration. The Directors are still assessing any potential impacts to the total consideration transferred whilst within the measurement period. 75% of contingent consideration amounts payable may be satisfied by way of an issue of shares at the Company's discretion.

(b) Certitude Pty Ltd

On 1 January 2016 PS&C Ltd acquired 100% of the ordinary shares of Certitude Pty Ltd. This is an IT consulting 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 \$1,689,049 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 \$240,055 and a loss before tax of \$3,495 to the consolidated entity for the period from 1 January 2016 to 30 June 2016. Prior period profits (pre-acquisition) are un-audited and therefore are not disclosed herein. Under the terms of the agreement, the parent entity may have to pay more (or less) than what has been provided for in contingent consideration if the entity's operating performance is better (or worse) than forecast for the purposes of calculating contingent consideration. The Directors are still assessing any potential impacts to the total consideration transferred whilst within the measurement period. The contingent consideration amounts payable may be satisfied by way of an issue of shares at the Company's discretion.

Details of the acquisition are as follows:

	Bexton IT Services Pty Ltd Fair value \$	Certitude Pty Ltd Fair value \$
Cash and cash equivalents	307,870	506,442
Trade receivables	373,841	120,038
Other current assets	175,879	8,524
Plant and equipment	3,214	1,088
Motor vehicles	–	7,837
Deferred tax asset	40,841	37,435
Trade payables	(66,678)	(593)
Provision for income tax	(236,899)	(98,743)
Employee benefits	(196)	(105,661)
Other liabilities	(455,160)	(73,978)
Net assets acquired	142,712	402,389
Goodwill	11,559,775	1,689,049
Acquisition-date fair value of the total consideration transferred	11,702,487	2,091,438
Representing:		
Cash paid or payable to vendor	1,500,237	1,045,719
PS&C Ltd shares issued to vendor	1,458,328	1,045,719
Contingent consideration – current	1,581,410	–
Contingent consideration – non-current	7,162,512	–
	11,702,487	2,091,438
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	11,702,487	2,091,438
Less: cash and cash equivalents	(307,870)	(506,442)
Less: shares issued by company as part of consideration	(1,458,328)	(1,045,719)
Less: contingent consideration	(8,743,922)	–
Net cash used	1,192,367	539,277

(c) Prior Period

During the year ending 30 June 2016, cash payments of \$7,502,653 were made to the vendors of the businesses acquired in prior period, in satisfaction of earn out payments as per the terms of the share sale and purchase agreements. In addition, \$7,052,653 worth of PS&C Ltd shares (equal to 7,591,661 shares) were issued in satisfaction of earn out payments, as per the terms of the share sale and purchase agreements, as described in the Directors' Report. Acquisition costs expensed to the statement of profit or loss and other comprehensive income during the year ended 30 June 2016 amounted to \$987,541 for services provided by consultants and legal advisers as well as share issue costs. This was incurred in relation to Bexton IT Services Pty Ltd and Certitude Pty Ltd as well as existing businesses and prospective transactions not yet complete.

Notes to the financial statements

30 June 2016

Note 40. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
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%	100.00%
Bexton IT Services Pty Ltd	Australia	100.00%	–%
Certitude Pty Ltd	Australia	100.00%	–%

Note 41. 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
- Bexton IT Services Pty Ltd
- Certitude 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 42. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 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 43. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated Group	
	2016 \$	2015 \$
Profit after income tax expense for the year	6,972,937	7,116,772
Adjustments for:		
Depreciation and amortisation	259,218	189,894
Share-based payments	6,734	31,346
Write off of assets	271,805	–
Revenue – non-cash	–	(142,020)
Interest received – non-cash	26,878	59,347
Other revenue – non-cash	(5,604,042)	(2,233,342)
Other expenses – non-cash	7,967,414	398,049
Finance costs – non-cash	663,225	783,056
Change in operating assets and liabilities:		
Increase in trade and other receivables	(3,456,686)	(4,379,197)
Decrease/(increase) in inventories	(4,890)	3,267
Increase in income tax refund due	(355,181)	–
Decrease/(increase) in deferred tax assets	26,853	(60,957)
Decrease/(increase) in accrued revenue	791,873	(237,035)
Increase in prepayments	(130,196)	(71,385)
Decrease in other operating assets	184,401	–
Increase in trade and other payables	1,034,293	3,030,781
Decrease in provision for income tax	(477,508)	(745,944)
Increase in deferred tax liabilities	283	349
Increase in employee benefits	268,759	293,811
Decrease in other provisions	(5,691,533)	–
Increase in other operating liabilities	(2,672,850)	305,569
Net cash from operating activities	81,787	4,342,361

