PS&C Ltd
Appendix 4D
Half-year report

1. Company details

Name of entity:	PS&C Ltd
ABN:	50 164 718 361
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$
Revenues from continuing operations	up	41.7%	to	40,804,308
Loss from continuing operations after tax attributable to the members of PS&C Ltd	down	1466.4%	to	(6,005,632)
Loss for the half-year attributable to the members of PS&C Ltd	down	3737.9%	to	(9,799,104)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax attributable to continuing operations amounted to $6,005,632 (31 December 2017: loss of $383,410).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(3.80)	(9.33)

4. Control gained over entities

Not applicable.

5. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

8. Attachments

Details of attachments (if any):

The Half Year Report of PS&C Ltd for the half-year ended 31 December 2018 is attached.

9. Signed

Signed ___________________________ Date: 27 February 2019

Glenn Fielding
Managing Director

PS&C Ltd

ABN 50 164 718 361

Half Year Report - 31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of PS&C Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

Non-Executive Directors	Executive Directors
Kevin McLaine (Chairperson from 6 December 2017)	Glenn Fielding
Nigel Warren (appointed 6 December 2017)	

Principal activities
During the financial half-year the principal continuing activities of the Group consisted of:
- Provision of information technology services.

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

Review of operations
The loss for the Group after providing for income tax amounted to $9,799,104 (31 December 2017: profit of $269,358).

Please refer to the accompanying commentary.

Significant changes in the state of affairs
On 22 November 2018, the Group announced that it had successfully divested the Allcom Networks business to Crosspoint Telecommunications Pty Ltd, a business technology solutions provider offering comprehensive end-to-end managed IT solutions in voice, video, managed IT services and professional services. The decision to divest the Allcom Networks business was based on the Group's view that the business was not cohesively aligned to its core strategy. The Group is fundamentally an information technology services business delivering specialised services to its clients.

As a result of the sale transactions outlined above, the financial result of the business to be divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective. This impacts the current and comparative financial information for the Delivery + Cloud segment.

Apart from the above, there were no other significant changes in the state of affairs of the Group during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

PS&C Ltd
Directors' report
31 December 2018

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Glenn Fielding
Managing Director

27 February 2019

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 half year ended 31 December 2018, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

27 February 2019

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 half-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

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2019.

PS&C Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Revenue from continuing operations	3	40,804,308	28,787,601
Other income	4	2,377,190	76,979
Expenses			
Third party materials and labour		(7,781,798)	(3,485,151)
Acquisition expenses		(189,690)	(401,769)
Employee benefits expense		(27,214,923)	(21,930,961)
Depreciation and amortisation expense		(157,409)	(96,255)
Impairment of goodwill		(9,651,081)	-
Other expenses		(2,972,635)	(2,696,897)
Finance costs		(536,623)	(626,997)
Loss before income tax expense from continuing operations		(5,322,661)	(373,450)
Income tax expense		(682,971)	(9,960)
Loss after income tax expense from continuing operations		(6,005,632)	(383,410)
Profit/(loss) after income tax (expense)/benefit from discontinued operations	5	(3,793,472)	652,768
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the members of PS&C Ltd		(9,799,104)	269,358
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the members of PS&C Ltd		(9,799,104)	269,358
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(6,005,632)	269,358
Discontinued operations		(3,793,472)	-
		(9,799,104)	269,358
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the members of PS&C Ltd			
Basic earnings per share		(3.28)	(0.48)
Diluted earnings per share		(3.28)	(0.48)
Earnings per share for profit/(loss) attributable to the members of PS&C Ltd			
Basic earnings per share		(5.35)	0.34
Diluted earnings per share		(5.35)	0.34

