LogiCamms Limited

ABN: 90 127 897 689

Interim Financial Report

31 December 2018

Contents

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by LogiCamms Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These consolidated interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of LogiCamms Limited and its subsidiaries. The consolidated interim financial statements are presented in the Australian currency.

LogiCamms Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

LogiCamms Limited
Level 14
200 Mary Street
Brisbane QLD 4000

The consolidated interim financial statements were authorised for issue by the Directors on 28 February 2019. The Directors have the power to amend and reissue the Interim Financial Report.

LogiCamms Limited
Directors' Report

Your Directors present their interim financial report on LogiCamms Limited ("the Company") and its controlled entities ("the Group") for the half-year ended 31 December 2018.

THE DIRECTORS

The persons who have been Directors of the Company at any time during or since the end of the half-year and up to the date of this report are:

Non-Executive Directors

Mr Peter Watson (Chairman)
Mr Richard Robinson
Mr Charles Rottier

Executive Directors

None

The person who has been the Company Secretary of the Company at all times during the half-year and up to the date of this report is Mr David Shaw.

REVIEW AND RESULTS OF OPERATIONS

The interim financial results for the half-year ended 31 December 2018 compare to the prior corresponding period ("pcp") as follows:

	CONSOLIDATED		
	31 December 2018 ($'000)	**31 December 2017** ($'000)	**Reduction to PCP** ($'000)
Revenue	41,009	42,505	(1,496)
Profit / (Loss) before tax	(8,088)	862	(8,950)
Profit / (Loss) after tax	(8,604)	895	(9,499)
EBITDAI [1]	1,003	1,947	(944)
EBITDAI as a % of revenue	2.45%	4.6%	2.15%
Basic earnings per share (cents)	(10.5)	1.1	(11.6)

The Group reported revenue of $41.0m and an EBITDAI of $1.0m for the half year compared to an EBITDAI of $1.95m for the half year ended 31 December 2017. The EBITDAI result included $0.2m of advisory costs associated with balance sheet repair and $0.1m of costs associated with the CEO recruitment. Revenue was $1.5m or 3.5% lower than the prior comparative period.

[1] The Directors believe that the presentation of certain non-IFRS financial measures is useful for the users of this document as they reflect the underlying operational performance of the Group. The non-IFRS financial profit measures are used by the CEO to review the operations of the Group. The main non-IFRS measure used is EBITDAI - Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment charge. Statutory net profit/(loss) after tax is reconciled to EBITDA as follows:

	31 Dec 18	31 Dec 17
NPAT	**($8.6m)**	**$0.9m**
Add back:		
Interest	$0.2m	$0.1m
Depreciation & Amortisation	$0.9m	$0.9m
Tax	$0.5m	-
Impairment	$8.0m	-
EBITDAI	**$1.0m**	**$1.9m**

In the first half of the 2019 financial year reimbursability increased above the target level of 80% (75% for FY18) with strong growth being experienced in the Asset Performance service line. Offsetting these improvements however was the termination of the Group's AIDE project with a tier 1 CSG producer due to factors outside LogiCamms control and the clean-up of a small number of poorly performing contracts. The Company has yet to see an increase in large project wins in the engineering service line, however increased focus is being applied to these larger opportunities and we anticipate some success in this area in H2. A feature of the results in H1 has been the improved consistency month on month and improving backlog to $34.3 million ($23.2 million in January 2018).

The Group recorded an operating loss after tax of $8.6 million (31 Dec 2017: Profit of $0.9m), following a non-cash impairment charge of $8.0 million. The Group recorded net operating cash outflows of $1.0 million (31 Dec 2017: outflow of $1.2m) during the half year ended 31 December 2018. The negative operating cash flow arose from the continued payment of the onerous lease on the Company's Perth office of $0.6m, payment of interest on the debt facility of $0.25m, payment of advisors' costs associated with the strategic balance sheet repair activities of $0.2m and other net working capital movements during the period. The net operating cash outflow was funded from cash reserves. No additional drawings under the working capital facility were made in the 6 months to 31 December 2018. Onerous lease payments start to reduce from June 2019.

During the period LogiCamms commissioned 333 Capital to undertake a Strategic Review of the Company's refinancing options, with a report presented to the Board in November 2018. Since our market update in August 2018, the Company has met all requirements set out by NAB to undertake a strategic balance sheet repair activity. Several alternatives were considered and the Board identified and resolved to pursue a preferred refinancing option involving a debtor finance facility and convertible notes. NAB has continued to support the Company and has extended its finance facilities with no change in limits or financial covenants for a further six months until 31 March 2020.

