MCS Security Group Pty Ltd trading as MCS Security

A.C.N. 114 919 925

Financial Report

for the years ended 30 June 2013, 2014 and 2015

CONTENTS

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Mr Paul Simmons

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WA 6017

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AUDITORS
Stantons International
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West Perth
WA 6005

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Joondalup WA 6000

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www.mcssecurity.com.au

DIRECTOR'S REPORT

The directors present the following report on MCS Security Group Pty Ltd trading as MCS Security (**Company**) for the years ended 30 June 2013, 2014 and 2015 (together, the **Period**).

DIRECTORS

The names of the Company's directors in office during the Period and until the date of this report are as below. The directors were in office for this entire Period unless otherwise stated.

Mr Paul Simmons

PRINCIPAL ACTIVITIES

The principal activity of the Company during the Period was the provision of security at major commercial property sites and retail shopping centres.

REVIEW AND RESULTS OF OPERATIONS

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Profit after tax	1,185,092	1,003,001	1,103,728
Security revenue	13,504,882	13,050,159	12,477,396

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company that occurred during the Period.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events and transactions have taken place subsequent to 30 June 2015:

- The Company entered into a binding terms sheet with Red Gum Resources Limited for the reverse takeover on the Australian Securities Exchange (ASX).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION

The Company's operations are not regulated by any significant environmental regulation under law of the Commonwealth or of a state or territory.

DIRECTOR'S REPORT

DIVIDENDS

Dividends paid or declared during the Period are as follows:

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Declared and paid	1,060,000	340,000	270,000

OPTIONS

No options over issued shares or interest or interests in the Company were granted during the Period or subsequent to 30 June 2015 and there were no options outstanding at the date of this report.

DIRECTORS' INTEREST IN SHARES OF THE COMPANY OR RELATED BODIES CORPORATE

The particulars of shares held by the directors of the Company or related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

Shareholder	Shares
Mr Paul Simmons	1 Fully Paid Ordinary Share (50% interest in the Company)
Mrs Maureen Simmons	1 Fully Paid Ordinary Share (50% interest in the Company)

INDEMNIFICATION OF OFFICERS

The Company did not pay insurance premiums for key person insurance for the directors of the Company during the Period. No other indemnities have been given or insurance premiums paid, during the Period or since 30 June 2015, for any person who is or has been an officer or auditor of the Company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any parts of those proceedings.

The Company was not a party to any such proceedings during the Period.

NON-AUDIT SERVICES

There were no non-audit services provided by Stantons International during the Period.

DIRECTOR'S REPORT

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 on page 7.

Mr Paul Simmons
Director

Perth, Western Australia, 31 August 2015

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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31 August 2015

Board of Directors,
MCS Security Group Pty Ltd,
3/8 Winton Road,
Joondalup,
Perth, WA 6027.

Dear Directors

RE: MCS SECURITY GROUP PTY LTD

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of MCS Security Group Pty Ltd.

As Audit Director for the audit of the financial statements of MCS Security Group Pty Ltd for the years ended 30 June 2013, 30 June 2014 and 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE YEARS ENDED 30 JUNE 2015

		Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Security revenue	2	13,504,882	13,050,159	12,477,396
Cost of sales		(10,400,971)	(10,343,351)	(9,725,826)
Gross profit		3,103,911	2,706,808	2,751,570
Other income	3	377,781	240,864	113,665
Employee benefits expense	4	(586,861)	(584,433)	(539,013)
Consultant fees		(21,929)	(29,468)	(17,790)
Insurance expense		(427,358)	(323,374)	(328,779)
Depreciation	9	(135,270)	(85,590)	(55,592)
Finance costs		(14,382)	(2,143)	(15,778)
Occupancy expenses		(101,201)	(67,584)	(64,221)
Administrative expenses		(262,578)	(410,067)	(247,620)
Loss on sale of plant and equipment		(32,744)	(8,021)	(7,922)
Impairment of receivables		(8,216)	(1,653)	(6,759)
Proprietor expenses		(188,311)	-	-
PROFIT BEFORE INCOME TAX		1,702,842	1,435,339	1,581,761
Income tax expense	5a	(517,750)	(432,338)	(478,033)
PROFIT / (LOSS) FOR THE PERIOD		1,185,092	1,003,001	1,103,728
OTHER COMPREHENSIVE INCOME / (LOSS)				
Items that may be reclassified subsequent to profit and loss		-	-	-
Items that will not be reclassified to profit and loss		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,185,092	1,003,001	1,103,728

