



ABN: 66 119 641 986

# **APPENDIX 4E PRELIMINARY FINAL REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2017**

## 1. Reporting Period

Reporting period: ("Current period") Year ending 30 June 2017

Previous corresponding period Year ending 30 June 2016

## 2. Results for announcement to the market

		Percentage Change		\$'000
Revenue	up	53%	to	18,101
Profit / (loss) from ordinary activities after tax attributable to members excluding significant items	up	loss	to	524
Net profit / (loss) for the period attributable to members including significant items	up	loss	to	459

The previous corresponding period included the impairment of goodwill of \$4.403million, the amortisation and impairment of contracts acquired of \$1.945million and a \$0.3million reversal of a contingent element of the Security Business purchase price no longer payable.

	Amount per share (cents)	Franked amount per share (cents)
<b>Dividends</b>		
Final: Current Year	0.322	-
Final: Previous Year	-	-
Interim: Current Year	-	-
Interim: Final Year	-	-

The Board is currently considering the Company's financing position going forward and a dividend will be considered by Directors at their next meeting in September

### 3. Condensed Consolidated Income Statement

	30 June 2017	30 June 2016
	\$'000	\$'000
Revenue	18,101	11,829
Cost of sales	14,166	9,026
<b>Gross profit</b>	<b>3,935</b>	<b>2,803</b>
Employee expenses & benefits	(1,705)	(1,208)
Depreciation of Property, Plant & Equipment	(176)	(131)
Overhead & administrative expenses	(1,171)	(1,271)
Other income & expenses	(288)	(139)
	<b>(3,340)</b>	<b>(2,749)</b>
<b>Significant items</b>		
Reversal of Intiga contingent consideration	-	300
Gain on capital restructure <b>(Note 16a)</b>	300	-
Recognition of previously undisclosed liabilities <b>(Note 16b)</b>	(283)	-
Legal costs of share buy back <b>(Note 16c)</b>	(82)	
Impairment of goodwill	-	(4,403)
Impairment and amortisation of customer contracts acquired	-	(1,945)
	<b>(65)</b>	<b>(6,048)</b>
<b>Total overheads</b>	<b>(3,405)</b>	<b>(8,797)</b>
<b>Profit / (loss) before tax</b>	<b>530</b>	<b>(5,994)</b>
Income tax (expense) / benefit	(71)	86
<b>Total comprehensive profit / (loss) for the year</b>	<b>459</b>	<b>(5,908)</b>

The previous period includes 8 months of trading of the Security businesses, which were acquired effectively 1 November 2015.

#### 4. Condensed Consolidated Balance Sheet

	30 June 2017	30 June 2016
	\$'000	\$'000
<b>Current Assets</b>		
Cash and cash equivalents	1,193	2,353
Trade and other receivables	2,739	2,067
Inventory	20	13
	<b>3,952</b>	<b>4,433</b>
<b>Non-Current Assets</b>		
Plant and equipment	254	468
Other	2	2
	<b>256</b>	<b>470</b>
<b>Total Assets</b>	<b>4,208</b>	<b>4,903</b>
<b>Current Liabilities</b>		
Trade and other payables	1,589	2,427
Provisions	549	451
Financial liabilities	-	185
Income tax	(38)	4
	<b>2,100</b>	<b>3,067</b>
<b>Non-Current Liabilities</b>		
Provisions	175	107
Related party loan	287	-
	<b>462</b>	<b>107</b>
<b>Total Liabilities</b>	<b>2,562</b>	<b>3,174</b>
<b>Net Assets</b>	<b>1,646</b>	<b>1,729</b>
<b>Equity</b>		
Issued capital (Note 6)	18,051	17,944
Other reserves	232	232
Accumulated losses	(16,637)	(16,447)
	<b>1,646</b>	<b>1,729</b>

## 5. Condensed Consolidated Statement of Cashflows

	30 June 2017	30 June 2016
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	19,464	11,128
Payments to employees, suppliers and directors	(17,527)	(10,094)
Payments for BAS	(1,604)	(591)
Income tax paid	(114)	(120)
Net cash (used in) / provided by operating activities	<b>219</b>	<b>323</b>
<b>Cash flows from investing activities</b>		
Interest received	21	19
Payment for Plant & Equipment	(90)	(26)
Payment for finance leases (net of vendor contribution)	-	36
Working capital balances at acquisition of Security Businesses	-	642
Payment for acquisition of subsidiaries	-	(3,780)
Net cash (used in) / provided by investing activities	<b>(69)</b>	<b>(3,109)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	-	4,500
Vendor liability reduction	(667)	-
Related party loan reduction	(100)	-
Payments for share issue costs	-	(578)
Dividends paid	(542)	-
Net cash (used in) / provided by financing activities	<b>(1,309)</b>	<b>3,922</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,159)</b>	<b>1,136</b>
<b>Cash / cash equivalents at beginning of financial year</b>	<b>2,353</b>	<b>1,217</b>
<b>Cash / cash equivalents at end of financial year</b>	<b>1,194</b>	<b>2,353</b>

## 6. Securities on Issue

During the year 4,291,716 shares were issued pursuant to the Dividend Reinvestment Plan (DRP) at \$0.025 each (2016:146,000,000 ordinary securities were issued at \$0.05 each).