During the reporting period the Company's share price fell from approx. 19 cents at 30 June 2018 to 13 cents at 31 December 2018. The sustained nature of the fall in share price, the deficiency between market capitalisation and the Group's consolidated net assets as well as the implied value of the equity of the Company from the indicative, non-binding proposed merger described below, provided a strong indication of a potential impairment of goodwill at 31 December 2018. As a result, the Company undertook a value-in-use discounted cash flow analysis to assess the carrying value of its cash generating unit and associated goodwill. The impact of the first half operating and financial performance of the business on the forecast revenue, profitability and cashflows of the business in the second half of FY19 and future periods resulted in the value-in-use model indicating that the Company's goodwill was impaired by $8.0m.

The Company remains cautiously optimistic on the outlook for the remainder of the 2019 financial year. Work in hand as at 31 January 2019 was $34.3 million. The mix of project types and continued price competition in the market for engineering services requires a continuous focus on overhead efficiency and matching the level of resources available in the business with the pipeline of future work.

The Directors note the commentary in Note 2 to the Consolidated Interim Financial Statements on the basis of preparation of the financial statements. The Note concludes that there is a material uncertainty that casts significant doubt about the Group's ability to continue as a going concern. The circumstances leading to this uncertainty are set out in detail in Note 2. Consequently, the auditors have modified their review opinion to include an 'Emphasis of matter'.

The Directors believe that the proposed merger transaction and/or other alternative strategic funding arrangements actively being pursued will substantially address the balance sheet repair required to ensure the Group has a sustainable level of working capital and net debt going forward. This will allow the Company to complete the restructuring necessary to return the business to an acceptable level of profitability.

DIVIDENDS

The Board has elected not to declare an interim dividend for the period ended 31 December 2018.

LogiCamms Limited
Directors' Report
(continued)

AFTER BALANCE DATE EVENTS

Proposed merger transaction

During the reporting period a number of approaches were made to the Company proposing various change of control transactions. The Directors determined that of these, a merger proposal received from OSD Pty Limited, a privately-owned engineering consulting company with operations in Australia and New Zealand, was competitive with the Board's preferred refinancing option due to the potential synergies between the two businesses and the lower risk and accelerated return to sustainable profitability that such a merger offered. On 15 January 2019 the Company executed a confidential, non-binding terms sheet and both parties commenced to undertake due diligence.

The proposed merger transaction involves LogiCamms issuing new scrip as consideration for the acquisition of all the shares in OSD Pty Limited at an exchange ratio that is to be determined following completion of due diligence, but which is currently expected to result in the vendor shareholders holding 59% of the issued shares of the merged group and the transaction being accounted for as a reverse acquisition.

Should the parties conclude a Sale & Purchase Agreement the proposed transaction would be subject to several conditions precedent including approval by shareholders. Further details of the proposed merger transaction and timetable are outlined in the Company's half year results announcement to the ASX dated 28 February 2019.

Extension of finance facilities

On 26 February 2019 the Group's finance facilities with NAB were extended to 31 March 2020. There was no change to the facility limits or financial covenants under the agreement. One additional covenant was added to the agreement being that the Company must immediately notify NAB if the proposed merger transaction does not proceed and within 30 days must provide NAB with evidence satisfactory to NAB of the commencement of the implementation of one or more of the alternative refinancing options (for example, a debtor finance facility and/or convertible note issue). At the date of this report LCM has provided NAB with all undertakings and reports detailed in our annual report, to the satisfaction of the NAB.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this report or the interim financial statements that have, or may, significantly affect the operations or state of affairs of the Group in future years.

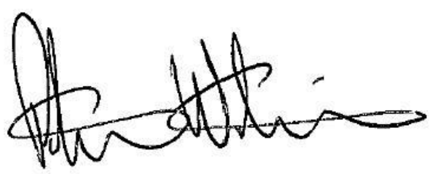
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING OF AMOUNTS

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Corporations Instruments 2016/191 dated 24 March 2016 pursuant to s.341(1) of the *Corporations Act 2001,* relating to the 'rounding off' of amounts in the Directors' Report and Consolidated Interim Financial Report. In accordance with that legislative instrument, amounts in the Consolidated Interim Financial Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Report is made with the resolution of the Directors.