The above Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013, 30 JUNE 2014 AND 30 JUNE 2015

		30-Jun-15	30-Jun-14	30-Jun-13
		$	$	$
CURRENT ASSETS				
Cash and cash equivalents	**6**	1,336,844	1,905,563	1,949,045
Trade and other receivables	**7**	1,168,424	1,420,846	1,074,049
Receivable from related party	**8**	868,253	322,633	321,385
Inventory		12,000	-	-
TOTAL CURRENT ASSETS		3,385,521	3,649,042	3,344,479
NON-CURRENT ASSETS				
Property, plant and equipment	**9**	627,339	320,446	263,346
Deferred tax asset	**5c**	176,047	222,991	230,935
TOTAL NON-CURRENT ASSETS		803,386	543,437	494,281
TOTAL ASSETS		4,188,907	4,192,479	3,838,760
CURRENT LIABILITIES				
Trade and other payables	**10**	791,489	814,525	849,016
Provisions	**11**	121,123	135,596	233,050
Financial liabilities	**12**	78,697	177,910	44,766
Income tax payable	**5d**	72,758	189,736	409,651
TOTAL CURRENT LIABILITIES		1,064,067	1,317,767	1,536,483
NON CURRENT LIABILITIES				
Provisions		13,375	32,993	16,366
Financial liabilities	**12**	186,541	41,887	149,080
TOTAL NON-CURRENT LIABILITIES		199,916	74,880	165,446
TOTAL LIABILITIES		1,263,983	1,392,647	1,701,929
NET ASSETS		2,924,924	2,799,832	2,136,831
EQUITY				
Issued capital	**13**	2	2	2
Retained earnings	**14**	2,924,922	2,799,830	2,136,829
TOTAL EQUITY		2,924,924	2,799,832	2,136,831

The above Statements of Financial Position are to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 30 JUNE 2015

	Issued Capital $	Retained Earnings / (Losses) $	Total $
BALANCE AT 1 JULY 2014	**2**	**2,799,830**	**2,799,832**
Profit for the period	-	1,185,092	1,185,092
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,185,092	1,185,092
Transactions with owner, directly recorded in equity:	-	-	-
Dividend paid	-	(1,060,000)	(1,060,000)
BALANCE AT 30 JUNE 2015	**2**	**2,924,922**	**2,924,924**
BALANCE AT 1 JULY 2013	**2**	**2,136,829**	**2,136,831**
Profit for the year	-	1,003,001	1,003,001
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,003,001	1,003,001
Transactions with owner, directly recorded in equity:	-	-	-
Dividend paid	-	(340,000)	(340,000)
BALANCE AT 30 JUNE 2014	**2**	**2,799,830**	**2,799,832**
BALANCE AT 1 JULY 2012	**2**	**1,303,101**	**1,303,103**
Profit for the year	-	1,103,728	1,103,728
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,103,728	1,103,728
Transactions with owner, directly recorded in equity:	-	-	-
Dividend paid	-	(270,000)	(270,000)
BALANCE AT 30 JUNE 2013	**2**	**2,136,829**	**2,136,831**

The above Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE THREE YEARS ENDED 30 JUNE 2015

	Note	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		13,781,526	12,696,581	12,613,166
Payments to suppliers and employees		(11,760,756)	(11,640,934)	(10,663,053)
Interest paid		(14,382)	(2,143)	(15,778)
Interest received		15,020	13,253	21,354
Income tax paid		(587,784)	(652,253)	(513,147)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6**	1,433,624	414,504	1,442,542
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(442,163)	(142,689)	(218,684)
Proceeds from disposal of property, plant and equipment		-	-	99,091
Loans provided by other entities		45,440	25,951	21,727
Loans provided to related parties		(545,620)	(1,248)	(207,533)
NET CASH (USED IN) INVESTING ACTIVITIES		(942,343)	(117,986)	(305,399)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of dividend		(1,060,000)	(340,000)	(270,000)
NET CASH USED IN FINANCING ACTIVITIES		(1,060,000)	(340,000)	(270,000)
NET INCREASE / (DECREASE) IN CASH HELD		(568,719)	(43,482)	867,143
Cash at the beginning of the period		1,905,563	1,949,045	1,081,902
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	1,336,844	1,905,563	1,949,045