The Company had the following securities on issue at the date of this report:

	Number
<b>Ordinary Shares</b>	
Ordinary Shares 1 July 2016	201,610,212
Ordinary Shares issued in Year under DRP	4,291,716
<b>On issue at date of this Report</b>	<b>205,901,928</b>
Anticipated post 30 June 2017 share reduction, subject to shareholder approval (refer below)	(18,000,000)
	<b>187,901,928</b>
<b>Options</b>	<b>Number</b>
Quoted options RGXOA Ex \$0.44 exp 15/11/2017	4,000,047

As advised to shareholders in September 2016, the Company entered into a selective buy-back agreement to buy back 18,000,000 shares held by Mr John Bartholomew Boardman (Buy-Back Shares) which had originally been issued by the Company in consideration for the Company's purchase of all the issued capital in John Boardman Pty Ltd (then trading as Intiga Security). The Buy-Back Shares were to be cancelled by the Company and, in consideration, Mr John Bartholomew Boardman was to be issued with 27,000,000 unlisted \$0.06 options.

Subsequently, a dispute in relation to the Buy Back Shares arose.

As advised to shareholders on 18 August 2017 by way of a Notice of Meeting scheduled for 19 September 2017, the Company and Mr John Bartholomew Boardman have now reached agreement on the terms of a revised agreement whereby, subject to shareholder approval, the Company will buy back the Buy Back Shares in consideration for paying Mr John Bartholomew Boardman a cash sum of \$57,960. The previous arrangement to issue 27,000,000 options would then not occur.

## 7. Dividend reinvestment plan

A Dividend Reinvestment Plan is in place

## 8. Retained Earnings

	30 June 2017	30 June 2016
	\$'000	\$'000
Accumulated (losses) at beginning of financial year	(16,447)	(10,539)
Net profit (loss) attributable to members	459	(5,908)
Dividend	(649)	-
Accumulated (losses) at end of financial year	<b>(16,637)</b>	<b>(16,447)</b>

## 9. Net Tangible Assets

	30 June 2017	30 June 2016
	cents	cents
Net tangible asset backing per ordinary share	0.8	0.9

## 10. Details of entities over which control has been gained or lost

Effective 1 November 2015, though completed on 18 December 2015, the Group completed the acquisition of 100% of the issued share capital and voting rights of MCS Security Group Pty Ltd and John Boardman Pty Ltd.

There have been no subsequent changes in control of entities.

On 17 August 2017 the Australian Taxation Office applied to wind up John Boardman Pty Ltd, a 100% owned subsidiary of the Company, with the court hearing scheduled for 26 September 2017. The entity has negligible assets and does not trade. As such, the winding up is not expected to impact the operations or cashflow of the Company.

## 11. Details of Associates and Joint Venture Entities

Not applicable

## 12. Any other significant information

Not applicable

## 13. Accounting Standards

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001

## 14. Results for the Period

	30 June 2017	30 June 2016
	cents	cents
Basic earnings (loss) per ordinary share	0.225	(4.4)
Weighted Average number of ordinary shares outstanding during the period used in the calculation of basic EPS	203,926,563	133,796,001

## 15. Return to Shareholders

Not applicable

## 16. Significant features of operating performance

The Company's revenues, underlying profitability and earnings per share all increased in the financial year.

The Company has maintained all existing clients, with a number taking up options to extend their contract terms and several increasing their hours of coverage. The Company is in discussions with / quoting for further opportunities including Event and Resource sector security.



Subsequent to the year end, and as advised to shareholders on 1 August 2017, the Company acquired the customer base of State Security (WA) Pty Ltd. The acquired customer base includes uniformed security work in retail and tourism locations and prestigious schools across the Perth area. Servicing educational establishments creates a new and exciting addition to the Company's current security portfolio.

The Company is strategically assessing further acquisition directions.

During the year the Company:

- a) The Company entered into a capital restructure with the vendors of MCS Security Group Pty Ltd (MCS Security) including a \$0.35m reduction in the post-closing payment to be made by the Company to those vendors. Net of a \$0.049m final adjustment of the post-closing payment calculation, this resulted in a credit of \$0.3m to the Consolidated Statement of Profit & Loss;
- b) became aware of a previously undisclosed \$0.28m of liabilities owed by John Boardman Pty Ltd (Intiga Security) incurred in the period prior to its acquisition by the Company. Such liabilities have been warranted by the vendor. That entity has negligible assets, does not trade and is in the process of being wound up. As such, the accounting recognition of the liabilities is not expected to impact the operations or cashflow of the Company. Nevertheless, having regard to accounting standards, the liability has been recorded in the Consolidated financial statements;
- c) incurred \$0.08m in legal costs in relation to the Buy-Back Shares dispute issue advised to shareholders on 16 May 2017 and referred to at Section 6 above.

## 17. Segment Results

All revenue earned during the year, and all non-cash assets included in the Balance Sheet at the year end, relate to the security business as based in Australia.

The acquired security business contributed \$18.101m revenue (2016: \$11.829m), \$3.935m gross profit (2016: \$2.803m) and an operating profit (before significant items) of \$1.043m before tax (2016: \$0.610m before tax)

The parent entity incurred a loss (before significant items) of \$0.448m (2016: \$0.556m loss) before tax during the year, incurring costs of compliance, audit, legal and directors' fees.

## 18. Trends in Results

The year ended 30 June 2016 was the first reporting year of the Company owning the security businesses, and included 8 months of trading.

## 19. This Report is based on accounts to which the following applies

The accounts are in the process of being audited.

## 20. Description of any likely audit dispute or qualification

None



Signed in accordance with a resolution of the directors.



Bob Kucera

The Hon RC (Bob) Kucera APM JP  
Non-Executive Chairman  
Dated this 31st day of August 2017