Peter Watson, Chairman

Dated at Brisbane, Australia this 28th day of February 2019.

Auditor's Independence Declaration

As lead auditor for the review of LogiCamms Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of LogiCamms Limited and the entities it controlled during the period.

Michael Crowe

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
28 February 2019

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LogiCamms Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December 2018

	Note	CONSOLIDATED 31 December 2018 ($'000)	 31 December 2017 ($'000)
Revenue	*8*	41,009	42,505
Cost of sales	*9*	(26,724)	(27,683)
Gross profit		14,285	14,822
Other (expense) / income	*10*	(117)	291
Business development expenses		(1,104)	(1,327)
Labour cost overhead		(8,149)	(8,448)
Impairment charge		(8,000)	-
Rent & occupancy expenses		(1,390)	(1,116)
Other operating expenses	*11*	(3,368)	(3,456)
		(7,843)	766
Onerous lease reversal		-	232
Results from operating activities		(7,843)	998
Interest received		3	2
Interest paid		(248)	(138)
Net finance expense		(245)	(136)
(Loss) / profit before income tax		(8,088)	862
Income tax (expense) / benefit	*13*	(516)	33
(Loss) / profit for the period		(8,604)	895
(Loss) / profit attributable to:			
Owners of LogiCamms Limited		(8,604)	895
Other comprehensive income			
Exchange differences on translation of foreign operations		(922)	(688)
Total comprehensive income for the period attributable to the owners of LogiCamms Limited		(9,526)	207
Earnings per share			
Basic earnings per share (cents per share AUD)		(10.5)	1.1
Diluted earnings per share (cents per share AUD)		(10.5)	1.1

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

LogiCamms Limited
Condensed consolidated statement of financial position
For the six months ended 31 December 2018

	Notes	CONSOLIDATED 31 December 2018 ($'000)	30 June 2018 ($'000)
Assets			
Cash and cash equivalents		2,709	4,156
Trade and other receivables		14,514	15,547
Contract assets		4,706	4,435
Current tax assets		89	86
Total current assets		22,018	24,224
Property, plant and equipment		2,370	2,668
Deferred tax assets		2,425	2,911
Intangible assets	*14*	13,354	20,745
Total non-current assets		18,149	26,324
Total assets		40,167	50,548
Liabilities			
Trade and other payables		7,293	8,544
Borrowings		5,797	5,820
Employee benefits		3,713	3,507
Provisions	*15*	1,789	2,319
Contract liabilities		3,891	4,425
Total current liabilities		22,483	24,615
Trade and other payables		510	744
Borrowings		111	135
Employee benefits		285	298
Provisions	*15*	991	1,323
Total non-current liabilities		1,897	2,500
Total liabilities		24,380	27,115
Net assets		15,787	23,433
Equity			
Share capital		57,650	57,619
Reserves		3,085	2,163
Accumulated losses		(44,948)	(36,349)
Total equity		15,787	23,433

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

LogiCamms Limited
Condensed consolidated statement of changes in equity
For the six months ended 31 December 2018

For the six months ended 31 December 2017

	CONSOLIDATED			
	Share Capital ($'000)	**Reserves** ($'000)	**Accumulated losses** ($'000)	**Total Equity** ($'000)
Balance at 1 July 2017	57,619	2,760	(35,607)	24,772
Profit for the period	-	-	895	895
Other comprehensive income	-	(688)	-	(688)
Total comprehensive income for the period	-	(688)	895	207
Employee share-based payments	-	-	33	33
Total transactions with owners in their capacity as owners	-	-	33	33
Balance at 31 December 2017	57,619	2,072	(34,679)	25,012

For the six months ended 31 December 2018

	CONSOLIDATED			
	Share Capital ($'000)	**Reserves** ($'000)	**Accumulated losses** ($'000)	**Total Equity** ($'000)
Balance at 1 July 2018	57,619	2,163	(36,349)	23,433
Loss for the period	-	-	(8,604)	(8,604)
Other comprehensive income	-	922	-	922
Total comprehensive income for the period	-	922	(8,604)	(7,682)
Net contributions of equity	31	-	-	31
Employee share-based payments	-	-	5	5
Total transactions with owners in their capacity as owners	31	-	5	36
Balance at 31 December 2018	57,650	3,085	(44,948)	15,787