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

PS&C Ltd
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		2,829,962	4,686,521
Trade and other receivables		12,015,850	14,163,496
Inventories		-	19,175
Income tax receivable		-	239,485
Other		2,639,887	3,256,710
Total current assets		17,485,699	22,365,387
Non-current assets			
Receivables		-	355,557
Property, plant and equipment	6	747,732	1,371,857
Intangibles	7	85,672,721	100,046,002
Deferred tax		870,686	1,079,177
Other		-	28,338
Total non-current assets		87,291,139	102,880,931
Total assets		104,776,838	125,246,318
Liabilities			
Current liabilities			
Trade and other payables		7,175,925	10,648,427
Borrowings	8	11,801,876	12,902,026
Income tax payable		142,591	-
Employee benefits		644,456	1,513,972
Deferred consideration	9	4,210,994	10,316,262
Other		900,078	2,098,692
Total current liabilities		24,875,920	37,479,379
Non-current liabilities			
Payables		23,035	235,866
Employee benefits		189,136	302,597
Contingent consideration	10	1,996,128	4,498,503
Deferred Consideration	11	1,250,000	1,750,000
Total non-current liabilities		3,458,299	6,786,966
Total liabilities		28,334,219	44,266,345
Net assets		76,442,619	80,979,973
Equity			
Issued capital	12	90,286,405	85,029,409
Reserves		823,555	818,803
Accumulated losses		(14,667,341)	(4,868,239)
Total equity		76,442,619	80,979,973

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

PS&C Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2017	58,643,072	69,724	5,226,496	63,939,292
Profit after income tax expense for the half-year	-	-	269,358	269,358
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	269,358	269,358
Transactions with members in their capacity as members:				
Contributions of equity, net of transaction costs	3,015,626	-	-	3,015,626
Share-based payments	9,241,425	-	-	9,241,425
Employee share options reserve	-	19,403	-	19,403
Balance at 31 December 2017	70,900,123	89,127	5,495,854	76,485,104

Consolidated	Issued capital $	Reserves $	Retained profits $	Total equity $
Balance at 1 July 2018	85,029,409	818,803	(4,868,239)	80,979,973
Loss after income tax expense for the half-year	-	-	(9,799,104)	(9,799,104)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(9,799,104)	(9,799,104)
Transactions with members in their capacity as members:				
Share-based payments	5,256,998	-	-	5,256,998
Employee share options reserve	-	4,752	-	4,752
Balance at 31 December 2018	90,286,407	823,555	(14,667,343)	76,442,619

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

PS&C Ltd
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		51,977,543	31,990,655
Payments to suppliers and employees (inclusive of GST)		(51,689,071)	(34,343,706)
		288,472	(2,353,051)
Interest received		6,678	20,344
Other revenue		137,949	-
Interest and other finance costs paid		(481,112)	(423,816)
Income taxes refunded		197,979	267,309
Net cash from/(used in) operating activities		149,966	(2,489,214)
Cash flows from investing activities			
Payments for prior period's business acquisition		(1,545,186)	(2,781,104)
Acquisition Costs		(208,659)	(128,233)
Payments for property, plant and equipment	6	(147,574)	(316,220)
Payments for security deposits		(6,600)	-
Loans from/(to) related and other parties		-	(44,428)
Proceeds from disposal of business		1,000,000	-
Proceeds from disposal of property, plant and equipment		1,644	44,428
Proceeds from release of security deposits		-	58,127
Net cash used in investing activities		(906,375)	(3,167,430)
Cash flows from financing activities			
Proceeds from issue of shares	12	-	3,195,769
Share issue transaction costs		-	(180,143)
Repayment of borrowings		(1,100,150)	(2,197,394)
Net cash from/(used in) financing activities		(1,100,150)	818,232
Net decrease in cash and cash equivalents		(1,856,559)	(4,838,412)
Cash and cash equivalents at the beginning of the financial half-year		4,686,521	8,068,623
Cash and cash equivalents at the end of the financial half-year		2,829,962	3,230,211

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities and the settlement of liabilities in the normal course of business. As at 31 December 2018, the Group's current liabilities exceeded current assets by $7,390,221.