Consolidated Statements of Cash Flows are to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

The financial report includes the financial statement and notes of MCS Security Group Pty Ltd trading as MCS Security (**Company**).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements of the Company comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

The financial statements were authorised for issue on 28 August 2015 by the directors of the Company.

b) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. All revenue is stated net of the amount of goods and services tax (GST). The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Revenue recognition relating to the provision of security services is determined with reference to labour hours provided under contractual arrangements with customers.

Interest income

Interest income is recognised on an accrual basis.

c) INCOME TAX

The income tax expense for the year comprises current income tax expense and deferred tax expense (income). Current income tax expense charged to Statement of Profit or Loss and Other Comprehensive Income is the tax

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense (income) reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the Statement of Profit or Loss and Other Comprehensive Income when the tax relates to items that are charged or credited directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

e) PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Method	Depreciation Rate
Motor Vehicles	Diminishing value	22.5% - 25.0%
Office Equipment and Furniture	Diminishing value	10.0% - 50.0%
Intangibles	Diminishing value	40.0% - 50.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to accumulated losses.

f) FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. Trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i.) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

The company's trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default. The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(ii.) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired, if so the Company performs a detailed impairment calculation to determine whether an impairment loss should be recognised.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in Statement of Profit or Loss and Other Comprehensive Income.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

g) IMPAIRMENT OF ASSETS

At each reporting date, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h) TRADE AND OTHER PAYABLES

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

i) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

j) EMPLOYEE BENEFITS

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The company's obligations for short-term employee benefits such as wages, salaries and annual leave are recognised as part of the current trade and other payables in the statement of financial position.

k) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amount equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a reducing balance basis over their estimated useful lives or the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

l) SIGNIFICANT JUDGEMENTS AND KEY ASSUMPTIONS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the 12-month period that follows, the directors believe that obligations for annual leave entitlements satisfy the definition of other long-term employee benefits and, as a result, are required to be measured at the present value of the expected future payments to be made to employees.

m) ADOPTION OF NEW AND REVISED STANDARDS

New and amended accounting standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the Period.

The accounting policies adopted are consistent across the financial reporting periods presented in this financial report.

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2014. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

New and amended standards and interpretations issued but not yet effective and not early adopted

The Company has not elected to early adopt any new accounting standards and interpretations. The Company intends to adopt these standards, if applicable, when they become effective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

2. REVENUE

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Security revenue			
Alarm / CCTV	230,106	141,164	200,224
Mobile patrols	236,589	189,553	151,287
Uniformed guards	13,005,009	12,688,879	12,086,054
Other	33,178	30,563	39,831
	13,504,882	13,050,159	12,477,396

3. OTHER INCOME

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Interest income	15,020	13,253	21,354
Workers compensation rebate	235,310	171,502	55,136
Other income	127,451	56,109	37,175
	377,781	240,864	113,665

4. EMPLOYEE BENEFITS EXPENSE

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Salaries and wages	(576,224)	(541,525)	(347,581)
Superannuation	(44,728)	(96,242)	(86,811)
Long service leave	(3,581)	(24,282)	(31,483)
Payroll tax	-	(27,495)	(19,114)
Annual leave expense movement	37,672	105,111	(53,435)
Employee allowances	-	-	(589)
	(586,861)	(584,433)	(539,013)

5. INCOME TAX

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
a) Income tax expenses / (benefit)			
Current tax	470,806	424,394	534,312
Deferred tax	46,944	7,944	(56,279)
Income tax expense	517,750	432,338	478,033

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

b) Reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory tax rate

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Profit before income tax	1,702,842	1,435,339	1,581,761
Prima facie tax at rate of 30%	510,853	430,602	474,528
Permanent differences	6,897	1,736	3,505
Non-deductible expenses	-	-	-
Other deductible expenses	(46,944)	(7,944)	56,279
Tax losses recouped	-	-	-
Movement in deferred tax	46,944	7,944	(56,279)
Income tax expense	517,750	432,338	478,033

c) Deferred tax assets

	Year end 30-Jun-15 $	Year end 30-Jun-14 $	Year end 30-Jun-13 $
Accrued expenses	170,724	222,991	230,935
Plant and equipment	5,323	-	-
Deferred tax asset	176,047	222,991	230,935