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

LogiCamms Limited
Condensed consolidated statement of cash flows
For the six months ended 31 December 2018

	Note	CONSOLIDATED	
		31 December 2018	**31 December 2017**
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		41,322	44,453
Payments to suppliers and employees		(42,085)	(45,310)
		(763)	(857)
Interest paid		(248)	(138)
Income taxes paid		-	(213)
Net cash outflow from operating activities		(1,011)	(1,208)
Cash flows from investing activities			
Payments for intangible asset development	*14*	(336)	(332)
Acquisition of property, plant & equipment		(166)	(271)
Proceeds from disposal of property, plant & equipment		-	15
Interest received		3	2
Net cash outflow from investing activities		(499)	(586)
Cash flows from financing activities			
Proceeds from / (repayment of) borrowings		(46)	1,507
Net cash (outflow) / inflow from financing activities		(46)	1,507
Net decrease in cash and cash equivalents		(1,556)	(287)
Cash and cash equivalents at the beginning of the financial period		4,156	4,955
Effects of exchange rate changes on cash and cash equivalents		109	(13)
Cash and cash equivalents at the end of the financial period		2,709	4,655

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

1. REPORTING ENTITY

LogiCamms Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The Consolidated Half-Year Financial Report for the six-months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated Annual Financial Report as at and for the year ended 30 June 2018 is available from the Company's registered office at Level 14/200 Mary Street, Brisbane, Queensland 4000, or at the Company's website: www.logicamms.com.au.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business.

Financial performance and position

During the half year ended 31 December 2018, the Group recorded an operating loss after tax of $8.6 million including a non-cash impairment charge of $8.0 million (31 Dec 2017: Profit of $0.9m) and net operating cash outflows of $1.0 million (31 Dec 2017: outflow of $1.2m). The negative operating cash flow arose from the continued payment of the onerous lease on the Company's Perth office of $0.6m, payment of interest on the debt facility of $0.25m, payment of advisors' costs associated with the strategic balance sheet repair activities and other net working capital movements during the period. The net operating cash outflow was funded from cash reserves. No additional drawings were made from the Group's working capital facility in the six months to 31 December 2018.

As at 31 December 2018 cash on hand was $2.7 million (30 June 2018: $4.2 million) and borrowings and accrued interest under the working capital facility totalled $5.3 million (30 June 2018: $5.3 million).

Banking facilities

The Group operates its business activities through careful management of its cash reserves, operating cash flows and a "Multi-Option" finance facility provided by NAB comprising working capital and bank guarantee facilities. In August 2018 the NAB Multi-Option facility was renewed with the term extended to 30 September 2019. As part of the extension agreement, the limit of the Multi-Option Facility was reduced to $10.5 million, split $6.0 million to working capital and $4.5 million to guarantees, while the equipment finance facility limit was increased by $0.3 million to $0.8 million. The sub-limits can be reallocated between working capital and bank guarantees at any time. Subsequent to the end of the period, capital expenditure on IT equipment of $0.4m during the prior twelve-month period has been funded via the NAB equipment finance facility. On 25 February 2019 the Multi-Option Facility was extended by a further 6 months to 31 March 2020 with no change to the financial covenants.

The nature of the Group's work requires that bank guarantees or bonds are issued in relation to certain projects. At 31 December 2018, the Group had on issue $3.7 million in bank guarantees and bonds.

The NAB Multi-Option facility has a number of quarterly financial covenants customary with this type of facility including an interest cover ratio, a requirement for the business to perform within an agreed variance to its annual budget and a quarterly repayment requirement based on the greater of a fixed minimum amount or a percentage of adjusted EBITDA. These covenants were breached in the December quarter and a waiver has subsequently been received from NAB. Further details on these covenants are set out in note 5(g) of the Group's annual financial report.

Strategic balance sheet repair

Other covenants under the amended facility included a requirement of the Company to undertake a strategic balance sheet repair activity. The Directors engaged an external advisor to review the Company's strategic funding options. Six funding options were identified, including equity issues, sale of assets and hybrid debt alternatives, with the preferred option being selected by the Board being a trade debtor finance facility combined with a convertible note issue. Work commenced on implementing this option in December 2019. The Directors are confident that the NAB will continue to support the Company

2. BASIS OF PREPARATION (CONTINUED)

for the foreseeable future whilst the Company undertakes its strategic balance sheet repair and operational improvement initiatives.

