MCS Services Ltd

ABN: 66 119 641 986

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2017

CORPORATE DIRECTORY

MCS Services Limited

ABN 66 119 641 986

Registered Office & Principal Place of Business	3/108, Winton Road, Joondalup, WA, 6027	**Ph:** (08) 9301 2420 **Fax**: (08) 9301 2421
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Share Registry	Automic Registry Services, 7 Ventnor Ave, West Perth, WA, 6005	www.Automic.com.au (08) 9 324 2099 1300 288 664 +(61) 2 9698 5414
Securities Exchange	Australian Securities Exchange	Ticker 'MSG'
Investor Queries	investors@mcssecurity.com.au	
Bankers	National Australia Bank, 197 St Georges Terrace, Perth,WA, 6000	
Legal	Corrs Chamber Westgarth 6/123, St Georges Terrace, Perth, WA, 6000	
Auditors	Stantons International Audit & Consulting P/L, Level 2, 1 Walker Avenue, WA, 6005	
Board of Directors	The Hon Robert Charles Kucera APM JP	Non-Executive Chairman
	Mr Matthew Ward	Non-Executive
	Mr Geoff Martin	Non-Executive
Senior Management	Mr Paul Simmons	Chief Executive Officer (CEO)
	Mr Mark Englebert	Chief Financial Officer (CFO)
Company Secretary	Mr Jonathan Asquith	

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Operational Highlights

During the year the Group:

- renewed a number of large retail and event security contracts;
- expanded its operations into the Pilbara region of Western Australia (WA);
- was awarded Security contracts in new sub-sectors such as healthcare, councils and covert operations;
- was accepted as a preferred supplier to a major mining-sector management company;
- commenced discussions with a number of security companies regarding possible acquisition. Except for the State Security acquisition discussed below, remaining discussions are confidential, non-binding and incomplete. The Company will only make acquisitions that are value accretive to shareholders and which enhance its strategic objectives;
- opened an office in Adelaide; and
- expanded its business development capability.

Subsequent to the Reporting Period the Group has:

- undertaken a strategic review of its business;
- obtained a SA security operations licence;
- commenced processes to seek ISO certification; and
- finalised the acquisition of the customer base of State Security Services (WA) Pty Ltd effective 1 August 2017, which included uniformed security work in education, retail and tourism in Perth, WA. The acquired operations are currently being integrated, and the Group will enhance the quality of service provided to those customers and leverage the acquired expertise in education security further.

Corporate: Capital Restructure

In September 2016, the Company announced a capital restructure involving adjustments to the original vendor considerations for the acquisitions of MCS Security Group Pty Ltd (MCS Security) and John Boardman Pty Ltd ("JBPL" / "Intiga Security"). The capital restructure was approved by shareholders at the Annual General Meeting on 28th November 2016.

The capital restructure in relation to MCS Security was promptly effected.

Subsequently a dispute arose with the vendor of JBPL as to whether he was still required to complete the sale to the Company of the 18 million buy-back shares, in exchange for 27 million share options, pursuant to the JBPL capital restructure. The Company successfully applied to the Supreme Court of WA for an injunction to, amongst other things, prevent the vendor transferring the shares to anyone other than the Company. The Company incurred legal costs of $82,000 in this matter during the Reporting Period.

Subsequent to the Reporting Period (**Note 35**) the capital restructure with the vendor of JBPL was renegotiated to provide for settlement of the dispute and for the buy-back and cancellation of the 18 million shares in consideration for a payment by the Company of $57,960. The previously arranged issue of 27 million options would not occur.

The revised capital restructure was approved by shareholders at a General Meeting on 19th September 2017. The Company has, as at the date of this report, had 14.4 million of the 18 million shares transferred into its name. The remaining 3.6 million shares are in the process of transfer. As at the date of this report the 18 million shares remain on issue. The Company expects the process to cancel the 18 million shares will be finalised shortly.

Corporate: Other

The Board has been renewed as follows:

- during the Reporting Period Ms Melissa Chapman retired as a director of the Company and, as announced on 29 November 2016, Mr Matthew Ward was appointed. Mr Ward brings significant commercial and financial experience to the Board;

- subsequent to the Reporting Period, as announced on 14 July 2017, Mr Josh Puckridge retired as a director of the Company and Mr Geoffrey Martin was appointed. Mr Martin brings significant retail / shopping centre experience to the Board.

Effective 31 January 2017 Mr Josh Puckridge ceased to act as Company Secretary and Mr Jonathan Asquith was appointed as Company Secretary.

During the year the Company obtained confirmation from the ATO that, subject to continued compliance with a number of factors, a portion of operating losses arising prior to the Company's acquisition of it's security businesses may be utilised against ongoing profits.

On behalf of the Board of MCS Services Limited ("**the Company"**) we present the 2017 Annual Report for the Company and related entities (collectively, "**the Group**") covering the financial performance, position and activities for the 12 months ended 30 June 2017 **("Financial Year").** This is the Company's first full year operating in the security sector, with the prior reporting period including only 8 months of trading the security businesses acquired effective 1 November 2015.

During this Reporting Period, and beyond, the Group has:

- appointed Mr Matthew Ward and Mr Geoff Martin as Directors. We thank the former directors, Ms Melissa Chapman and Mr Josh Puckridge, for their contributions to the Company;
- announced our continuing successes in:
  - gaining new security contracts with shopping centres and other venues;
  - winning renewals of existing major retail security contracts; and
  - significantly increasing our covert (store detective) security work;
- progressed our goal of obtaining ISO quality management accreditation within 12 months to assist in winning and retaining security work especially in high-risk and / or highly regulated environments and enhancing the work safety environments of our staff.

The Board and Management:

- recently undertook a thorough strategic review of the business;
- commenced the ISO quality management accreditation process;
- are assessing IT upgrades to maximise efficiency and enhance management;
- sought operational and cost efficiencies whilst balancing the need to maintain the quality of services demanded on a 24/7 basis by retail and event based clients.

The year has however not been without its challenges including:

- the Company has worked over the year, and beyond, to now finalise the capital restructure of the JBPL acquisition (**Note 35).** The Company incurred legal costs of $82,000 in the Reporting Period on this matter;
- the Group is still awaiting results of tenders in long lead-time processes; and
- the longer than expected time-frame to achieve its SA operating licence.

The Board are confident of the future success of the Group as it seeks to leverage its security expertise into wider markets and parallel sectors through organic and acquisition growth. We encourage shareholders to contact the Company should they have queries in relation to the Annual Report or the past and future activities of the Company.

The Hon. RC (Bob) Kucera, APM JP, Non-Executive Chairman

The Directors of MCS Services Limited ("***the Company***" or "***Parent***") present their report together with the financial statements of the consolidated entity, being MCS Services Limited and its Controlled Entities (collectively, ***the Group***), for the year ended 30 June 2017.

Directors

The following persons were Directors of the Company during the financial year and continue to be so:

The Hon RC (Bob) Kucera APM JP
Independent Non Executive Chairman
Appointed 20 January 2016

The Honourable Bob Kucera, APM, JP achieved the rank of Assistant Commissioner in the WA Police before retiring in 2001 when elected to the WA State Parliament. Mr Kucera retired from Parliament in 2008.

Mr Kucera has experience in every facet of operational and administrative policing and law enforcement at State, Federal and International level, with particular emphasis on security, crime prevention and international terrorism studies. He holds tertiary qualifications in Business Management and Diplomas of Policing and Criminal Investigation. He is a graduate of Charles Sturt University, the Australian Staff College of Police Management, the WA Police Academy, AIM and the Central Metropolitan College of TAFE and is a Winston Churchill Memorial Fellow. He currently chairs a number of "Not for Profit", voluntary and sporting organisations, with considerable experience in the Not for Profit, community, aged care and Local Government sectors.

Mr Kucera has experience in every aspect of operational policing. Bob pioneered the concept of crime prevention through community policing in WA and has had particular influence nationally in those areas of policing that impact on youth, women's issues, minority groups, domestic violence, Aboriginal and ethnic affairs. Mr Kucera holds tertiary qualifications in applied and business management, Diplomas of Policing and Criminal Investigation and is a graduate of Central Metropolitan TAFE, the Australian Institute of Police Management, and Charles Sturt University.

Other current directorships	None
Previous Directorships (last 3 years)	None
Interests in shares of the Company:	383,000
Interests in options of the Company:	Nil

Mr Matthew Ward, ACA, GAICD
Independent Non-Executive Director
Appointed 28 November 2016

Mr Ward is a Chartered Accountant who has worked in senior positions for domestic companies including Wesfarmers and internationally including KPMG in London. He has over 30 years of financial and commercial experience including involvement in a range of corporate activities such as acquisitions, divestments, capital raisings, strategic reviews, investment analysis and contract negotiations.

Other current directorships	None
Previous Directorships (last 3 years)	None
Interests in shares of the Company:	1,002,316
Interests in options of the Company:	Nil

Mr Geoffrey Martin
Independent Non-Executive Director
Appointed 14 July 2017

For many years Mr Martin was occupied with development of the family retailing business, Archie Martin & Sons, a major WA-based electrical retailer with stores in many shopping centres across Perth. As a director and joint Managing Director of that business, Geoffrey oversaw the conversion of the business into a public company, its ASX listing and its eventual takeover.

Geoffrey has served for six years on the Board of Racing & Wagering WA and is presently a Board member of RSL Care WA.

Other current directorships	None
Previous Directorships (last 3 years)	None
Interests in shares of the Company:	Nil
Interests in options of the Company:	Nil

Other Directors During the Reporting Period

Mr Josh Russell Puckridge
Independent Non Executive Director
Appointed 27 May 2015, retired 14 July 2017

Mr Puckridge has significant experience within funds management, capital raising, mergers and acquisitions.

Other current directorships:	Fraser Range Metals Group Pty Ltd; Blaze International Limited; Alcidion Group Ltd.
Previous Directorships (last 3 years):	Windward Resources Ltd; Acquis Entertainment Ltd, Toptung Ltd; Discovery Resources Ltd
Interests in shares of the Company:	Nil (at date of resignation)
Interests in options of the Company:	Nil (at date of resignation)

Ms Melissa Kate Chapman
Independent Non Executive Director
Appointed 18 December 2015, retired 28 November 2016

Ms Chapman is a certified practising accountant with over 14 years of experience in the mining industry. She has worked extensively in Australia and the United Kingdom. Ms Chapman has a Bachelor of Accounting from Murdoch University, has been a member of CPA Australia since 2000, and has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia.

Other current directorships:	None
Previous Directorships (last 3 years):	None
Interests in shares of the Company:	Nil (at date of resignation)
Interests in options of the Company:	Nil (at date of resignation)

Company Secretary

The Company Secretaries who held office during or since the end of the year are set out below.

- Mr Jonathan Asquith — Appointed 31 January 2017
- Mr Josh Puckridge (Acting) — Commenced 28 November 2016, ceased 31 January 2017
- Ms Melissa Chapman — Appointed 2 February 2016, retired 28 November 2016

Principal Activities

The Group specialises in providing uniformed security at retail shopping centres, government offices, health facilities, commercial properties, sports stadia and major events throughout the Perth metropolitan area and in regional Western Australia. The Group also provides covert (store detective) security, mobile patrols and response vehicle services as well as the supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to commercial, industrial and domestic sectors.

Consistent with the Company's previously stated intentions, operationally the Group's previous mineral exploration-related field activities remained dormant during the Reporting Period. The Group aims to exit completely from this in the near term.

Review of Operations and Financial Results

The Group has focused on:

- meeting existing client needs;
- leveraging its security experience into organic growth in new geographies and sectors;
- expanding into regional WA, and;
- pursuing strategic and value-enhancing acquisitions.

Operating Results

The net profit attributable to members of the Company for the year ended 30 June 2017 was $459,306 (2016: $5,908,363 loss).

The Net Profit After Tax for the Reporting Period of $0.459 million included:

- a gain of $0.3 million on the capital restructure of the MCS Security business acquisition (**Note 24);**
- a charge of $0.283 million in recognising previously undisclosed tax liabilities, arising prior to acquisition and as warranted by the vendor, of the now dormant JBPL subsidiary (**Note 16 / Note 35);** and
- legal costs of $0.082 million incurred in the dispute over the capital restructure of JBPL, primarily costs in obtaining an injunction in the Supreme Court of WA (**Note 24**).

The Net Loss After Tax of $5.908 million in the previous reporting period included:

- the expensing of Goodwill of $4.403 million (**Note 15**);
- the amortisation of Customer Contracts Acquired of $0.518 million (**Note 15**);
- the expensing of the remaining book value as at 30 June 2016 of Customer Contracts Acquired of $1.426 million (**Note 15**); and
- a gain arising from the reversal of a contingent purchase consideration of $0.3 million (**Note 25**).

Significant Changes in State of Affairs

There were no significant changes in the State of Affairs of the Group during the Reporting Period except the Company finalised the capital restructure in relation to the acquisition of MCS Security (**Note 24**).