In determining that the going concern basis is appropriate, the Directors have had regard to:

- The Group's current liabilities include ANZ borrowings of $11,801,876;
- The Group successfully renegotiated the terms of its borrowings payable in January 2019. The group's bank facility expires in December 2019;
- The Group's ability to raise equity and alternate forms of debt;
- The Group has positive net cash inflows from operating activities; and
- The Group's cash flow forecast and budgets for the next 12 months show positive operating cash flows and an improvement in profitability.

The Groups ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the group may not be able to pursue its business objectives and will have difficulty continuing to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements.

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into four operating segments: Discovery + Insights, Design + Process, Delivery + Cloud and Defend + Secure. Operating segments are determined by distinguishable components whereby the risk and returns are different from the other segments.

Note 2. Operating segments (continued)

Types of products and services

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

Discovery + Insights	The Discovery + Insights segment, comprising GlassandCo Pty Ltd, is involved in shaping digital ambition, strategy and business cases based on insights.
Design + Process	The Design + Process segment, comprising Systems and People Pty Ltd, Bexton IT Services Pty Ltd, Coroma Consulting Pty Ltd and Seisma Pty Ltd, is involved in sourcing and providing specialist contractors to customers for medium and long-term ICT projects, while also managing the payroll functions for customers. It is focused on reinventing and prototyping new capabilities and journeys as part of the program.
Delivery + Cloud	The Delivery + Cloud segment, comprising Sacon Group Pty Ltd, is involved in consulting and implementation of services around unified communications, conferencing and messaging, contact centre solutions and secure voice technologies.
Defend + Secure	The Defend + Secure segment, comprising Pure Hacking Pty Ltd, Securus Global Consulting Pty Ltd, Hacklabs Pty Ltd, Certitude Pty Ltd and NTH Consulting Pty Ltd, is involved in services and consulting around reducing operational, financial, reputational risk and digital security matters.

Intersegment transactions

There were no material transactions between operating segments.

Intersegment receivables, payables and loans

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

Revenue Categorised

Revenue is generated by the Group and is categorised into the reportable segments disclosed below. Sales to external customers is recognised when the performance obligations are delivered over time. Once a contract has been entered into, the Group has an enforceable right to payment for work completed to date. Therefore, revenue is recognised over time.

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2018	Discovery + Insights $	Design + Process $	Delivery + Cloud $	Defend + Secure $	Corporate $	Discontinued Operations $	Total $
Revenue							
Sales to external customers	3,370,344	24,111,761	2,910,529	10,411,674	-	4,599,013	45,403,321
Total revenue	3,370,344	24,111,761	2,910,529	10,411,674	-	4,599,013	45,403,321
EBITDA	396,523	2,379,184	594,725	1,896,894	(2,620,823)	(924,451)	1,722,052
Depreciation and amortisation	(45)	(17,062)	(3,709)	(80,970)	(55,622)	(64,023)	(221,431)
Impairment of goodwill	-	-	-	-	(9,651,081)	-	(9,651,081)
Loss on disposal of discontinued operations	-	-	-	-	(3,089,001)	-	(3,089,001)
Interest revenue	-	856	252	171	5,399	-	6,678
Finance costs	-	(134)	(423)	-	(536,066)	(6,380)	(543,003)
Deferred consideration adjustments	-	-	-	-	2,369,270	-	2,369,270
Profit/(loss) before income tax expense	396,478	2,362,844	590,845	1,816,095	(13,577,924)	(994,854)	(9,406,516)
Income tax expense							(392,588)
Loss after income tax expense							(9,799,104)
Assets							
Segment assets	1,240,699	8,090,608	1,941,456	5,247,538	88,256,537	-	104,776,838
Total assets							104,776,838
Liabilities							
Segment liabilities	343,607	3,696,001	972,575	3,479,276	19,842,760	-	28,334,219
Total liabilities							28,334,219