Merger proposal

During the period a number of approaches were made to the Company proposing indicative, non-binding change of control transactions. The Directors determined that of these, the merger proposal received from OSD Pty Limited was competitive with the preferred refinancing option due to the potential synergies between the two businesses and the lower risk and accelerated return to sustainable profitability it offered and so proceeded to execute a non-binding terms sheet and to commence due diligence.

Financial position and basis of preparation

At 31 December 2018 the Group had $2.7m of cash on hand and undrawn bank facilities of $1.55m. As noted, at 31 December 2018 the Group recorded an operating loss after tax excluding impairment of $0.6m, recorded a net operating cash outflow of $1.0m and has total current borrowings of $5.8m. NAB has requested that these borrowings be refinanced via a strategic balance sheet repair activity. Whilst no deadline for repayment of borrowings has been set, the Directors are cognisant that the Company requires a strong balance sheet to continue to sustainably operate the business.

The Group has prepared detailed cash flow forecasts for the next twelve months which show an improvement in operating cash flows. Onerous lease payments begin to fall away from June 2019 and reduce to nil by November 2019. The end of these leases also provides an opportunity to reduce rental costs in a more competitive market. The Group continues to have a strong cash collection and billing cycle over its debtors and work in progress (WIP) with minimal debts being written off during the half year and the aging profile of WIP and debtors consistent with prior periods.

The Directors believe that the $1.55m headroom remaining under the Multi-option Facility with NAB is sufficient to meet the foreseeable future working capital and bank guarantee requirements of the business. However, should actual results or future forecasts indicate that additional working capital is required in the future, the Directors are confident that the Group will be able to raise additional funds through an equity raising, by obtaining alternative longer-term debt facilities or through the sale of assets.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Director's expect the Group to operate within the limit of its current facilities, albeit with a lower buffer of cash on hand and headroom available in the NAB facility than in previous reporting periods. Should actual trading results and/or operating cashflows be materially lower than forecast, the Group may not have sufficient liquidity to meet its obligations as they fall due.

Material uncertainty

The continuing viability of the Group and, therefore, its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful in:

- achieving its forecasts and generating sufficient future cash flows to enable its obligations to be met; and
- the finalisation of a merger or other change of control transaction with appropriate funding facilities; or
- execution of an alternative strategic funding option.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, based on the current cash position, facilities in place, forecast operating performance and cash flows, the Group's work in hand and proposal pipeline, realisable assets and the progress to date on the strategic balance sheet repair activities, the Directors have prepared the Consolidated Interim Financial Report on a going concern basis.

3. STATEMENT OF COMPLIANCE

The Consolidated Interim Financial Report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and 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. Comparative information has been reclassified where appropriate to enhance comparability.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2019.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the consolidated interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

4. ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Consolidated Interim Financial Report, the significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2018, except for policies relating to new financial instruments standard AASB 9 and new revenue standard AASB 15, outlined below.

5. SUMMARY OF SIGNFICIANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for policies relating to new financial instruments standard AASB 9 and new revenue standard AASB 15, outlined below.

a) New standards adopted by the Group

Title of standard	AASB 9 *Financial Instruments*
Nature of change	AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.
Impact	The adoption of AASB 9 did not result in any adjustment to amounts recognised in the Group's financial statements. The Group has only two types of financial assets that are subject to AASB 9's new expected credit loss model: • trade receivables • contract assets There were no changes to the accounting treatment adopted for the Group's borrowings. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Balances have not been restated as the change in the standard has not resulted in a significant change in the expected impairment loss compared to the previous accounting policy.

5. SUMMARY OF SIGNFICIANT ACCOUNTING POLICIES (CONTINUED)

Title of standard	AASB 9 *Financial Instruments*
Date of adoption by the Group	The Group has applied the new rules retrospectively from 1 July 2018, reflecting changes made mandatory from 1 January 2018. Comparatives for 30 June 2018 have not been restated.