Subsequent to the Reporting Period:

- the Company has completed - subject only to completion of the administrative process of cancelling the 18 million shares - the capital restructure of JBPL acquisition as approved by shareholders on 19 September 2017;
- the Group subsidiary, John Boardman Pty Ltd (JBPL), is now in the process of being liquidated. The entity has no material assets and does not trade **(Note 35).**

Dividends

During the Reporting Period the Company made an unfranked dividend distribution of $650,000 as follows:

- $542,742 was paid (incl Withholding Tax of $45,188 paid to the ATO);
- $107,258 of participation in the Company's Dividend Reinvestment Plan.

The Board's intentions as to a dividend for the current year are subject to further clarity of profitability, the review of franking credits, prudent business practices and prevailing market conditions.

Events Arising since the End of the Reporting Period

Except for the matters discussed at **Note 35** there are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial periods.

Potential Developments, Business Strategies and Prospects

The Group's core retail-security business is underpinned by existing contracts, the development and expansion of shopping centres and event-focussed venues, the security / insurance requirements of their operators, and the liberalisation of retail shopping hour legislation.

The Group utilises its experience, expertise and economies of scale to provide a quality security service to its customers at competitive rates, typically through multi-year contracts. The Group differentiates itself from many other operators through its recruitment and training processes, OHS, operational management expertise and the long-standing reputation of its Senior Management and brand. The Group is looking to further differentiate itself by aiming to obtain various ISO quality management certifications within the next 12 months.

The existing security market in WA, and across Australia, is highly fragmented. Many operators are privately-owned, employ significantly less guards than the Group and have significantly lower revenues. As such, the Group's relative scale, efficiencies, systems and expertise provides opportunities to the Group in both organic growth and acquisitions.

The Company has recently updated its Strategic Plan. Growth opportunities include:

- expanding our reach further into regional WA and other States;
- acquisition of security business in WA and other States;
- leveraging the Group's security skills and reputation into other verticals such as mining and industrial sectors in WA and other States; and
- a continuing focus on HSEQ systems, including the aim of having ISO accreditation within 12 months, with benefits to the business including Workers Compensation insurance costs.

Management are continually considering ways to more efficiently and effectively operate the business.

Directors Meetings

The number of Directors Meetings held during the year, and the number of meetings attended by each of the Directors, is as follows:

Director's name	Board Meetings Entitled to Attend	Board Meetings Attended
Bob Kucera (appointed 20 January 2016)	5	5
Matthew Ward (appointed 28 November 2016)	2	2
Geoffrey Martin (appointed 14 July 2017)	-	-
Josh Puckridge (retired 14 July 2017)	5	5
Melissa Chapman (retired 28 November 2016)	3	3

As discussed in the Remuneration Report overleaf and in the Company's Corporate Governance statement (available on the Company's website **www.mcssecurity.com.au)** the Group currently does not have a separate Audit & Risk Committee or Nomination & Remuneration Committee, with the full Board carrying out the duties that would otherwise by assigned to such Committees.

Shares on Issue

As at 30 June 2017 the Company had 205,901,928 (30 June 2016: 201,610,212) ordinary shares on issue. The increase of 4,291,716 shares during the Reporting Period was shares issued under the Company's Dividend Reinvestment Plan on 16 December 2016 **(Note 20).**

Subsequent to the Reporting Date, having regard to the matters discussed at **Note 35** and subject only to finalisation of the share cancellation process, the ordinary shares on issue are shortly expected to reduce by 18,000,000 shares to 187,901,928 through the selective buy-back of the Company shares originally issued to the Vendor of JBPL in consideration for the payment of $57,960 by the Company.

Unissued Shares Under Option

Unissued ordinary shares of the Company under option as at 30 June 2017 and as at the Reporting Date are:

	Number
Quoted options MSGOA Ex $0.44 exp 15/11/2017	4,000,047

The quoted options are not part of any employee package nor part of the Security Businesses Transactions. During or since the end of the financial year no ordinary shares have been issued as a result of the exercise of the quoted options.

None of the above options entitle the holder to participate in any share issue of the Company.

Remuneration Report (Audited)

The Directors of the Company present the Remuneration Report for non-Executive Directors, Executive Directors and other Key Management Personnel prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

1. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align awards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support attraction, motivation and retention of executive talent.

The Company has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

For the purpose of this Report the term *Key Management Personnel* encompasses:

- Mr Paul Simmons as Chief Executive Officer (**CEO**),
- Mr John Boardman as Chief Operating Officer (**COO**) for the period until April 2017; and
- Mr Mark Englebert as Chief Financial Officer (**CFO**).

Due to the size of the Company's operations the Directors do not believe that the establishment of a Remuneration Committee was warranted during the reporting period. All matters that would normally be the responsibility of a Remuneration Committee are dealt with by the full Board of Directors who are responsible for determining and reviewing compensation arrangements for the Directors and Key Management Personnel. The Board will continue to monitor the appropriateness of forming such a Committee as further circumstances dictate.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration, being annual salary (refer Section 2 below); and
- Short-term incentives

Remuneration Report (Audited) (continued)

1. Principles used to determine the nature and amount of remuneration (cont)

The Group's short-term incentives (***STI***) and performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Group values.

The performance measures are able to be set annually after consultation with the Directors and Other Key Management Personnel and are specifically tailored to the areas where each person has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed key performance indicators ("KPI"). The Board has not made use of external remuneration consultants, but may elect to do so in the future.

The main KPIs for the CEO are summarised as follows:

Number of Shares	Deadline	KPI
10,000,000	24 months from Completion of Transaction	Audited NPAT > $3.5m in a consecutive period of 12 months
5,000,000	24 months from Completion of Transaction	Audited NPAT > $5m in a consecutive period of 12 months
5,000,000	36 months from Completion of Transaction	Audited NPAT > $7.5m in a consecutive period of 12 months

The above has previously been approved by shareholders.

The full Board of Directors assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality Board and Key Management Personnel.

The payment of any bonuses, share options and other incentive payments are reviewed by the full Board of Directors annually as part of the review of Key Management Personnel. All bonus, options and incentives must be linked to pre-determined performance criteria.

2. Voting and Comments made at the last Annual General Meetings:

The Company received 94% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2015 and 88% for the financial year ended 30 June 2016.

The Company received no specific feedback on its Remuneration report at either Annual General Meeting.

Remuneration Report (Audited) (continued)

3. Consequences of performance on shareholder wealth:

Item	2017	2016	2015	2014	2013
EPS (cents) post consolidation	0.225	(4.4)	(10.38)	(125.05)	(55.88)
Dividends (cents per share)	0.0032	-	-	-	-
Net Profit / (loss) ($'000)	459	(5,908)	(2,460)	(6,042)	(970)
Share Price (cents) at 30 June	2.4	3.0	5.8 *(1)*	1.0	3.0

(1) The shares were consolidated on a 1:44 basis during the 2015 year. Prior years are shown at pre-consolidated share prices

4. Share-based remuneration

Except for the Key Management Personnel incentives at Section 1 above, no share-based remuneration facilities existed or were implemented during the financial year or up to the Reporting Date.

5. Bonuses included in remuneration

No bonuses ($nil: 2016) accrued to or were paid to Key Management Personnel as part of remuneration in the Reporting Period.

6. Details of Remuneration including Service Agreements

Remuneration and other terms of employment for the Directors and other Key Management Personnel are formalised in Service Agreements.

No share-based options were issued to Directors or other Key Management Personnel during the Reporting Period.

The Directors and Key Management Personnel may be also reimbursed for business-related expenses.

The remuneration and major provisions of the agreements relating to remuneration are set out below.

The CEO, CFO and COO salaries below include superannuation at 9.5%. Superannuation does not accrue on Director or Company Secretary fees.

Remuneration Report (Audited) (continued)

	Base annual Salary $	Earned in 2017 Reporting Period (incl super) $	Earned in 2016 Reporting Period (incl super) $	Term of Agreement	Notice Period
Executive Directors					
Josh Puckridge (during period as Executive Director, September 2015 to March 2016 inclusive)	$10,000 pm fully inclusive	-	70,500	-	-
Non-Executive Directors					
Bob Kucera, (Appt 20 Jan 2016)	$25,000 pa	25,000	11,458	Ongoing	-
Matthew Ward (Appt 28 Nov 2016)	$25,000 pa	14,580	-	Ongoing	
Geoffrey Martin (Appt 14 July 2017)	$25,000 pa	-	-	Ongoing	
Josh Puckridge	$3,000 pm to 31 July 2015, $25,000 pa from March 2016	25,000	14,000	Retired	-
Melissa Chapman (18 Dec 2015 – 28 Nov 2016)	$25,000 pa	10,416	13,542	Retired	-
Edwin Bulseco (retired 18 Dec 2015)	$3,000 pm	-	16,578	Retired	-
Thomas Pickett (retired 20 Jan 2016)	$3,000 pm	-	19,900	Retired	-
Sub total		**74,996**	**145,978**		
Other Key Management Personnel					
Paul Simmons, CEO (appointed 1 Nov 2015)	$160,000 pa	160,000	104,615	2 years	12 weeks
	superannuation	15,200	9,938		
John Boardman, COO: (1 Nov 2015 – Apr 2017)	$160,000 pa	128,365	104,615	Ceased	12 weeks
	superannuation	12,195	9,938		
Mark Englebert, CFO (appointed 12 May 2016)	$120,000 pa, May 2017 $160,000	126,153	18,462	Open	1 month
	superannuation	11,985	1,754		
Sub total		**453,898**	**249,322**		
Company Secretaries					
Jonathan Asquith: 31 Jan 2017-	$2,000 pm, by related entity	18,027	-	Open	-
Josh Puckridge (acting capacity) 28 Nov 2016 – 31 Jan 2017		-	-	Ceased	
Melissa Chapman, 2 Feb 2016 – 28 Nov 2016	$2,000 pm, by related entity	10,000	10,000	Ceased	-
Malcolm Lucas-Smith (Co Secretary), retired 2 Feb 2016	$36,000 pm plus adhoc	-	23,000	Ceased	-
Sub total		**28,027**	**33,000**		
Total		**556,921**	**428,300**		

Remuneration Report (Audited) (continued)

7. Other Information

Shares held by Key Management Personnel

The number of ordinary shares held in the Company during the 2017 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below.

	Balance at start of Reporting period	Other Changes	Balance at end of Reporting Period
Directors	**Number**	**Number**	**Number**
Bob Kucera, Chairman	-	383,000	383,000
Matthew Ward	-	1,002,316	1,002,316
Geoffrey Martin	-	-	-
Josh Puckridge	-	-	-
Melissa Chapman	-	-	-
Other Key Management Personnel			
Paul Simmons,	32,500,000	-	32,500,000
John Boardman **(Note 1)**	18,365,315	(365,315)	18,000,000
Mark Englebert	-	-	-
Company Secretary			
Jonathan Asquith	-	400,000	400,000
Melissa Chapman (Co Secretary)	-	-	-
TOTAL	**50,865,315**	**1,420,001**	**52,285,316**

Note 1: The above includes 18 million shares on issue as at the Reporting Date originally issued as vendor consideration for the acquisition of the JBPL business. These shares have, subsequent to the end of the Reporting Period, been subject to a selective share buy-back by the Company as part of an agreed capital restructure with the vendor of JBPL. Subsequent to the end of the Reporting Period, and to the date of this report, 14.4million shares have been transferred into the name of MCS Services Limited pursuant to the agreed capital restructure. The transfer of the remaining 3.6 million shares is in process, as is the process for the cancellation of the entire 18 million shares by the Company. The Company anticipates these latter processes to be completed shortly. (**Note 20 / Note 35)**

Director shareholdings are measured up until the date of their retirement / resignation.

No shares were issued to the Directors or Key Management Personnel during the Reporting Period as part of their remuneration or through the exercise of options.

Remuneration Report (Audited) (continued)

7. Other Information (cont)

Options held by Directors and Key Management Personnel

No options:

- to acquire shares in the Company were held by any of the Directors or Key Management personnel of the Group, or their related parties, during the 2017 Reporting Period;
- were issued to the Directors or Key Management Personnel as part of their remuneration in the year ended 30 June 2017 and 2016;
- were exercised during the reporting period or until the date of this Report;
- were forfeited during the Reporting period or until the date of this Report.

Director option holdings are measured up until the date of their retirement / resignation.

Other Transactions with Key Management Personnel

Refer **Note 24** regarding:

- the capital restructure agreed with the vendors of MCS Security, including Paul Simmons the CEO and a significant shareholder. This was effected in full during the Reporting Period;
- a resulting Related Party loan (also see **Note 19**) now owed by the Company to the vendors of MCS Security; and
- the continuing rental by the Group of its operational (and now Corporate) head office premises in Joondalup, Perth, WA from a related entity of its CEO and significant shareholder, Paul Simmons.