Tax losses carried forward do not expire however are contingent upon the Company deriving assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; the conditions for deductibility imposed by tax legislation continuing to be complied with; and there being no changes in tax legislation which would adversely affect the Company from realising the benefits from the losses.

d) Income tax payable

	30-Jun-15 $	30-Jun-14 $	30-Jun-13 $
Income tax payable	72,758	189,736	409,651
	72,758	189,736	409,651

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

6. CASH AND CASH EQUIVALENTS

	30-Jun-15 $	30-Jun-14 $	30-Jun-13 $
Cash at bank and in hand	1,336,844	1,905,563	1,949,045
	1,336,844	1,905,563	1,949,045

a) Reconciliation of net cash used in operating activities with profit after income tax	30-Jun-15 $	30-Jun-14 $	30-Jun-13 $
Net profit for the period after tax	1,185,092	1,003,001	1,103,728
Adjusted for non-cash items:			
Depreciation	135,270	85,590	55,592
Impairment of receivables	8,216	1,653	6,759
Other	-	-	-
Changes in assets and liabilities during the period:			
Movement in trade and other receivables	244,206	(348,449)	108,513
Movement in trade and other payables	(57,125)	(115,320)	259,343
Movement in inventory	(12,000)	-	-
Movement in deferred tax asset	46,944	7,944	(56,279)
Movement in income tax payable	(116,979)	(219,915)	(35,114)
Net cash used in operating activities	1,433,624	414,504	1,442,542

7. TRADE AND OTHER RECEIVABLES

	30-Jun-15 $	30-Jun-14 $	30-Jun-13 $
Trade debtors	1,085,433	1,362,077	1,008,497
Prepayments	76,604	50,308	54,942
Other receivables	6,387	8,461	10,610
	1,168,424	1,420,846	1,074,049

Provision for Impairment of Receivables

A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. There has been no impairment recognised in relation to receivables as all receivables are considered recoverable and are not past due or impaired.

Credit Risk – Trade and other

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

8. RECEIVABLE FROM RELATED PARTY

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Mr Paul Simmons (a)	868,253	322,633	321,385
	868,253	322,633	321,385

(a) All loans are interest free and unsecured.

9. PROPERTY, PLANT & EQUIPMENT

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Office furniture & equipment – cost	354,334	165,299	93,043
Office furniture & equipment – acc. depn.	(68,768)	(92,922)	(33,924)
	285,566	72,377	59,119
Motor vehicles – cost	486,572	325,719	258,702
Motor vehicles – acc. depn.	(164,619)	(92,836)	(55,257)
	321,953	232,883	203,445
Software – cost	36,105	20,177	4,477
Software – acc. depn.	(16,285)	(4,991)	(3,695)
	19,820	15,186	782
Total property, plant & equipment	627,339	320,446	263,346

Movement reconciliation:			
Carrying value at start of period	320,446	263,346	199,342
Additions	550,100	184,554	226,610
Disposals	(107,937)	(41,864)	(107,014)
Depreciation	(135,270)	(85,590)	(55,592)
Carrying value at end of period	627,339	320,446	263,346

10. TRADE AND OTHER PAYABLES

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Trade creditors	26,959	46,461	24,619
Sundry payables and accruals	46,651	30,871	15,871
GST payable	316,573	308,433	290,130
PAYG withholding payable	56,097	58,230	175,184
Payroll Liability Accruals	248,629	272,627	237,183
Superannuation payable	22,844	-	-
Payroll tax payable	73,736	97,903	106,029
	791,489	814,525	849,016

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

11. PROVISIONS

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Provision for annual leave	75,152	112,824	217,935
Provision for long service leave	45,971	22,772	15,115
	121,123	135,596	233,050

12. FINANCIAL LIABILITIES

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Finance lease – motor vehicle (Current)	78,697	177,910	44,766
Finance lease – motor vehicle (Non-Current)	186,541	41,887	149,080
	265,238	219,797	193,846

13. ISSUED CAPITAL

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
2 fully paid ordinary shares	2	2	2
	2	2	2

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called.