Notes to the financial statements

30 June 2016

Note 44. Earnings per share

	Consolidated Group	
	2016 \$	2015 \$
Profit after income tax attributable to the members of PS&C Ltd	6,972,937	7,116,772

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	62,684,033	54,375,316
Weighted average number of ordinary shares used in calculating diluted earnings per share	62,684,033	54,375,316

	Cents	Cents
Basic earnings per share	11.12	13.09
Diluted earnings per share	11.12	13.09

Directors' declaration

30 June 2016



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 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 41 to the financial statements.

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

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

On behalf of the directors

Kevin McLaine
Managing Director

18 August 2016
Melbourne

Independent auditor's report

To the members of PS&C Ltd

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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 (**the company**), which comprises the consolidated statement of financial position as at 30 June 2016, 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 from time to time 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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MOORE STEPHENS

Auditor's Opinion

In our opinion:

- a. the financial report of PS&C Limited 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 2016 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

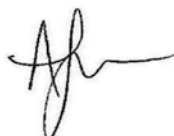
We have audited the remuneration report included in pages 4 to 7 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility 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 2016 complies with section 300A of the *Corporations Act 2001*.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

18 August 2016

Shareholder information

The shareholder information set out below was applicable as at 25th August 2016.

Distribution of equitable securities

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

	Number of holders	Number of shares
1-1,000	334	245,636
1,001-5,000	788	2,284,633
5,001-10,000	405	3,305,066
10,001-100,000	564	15,688,834
100,001-9,999,999,999	60	44,542,853
Totals	2,151	66,067,022
Holdings less than a marketable parcel	434	362,801

Equity security holders

Twenty largest quoted equity security holders

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

Holder Name	Ordinary shares	
	Number held	% of total shares issued
PH1 PTY LTD <PURE HACKING UNIT A/C>	9,892,831	14.974%
IQ RENTAL & FINANCE PTY LTD <WATTS FAMILY A/C>	4,380,000	6.630%
MR DRAZEN DRAZIC <DRAZIC FAMILY A/C>	2,896,062	4.384%
MR ANDREW JOSEPH LEIGH	2,685,457	4.065%
MICHAEL JOHN SMITH	2,615,456	3.959%
MR CHRISTOPHER GATFORD	2,286,253	3.461%
HATDON PTY LTD <HATDON SUPER FUND A/C>	2,156,040	3.263%
BRAD ALLAN PTY LTD <BRAD ALLAN SUPER FUND A/C>	1,887,818	2.857%
WIFAM INVESTMENTS PTY LTD <WISCHER FAMILY S/F A/C>	1,315,910	1.992%
MS LEANNE MAREE O'CONNOR	1,134,842	1.718%
KESER HOLDINGS PTY LTD	1,065,213	1.612%
MR BLAIR CAMERON GOWANS	867,536	1.313%
MRS LAURA CATHERINE GOWANS	867,536	1.313%
MR CHRISTOPHER GATFORD	570,810	0.864%
MR GRIGORIY LOUTZIK	539,000	0.816%
MR GORDON DENBY COAD	450,000	0.681%
MRS JESSIE BLACKBURN	450,000	0.681%
COAD AND PRATT SUPERFUND PTY LTD <COAD AND PRATT S/F P/L A/C>	400,000	0.605%
MR JUSTIN MARC GREEN	355,235	0.538%
JAWP INVESTMENTS PTY LTD	350,000	0.530%
	37,165,999	56%

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
McAdam, Robert Ian	9,892,831	14.974%
Watts, Edward & Sarah	4,380,000	6.630%

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	15/10/2016	8,459,197
Ordinary	13/01/2017	532,606
Ordinary	15/10/2017	867,536
Ordinary	13/01/2018	532,607

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