End of the Remuneration Report

Diversity Report

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

The following is the Diversity Report for the financial year end 30 June 2017 for the Company prepared for the purposes of the Company's Annual Report. The diversity policy is outlined in Schedule 10 of the Company's Corporate Governance Plan as available on the Company's website, **www.mcssecurity.com.au**.

Current Position

Since the Transactions which acquired the Security Businesses effective 1 November 2015 the Group has an aggregate of 3 Directors, 3 Key Management Personnel and approximately 400 operational (incl Administration) staff.

Of the above:

- 31 (30: 2016) are female, including 14 in supervisory or Middle Management positions,
- 33 (25: 2016) are of mature age, being at least 60 years old, and
- a significant proportion of employees are of diverse ethnic or cultural backgrounds.

Compliance

Having regard to the size of the Group and the nature of its enterprise, it is considered that the Group complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Principles and Recommendations in respect of diversity.

Environmental Legislation

The security business operated by the Group is not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Whilst there are significant environmental regulations surrounding mining exploration activity, no such activity has taken place during the Reporting Period and there have been no breach of regulations in relation to any previous activity notified during the Reporting Period or to the date of this report.

Indemnity of Directors

The Company has entered into a Deed of Indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each Director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

Indemnities given to, and insurance premiums paid for, auditors and officers

Indemnity of Directors

The Group is required to indemnify the Directors and Officers of the Company and related entities against any liabilities incurred by the Directors & Officers that may arise from their position as a Director or Officer.

Indemnities given to, and insurance premiums paid for, auditors and officers (continued)

Indemnity of Directors (cont)

During the year, the Company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors of the Company and subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payment arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or to cause detriment to the Group.

Details of the amounts of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as an officer.

Indemnity of Auditors

No indemnity has been paid to auditors.

Indemnity of Security Business vendors

Except for the matter discussed at **Note 35**, the Group has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify the vendors of MCS Security or JBPL against any liabilities incurred as a vendor.

Non Audit Services

During the year, Stantons International, the Company's auditors, performed only one service in addition to their statutory audit duties – being a Black Scholes calculation of the possible 27 million options intended, at that time, to be issued to the vendor of JBPL for a fee of less than $1,000.

The Board has considered the non-audit services provided during the year and is satisfied that the provision is compatible with, and did not compromise, the auditor independence requirement of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact upon the impartiality and objectivity of the auditor, and

- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Non Audit Services (continued)

Details of the amounts paid to the auditors of the Company, Stantons International, and its related practices for audit and non-audit services provided during the year are set out in **Note 23** to the financial statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 19 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts

The Company is a type of company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191 and therefore the amounts contained in the report and in the financial report have been rounded to the nearest $1,000, or in certain cases to the nearest dollar.

Signed in accordance with a resolution of the directors.

APM JP.

The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman
Dated 29 September 2017

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

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29 September 2017

The Directors
MCS Services Limited
3/180 Winton Road
Joondalup WA 6027

Dear Sirs

RE: MCS SERVICES LIMITED

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 Services Limited.

As Audit Director for the audit of the financial statements of MCS Services Limited for the year ended 30 June 2017, 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 faithfully,

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

Martin Michalik
Director

Introduction

The Board of the Company is committed to achieving and demonstrating the highest standards of corporate governance consistent with the size and nature of the Company.

The Group's Corporate Governance Statement for the financial year ended 30 June 2017 is dated as at 30 June 2017 and was approved by the Board on 29 September 2017.

The Corporate Governance statement is available on MSG's website at www.mcssecurity.com.au.

Company Website

The Company's Corporate Governance Plan is available in the Investor section of the Company's website **www.mcssecurity.com.au**

Governance and Policy Reviews

The Corporate Governance policies and practices of the Company are reviewed annually in accordance with the standards and standards required of the Company by the Directors, the ASX, ASIC and other relevant stakeholders, to ensure that the highest appropriate governance standards are maintained, commensurate with the size and operations of the Company.

Performance Evaluations

Two of the three Board members, and all of the senior executives (CEO and CFO), have been in place for less than 24 months. The Board is in the process of undertaking performance reviews for the senior executives.

Risk Management

The Board has reviewed the risk management framework during the Reporting Period.

Board Structure

Having regard to the size and nature of the Company, the current Board structure of three Directors is considered sufficient at this stage.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

MCS Services Ltd

	Note	30 June 2017	30 June 2016
		$'000	**$'000**
Revenue	**6**	18,101	11,829
Cost of Goods Sold, incl. operational staff expenses & benefits	**18**	(14,166)	(9,026)
Gross Profit		**3,935**	**2,803**
Other Income			
Interest	**6**	11	21
Other	**6**	5	54
		16	**75**
Overheads			
Overheads, Administration and Other Expenses	**7**	(1,439)	(1,422)
Depreciation of property, plant and equipment	**13**	(176)	(131)
Employee expenses and benefits (non-operational staff)	**18**	(1,705)	(1,208)
		(3,320)	**(2,761)**
		631	**117**
Significant Items			
Impairment of Goodwill	**15**	-	(4,403)
Impairment: Other		(36)	(64)
Amortisation of Customer Contracts	**15**	-	(518)
Expensing of remaining Book Value of Customer Contracts	**15**	-	(1,426)
Recognition of previously undisclosed JBPL liabilities	**16**	(283)	-
Gain on MCS Security capital restructure	**24**	300	-
Legal costs in JBPL capital structure dispute	**24**	(82)	-
Reversal of Intiga Contingent Purchase Consideration	**25**	-	300
		(101)	**(6,111)**
Profit / (Loss) before tax		**530**	**(5,994)**
Income tax (expense) / benefit	**9**	(71)	86
Profit / (Loss) for the year attributable to members		**459**	**(5,908)**
Other Comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange gain/(loss) arising on the translating foreign operations		-	10
Total comprehensive profit / (loss) for the year		**459**	**(5,898)**
Earnings per share		**Cents**	**Cents**
Basic profit / (loss) per share from continuing operations	**21**	0.225	(4.4)
		Number	**Number**
Weighted average of common shares outstanding: Basic: Post-consolidation	**21**	203,926,563	133,796,001

This statement should be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	30 June 2017	30 June 2016
		$'000	$'000
Assets			
Current			
Cash and cash equivalents	**10**	1,193	2,353
Trade and other receivables	**11**	2,739	2,067
Inventory	**12**	18	13
Other	**9**	38	-
Total Current Assets		**3,988**	**4,433**
Non-Current			
Restricted cash and bonds	**10**	2	2
Plant and equipment	**13**	254	468
Total Non-Current Assets		**256**	**470**
Total Assets		**4,244**	**4,903**
Liabilities: **Current**			
Trade and other payables	**16**	(1,588)	(2,427)
Provisions	**17**	(549)	(451)
Financial liabilities	**19**	-	(185)
Income tax	**9**	-	(4)
Total Current Liabilities		**(2,137)**	**(3,067)**
Non-Current			
Provisions	**17**	(175)	(107)
Related Party Loan	**19**	(287)	-
Total Non-Current Liabilities		**(462)**	**(107)**
Total Liabilities		**(2,599)**	**(3,174)**
Net Assets		**1,645**	**1,729**
Equity			
Share Capital	**20**	18,051	17,944
Foreign Currency Translation Reserve		30	30
Share Option Reserve	**20**	202	202
Retained Earnings		(16,638)	(16,447)
Total Equity		**1,645**	**1,729**

This statement should be read in conjunction with the Notes to the Financial Statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Share Capital	Foreign Currency Translation Reserve	Share Option Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance 30 June 2016		**17,944**	**30**	**202**	**(16,447)**	**1,729**
Profit for the year					**459**	**459**
Foreign currency translation reserve		-	-	-	-	**-**
Total comprehensive income		**-**	**-**	**-**	**459**	**459**
Dividend	**21**	-	-	-	(650)	**(650)**
Issue of shares: Dividend Reinvestment Plan	**20**	107	-			**107**
Balance 30 June 2017		**18,051**	**30**	**202**	**(16,638)**	**1,645**
Balance 30 June 2015		**11,622**	**20**	**202**	**(10,539)**	**1,305**
Loss for the year		-	-	-	(5,908)	(5,908)
Foreign currency translation reserve		-	10	-	-	10
Total comprehensive income / (loss)		**-**	**10**	**-**	**(5,908)**	**(5,898)**
Issue of share capital - Prospectus	**20**	4,500	-	-	-	4,500
Issue of share capital: MCS Security consideration	**20**	1,500	-	-	-	1,500
Issue of share capital: JBPL consideration	**20**	900	-	-	-	900
Issue of share capital: Facilitator Shares	**20**	400	-	-	-	400
Share issue costs	**20**	(978)	-	-	-	(978)
Balance 30 June 2016		**17,944**	**30**	**202**	**(16,447)**	**1,729**

This statement should be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017	30 June 2016
		$'000	$'000
Cash flows from Operating activities			
Receipts from customers		19,463	11,128
Payments to employees, suppliers and directors		(17,527)	(10,077)
Payments for BAS		(1,604)	(591)
Payments for exploration activity		-	(17)
Income tax paid		(114)	(120)
Net Cash provided by operating activities	**22**	**218**	**323**
Cash flows from Investing activities			
Interest received		21	19
Payment for finance leases (net of MCS Security vendor contribution)		-	36
Payment for Plant & Equipment		(90)	(26)
Cash balances at acquisition of subsidiaries	**15**	-	642
Payment for acquisition of subsidiaries		-	(3,780)
Net Cash used in investing activities		**(69)**	**(3,109)**
Cash flows from financing activities			
Related Party loan (MCS Security vendors) reduction	**19**	(100)	-
Proceeds from issue of share capital	**20**	-	4,500
Payments for share issue costs		-	(578)
Dividends Paid, incl Withholding Tax	**21**	(543)	-
Vendor liability (MCS Security vendors) reduction	**24**	(667)	-
Net Cash (used in) / provided by financing activities		**(1,309)**	**3,922**
Net (decrease) / increase in cash and cash equivalents		**(1,160)**	**1,136**
Cash and cash equivalents at beginning of the year		2,353	1,217
Exchange differences on cash and cash equivalents		-	-
Cash and cash equivalents at end of the year	**10**	**1,193**	**2,353**

This statement should be read in conjunction with the Notes to the Financial Statements.

1. Nature of operations

The principal activity of MCS Services Limited and its subsidiaries' (**Group** or **Consolidated Entity**) during the Reporting Period was providing Guard security and related activities for major commercial, retail and event venues in Western Australia together with covert security, alarm installation and CCTV monitoring.

The Company's previous activity, prior to acquiring the Security Businesses effective November 2015, was in Mineral Exploration primarily in the central Peruvian Polymetallic Belt. Activity in this sector was negligible during the year.

2. General Information and statement of compliance

These consolidated general purpose financial statements of the Group for the year ended 30 June 2017 are presented in Australian dollars (**$ or A$**), which is the functional currency of the parent company and have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards Board (***AASB***), and an accruals basis and under the historic cost convention.

Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (***IFRS***) as issued by the International Accounting Standards Board (***IASB***). MCS Services Limited is a for-profit entity for the purpose of preparing financial statements.

The financial report covers MCS Services Limited (**Company**) and its (100% unless otherwise stated) subsidiaries (collectively, **the Group)**:

- MCS Security Group Pty Ltd,
- John Boardman Pty Ltd (**JBPL**),
- Red Gum Resources (Peru) Pty Ltd,
- Red Gum Resources (Chile) Pty Ltd, and
- Red Gum Resources (Chile) SpA.

MCS Services Limited is the Group's ultimate parent company. It is a public company, incorporated and domiciled in Australia. The registered office and principal place of business is 3/108 Winton Road, Joondalup, WA, 6027. The Company was incorporated on 11 May 2006.

The consolidated financial statements for year ended 30 June 2017 (including the comparatives) were approved and authorised for issue by the Board of Directors on 29 September 2017.

3. Changes in Accounting Policies

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

  Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

  The main changes introduced by the new Standard are as follows:

  - recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);

- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-10*: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods commencing on or after 1 January 2018).

  This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: *Business Combinations* to an associate or joint venture and requires that:

  - a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;

  - the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and

  - any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

4. Summary of Accounting Policies

Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Going Concern

The consolidated Group has recorded a comprehensive profit attributable to shareholders of $0.459m (2016: $5.908m loss). The Group has net assets of $1.645m (2016: $1.729 million) including Cash and Cash Equivalents of $1.193m (2016: $2.353 million).

4. Summary of Accounting Policies (continued)

The Directors believe that the Going Concern basis of accounting is appropriate.

No adjustments have been made relating to the recoverability, amount and classification of recorded assets and liabilities that might be necessary should the consolidated Group not continue as a Going Concern.

Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with accounting policies adopted by the Group.

Profit or Loss of subsidiaries acquired or dispose of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Business Combination

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred or assumed and the equity interest issued by the Group.