Capital Risk Management

The Directors control the capital of the Company in order to ensure that the Company can fund its operations and continue as a going concern. The Company's capital includes ordinary share capital, fully paid. There are no externally imposed capital requirements.

The Directors effectively manage the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by the Directors to control the capital of the Company in the three year period 30 June 2015. This strategy is to maintain share capital as dictated by operational requirements and market conditions.

14. RETAINED EARNINGS

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Retained earnings	2,924,922	2,799,830	2,136,829

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Movements reconciliation:			
Balance at beginning of the period	2,799,830	2,136,829	1,303,101
Profit for the period attributable to members	1,185,092	1,003,001	1,103,728
Dividend paid	(1,060,000)	(340,000)	(270,000)
Balance at end of the period	2,924,922	2,799,830	2,136,829

15. RELATED PARTY TRANSACTIONS

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Mr Paul Simmons and Mrs Maureen Simmons –100% owners of the Company:			
Owner related expenses recognised in the Company's statement of profit or loss statement and other comprehensive income	188,311	50,000	50,000
Loan received from Company during the period	545,620	1,248	207,532
Balance of loan payable from Paul Simmons to Company at end of period	868,253	322,633	321,385

16. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise mainly of cash at bank, account payable and receivables and financial liabilities.
The totals for each category of financial instruments as follows:

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Financial Assets			
Cash and cash equivalents	1,336,844	1,905,563	1,949,045
Trade and other receivables	1,091,820	1,370,538	1,019,107
Receivable from related party	868,253	322,633	321,385
	3,296,917	3,598,734	3,289,537
Financial Liabilities			
Trade and other payables	496,209	511,027	595,962
Financial liabilities	265,238	219,797	193,846
Income tax payable	72,758	189,736	409,651
	834,205	920,560	1,190,459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

Financial Risk Management Policies

The Director's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of future cash flow requirements.

Specific Financial Risk Exposure and Management

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk.

a) Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's cash and cash equivalents.

b) Credit Risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Company.

The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The cash transactions of the Company are limited to high credit quality financial institutions.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 7. The trade receivables balances at 30 June 2015, 30 June 2014 and 30 June 2013 do not include any counterparties with external credit ratings.

c) Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following:

- Preparing forward-looking cash flow forecast regarding its operational, investing and financing activities;
- Monitoring undrawn credit facilities; and
- Managing credit risk related to financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

30 June 2015	**Within 1 year**	**1 – 5 years**	**Total**
Financial assets – cash flows realisable			
Cash and cash equivalents	1,336,844	-	1,336,844
Trade and other receivables	1,091,820	-	1,091,820
Receivable from related party	868,253	-	868,253
Total anticipated inflows	3,296,917	-	3,296,917
Financial liabilities – due for payment			
Trade and other payables	(496,209)	-	(496,209)
Financial liabilities	(78,697)	(186,541)	(265,238)
Income tax payable	(72,758)	-	(72,758)
Total contractual outflows	(647,664)	(186,541)	(834,205)
Net inflow / (outflow) on financial instruments	**2,649,253**	**(186,541)**	**2,467,712**

30 June 2014	**Within 1 year**	**1 – 5 years**	**Total**
Financial assets – cash flows realisable			
Cash and cash equivalents	1,905,563	-	1,905,563
Trade and other receivables	1,370,538	-	1,370,538
Receivable from related party	322,633	-	322,633
Total anticipated inflows	3,598,734	-	3,598,734
Financial liabilities – due for payment			
Trade and other payables	(511,027)	-	(511,027)
Financial liabilities	(177,910)	(41,887)	(219,797)
Income tax payable	(189,736)	-	(189,736)
Total contractual outflows	(878,673)	(41,887)	(920,560)
Net inflow / (outflow) on financial instruments	**2,720,061**	**(41,887)**	**2,678,174**

30 June 2013	**Within 1 year**	**1 – 5 years**	**Total**
Financial assets – cash flows realisable			
Cash and cash equivalents	1,949,045	-	1,949,045
Trade and other receivables	1,019,107	-	1,019,107
Receivable from related party	321,385	-	321,385
Total anticipated inflows	3,289,537	-	3,289,537

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

Financial liabilities – due for payment			
Trade and other payables	(595,962)	-	(595,962)
Financial liabilities	(44,766)	(149,080)	(193,846)
Income tax payable	(409,651)	-	(409,651)
Total contractual outflows	(1,050,379)	(149,080)	(1,199,459)
Net inflow / (outflow) on financial instruments	**2,239,158**	**(149,080)**	**2,090,078**

Cash flows from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that facilities will roll forward.