Title of standard	AASB 15 *Revenue from Contracts with Customers*
Nature of change	AASB 15 replaces AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has applied the new standard from 1 July 2018. Comparatives for 30 June 2018 have not been restated.
Impact	The Group's main source of revenue is from the provision of engineering consulting services. Revenue from providing services is recognised in the accounting period in which the services are rendered based on timesheets completed by staff. For reimbursable and capped reimbursable contracts (for example secondments) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. This is determined based on the proportion of actual costs incurred relative to the total expected project costs at completion. For construction type contracts, revenue is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. This is determined based on the proportion of actual costs incurred relative to the total expected project costs at completion. Some contracts include multiple deliverables, such as the design and then implementation of a new control system or electrical equipment (commonly referred to as EPC contracts). Where the installation is simple and could be performed by another party it is accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. If contracts include the installation of software and/or equipment, revenue for the software and equipment is recognised at a point in time when it is delivered or installed, the legal title has passed and the customer has accepted the item. Where the installation of the software or equipment is complex and highly integrated, such as the design, development and implementation of a complex control system, the contract may be accounted for as a single performance obligation. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by LogiCamms as at the reporting date exceed the payments received, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which LogiCamms Limited has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced in accordance with agreed payment terms. LogiCamms Limited has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of AASB 15 and AASB 9: • Contract assets recognised in relation to engineering contracts were previously presented as part of trade and other receivables. • Contract liabilities in relation to engineering contracts were previously included in trade and other payables.

5. SUMMARY OF SIGNFICIANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards not yet adopted by the Group

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

Title of standard	AASB 16 Leases
Nature of change	Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.
Impact	The Group has begun working towards the implementation of AASB 16 in determining the extent lease commitments will result in the recognition of an asset and a liability for future payments, and the impact this will have on the Group's profit and classification of cash flows. Some of the commitments may be covered by an exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB16. The impact of this new standard will result in lower operating expenses and higher depreciation and finance charges, as premises leases are brought onto the balance sheet. Debt to equity ratios will increase.
Date of adoption by the Group	The Group has chosen not to adopt AASB 16 until it becomes mandatory for the financial year commencing 1 July 2019. The Group intends to apply the simplified transitions approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

6. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at, and for the year ended 30 June 2018 with the exception of the change in policy in respect of impairment risks related to trade receivables and contract assets as outlined above in note 5(a).

LogiCamms Limited
Notes to the Condensed Consolidated Financial Statements
For the six months ended 31 December 2018

7. SEGMENT INFORMATION

The Group has a single reportable segment in which it operates, being engineering services. This is based on information that is internally provided to the executive group for assessing performance and making operating decisions. Therefore, no additional disclosures in relation to the revenues, profit or loss, assets and liabilities or other management items have been made.

The Company is domiciled in Australia, with operations across Australia and in New Zealand. Revenue and non-current assets are attributed to the above regions based on the revenue and non-current assets owned by the subsidiaries domiciled in each region and are as follows:

	CONSOLIDATED	
	31 December 2018	**31 December 2017**
Revenue	($'000)	($'000)
Australia	34,993	36,881
New Zealand	6,016	5,624
	41,009	42,505
	31 December 2018	**30 June 2018**
Non-current assets excluding deferred tax assets	($'000)	($'000)
Australia	14,774	23,069
New Zealand	307	344
	15,081	23,413

8. REVENUE

	CONSOLIDATED	
Revenue	**31 December 2018**	**31 December 2017**
	($'000)	($'000)
Project and services revenue	37,741	39,367
Training courses	3,268	3,138
	41,009	42,505

9. COST OF SALES

	CONSOLIDATED	
Cost of sales	**31 December 2018**	**31 December 2017**
	($'000)	($'000)
Project and services	(25,405)	(26,515)
Training courses	(1,319)	(1,168)
	(26,724)	(27,683)

10. OTHER INCOME

Other income / (expense) comprises the following:	CONSOLIDATED 31 December 2018 ($'000)	31 December 2017 ($'000)
Net foreign exchange (losses) / gains	(249)	224
Other items	132	67
	(117)	291

11. OTHER OPERATING EXPENSES

Other operating expenses comprises the following:	CONSOLIDATED 31 December 2018 ($'000)	31 December 2017 ($'000)
Subscriptions, Licences & Memberships	(929)	(767)
Consulting	(529)	(623)
Insurance	(339)	(374)
Other administrative expenses	(1,571)	(1,692)
	(3,368)	(3,456)

12. DIVIDENDS

No Dividends were declared or paid during the six months ended 31 December 2018.

13. INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

Numerical reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED 31 December 2018 ($'000)	31 December 2017 ($'000)
(Loss) / profit for the year	(8,604)	895
Income tax expense / (benefit)	516	(33)
(Loss) / profit excluding income tax	(8,088)	862
Income tax using the Company's domestic tax rate of 30%	(2,426)	259
Effect of tax rates in foreign jurisdictions	6	(2)
Withholding taxes paid	26	64
Non-deductible expenses	2,403	1
Effect of unrealised foreign exchange	(2)	(74)
Tax losses and incentives not recognised	509	-
Utilisation of tax losses	-	(281)
Total income tax expense / (benefit)	516	(33)

14. INTANGIBLE ASSETS

	CONSOLIDATED			
	Goodwill	**System and software**	**Customer Contracts**	**Total**
As at 1 July 2018	($'000)	($'000)	($'000)	($'000)
Cost	58,244	8,004	300	66,548
Accumulated amortisation and impairment	(39,100)	(6,403)	(300)	(45,803)
Net book amount	19,144	1,601	-	20,745
Movement for the six months ended 31 December 2018				
Opening net book amount	19,144	1,601	-	20,745
Additions - internal development	-	336	-	336
Amortisation charge	-	(370)	-	(370)
Impairment charge	(8,000)	-	-	(8,000)
Effect of foreign exchange	643	-	-	643
Balance at 31 December 2018	11,787	1,567	-	13,354
As at 31 December 2018				
Cost	58,887	8,368	300	67,555
Accumulated amortisation and impairment	(47,100)	(6,801)	(300)	(54,201)
Net book amount	11,787	1,567	-	13,354

Non-financial assets

Testing for impairment

The Group tests non-financial assets for impairment:

- At least annually for indefinite life intangible assets and goodwill; and
- Where there is an indication that the asset may be impaired (which is assessed at least at each reporting period); or
- Where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

If any such indication exists then the asset's recoverable amount is estimated, being the greater of its value in use and its fair value less costs to sell.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Group considers that it has one cash generating unit for the purpose of impairment testing of goodwill.

There were a number of factors that indicated a potential impairment of goodwill at 31 December 2018, including:

- The Group's market capitalisation remains below the level of its net asset value;
- The financial performance of the business in the six months to 31 December 2018 was lower than expected; and
- The existence of a non-binding term sheet outlining a proposed corporate transaction with an implied value for the Group that was materially below the Group's net asset value.

14. INTANGIBLE ASSETS (CONTINUED)

Inputs to impairment calculations

The Value-In-Use calculation uses cash flow projections based on the Group's corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually and on the understanding that actual outcomes may differ from the assumptions used. For these calculations, adjustments are incorporated for the relevant industry metrics. In the circumstances that the Cash Generating Unit ("CGU") is unable to achieve the forecast growth in earnings, there is a risk that the carrying value of the CGU would exceed its recoverable amount.

Cash flow projections over the five-year period, which are based on Group estimates, take into consideration historical performance as well as expected long term operating conditions. Growth rates do not materially exceed the consensus forecasts of the long-term average growth rate for the market sector in which the CGU operates.

The pre-tax discount rates are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary, and other assumptions are determined with reference to external sources of information and use consistent, conservative estimates for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

EBITDA and projected margins are based on actual performance in prior years adjusted for actual efficiency improvements achieved (eg improved Reimbursability of staff), changes in revenue mix and known changes in overheads including known cost reductions.

Impairment calculation

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal or Value-In-Use.

The Group has conducted an assessment of the carrying value of its net assets and has determined that it is appropriate to recognise an impairment to goodwill of $8.0 million (2018: nil), reducing the goodwill balance to $11.8m after adjusting for the effect of exchange rates (June 2018: $19.1m).

The recoverable amount of the goodwill is based on a Value-in-use calculation with respect to the CGU and was determined by applying a five-year net present value calculation of projected cash flows and a terminal value at the end of the fifth year. The calculation of Value-in-use was determined having regard to the following key assumptions:

- A pre-tax discount rate applied to cash flows of 17.72% (2018: 16.64%)
- Expected future profits for the first year based on the latest forecast for the remainder of FY19
- EBITDA margins in the mid- single digits (2018: average 2.0% higher across years two to five)
- Future nominal revenue growth of 5% in years two to five (2018: 10%, 10%, 7.5% and 7.5% in years two to five respectively)
- After the fifth year a terminal value was applied using a growth rate of 2.0% (2018: 2.0%)

Sensitivity to changes in assumptions

The recoverable value of the CGU is particularly sensitive to the changes in discount rate, the level of EBITDA over the five-year forecast period, and the forecast long-term EBITDA that drives terminal value. A 1.0% change in the EBITDA margin assumption in years two to five would result in a change in the impairment amount by $5.7m. As the goodwill for the LogiCamms CGU has been written down to its Value-in-use amount, any reasonably possible deterioration to the key assumptions used to determine value-in-use, may result in a further impairment of goodwill.