The consideration includes the fair value of any asset or liability arising from a contingent consideration arrangement. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Acquisition-related costs are recognised in Profit or Loss as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Investments in associates and joint arrangements

The Group does not have interests in Associates (being entities over which a company is able to exert significant influence but which are not subsidiaries) or Joint Ventures (being arrangements where a company controls jointly with one or more other investors, and over which the company has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities).

Segment Reporting (See Note 5)

The Group has two segments:

- Retail and event security: providing uniformed unarmed guards to shopping centres, sporting events, entertainment events, hospitals, government building and community facilities together with covert security, alarm installation and CCTV monitoring in WA;

4. Summary of Accounting Policies (continued)

Segment Reporting (See Note 5) (continued)

- An essentially dormant mineral exploration segment, a legacy from prior to the Company acquiring the security businesses, in Latin America. There was no material activity during the Reporting Period in this segment.

The measurement policies that the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Revenue (Note 6)

Revenues arises from the rendering of services and from the sale of goods. It is measured by reference to the fair value of consideration received or receivable excluding sales taxes, rebates and discounts.

Interest income and expenses are reported on an accrual basis.

Operating Expenses (See Note 7)

Operating expenses are recognised in Profit or Loss upon utilisation of the service or at the date of their origin.

Borrowing Costs (See Note 8 and Note 19b)

The Group does not have any bank debt and it paid out remaining vehicle finance leases during the Reporting Period.

The Group's only borrowings are a Related Party loan (**Note 19b**). The Related Party loan incurs interest at 6% pa, calculated from the 1 November 2015 acquisition date of MCS Security.

Income Taxes (See Note 9)

Tax expense or benefit recognised in Profit or Loss comprises the sum of deferred tax and current tax not recognised in Other Comprehensive Income or directly in equity.

Current income tax assets / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (***ATO***) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the Reporting Date.

Current income tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the Reporting Period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities at reporting date and their tax bases.

4. Summary of Accounting Policies (continued)

Income Taxes (See Note 9) (continued)

Deferred tax is not provided on the initial recognition of Goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax assets and liabilities.

Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation during the 2017 financial year. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax expenses. In addition to its own current and deferred tax assets or liabilities, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Cash and Cash Equivalents (See Note 10)

Cash and cash equivalents compromise cash on hand and demand deposits, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Inventories (See Note 12)

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less and applicable selling expenses.

Plant and Equipment (See Note 13)

The Group does not own any freehold land or buildings.

IT and other equipment (including office fittings and furniture) are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to

4. Summary of Accounting Policies (continued)

Plant and Equipment (See Note 13) (continued)

be capable of operating in the manner intended by the Group's management. IT and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment tests.

Depreciation is recognised on a straight-line basis to write down the costs less estimated residual value. The following useful lives are applied:

- IT / software: 3 years
- Office equipment: 4 years
- Motor vehicles: 4 years

Material residual value estimates and estimates of useful lives are updated as required, but at least annually.

Gains or losses arising on the disposal or Property, Plant & Equipment are determined as the difference between disposal proceeds and the carrying amount of assets and are recognised in Profit & Loss within Other Income or Other Expenses.

Mineral Exploration, Evaluation and development expenditure (See Note 14)

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review for impairment is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area.

Costs of any site restoration would be provided over the life of the facility from when the exploration commences and would be included in the cost of that stage.

The Group's exploration tenements throughout the Reporting Periods under review were not disturbed, and hence there is no allowance made for site rehabilitation.

Goodwill (See Note 15)

Goodwill represents the future economic benefits arising from a business combination that not individually identified and separately recognised.

Goodwill is calculated after separate recognition of identifiable intangible assets – including Customer Contracts Acquired.

Goodwill on the acquisition of MCS Security and Intiga in the prior reporting period was calculated as the excess of the sum of the fair value of consideration transferred over the acquisition-date fair values of identifiable net assets. The Goodwill that arose on the combination of MCS Security and Intiga Security was attributed to the synergies expected to be derived from the combination and the value of the workforce of MCS Security and Intiga Security which could not be recognised as an intangible asset. As at the previous Reporting Date, the Board had determined that the Goodwill was not recoverable and therefore expensed it to Profit & Loss for the year ended 30 June 2016. The Goodwill that arose from this business combination is not expected to be deductible for tax purposes.

The calculation of Goodwill at $4.4m, as expensed to Profit & Loss in the prior reporting period, included allowance for the Contingent Purchase Consideration to the vendor of Intiga Security payable only in the event

4. Summary of Accounting Policies (continued)

of the combined Security Businesses achieving a pre-determined profitability level. The Company and the Intiga vendor agreed that the relevant profitability levels had not triggered the Contingent Purchase Consideration and, as such, the Contingent Purchase Consideration was not payable. In accordance with relevant Accounting Standards (AASB 3: Business Combinations), the reversal of this Contingent Purchase Consideration was credited to Profit or Loss in the prior reporting period directly with no amendment to the previously calculated value of Goodwill. (**See Note 25**).

Impairment testing of Goodwill, other intangible assets and property, plant & equipment

Whilst the Group does not currently recognise any Goodwill in its Statement of Financial Position, its Accounting Policies remain that:

- For impairment assessment purposes, assets would be grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets would be tested individually for impairment and some would be tested at cash-generating unit level. Goodwill would be allocated to those cash-generating units that were expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill;

- Cash-generating units to which Goodwill may be allocated (determined by the Group's management as equivalent to its operating segments) would be tested for impairment at least annually. All other individual assets or cash-generating units would be tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

- An impairment loss would be recognised for the amount by which the asset's or cash-generating unit's carrying amounts exceed its recoverable amount, which is the higher of fair value less costs to sell and value-in-use.

- To determine the value-in-use, management would estimate expected future cashflows from each cash-generating unit and determine a suitable interest rate in order to calculate the present value of those cashflows. The data used for impairment testing procedures would be directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisation and asset enhancements. Discount factors would be determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors**.**

- Impairment losses for cash-generating units would reduce first the carrying amount of any Goodwill allocated to that cash-generating unit. Any remaining impairment loss would be charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets would be subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeds it carrying amount.

Employee Benefits (See Note 18)

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 period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating Annual Leave and Long Service Leave. Short-term benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

4. Summary of Accounting Policies (continued)

Employee Benefits (See Note 18) (continued)

The Group presents Long Service Leave employee benefits obligations as Current Liabilities in the Statement of Financial Position as the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, irrespective of when the actual settlement is expected take place.

The Long Service Leave provision relates to 9 employees entitled to Long Service Leave as at 30 June 2017 (2016: 6 employees) plus a further pro-rata provision (based on management experience as to employee departures and periods of service) for other long-serving employees yet to achieve the required length of service. As the amounts owing are not considered material, they are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Accordingly, full allowance has not been made for the present value of the expected future payment to be made to employees which might have allowed for:

- The expected future payments incorporating anticipated future wage and salary levels,
- Experience of employee departures and periods of service, and / or
- Discounting at rates determined by reference to market yields at the end of the reporting date.

Share Based Employee Remuneration

The Group does not currently have an equity-settled share-based remuneration plan for its employees.

Leased Assets (See Note 19)

Finance Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risk and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

See above for the depreciation rates and useful lives for motor vehicle assets held under finance lease.

The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or less, as finance costs over the period of the lease.

Operating Leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Equity, reserves and dividend payments (See Note 20)

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Share Option Reserve: records items recognised on the valuation of share options over the vesting period;

4. Summary of Accounting Policies (continued)

Equity, reserves and dividend payments (continued) (See Note 20)

- Foreign currency translation reserve: compromises foreign currency translation differences arising on the translation of financial statement of the Group's foreign entities into A$; and

- Retained earnings: includes all current and prior period profits / losses.

Pending a resolution of the Board as to a declaration of a dividend, no dividend distributions payable to equity shareholders are included in Other Liabilities.

Provisions, contingent liabilities and contingent assets (See Notes 17 and 26)

Provisions for legal disputes, onerous contracts or other claims would be recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risk and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation would be recognised as a separate asset. However, this asset many not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of a present obligation is not probable. Such situations would be disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability would be recognised.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of any item of the expense.

Receivables and Payables in the Statement of Financial Position are shown inclusive of GST.

Cashflows are presented in the statement of cashflows on a gross basis, except for the GST components of investing and financing activities which are disclosed as operating cash flows.

Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars (A$), which is also the functional currency of the Parent Company and its key subsidiaries.

Foreign currency transaction and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in Profit or Loss.

4. Summary of Accounting Policies (continued)

Foreign currency translation (continued)

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rate at the date of transaction), except for non-monetary items measured at fair value which are transacted using the exchange rates at the date when fair value was determined.

Foreign Operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than A$ are translated into A$ upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into A$ at the closing rate at the reporting date. Income and expenses have been translated into A$ at the average rate over the reporting period. Exchange differences are charged or credited to tother comprehensive income and recognised in the currency translation reserve in equity.

Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs.

Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are recognised when the contractual rights to the cashflows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables

As at 30 June 2017, and throughout the Reporting Period, the Group did not hold any:

- Financial assets at Fair Value Through Profit & Loss (***FVTPL***)
- Held to Maturity (***HTM***) investments, or
- Available for Sale (***AFS***) financial assets.

All financial assets except for FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment.

Discounting is omitted where the effect of discounting is immaterial. The Group's Trade and most other receivables fall into this category of financial instrument.

4. Summary of Accounting Policies (continued)

Financial Instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historic counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at the amortised cost using the effective interest method.

Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and, accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest $1,000 or, in certain cases, the nearest dollar.

Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016 except where stated.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future tax income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Impairment
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cashflows and uses an interest rate to discount them. Estimation uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to practical and technical obsolescence.

4. Summary of Accounting Policies (continued)

Significant management judgement in applying accounting policies (continued)

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (**See Note 15**).

Particularly, the fair value of Contingent Purchase Consideration was dependent on the outcome of many variables that affected future profitability (**See Note 25**).

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments and non-financial assets. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available.

5. Segmental Information

Management currently identifies the Groups' two service lines as its operating segments, being the Security Businesses and its remaining and essentially dormant mining exploration in Latin America.

These operating segments are monitored by the Group's chief operating decision-maker and strategic decisions are made on the basis of adjusted segment operating results.

The Group's reportable segments under AASB 8 are therefore as follows:

- Security
- Mineral Exploration

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment (the results of the parent entity are shown by way of note):

	Parent $'000	Security Services $'000	Mineral Exploration $'000	Total $'000
30 June 2017				
Revenue		18,101	-	18,101
Gross Profit		**3,935**		**3,935**
			-	
Other Income				
Interest received	4	7	-	11
Overheads				
Other Costs	(452)	(2,760)	-	(3,212)
Depreciation	-	(176)	-	(176)
Finance costs	-	(28)	-	(28)
Profit / (Loss) before income tax	**(448)**	**978**	**-**	**530**
Income tax expense	(71)	-	-	(71)
Profit / (Loss) after income tax	**(519)**	**978**		**459**
Segment assets	96	4,148		4,244
Segment liabilities	(194)	(2,405)		(2,599)
Segment Net Assets	**(98)**	**1,743**		**1,645**

	Parent	Security Services	Mineral Exploration	Total
	$'000	**$'000**	**$'000**	**$'000**
30 June 2016				
Revenue	-	11,829	-	11,829
Gross Profit	**-**	**2,803**	**-**	**2,803**
Other Income				
Interest received	15	6	-	21
Other	15	38	-	53
	30	**44**		**74**
Overheads				
Other Costs	(586)	(2,039)	(7)	(2,632)
Finance costs	-	(10)	-	(10)
Depreciation, amortisation	(518)	(131)	-	(649)
Impairment: Sundry	-	(51)	-	(51)
Reversal of Contingent Purchase Consideratio	300	-	-	300
Impairment of Goodwill	(4,403)	-	-	(4,403)
Expensing of Customer Contracts Acquired	(1,426)	-	-	(1,426)
Profit / (Loss) before income tax	**(6,603)**	**616**	**(7)**	**(5,994)**
Income tax expense	86	-	-	86
Profit / (Loss) after income tax	**(6,517)**	**616**	**(7)**	**(5,908)**
Segment assets (post Consolidation impairment)	1,014	3,886	3	4,903
Segment liabilities (post-Consolidation / impairment)	(113)	(3,056)	(5)	(3,174)
Segment Net Assets	**901**	**830**	**(2)**	**1,729**

5. Segmental Information (continued)

All of the Security Businesses segment's income and results were incurred in Australia, being where all its customers, assets and liabilities are situated. All of the Mineral Exploration segment's income and results were incurred in Peru / Chile, being where all its assets and liabilities are situated.

All of the Parent Entity income and results were incurred in Australia.

During the 12 month Reporting Period (2016: 8 months) $2.7m or 15% (2016: $1.8m or 15%) of the Group's total revenues depended on a single customer (across a number of contracts / locations) in the Security Businesses segment.

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Revenues have been identified based on the customer's geographical location. Non-current assets are allocated based on their physical location.