Fair value of financial assets and financial liabilities

There is no difference between the fair values and the carrying amounts of the Company's financial assets and liabilities. The Company has no unrecognised financial assets and liabilities at balance date. The Company's financial assets and liabilities are at level 2 or above.

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Carrying Amount	-1% change		+1% change	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
30 June 2015					
Financial asset – cash and cash equivalents	**1,336,844**	(13,368)	(13,368)	13,368	13,368
Finance lease obligations	**265,238**	2,652	2,652	(2,652)	(2,652)
30 June 2014					
Financial asset – cash and cash equivalents	**1,905,563**	(19,056)	(19,056)	19,056	19,056
Finance lease obligations	**219,797**	2,198	2,198	(2,198)	(2,198)
30 June 2013					
Financial asset – cash and cash equivalents	**1,949,045**	(19,490)	(19,490)	19,490	19,490
Finance lease obligations	**193,846**	1,938	1,938	(1,938)	(1,938)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

17. SEGMENT INFORMATION

The Company operates in the security services industry in Western Australia. For management purposes, the Company is organised into one main operating segment which involves the provision of security services. All of the Company's activities are interrelated and discrete financial information is reported to the Directors (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

18. COMMITMENTS

a) Office Lease Commitments

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Minimum lease payments not provided for in the financial report and payable not later than one year	47,925	-	-
Later than one year but not later than five years	155,756	-	-
Later than five years	-	-	-
	203,681	-	-

The Company has a commitment to the operating lease for the office premises at Winton Road which commenced on 1 October 2014 and terminates on 30 September 2019.

b) Finance Lease Commitments

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Minimum finance lease payments not provided for in the financial report and payable not later than one year	78,697	177,910	44,766
Later than one year but not later than five years	186,541	41,887	149,080
Later than five years	-	-	-
	265,238	219,797	193,846

The Company has a commitment to the finance lease for various motor vehicles.

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has no contingent assets or liabilities as at 30 June 2015, 30 June 2014 and 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED 30 JUNE 2015

20. SIGNIFICANT AFTER BALANCE DATE EVENTS

The following significant events and transactions have taken place subsequent to 30 June 2015:

- The Company entered into a binding terms sheet with Red Gum Resources Limited for the reverse takeover on the Australian Securities Exchange (ASX).

21. DIVIDENDS PAID

Dividends declared and paid during the year:

	30-Jun-15	30-Jun-14	30-Jun-13
	$	$	$
Final fully franked dividend paid on ordinary shares	(1,060,000)	(340,000)	(270,000)
	(1,060,000)	(340,000)	(270,000)

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes:

   a. comply with Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 30 June 2015, 30 June 2014 and 30 June 2013 and of the performance for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 of the Company;

2. The Directors have declared that:

   a. the financial records of the Company for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 have been properly maintained;

   b. the financial statements and notes for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 comply with the Accounting Standards; and

   c. the financial statements and notes for the years ended 30 June 2015, 30 June 2014 and 30 June 2013 give a true and fair view;

3. In the directors' opinion 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 the Board of Directors.

Mr Paul Simmons

Director
Perth
31 August 2015

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MCS SECURITY GROUP PTY LTD

Report on the Financial Report

We have audited the accompanying financial report of MCS Security Group Pty Ltd, which comprises the statement of financial position as at 30 June 2013, 30 June 2014 and 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the years then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the accounting policies described in Note 1(a) of the financial report are appropriate to meet the requirements of the *Corporations Act 2001* and to meet the needs of the members. The directors' responsibilities also include such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of MCS Security Group Pty Ltd is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the entity's financial position as at 30 June 2013, 30 June 2014 and 30 June 2015 and of its performance for the years ended on those dates; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with Australian Reporting Standards as disclosed in note 1(a).

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)
Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
31 August 2015