15. PROVISIONS

	CONSOLIDATED					
	31 December 2018			30 June 2018		
	Current	Non-current	Total	Current	Non-current	Total
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Onerous lease provision	975	-	975	1,235	358	1,593
Superannuation provision	645	-	645	785	-	785
Make good provision	-	991	991	-	965	965
Service warranties	169	-	169	299	-	299
	1,789	991	2,780	2,319	1,323	3,642

Warranty provision
Projects are reviewed periodically to ensure warranty provisions recognised at commencement remain sufficient. A full reassessment has been performed resulting in a reduction in the required provision.

Onerous lease provision
The reduction in the onerous lease provision is due to the unwind of the provision over time as lease payments are made.

Superannuation provision
The Group has recognised a provision for superannuation amounts potentially owing to certain contractors falling in the SGA Act's expanded definition of employees. The provision is measured at the expected cost of settling the liability.

Make good provision
The make good provisions are calculated on a $/sqm basis and are reviewed for appropriateness periodically. There have been no changes to the premises leased by the group in the six months ended 31 December 2018. The amount of the provision increases over time reflecting an unwinding of the discount to present value at the time the provision was recognised.

16. SUBSEQUENT EVENTS

Proposed merger transaction
During the reporting period a number of approaches were made to the Company proposing various change of control transactions. The Directors determined that of these, a merger proposal received from OSD Pty Limited, a privately-owned engineering consulting company with operations in Australia and New Zealand, was competitive with the Board's preferred refinancing option due to the potential synergies between the two businesses and the lower risk and accelerated return to sustainable profitability that such a merger offered. On 15 January 2019 the Company executed a confidential, non-binding terms sheet and both parties commenced to undertake due diligence.

The proposed merger transaction involves LogiCamms issuing new scrip as consideration for the acquisition of all the shares in OSD Pty Limited at an exchange ratio that is to be determined following completion of due diligence, but which is currently expected to result in the vendor shareholders holding 59% of the issued shares of the merged group and the transaction being accounted for as a reverse acquisition.

Should the parties conclude a Sale & Purchase Agreement the proposed transaction would be subject to several conditions precedent including approval by shareholders. Further details of the proposed merger transaction and timetable are outlined in the Company's half year results announcement to the ASX dated 28 February 2019.

Extension of finance facilities
On 26 February 2019 the Group's finance facilities with NAB were extended to 31 March 2020. There was no change to the facility limits or financial covenants under the agreement. One additional covenant was added to the agreement being that the Company must immediately notify NAB if the proposed merger transaction does not proceed and within 30 days must provide NAB with evidence satisfactory to NAB of the commencement of the implementation of one or more of the alternative refinancing options (for example, a debtor finance facility and/or convertible note issue). At the date of this report LCM has provided NAB with all undertakings and reports detailed in our annual report, to the satisfaction of the NAB.

LogiCamms Limited
Directors' Declaration
For the six months ended 31 December 2018

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 5 to 19 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

Peter Watson, Chairman

Dated at Brisbane, Australia
this 28th day of February 2019.

Independent auditor's review report to the members of LogiCamms Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LogiCamms Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the LogiCamms Limited Group. The Group comprises the Company and the entities it controlled during that half-year.

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 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.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 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 complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of LogiCamms Limited, 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 other 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*.

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Conclusion

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 LogiCamms Limited is not in accordance with the *Corporations Act 2001* including:

1. 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;

2. 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 2 in the financial report, which indicates that the Group incurred a loss of $8.6 million and had a net cash outflow from operating activities of $1.0 million during the half year ended 31 December 2018. As a result, the Group is dependent on achieving its forecasts and generating sufficient cash flows and either the successful finalisation of a merger or other change of control transaction with appropriate funding facilities or the execution of an alternative strategic funding option to enable it to continue as a going concern and meet its debts and commitments as they fall due. These conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Pricewaterhouse Coopers

PricewaterhouseCoopers

Michael Crowe

Michael Crowe
Partner

Brisbane
28 February 2019