Segment assets include all assets used by a segment and consist principally of cash, receivables, intangible assets, exploration and evaluation expenditure and plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of any assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Other operating income and expense mainly consists of Sundry Income and bank interest earned by the Parent entity. The impairment of intangible assets (Goodwill and Customer Contracts) in the previous Reporting period were allocated to the Parent.

Intersegment Transfers

For the periods ended 30 June 2016 and 30 June 2017 there were no material intersegment transfers.

6. Revenue

An analysis of the Group's revenue for each major product and service category is as follows:

	2017 $'000	2016 $'000
Revenue		
Guard security	17,588	11,486
Other security	513	343
Total	**18,101**	**11,829**
Other Income		
Interest Revenue: Bank	11	21
Other	5	54
Total	**16**	**75**

7. Expenses

Overhead expenses include the following:

	2017 $'000	2016 $'000
Professional Fees	253	353
Directors Fees and Remuneration	75	145
Administration & Occupancy	396	249
Insurance	515	538
Finance Costs **(Note 8)**	38	11

8. Finance Costs and Finance Income

Finance income and costs for the reporting periods consist of the following:

	Note	2017 $'000	2016 $'000
Interest income: from Cash and Cash Equivalents		11	21
Interest expense: Vendor liability	**16 / 24**	-	-
Interest expense: Finance leases	**19(a)**	(1)	(10)
Interest expense: Related Party loan	**19(b)**	(37)	-
Interest expense: Other			(1)

9. Income Tax Expense

The major components of tax expense and reconciliation of the expected tax expense based on the domestic effective tax rate of the Company at 30% (2016: 30%). Rates in Chile are 25% (2016: 22.5%) and Peru are 30% (2016: 30%).

	2017 $'000	2016 $'000
(a) Recognised in the Income Statement		
Current tax		
Current Year	71	156
Deferred Tax		
Origination & Reversal of temporary differences	-	(484)
Under / (Over) Provision for Prior Periods	-	242
Income tax (benefit)/ expense	**71**	**(86)**
Numerical reconciliation between Tax Expense and Pre-Tax Net Profit / Loss		
Net profit (loss) before tax	530	(5,994)
Domestic tax rate for the Company	**30%**	**30%**
Income Tax expense / (benefit)	159	(1,798)
Increase in Income tax due to tax effect of:		
Non-deductible expenses	58	160
Impairment of Goodwill	-	1,231
Current year tax losses not recognised	-	-
Current year capital losses not recognised	-	-
Non-allowable capital items	-	-
Under Provision in Prior Year	-	242
Decrease in Income Tax expense due to:		
Non-Assessable Income	-	-
Movement in unrecognised temporary tax losses	(36)	188
Utilisation of previously unrecognised tax losses	(35)	-
Deductible equity raising costs	(75)	(109)
Income tax expense / (benefit) attributable to Equity	**71**	**(86)**

9. Income Tax Expense (continued)

b) Deferred Tax Recognised Directly in Equity	2017 $'000	2016 $'000
Relating to equity raising costs	-	-
Deferred tax expense / (benefit) attributable to equity recognised in equity	**-**	**-**
c) Recognised Deferred Tax Assets and Liabilities		
Opening balance	-	-
Charged to Income	-	484
Charged to Equity	-	-
Acquisitions / disposals	-	(484)
	-	-
Deferred Tax Assets		
Accruals and Provisions	44	20
Previously Expensed Black Hole costs	7	-
Capital Raising Costs reflected in equity	-	-
Tax losses	-	-
Capital losses	-	-
Other DTAs	-	-
Gross Deferred tax assets	**51**	**20**
Set off of deferred tax liabilities	(51)	(20)
Net deferred tax assets	-	-
Deferred Tax Liabilities		
Prepayments	(51)	(3)
Plant & Equipment	-	(17)
Intangibles	-	-
Other DTLs	-	-
Gross Deferred Tax Liabilities	**(51)**	**(20)**
Set off of deferred tax assets	51	20
Net deferred tax liabilities	**-**	**-**
Income Tax expense / (benefit)	**71**	**(86)**
d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%		
Deductible temporary differences	474	552
Tax revenue losses	1,565	2,060
Tax capital losses	190	247
Total	**2,229**	**2,859**
e) Current tax liabilities		
Income tax refundable / (payable)	**38**	**(4)**

10. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2017 $'000	2016 $'000
Cash at Bank	1,193	2,353
Non-Current Asset: Restricted Cash / Bonds	2	2

11. Trade and Other Receivables

Trade and Other Receivables consist of the following:

	2017 $'000	2016 $'000
Trade Debtors	2,510	2,016
Prepayments	223	16
Other Receivables	6	35
	2,739	**2,067**

All amounts are short-term and interest free. The carrying value of Trade Receivables is considered a reasonable approximation of fair value.

As at 30 June 2017 Other Receivables included Employee Loans of $8,120 (30 June 2016: $3,960) and all are considered recoverable. The loans to employees are provided at the discretion of senior management to meet urgent personal issues of staff, are typically for a period of no more than 2 -3 months and are typically repayable in fortnightly instalments. These loans are unsecured and typically interest free. Any interest that might have been charged is not considered material.

All of the Group's Trade Receivables and Other Receivables as at 30 June 2017 have been reviewed for indicators of impairment. Specific balances of $20,900 (2016: $nil) have been identified as past-due and impaired.

12. Inventories

Inventories consist of security-related items including stocks of Guard uniforms, radio equipment and similar operating items.

	2017 $'000	2016 $'000
Inventories	18	13

During the previous reporting period year the Group wrote off $21,315 of items considered no longer usable due to the branding of the merged Security Businesses or other reasons. The impairment charges were included within *Impairment: Other* in Profit or Loss for the previous reporting period.

13. Plant and Equipment

30 June 2017	Furniture & Equipment $'000	Motor Vehicles $'000	Software $'000	Total $'000
Carrying amount				
Balance at 1 July 2016	366	412	42	820
Additions	9	63	18	90
Disposals	-	(269)	-	(269)
Balance at 30 June 2017	**375**	**206**	**60**	**641**
Depreciation				
Balance at 1 July 2016	(148)	(172)	(32)	(352)
Depreciation	(78)	(84)	(14)	(176)
Disposals	-	141	-	141
Balance at 30 June 2017	**(226)**	**(115)**	**(46)**	**(387)**
Carrying amount at 30 June 2017	**149**	**91**	**14**	**254**

30 June 2016	Furniture & Equipment $'000	Motor Vehicles $'000	Software $'000	Total $'000
Carrying amount				
Balance at 1 July 2015	15	-	-	15
Additions	6	15	-	21
Transfers and other movements (1)	399	409	42	850
Impairment (3)	(54)	(12)		(66)
Disposals	-	-	-	-
Balance at 30 June 2016	**366**	**412**	**42**	**820**
Depreciation				
Balance at 1 July 2015	(15)	-	-	(15)
Disposals	-	-	-	-
Transfers and other movements (1)	(114)	(102)	(26)	(242)
Impairment (3)	34	2	-	36
Depreciation	(53)	(72)	(6)	(131)
Balance at 30 June 2016	**(148)**	**(172)**	**(32)**	**(352)**
Carrying amount at 30 June 2016	**218**	**240 (2)**	**10**	**468**

(1) Acquired on the acquisition of MCS Security and JBPL (Intiga Security) in the previous reporting period.
(2) The Carrying amount of Motor Vehicles of $0.24m as at 30 June 2016 included $0.185m of vehicles subject to finance lease (**See Note 19**).
(3) The net impairment charges in the previous reporting period were included within *Impairment: Other* in Profit or Loss for that year

14. Mineral Exploration and Evaluation Expenditure

During the year ended 30 June 2017 $nil (30 June 2016: $12,790) of project-related costs were expensed immediately to Profit or Loss in relation to the Group's remaining Chile / Peru obligations. No amounts were capitalised to the Statement of Financial Position in either year, nor were any previously capitalised project costs written off as impaired during either year.

14. Mineral Exploration and Evaluation Expenditure (continued)

Exploration expenditure commitments:

The Group has no exploration and valuation expenditure commitments required to comply with licence terms issued by the relevant regulatory body.

The Company held the below Peruvian tenements through its wholly owned subsidiary Red Gum Resources (Peru) Pty Ltd which in turn held 99.99% of the shares in Central Peru Resources SAC ***("CPR",*** a Peruvian entity*)* which in turn held 100% of the four Peruvian projects Cerro Huancash and Chongos A, B and C.

The Company held the below Chilean tenements through its wholly owned subsidiary Red Gum Resources (Chile) Pty Ltd which in turn held 100% of the shares in Red Gum Resources Chile SpA, a Chilean entity.

Project description	Project code	Location	Area (approx)	Original Interest held
Cerro Huancash	n/a	Peru	5.76 km^2	100%
Chongos A	n/a	Peru	10 km^2	100%
Chongos B	n/a	Peru	9 km^2	100%
Chongos C	n/a	Peru	9 km^2	100%
La Negra	n/a	Chile	20 km^2	100%

During the previous Reporting Period:

- The Group subsidiary Central Peru Resources SAC, being the entity holding the commitments for the remaining Peruvian tenements, was sold in August 2015 (pending Peruvian government approval) for a nominal amount. A such, the forward costs required to maintain the remaining Peruvian tenements in good administrative standing at 30 June 2017 were $nil (2016: $nil). These Peruvian tenements had a $nil Net Book Value as the date of sale of the subsidiary.

- The relevant Group subsidiary waived its rights to the La Negra tenements. As such, no further commitments exist in relation to these tenements. The Chilean tenements had a $nil Net Book Value as the date of waiver.

15. Goodwill & Other Intangible Assets

During the previous reporting period, effective 1 November 2015, the Company completed the acquisition of 100% of the issued share capital and voting rights of MCS Security and JBPL (Intiga Security).

Goodwill

Goodwill arising on the acquisition was calculated as follows:

	Note	$'000
Consideration		
MCS Security		
Cash		3,780
Equity	**20(a)**	1,500
Total consideration - MCS Security		**5,280**
Intiga Security		
Equity	**20(a)**	900
Contingent Purchase Consideration (Equity)	**25**	300
Total consideration - Intiga Security		**1,200**
Total Consideration for MCS Security and Intiga Security		**6,480**

	Note	$'000
Identifiable Net Assets Acquired		
Cash		642
Inventory		51
Plant & Equipment	**13**	608
Deferred Tax Asset	**15**	260
Intangibles: Customer Contracts		1,944
		3,505
Less: Employee Entitlements		(200)
Less: Deferred Tax Liability	**15**	(583)
Less: Other Liabilities		(645)
		(1,428)
Total Identifiable Net Assets Acquired		**2,077**
Goodwill		**4,403**

The fair value of the identifiable net assets was determined as at 31 October 2015.

The Goodwill of $4.4m that arose on the combination could be attributed to the synergies expected to be derived from the combination and the value of the workforce of Intiga Security and MCS Security which cannot be recognised as an intangible asset. At the previous reporting date, the Board had determined that the Goodwill was not recoverable and therefore had written it off to Profit or Loss for the year ended 30 June 2016.

The Goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Customer Contracts Acquired
The fair value of the Customer Contracts acquired at acquisition date was calculated as at 31 October 2015 using the discounted cash-flow model based the following assumptions:

i. *Life of contracts*
Using the remaining life of each contract at acquisition date and the net cash flows from each contract.

ii. *Cash flows from contracts*
Cash revenues were based on the contract values for each contract. The values assigned to the operating costs on each contract represented management's assessment of estimated costs to deliver on the contracts based on internal sources (historical data).

iii. *Discount rates*
The discount rates used is based on the estimated weighted average cost of raising funds by the Company.

Amortisation of the Customer Contracts to 30 June 2016 was based on the estimated average remaining life of the contracts at acquisition date. Per management, the average estimated life of the contracts as at the date of acquisition, excluding any renewals or extensions, was 2.5 years.

The Company expensed the remaining net balance at 30 June 2016 to Profit or Loss.

The movements in the net carrying amount of Goodwill and Contracts Acquired are as follows:

15. Goodwill & Other Intangible Assets (continued)

	Goodwill 2017 $'000	Contracts Acquired 2017 $'000	Goodwill 2016 $'000	Contracts Acquired 2016 $'000
Balance 1 July	-	-	-	-
Acquired: Business Combination	-	-	4,403	1,944
Amortised to Profit or Loss	-	-	-	(518)
Expensed to Profit or Loss	-	-	(4,403)	(1,426)
Balance 30 June	**-**	**-**	**-**	**-**

16. Trade & Other Payables

Trade and Other Payables consist of the following:

	2017 $'000	2016 $'000
Trade Payables	237	98
GST and Payroll Tax (**Note below)**	853	508
Accruals	129	122
PAYG	324	103
Superannuation	2	260
Other Payables	43	35
Liability to Vendor of MCS Security **(Refer to Note 19b)**	-	1,301
	1,588	**2,427**

All amounts are short-term unless otherwise stated. The carrying values of are considered a reasonable approximation of fair value.