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2017	Discovery + Insights $	Design + Process $	Delivery + Cloud $	Defend + Secure $	Corporate $	Discontinued Operations $	Total $
Revenue							
Sales to external customers	181,625	18,679,191	2,689,515	7,237,270	-	8,684,852	37,472,453
Total revenue	181,625	18,679,191	2,689,515	7,237,270	-	8,684,852	37,472,453
EBITDA	(984,150)	1,664,660	1,498,616	783,160	(2,672,836)	1,027,260	1,316,710
Depreciation and amortisation	-	(8,765)	(65,542)	(4,526)	(17,422)	(88,832)	(185,087)
Interest revenue	-	1,438	63	1,529	17,077	237	20,344
Finance costs	(194)	-	(1,205)	-	(625,598)	(7,393)	(634,390)
Deferred consideration adjustments	-	-	-	-	40,245	-	40,245
Profit/(loss) before income tax expense	(984,344)	1,657,333	1,431,932	780,163	(3,258,534)	931,272	557,822
Income tax expense							(288,464)
Profit after income tax expense							269,358
Consolidated - 30 Jun 2018							
Assets							
Segment assets	1,154,826	9,738,849	1,670,149	4,090,907	104,079,600	4,511,987	125,246,318
Total assets							125,246,318
Liabilities							
Segment liabilities	508,724	5,331,280	693,318	2,526,701	30,145,747	5,060,575	44,266,345
Total liabilities							44,266,345

Note 3. Revenue

	Consolidated	
	31 Dec 2018	**31 Dec 2017**
	$	**$**
From continuing operations		
Sale of services	39,671,996	27,152,405
Sale of goods	1,132,312	1,635,196
Revenue from continuing operations	40,804,308	28,787,601

Note 4. Other income

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Net gain on disposal of property, plant and equipment	-	16,627
Interest income	6,678	20,107
Contingent consideration adjustments	2,369,270	40,245
Other revenue	1,242	-
Other income	2,377,190	76,979

Note 5. Discontinued operations

Description
On 22 November 2018, the Group announced that it had successfully divested the Allcom Networks business to Crosspoint Telecommunications Pty Ltd, a business technology solutions provider offering comprehensive end-to-end managed IT solutions in voice, video, managed IT services and professional services. The decision to divest the Allcom Networks business was based on the Group's view that the business was not cohesively aligned to its core strategy. The Group is fundamentally an information technology services business delivering specialised services to its clients.

As a result of the sale transaction outlined above, the financial result of the business to be divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective. This impacts the current and comparative financial information for the Delivery + Cloud segment.

Details of the financial performance, cash flows and the carrying value of the assets and liabilities of the discontinued operations are shown below.

Note 5. Discontinued operations (continued)

Financial performance information

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Revenue from discontinued operations	4,599,013	8,684,852
Interest income	-	237
Other income from discontinued operations	136,707	-
Total other income	136,707	237
Operating expenses from discontinued operations	(5,660,171)	(7,581,128)
Depreciation and amortisation expense from discontinued operations	(64,023)	(88,832)
Other expenses from discontinued operations	-	(76,464)
Finance costs	(6,380)	(7,393)
Total expenses	(5,730,574)	(7,753,817)
Profit/(loss) before income tax (expense)/benefit	(994,854)	931,272
Income tax (expense)/benefit	290,383	(278,504)
Profit/(loss) after income tax (expense)/benefit	(704,471)	652,768
Loss on disposal of discontinued operations	(3,089,001)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(3,089,001)	-
Profit/(loss) after income tax (expense)/benefit from discontinued operations	(3,793,472)	652,768

Cash flow information

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Net cash from/(used in) operating activities	58,901	(109,153)
Net cash used in investing activities	(4,381)	(30,841)
Net cash from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations	54,520	(139,994)

Note 5. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 31 Dec 2018 $
Cash and cash equivalents	178,193
Trade and other receivables	2,342,040
Inventories	18,414
Other current assets	706,581
Property, plant and equipment	552,874
Other non-current assets	296,837
Total assets	4,094,939
Trade and other payables	3,166,861
Provisions	740,102
Other liabilities	721,176
Total liabilities	4,628,139
Net liabilities	(533,200)