Note: The GST liability includes $0.32m owed by JBPL, a dormant subsidiary, of which $0.283m had not previously been disclosed. The amounts arose prior to the acquisition of JBPL by the Company and have been warranted by the vendor. Refer **Note 35** regarding the commencement of the winding up of JBPL.

17. Provisions

All annual leave provisions are considered current, and long service leave provisions are considered non-current. All leave provisions relate to Annual Leave and Long Service leave of the Security Businesses staff. The carrying amounts and movements in the provisions account are as follows:

	2017 $'000	2016 $'000
Annual Leave	549	451
Long Service Leave	175	107
	724	**558**
Movement		
Carrying amount 1 July	558	-
Additions upon Business Combination	-	200
Adjustment to Vendors Working Capital Calculation	-	116
Movement in year	166	242
Carrying amount 30 June	**724**	**558**

No provision has been made for legal claims. Whilst the Group is dealing with a number of Workers' Compensation and other employee related legal matters in the ordinary course of business, management are of the view such claims are individually immaterial to the Group and / or are adequately covered by the Group's insurance policies.

18. Employee Remuneration

Expenses recognised for employee benefits are analysed below:

		2017	2016
		$'000	**$'000**
Employee expenses within Cost of Sales			
Gross Wages and salaries		12,009	7,644
Superannuation		870	568
Payroll Tax		744	482
		13,623	**8,694**
Other Costs of Sales		543	332
		14,166	**9,026**
Employee expenses within overheads			
Gross Wages and salaries		1,408	903
Superannuation		98	58
Movement in Leave Provisions		165	243
Other		34	4
		1,705	**1,208**

Except for the incentive scheme for Key Management Personnel discussed at Section 1 of the Remuneration Report the Group does not currently have any share-based payment schemes for employee remuneration.

19. Other Liabilities

Other liabilities include the following:

19(a) Financial liabilities

	Current 2017	Current 2016	Non-Current 2017	Non-Current 2016
	$'000	**$'000**	**$'000**	**$'000**
Finance Lease	-	185	-	-

All finance leases were denominated in A$ and, as at 30 June 2016, related to four motor vehicles.

All four finance leases were completed during the current Reporting Period, including completing a pre-agreed vehicle buy-back with the lessor for two vehicles at the value of the remaining (balloon) lease obligation.

The two vehicles remaining in the Group's ownership as at 30 June 2017 had a Net Book Value of $0.015m. The four vehicles had a Net Book Value as at 30 June 2016 of $0.2m (**Note 13**).

19(b) Related Party Loan

The acquisition of the Security Businesses in the previous reporting period included for the Group to calculate and accumulate the net relevant working capital due to / from the Company or relevant vendor to ensure that the businesses were acquired on a "*no debt, no cash basis*" and subsequently make payment to / from the relevant vendors (***Working Capital Calculation***):

As at 30 June 2016, the calculated and agreed Working Capital Calculation amount owing to the vendors of MCS Security (after a separate adjustment for remaining Company lease payments on vehicles used by the vendors) was $1.3m **(Note 16).**

Of this, $0.6m was paid to the MCS Security vendors in August 2016.

A capital restructure was entered into during the current Reporting Period by the Company and the MCS Security vendors including a re-evaluation of the consideration paid by the Company including**:**

- $0.35m of the MCS Security consideration was repaid by the MCS Security vendors, effected through netting against the remaining Working Capital Calculation amount owed to the MCS Security vendors; and

- The MCS Security vendors agreed to defer repayment of the remaining $0.35m owed by the Company under the Working Capital Calculation by way of a Related Party loan. The loan documentation was finalised during the Reporting Period. The key terms are:

    - Lenders: Paul and Maureen Simmons
    - Borrower: MCS Services Limited
    - Maturity: 36 months, commencing on acquisition date of 1 Nov 2015
    - Interest Rate: 6% pa on amount drawn, capitalised monthly until Maturity
    - Interest Payment: On Maturity
    - Redemption: On Maturity date or any time at the Borrower's discretion
    - Security: Unsecured
    - Assignment: No transfer or assignment without consent of Borrower
    - Law Western Australia

Related Party Loan	**Non-Current 2017**	**Non-Current 2016**
	$'000	**$'000**
Opening Balance	**-**	**-**
Loan Agreed	350	
Interest accrued	37	-
Repayment	(100)	-
Closing Balance	**287**	

As at 30 June 2017 the Working Capital Calculation amount owing to / by the vendor of JBPL (Intiga Security) had not been finally quantified.

20. Equity

a. Share Capital

The share capital of the Company consists only of fully-paid ordinary shares. The shares do not have a par value.

	2017	2016
	$'000	$'000
Ordinary shares	18,051	17,944
Ordinary shares		
At the beginning of reporting period	17,944	11,622
Shares Issued		
18 December 2015(1)	-	4,500
18 December 2015(2)	-	1,500
18 December 2015(3)	-	900
18 December 2015(4)	-	400
16 December 2016(5)	107	-
Total shares issued during the year	**18,051**	**7,300**
Less: Share Issue Costs	-	(978)
	18,051	**17,944**

	2017	2016
	Number	Number
Ordinary shares		
At the beginning of reporting period	201,610,212	55,610,212
Shares Issued		
18 December 2015(1)	-	90,000,000
18 December 2015(2)	-	30,000,000
18 December 2015(3)	-	18,000,000
18 December 2015(4)	-	8,000,000
16 December 2016 (5)	4,291,716	-
At the end of reporting period	**205,901,928**	**201,610,212**

All issued shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at the shareholders meeting of the Company.

Share issue notes:

(1) On 18 December 2015, 90,000,000 ordinary shares were issued at $0.05 per share primarily to fund the cash element of the security businesses Transaction.

(2) On 18 December 2015, 30,000,000 ordinary shares were issued at $0.05 per share to the vendors of MCS Security Group Pty Ltd as part of the security business Transaction.

(3) On 18 December 2015, 18,000,000 ordinary shares were issued at $0.05 per share to the vendor of John Boardman Pty Ltd (JBPL / Intiga Security) as part of the security businesses Transaction. Refer **Note 35** regarding a subsequent recalculation of the purchase consideration and currently underway buy-back of these shares.

(4) On 18 December 2015, 8,000,000 ordinary shares were issued at $0.05 per share to the facilitators of the security business Transaction funding.

(5) On 16 December 2016, 4,291,716 ordinary shares were issued at $0.025 per share under the Dividend Reinvestment Plan.

a. Share Capital (continued)

The above does not include the Contingent Purchase Consideration shares which, as discussed at **Note 25**, were not issued.

The above does not include the anticipated post year-end share cancellation of 18 million shares pursuant to the JBPL capital restructure (**Note 35**), which will reduce the shares on issue to 187,901,928.

b. Share Option Reserve

	2017	2016
	$'000	$'000
At the beginning of the year	202	202
Options issued during the year		-
At the end of the year	**202**	**202**

The Share Option Reserve records items recognised on the valuation of share options over the vesting period.

c. Share Options

The Company has the following share options outstanding (post consolidation):

	Quoted Options Number	Unquoted Options Number	Weighted Average Exercise price
At 1 July 2016	4,000,047	-	$0.44
Expired un-exercised	-	-	
At 30 June 2017	**4,000,047**	**-**	**$0.44**
Option Expiry Dates			
15 November 2017	4,000,047	-	$0.44

No Options were issued during the years ended 30 June 2017 or 2016. The previously anticipated issue of 27 million options to the vendors of JBPL will now not occur (**Note 35**).

21. Earnings per share and dividends

Earnings per share

Both basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator. The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2017	2016
	'000 of shares	'000 of shares
Weighted average number of shares used in basic earnings per share	203,927	133,796
Weighted average number of shares used in diluted earnings per share	207,927	133,796

Dividends

	2017	2016
	$'000	$'000
Dividends declared during the year	650	-
Being:		
Paid cash	497	-
Withholding tax paid to ATO	46	-
Shares issued under Dividend Reinvestment Plan	107	-
	650	**-**

The Board's intentions for declaring a dividend subsequent to 30 June 2017 are subject to further clarity of profitability, the review of franking credits, prudent business practices and prevailing market conditions.

22. Reconciliation of cashflows from operating activities

	Note	2017 $'000	2016 $'000
Profit / (Loss) for Year		459	(5,908)
Adjustments for:			
- Depreciation	**13**	176	131
- Exploration Costs Expensed	**14**	-	13
- Amortisation	**15**	-	518
- Impairment of Goodwill	**15**	-	4,403
- Customer Contracts expensed	**15**	-	1,426
- Reversal of Contingent Purchase Consideration	**25**	-	(300)
- Gain on MCS Security capital restructure	**24**	(300)	-
- Interest received and receivable	**6**	(11)	(21)
Net change in Working Capital:			
- Change in Inventories	**12**	(5)	(13)
- Change in Trade & Other Receivables	**11**	(672)	(1,901)
- Change in other net assets		1,244	(1,605)
- Change in Trade Creditors and Accruals	**16**	(839)	2,349
- Change in Provisions	**17**	166	558
- Net working capital on acquisition		-	673
Net Cash from (used in) Operating Activities		**218**	**323**

23. Auditor Remuneration

Stantons International Audit & Consulting Pty Ltd ("Stantons") were appointed as auditors of the Company on 27 November 2014. The appointment was confirmed by shareholders at the 2014 Annual General Meeting. Stantons continues in that position.

	2017 $'000	2016 $'000
Audit & Review of financial statements:		
Full Year	64	46
Half Year	29	45
Subtotal	**93**	**91**
Other Services		
Audit of pre-Transaction financial statements of MCS Security and JBPL / Intiga (reimbursed by the Group to the Vendors) as part of Transaction due diligence	-	91
Non-audit assistance with Prospectus	-	13
Non-audit assistance: Options valuation	1	
Subtotal	**1**	**104**
Total	**94**	**195**

The Auditor's Independence Declaration is set out on page 19 of the Annual Report.

24. Related Party Transactions

Capital Restructure: MCS Security

During the previous Reporting Period, pursuant to the relevant Sale & Purchase Agreement for the Company's acquisition of MCS Security Pty Ltd effective 1 November 2015, the Group incurred a liability to the vendors, Mr Paul and Mrs Maureen Simmons, for the value of working capital as at that date. The amount has been calculated (net of a separate adjustment for the remaining lease instalment on vehicles used by the vendors), and accepted by the Vendors, at $1.3m.

- Pursuant to the relevant Sale & Purchase Agreement the liability could incur interest since December 2015, but the vendors conditionally waived their entitlement to such interest;
- Of the $1.3m principal outstanding at 30 June 2016, $0.6m was paid by the Group in August 2016;
- Subsequently, during the Reporting Period and following shareholder approval of an agreed capital restructure:
    - $0.35m was netted off an agreed reduction in the MCS Security purchase consideration. After allowance for a final reconciliation of the Working Capital Calculation, this resulted in a $0.3m gain to Profit & Loss;
    - and $0.35m was effectively converted into a Related Party Loan (**Note 19b**);
- with a small balance remaining being paid in Cash during the Reporting Period.

Capital Restructure: JBPL

During the Reporting Period the Company and the vendor of JBPL agreed to a capital restructure arising from agreed adjustments to the original vendor consideration. The capital restructure in relation to JBPL was subject to a subsequent legal dispute during the Reporting Period. Legal costs of $82,000 were incurred by the Company primarily in relation to an injunction obtained by the Company. The JBPL capital restructure matter was resolved subsequent to the Reporting Period (**Note 35**).

Related Party Loan

Pursuant to the capital restructure of the MCS Security acquisition set out above, the vendors of MCS Security converted $0.35m then owing to them into a Related Party Loan.

The terms of the loan are set out at **Note 19(b)**.

Head Office Lease

On 1 October 2014 MCS Security Group Pty Ltd entered into a lease agreement with The Simmons Superannuation Fund, a related party to CEO (and primary vendor of MCS Security) Mr Paul Simmons, for the lease of 3/108 Winton Road, Joondalup, WA, 6027. The term of the lease was 1 October 2014 to 30 September 2019. The lease was based on an area of 231m² at a rent of $49,123 (excluding GST) per annum, subject to an annual CPI increase, with variable outgoings charged separately at market rates. The rental agreement has a 2% pa indexed rent-rise mechanism and has a five year term with a further 5 year option. The lease was assigned to the Group upon the acquisition of MCS Security on materially the same terms. The rental agreement has previously been assessed by the Company as being at market rate.

The amount billed during the Reporting Period for rent and strata fees was $48,042 (2016: $35,033).

CEO Benefits

Mr Paul Simmons, one of the vendors of MCS Security, has received an annual salary of $160,000 per annum (plus superannuation) since 1 November 2015. Refer Remuneration Report.

In addition, Mr Paul and Mrs Maureen Simmons had the use of motor vehicles registered in the name of, and leased by, the Group. As part of the acquisition of MCS Security the then remaining lease instalments on those vehicles were netted off the amount owing to the MCS Security vendors as part of the Working Capital Calculation. The leased vehicles were returned to the lessor in the Reporting Period under a pre-agreed buy-back arrangement at the value of the remaining lease (balloon) obligations.

Transactions with Key Management Personnel

Key management of the Group are the members of the Company's Board of Directors, the CEO, COO, CFO and Company Secretary during the Reporting Period.

In addition to the matters set out above, key management's remuneration (incl superannuation on the CEO, COO and CFO salaries at 9.5%) includes the following expenses:

	2017	2016
	$	$
Executive Directors		
Mr Josh Puckridge (whilst acting as Executive, Sept 2015 – March 2016)	-	70,500
	-	**70,500**
Non Executive Directors		
Bob Kucera (Chairman) (20 Jan 2016 -)	25,000	11,458
Josh Puckridge. (27 May 2015 – 14 July 2017)	25,000	14,000
Melissa Chapman (18 Dec 2015 – 28 Nov 2016)	10,416	13,542
Matthew Ward (28 Nov 2016-)	14,580	-
Geoffrey Martin (14 July 2017 -)	-	-
Edwin Bulseco (5 Mar 2014 - 18 Dec 2015)	-	16,578
Thomas Pickett (27 May 2015 - 20 Jan 2016)	-	19,900
	74,996	**75,478**
Key Management Personnel		
Paul Simmons, CEO. (1 Nov 2015 -)	175,200	114,553
John Boardman, COO. (1 Nov 2015 – April 2017)	140,560	114,553
Mark Englebert, CFO. (12 May 2016 -)	138,138	20,216
Jon Asquith (Co Sec) (31 Jan 2017 -)	18,027	-
Josh Puckridge (Acting Co Sec) (28 Nov 2015 – 31 Jan 2017)	-	-
Melissa Chapman (Co Secretary). (2 Feb 2016 – 28 Nov 16)	10,000	10,000
Malcolm Lucas-Smith (Co Secretary) (1 Feb 2008 - 2 Feb 2016)	-	23,000
	481,925	**282,322**

The Directors, CEO, COO, CFO and Co Secretaries were reimbursed business-related expenses during the Reporting Period.

25. Contingent Purchase Consideration

	Note	30 June 2017	30 June 2016
		$'000	$'000
Contingent Purchase Consideration, JBPL	15	-	-

Pursuant to the relevant Sale & Purchase Agreement a Contingent Purchase Consideration was payable by the Group to the vendor of JBPL in the form of 6 million ordinary shares if the combined acquired Security Businesses achieving a consolidated net profit after tax of $1.92m (or pro-rata thereof, relative to the date of acquisition) in the year ended 30 June 2016.

As at 30 June 2016 the Board was of the view, and the JBPL vendor accepted, that the relevant profitability trigger was not achieved and, as such, the liability was not payable. The $0.3m Contingent Purchase Consideration was credited to Profit or Loss in the previous Reporting Period.

Having regard to the relevant Accounting Standard *AASB 3 Business Combinations*, the calculation of Goodwill on acquisition was not restated.

26. Contingent Liabilities

Commensurate with the size of its workforce and the nature of their work, the Group is periodically subject to Workers Compensation and other employee-related claims. As at the Reporting Date the Group is subject to a number of such claims. The validity of a number of such claims and the ultimate amount that might be payable is not certain. Further information on these contingencies is omitted so as to not prejudice the Group's position in the related disputes. The Board considers all claims pending as at the Reporting Date to be adequately covered by its insurance policies or otherwise financially immaterial to the Group.

The winding up process for the Group's 100%-owned subsidiary John Boardman Pty Ltd (JBPL) has commenced (**Note 35),** with a winding up hearing due to be heard shortly. JBPL has no material assets, does not trade, and its only material liabilities are tax amounts incurred prior to its acquisition by the Company. The Group does not at this stage anticipate any effect on Group operations or any negative effect on the Group's financial position.

The employment of the Chief Operating Officer, John Boardman, was terminated in April 2017. The Company is of the view it has no residual employment liability to Mr Boardman.

27. Capital Commitments

As at the Reporting Date the Group has not, except for the acquisition cost instalments of some (max) $0.25m for the acquisition of a customer base (**Note 35c**), formally committed to any capital expenditure for the subsequent Reporting Period.

Nevertheless, the Group anticipates incurring capital expenditure on a range of Security Businesses assets including office fit-out and IT upgrades of some $0.1m in the 12 months to 30 June 2018.

28. Business Combinations

The consideration paid, Goodwill arising, and assessed value of Customer Contracts upon the acquisition by the Company of MCS Security and Intiga Security during the previous Reporting Period is set out at **Note 15.**

MCS Security and Intiga Security's contribution to the Group's results

The acquired entities contributed $18.10 million to the Group's revenues (2016: $11.829m, from the date the Company effectively assumed control on 1 November 2015 to 30 June 2016).

The acquired entities contributed $0.978 million profit (2016: $0.616m profit) to the Group's net profit (2016: loss) before tax for the same period.

Had the acquisition occurred on 1 July 2015, the Group's revenue for the period to 30 June 2016 would have been $17.17m and the Group's result before tax for the year would have been a loss of $5.582 million. These amounts have been calculated using the subsidiary's results.

Acquisition Costs

Acquisition-related costs of amounting to $0.09m were recognised as an expense in Profit or Loss of the previous Reporting Period.

29. Interests in Subsidiaries

Composition of the Group

Set out below are details of subsidiaries held directly by the Group:

Name of Subsidiary	Incorporation and Principal Place of Business	Principal Activity	Group ownership % 30 June 2017	Group ownership % 30 June 2016
Red Gum (Chile) Pty Ltd	Australia	Holds shareholding in Red Gum Chile SpA	100%	100%
Red Gum (Peru) Pty Ltd	Australia	Holds shareholding in Central Peru Resources SAC	100%	100%
Red Gum Chile SpA	Chile	Mineral exploration	100%	100%
Central Peru Resources SAC **(1)**	Peru	Mineral exploration	-	99.99%
MCS Security Pty Ltd	Australia	Security	100%	100%
John Boardman Pty Ltd (JBPL) **(2)**	Australia	Security	100%	100%

(1) The Group agreed to sell Central Peru Resources SAC for a notional amount.

(2) The process to wind up JBPL has commenced (**Note 35).**

Interests in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

30. Leases

Finance leases

The Group has no remaining finance lease arrangements as at the Reporting Date, having finalised previously held arrangements during the Reporting Period. **Note 19(a).**

Future minimum finance lease payments (excluding Balloon Payment options of $0.146m as at 30 June 2016) at the end of the Reporting Period under review were as follows:

	Within 1 Year $'000	1-5 Years $'000
30 June 2017:		
Minimum Lease Payments	-	-
Finance Charges	-	-
Net	**-**	**-**
30 June 2016 :		
Minimum Lease Payments	44	-
Finance Charges	(2)	-
Net	**42**	**-**

As part of the Working Capital Calculation owing to the vendors of MCS Security (**Note 16**), an amount representing the minimum lease payments on four financed vehicles as at the effective date of the Transaction was offset against the amount owing to the vendors such that, effectively, the MCS Security vendors paid the above Minimum Lease Payments until completion of the finance lease terms.

Operating Leases

The Group leases its Head Office under an operating lease from a party related to Mr Paul Simmons, the CEO and vendor of MCS Security Pty Ltd (**Note 24**)**.** The Group has no other Operating Leases.

31. Financial Instrument Risk

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised below. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is co-ordinated at its Head Office, in close co-operation with its Board of Directors, and focusses on actively securing the Group's short to medium term cashflows by obtaining, and renewing, long-term security contracts with credit-worthy customers.

The Group does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Groups financial instruments consist mainly of deposits with banks, Accounts Receivables, and Accounts Payable.

Market Risk Analysis

Foreign Currency sensitivity

Materially all of the Group's transactions are carried out in Australian Dollars (**A$**), and materially all of its Cash Balances are held in A$ (**Note 10**) and all of its Trade & Other Receivables (**Note 11**) are denominated in A$.

As at the Reporting Date the Group no longer holds mineral exploration tenements in Latin America (book value 30 June 2017 $nil, 2016 $nil), had not actively explored for minerals in the above locations during the Reporting Period, and does not have material liabilities or exposures in those locations. As such, the Group is not incurring material costs or liabilities in currencies other than A$.

The Group has no foreign currency loans or material liabilities in foreign currencies. The Group does not inter into forward exchange contracts or otherwise seek to hedge any such exposure.

As such, the Group has minimal exposure to foreign currency movements.

Interest Rate sensitivity

The Group has no material interest rate cash flow risk exposure as:

- the interest received on its bank account balances, being with a major Australian bank, are not material to the Group's financial performance (**Note 8**)**;**
- the Group finalised its Finance Lease arrangements during the Reporting Period (**Note 19a**)**;** and
- the interest charge on the Related Party loan, as owed to the vendor of the MCS Security business arising from the Capital Restructure, is fixed at 6% pa (**Note 19b**)**.**

31. Financial Instrument Risk (continued)

Credit Risk Analysis

Credit Risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, primarily in granting Trade Receivable facilities with customers and placing Cash deposits with its bank.

The Group's maximum exposure to credit risk at the Reporting Date is limited to the carrying amount of financial assets as summarised below:

	Note	2017 $'000	2016 $'000
Cash and Cash Equivalents	**10**	1,193	2,353
Non-Current Asset: Cash Bonds		2	2
Trade & Other Receivables	**11**	2,516	2,051

The credit risk for Cash and Cash Equivalents is considered by management to be negligible as the counterparties to materially all of the Group's bankings are reputable Australian banks.

As at the Reporting Date the Group's Australian banking arrangements are with National Australia Bank.

In respect of Trade Debtors the Group's largest 5 customers (either a single counterparty or a group of related counterparties) accounted for some 63% (65%: 2016) of the Trade Debtors amount owing as at 30 June 2017. Management considers all the above counterparties to be well-known, well-regarded, prompt paying and financially stable entities.

Other Trade Debtors consist of a large number of customers.

As such, management does not consider it to be exposed to any significant credit risk exposure to any single Trade Debtor counterparty or any group of counterparties having similar characteristics.

Based on historical information about customer default, management consider the credit quality of Trade Debtors that are not past due or impaired to be good.

The Group continuously monitors for signs of potential default of Trade Debtors – including through regular meetings with customers, monitoring of trade-account regularity and through external sources. The Group's policy is to deal only with creditworthy customers. Credit risk is managed on a Group basis and reviewed regularly by the Board.

At 30 June the group had certain Trade Debtors that had not been settled by the contractual due date but were not considered to be impaired. The amounts at 30 June analysed by the length of time past due are:

	2017 $'000	2016 $'000
More than 3 months but not more than 6 months	127	120

The Group's management considers that all of the above financial assets that are not impaired or past due for each 30 June reporting date under review are of good credit quality.

Price Risk

The Group is not exposed to price risk.

31. Financial Instrument Risk (continued)

Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations.

The Group manages its liquidity needs including by:

- Monitoring forecast cash inflows and outflows in day-to-day business,
- Managing working capital, especially the timely receipt of customer accounts, and
- Preparing short-medium term forecasts.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its Cash resources and Trade Receivables.

The Group's cashflows from Trade Receivables are all contractually due within 30 days of invoice. The Group's primary cash outflows are for payroll and meeting its tax and superannuation obligations, which can be estimated as to timing with reasonable certainty.

The Group's existing Cash resources and Trade Receivables exceed the current forecast cash outflow requirements.

32. Fair Value Assessment

Fair value measurement of financial instruments
Financial assets and liabilities measured at fair value in the statement of financial position are grouped into 3 levels of a fair value hierarchy. The 3 levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

The following table shows the level within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2017 and 30 June 2016:

	Level 1	Level 2	Level 3
	$'000	$'000	$'000
30 June 2017			
Cash	-	1,193	-
Trade & Other Receivables	-	2,516	-
Trade & Other Payables	-	(1,588)	-
30 June 2016			
Cash	-	2,353	-
Trade & Other Receivables	-	2,051	-
Trade & Other Payables	-	(2,427)	-
Financial Liabilities	-	(185)	-

32. Fair Value Assessment (continued)

Fair value measurement of non-financial instruments

The book value of the Group's Plant & Equipment is based on depreciated acquisition cost and Management's view on the ongoing usability of the assets by the Group.

33. Capital management policies and procedures

The Company's objectives when managing capital are to ensure the Company can fund its operations and continue as a Going Concern and to provide shareholders with adequate returns by pricing its services commensurately with the level of risk.

As the Group does not currently have any material debt-funding, and so has no externally imposed capital requirements, the Company monitors capital on the basis of liquidity and dividend return to shareholders. There have been no changes in this strategy since the prior year.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of its business operations.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group has no external debt covenants.