Details of the disposal

	Consolidated 31 Dec 2018 $
Total sale consideration	3,200,000
Carrying amount of net liabilities disposed	533,200
Working capital adjustment	(2,100,000)
Derecognition of investment in discontinued operations	(4,722,201)
Loss on disposal before income tax	(3,089,001)
Loss on disposal after income tax	(3,089,001)

Note 6. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Leasehold improvements - at cost	535,996	517,022
Less: Accumulated depreciation	(179,847)	(128,989)
	356,149	388,033
Fixtures and fittings - at cost	22,580	100,640
Less: Accumulated depreciation	(20,822)	(38,444)
	1,758	62,196
Motor vehicles - at cost	122,354	122,354
Less: Accumulated depreciation	(81,138)	(77,535)
	41,216	44,819
Computer equipment - at cost	202,814	1,076,689
Less: Accumulated depreciation	(162,276)	(503,598)
	40,538	573,091
Office equipment - at cost	788,744	580,140
Less: Accumulated depreciation	(480,673)	(276,422)
	308,071	303,718
	747,732	1,371,857

Reconciliations

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

Consolidated	Leasehold Improvements $	Fixtures & Fittings $	Computer Equipment $	Office Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2018	388,033	62,196	573,091	303,718	44,819	1,371,857
Additions	25,056	1,666	12,218	108,634	-	147,574
Disposals	-	-	-	(1,644)	-	(1,644)
Disposals from discontinued operations	-	(58,930)	(524,934)	(28,654)	-	(612,518)
Write off of assets	-	-	-	(128)	-	(128)
Transfers in/(out)	-	-	(1,217)	1,217	-	-
Depreciation expense	(56,940)	(3,174)	(18,620)	(75,072)	(3,603)	(157,409)
Balance at 31 December 2018	356,149	1,758	40,538	308,071	41,216	747,732

Note 7. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Goodwill - at cost	85,672,721	100,046,002

Note 7. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill $	Total $
Balance at 1 July 2018	100,046,002	100,046,002
Disposals	(4,722,200)	(4,722,200)
Impairment of goodwill	(9,651,081)	(9,651,081)
Balance at 31 December 2018	85,672,721	85,672,721

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 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Design + Process	41,678,546	51,329,627
Delivery + Cloud	10,165,181	14,887,381
Defend + Secure	33,828,994	33,828,994
Total goodwill	85,672,721	100,046,002

The Group undertakes impairment testing of the relevant businesses as required. Impairment testing was performed at 31 December 2018 to support the carrying value of goodwill. The recoverable amount was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the business. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using projected cash flows approved by the Board covering year 1. The present value of future cash flows for years 2 to 5 have been calculated using a terminal growth rate of 3% (June 2018: 3%) and a discount rate of 16.55% (June 2018: 16.55%) has been used to determine value in use. In addition, EBIT growth rates used for years 2 to 5 varied depending on the individual circumstances within the CGU as follows:

Discovery + Insights - 10%
Design + Process – 5% - 12.5%
Delivery + Cloud - 10%
Defend + Secure – 10% - 40%

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

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Design + Process	-	17,518,098
Delivery + Cloud	932,095	20,629,513
Defend + Secure	862,703	-
Total	1,794,798	38,147,611

Note 7. Non-current assets - intangibles (continued)

The Board of Directors has taken a conservative approach to the Group's impairment valuations in line with the approach taken at 30 June 2018. This approach has involved a review of the Group's methodology and has resulted in the allocation of corporate costs to the CGU at 31 December 2018.

At 31 December 2018, an impairment loss of $9,651,081 was recognised in the profit or loss for the Design + Process CGU whereby the carrying amount of the Design + Process CGU exceeded the recoverable amount.