34. Parent entity information

Information relating to MCS Services Limited ("***Parent Entity***" or "***the Company***"):

	2017 $'000	2016 $'000
Statement of Financial Position		
Current Assets	96	1,005
Non Current Assets	4,988	6,180
Total Assets	**5,084**	**7,185**
Current Liabilities	(194)	(113)
Non Current Liabilities		-
Total Liabilities	**(194)**	**(113)**
Net Assets	**4,890**	**7,072**
Equity		
Issued Capital	18,051	17,944
Share Option Reserve	202	202
Accumulated Losses	(13,363)	(11,074)
Total Equity	**4,890**	**7,072**
Financial Performance		
Operating Loss for the Year	**(1,639)**	**(556)**

During the year the Company declared and paid a dividend of $650,000.

The Parent Entity has capital commitments of $nil. The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

35. Post Reporting Date Events

No adjustments or significant non-adjusting events have occurred between the Reporting Date and the date of authorisation of this Report except as set out below.

a) Capital Restructure: JBPL

As announced on 7 September 2016, the Company and the vendor of JBPL agreed to a capital restructure arising from agreed adjustments to the original vendor considerations. The capital restructure in relation to JBPL was subject to a subsequent legal dispute during the Reporting Period.

Subsequent to the end of the Reporting Period:

- the Company and the vendor of JBPL agreed to a revision of the capital restructure such that now the 18 million fully paid ordinary shares originally issued to the vendor of JBPL during the Reporting Period ending 30 June 2016 are to be cancelled by way of selective share buy-back in consideration for the payment by the Company of $57,960. The previously arranged consideration – for the issue of 27 million unlisted options in the Company exercisable at $0.06 each expiring 30 October 2020 – will now not occur;

- the above revision was approved by shareholders on 19 September 2017;

- the Company is in the process of having the 18 million shares transferred into its own name. As at the date of this report 14.4 million shares have been transferred into the name of MCS Services Limited. The remaining 3.6 million shares remain in the name of the vendor but are in the process of transfer. The Company anticipates this remaining transfer will be effected shortly;

- the Company has commenced the administrative process of having all 18 million shares cancelled. As at the date of this report the cancellation has not yet occurred. The Company anticipates the cancellation will be effected shortly.

b) Commencement of Winding Up: JBPL

Subsequent to the end of the Reporting Period the winding up of JBPL was commenced.

JBPL has no material assets and does not trade. JBPL's main liabilities are tax amounts of some $0.32m arising prior to JBPL's acquisition by the Company and as warranted by the vendor (**Note 16)**.

The Company does not anticipate the winding up will have any adverse effect on operations or on the Group's financial position.

c) Acquisition of customer contracts of State Security Services (WA) Pty Ltd

As advised to shareholders on 1 August 2017, the Company has acquired the customer base of the above entity effective on that date. The consideration is to a maximum of $0.25m, the amount being contingent on continuation of work-flow from the relevant customers and is payable – except for an element paid on settlement - in monthly instalments over a 12 month period.

In the opinion of the Directors of the Company:

- The consolidated financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
    - Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

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

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2017.

Note 2 confirms that the consolidated financial statements also comply with International Reporting Standards.

Signed in accordance with a resolution of the directors

The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman

Dated 29 September 2017

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MCS SERVICES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MCS Services Limited, the Company and its subsidiaries, ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

We have defined the matters described below to be key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit

Acquisition of Intiga Security Pty Ltd

On 1 November 2015, the Company acquired Intiga Security Pty Ltd ("Intiga") (refer to Notes 24 and 35). The consideration paid to the former proprietor of Intiga was 18,000,000 consideration shares ("Consideration Shares") in MCS Services Limited ("MCS"), of which 20% (or 3,600,000) are held directly by the former vendor.

The Company subsequently agreed with the former proprietor to cancel the Consideration Shares (for the acquisition of Intiga) issued in MCS in return for the issue of 27 million options in MCS, which were ratified at the annual general meeting of MCS in November 2016. The cancellation of consideration shares and subsequent issue of the options was not completed in the requisite time period. A legal dispute occurred as to the validity of that cancellation and re-issue of the 27 million options, particularly in relation to the original (underlying) beneficial ownership of Intiga.

The legal dispute regarding the acquisition of Intiga is deemed to be a key audit matter as it affected 8.74% of the share capital of the Company, and also as it has involved the Company obtaining legal advice regarding the acquisition and the underlying beneficial ownership of Intiga and consequently the accounting implications for the acquisition of Intiga.

Inter alia, our audit procedures included the following:

i. Examining the agreements and notice of general meeting held to approve the acquisition and subsequent cancellation of shares (including payment for the cancellation of shares) in relation to the acquisition of Intiga;

ii. Engaging with the Board and with the Company's legal advisors in determining the legal and accounting validity of the Intiga acquisition, including obtaining clarification and agreements underpinning the transaction;

iii. Obtaining confirmation, attending the general meeting and evaluating the result to ensure that the selective share buy-back agreement had been approved by members;

iv. Ensured that the subsequent effect of this approval corroborates the accounting treatment adopted in the financial statements; and

v. Reviewed the financial statements to ensure appropriate disclosures have been made.

Completeness and accuracy of revenue

There is an inherent risk around the accuracy of revenue recorded given the nature of the Group's activities.

The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates. The group's policy on revenue recognition is set out in Note 4 to the financial statements and revenue is analysed in Note 6.

Revenue recognition is a key audit matter as the application of revenue recognition involves the evaluation of the appropriateness of management's judgements and estimates, as well as the significance of the Revenue balance to the Group (approximating $18.1million).

Inter alia, our audit procedures included the following:

i. Assessing the appropriateness of the Group's revenue recognition accounting policies and the adequacy of their disclosures in the financial statements;

ii. Testing the operating effectiveness of the key controls over the revenue process;

iii. Performing tests for accuracy, completeness and cut-off of customer invoicing on a sample basis; and

iv. Performed substantive tests and analytical procedures on revenue and costs of sales and performed tests of detail on accounts receivable balances recognised in the statement of financial position at year-end.

Completeness of Cost of Sales

Group Cost of Sales for the year amounted to $14.2 million. Cost of sales comprises mainly payroll costs relating to the employment of security guards and other front-line personnel. Payroll records are a key component in revenue generation and recognition.

We identified the accuracy of the recorded cost of sales as a key audit matter due to its impact on the revenues and profitability.

Inter alia, our audit procedures included the following:

i. Assessing the appropriateness of the Group's employee benefits' accounting policies;

ii. Testing the operating effectiveness of the key controls over the payroll cycle, which included procedures for recording employees in the payroll system, processing of the payroll, record-keeping and tracing payroll costs to revenues;

iii. Performing tests for cut-off of employee benefits expense;

iv. Corroborating employee's rate of pay per the payroll system to relevant supporting documentation;

v. Verification on a sample basis of employee's wages to timesheets and security rosters, and tracing the number of hours worked to the applicable revenue generating invoice; and

vi. Assessing the adequacy of the employee benefits (and cost of sales) disclosures contained in Note 4 and note 18.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report**.**

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 control relevant to the entity'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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of MCS Services Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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
29 September 2017

Additional information required by ASX listing rules and not disclosed elsewhere in this report is set our below. The information is effective as at 22nd September 2017.

Securities Exchange
The Company is listed on the Australian Securities Exchange.

Substantial Shareholders
The number of substantial shareholders and their associates are set out below

Shareholder	Number of shares	%
PR & M Simmons Pty Ltd	32,500,000	15.78

Distribution of Equity Security Holders as at 22 September 2017

Holding	Shareholders	Total Units
1-1000	204	64,278
1001-5,000	116	322,463
5,001-10,000	54	396,872
10,001-100,000	245	11,428,689
100,000 and over	204	193,689,626
	823	**205,901,928**

Top 20 Shareholders	Number of Ordinary Shares	% of Issued shares
PR & M Simmons Pty Ltd	32,500,000	15.78
JP Morgan Nominees Australia Limited	20,376,902	9.90
MCS Services Limited **(Note 1)**	14,400,000	6.99
National Nominees Limited	13,527,078	6.57
Newport MC Investments Pty Ltd (ZW Family a/c)	10,250,000	4.98
Mr Edward Shann (Shann Super Fund a/c)	4,032,477	1.96
John Boardman **(Note 1)**	3,600,000	1.75
Harley N Pty Ltd (Harley Super Fund a/c)	3,205,000	1.56
Super RAB Pty Ltd (RA Black Pers S/F RAB a/c)	3,000,000	1.46
RJ & A Investment Pty Ltd (Muller Morvan Family a/c)	2,840,432	1.38
Mr Edward James Dally & Mrss Selina Dally (EJ Dally Super Fund a/c)	2,661,833	1.29
Mr Salvatore Di Vincenzo	2,513,362	1.22
Mrs Lay Hoon Lee	2,490,000	1.21
Mr Salvatore Di Vincenzo	2,479,857	1.20
UpSky Equity Pty Ltd	2,000,000	0.97
Savol Pty Ltd	2,000,000	0.97
Mr Han Swee Tan (The number 168 a/c)	1,836,625	0.89
Mr Andrew Farr and Mrs Caroline Farr (Farr family a/c)	1,750,000	0.85
Navigator Australia Ltd (MLC Investment Sett a/c)	1,600,000	0.78
Lamro Pty Ltd (Orama a/c)	1,525,000	0.74
Mr Han Swee Tan	1,372,866	0.67
	129,961,432	**63.12**
Total Remaining Holders, balance	75,940,496	36.88
Total Ordinary Shares on issue	**205,901,928**	**100%**

Note 1: The above shareholdings include 18,000,000 shares originally issued as consideration for the Company's purchase of JBPL during the previous Reporting Period. As discussed at **Note 35**, subsequent to the end of this Reporting Period the Company and the vendor have agreed, and as approved recently by shareholders, for the Company to affect a selective buy-back of those 18,000,000 shares with consideration being the payment by the Company of $57,960.

The Company is in the process of having the shares transferred to the Company. As at the date of this report 14.4 million of the shares had been transferred to the Company and the remaining 3.6m were in process.

The Company has commenced the administrative process of having all 18 million shares cancelled but this step has not, as at the date of this report, been finalised.

As the finalisation of the JBPL capital restructure has not yet occurred, the upcoming cancellation of 18 million shares has not yet been reflected in the Company's records of issued ordinary shares or options.

Less than Marketable Parcel

There were 417 holders of less than a marketable parcel of ordinary shares, holding a total of 1,333,441 shares.

Escrowed Shares

There are no shares held in escrow.

Unissued Equity Securities

There are no unissued equity securities.

On-Market Buy-Backs

There is no current on-market buy-back at the date of this Report.

Voting Rights

Ordinary Shares:	On a show of hands, every member present at a meeting, in person or by proxy, shall have one vote and upon a poll each share shall have one vote.
Escrow Shares:	No voting rights until vest.
Options:	No voting rights.

Other Disclosure

Refer **Note 35** regarding the post-balance date capital restructure, as recently approved by shareholders and subject only to completion of the administrative share cancellation process, including:

- The selective buy-back of the 18,000,000 ordinary shares in the Company issued during the previous Reporting Period to the vendor of JBPL, and
- the shortly anticipated cancellation of those shares by the Company

Quoted Options on Issue (ASX Code: MSGOA, exercisable $0.44 expiring 15 November 2017)

Top 20 Option holders as at 22 September 2017	Number of Options	% of Options Issued
Dead Knick Pty Ltd	737,605	18.44
Clairault Investments Pty Ltd	261,365	6.53
Mr Salvatore di Vincenzo	227,373	5.68
Mr Peter Robert Eastwood & Mrs Ingrid Helen Eastwood (Eastwood Superfund a/c)	216,926	5.42
Ms Kim Michelle Oates	215,910	5.40
DJ Carmichael Pty Ltd (house account)	177,273	4.43
Mr Peter Braica	159,091	3.98
Mr Brian Patrick O'Reilly	155,682	3.89
Mr Darren Ricketts	125,023	3.13
DJ Carmichael Pty Ltd	125,000	3.12
Ms Siew Lay Kwan	120,415	3.01
Seefield Investments Pty Ltd (The Seefield account)	114,394	2.86
Mr Paul Henry Veron & Mrs Julie Anne Verson (Dead Knick SF a/c)	113,637	2.84
Mr Michael Sean Hobbs & Ms Ann Kelly (Hobbs SF a/c)	113,637	2.84
Merrill Lynch (Australia) Nominees Pty Ltd	102,273	2.56
Mr Correy van den Broek	81,026	2.03
Mr Ho Kaku	68,182	1.70
Emmess Pty Ltd (Emmess super fund a/c)	65,160	1.63
Xcelerate Trading Pty Ltd	54,546	1.36
South Banc Group Pty Ltd (David Hales Family a/c)	47,402	1.18
Smallview Pty Ltd	45,455	1.14
	3,327,275	**83.18**
Total Remaining Holders, balance	672,772	16.82
Total Quoted Options on issue MSGOA	**4,000,047**	**100%**

END OF REPORT