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Bank loans	11,801,876	12,902,026

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

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Total facilities		
Bank loans	11,801,876	16,450,000
Credit card facility	575,000	575,000
Indemnity/guarantee facility	500,000	500,000
Electronic payaway facility	500,000	500,000
	13,376,876	18,025,000
Used at the reporting date		
Bank loans	11,801,876	12,902,026
Credit card facility	104,479	105,919
Indemnity/guarantee facility	491,299	491,299
Electronic payaway facility	-	-
	12,397,654	13,499,244
Unused at the reporting date		
Bank loans	-	3,547,974
Credit card facility	470,521	469,081
Indemnity/guarantee facility	8,701	8,701
Electronic payaway facility	500,000	500,000
	979,222	4,525,756

The current bank facility was renegotiated in January 2019. The facility expires in December 2019. The Group is expecting to renegotiate and extend its bank facility or replace it with other bank debt or equity.

Note 9. Current liabilities - deferred consideration

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Deferred Consideration	4,210,994	10,316,262

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

Note 10. Non-current liabilities - contingent consideration

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Contingent consideration	1,996,128	4,498,503

Contingent consideration
The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets, the majority of which may be satisfied by way of an issue of shares in PS&C Ltd. It is measured at the present value of the estimated liability. The contingent consideration liability is reassessed at each reporting date against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to the profit or loss.

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

Consolidated - 31 Dec 2018	Contingent Consideration $
Carrying amount at the start of the half-year	4,498,503
Unwinding of discount	65,887
Unused amounts reversed	(2,568,262)
Carrying amount at the end of the half-year	1,996,128

Note 11. Non-current liabilities - Deferred Consideration

	Consolidated	
	31 Dec 2018	30 Jun 2018
	$	$
Deferred Consideration	1,250,000	1,750,000

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

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
Ordinary shares - fully paid	243,140,527	204,245,421	90,286,405	85,029,409

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	204,245,421		85,029,409
Issue of shares in satisfaction of Earn out Payments to Bexton	17 October 2018	15,407,882	$0.15	2,341,996
Issue of shares in satisfaction of Earn out Payments to Sacon	17 October 2018	19,177,632	$0.15	2,915,000
Issue of shares for Performance Rights	17 October 2018	4,309,592	$0.00	-
Balance	31 December 2018	243,140,527		90,286,405

Note 13. Events after the reporting period

On 4 February 2019, the Group announced that it had acquired 100% interest in Artisan Consulting Pty Ltd via a Share Sale and Purchase Agreement. Artisan is exclusively focused on Salesforce solutions and is currently a Salesforce Silver Tier System Implementation / Consulting Partner servicing mid-large enterprises. This is a strategic acquisition that strengthens the Group's current Salesforce capabilities by adding key technical resources that will enable the Group to compete for larger projects moving forward. The acquisition of Artisan will be settled by a mixture of cash and shares in PS&C Ltd with the acquisition forecast to provide a small contribution to the Group's FY19 results.

On 4 February 2019, the Group also announced that it anticipates issuing up to 2,500,000 Unsecured Redeemable Convertible Notes at an issue price of AU $1.00 per individual note to raise up to $2,500,000 in tranches to 28 February 2019.

As at 31 December 2018, the Group had total obligations of $11,801,876 owing to the ANZ bank which incorporates various financial covenants. The Group has submitted the compliance certificate for the period ending 31 December 2018 and is awaiting confirmation of approval from the bank, the impact which may or may not result in a breach of financial covenant.

The current bank facility was renegotiated in January 2019. The facility expires in December 2019. The Group is expecting to renegotiate and extend its bank facility or replace it with other bank debt or equity.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

PS&C Ltd
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Glenn Fielding
Managing Director

27 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying consolidated half-year financial report of PS&C Limited (**the Group**), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which identifies that during the period ended 31 December 2018 the Group incurred a net loss of $9.8m and that the Group's current liabilities exceed its current assets by $7.4m. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

MOORE STEPHENS

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

27 February 2019