



ABN: 66 119 641 986

# **APPENDIX 4E PRELIMINARY FINAL REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2018**

## 1. Reporting Period

Reporting period: ("Current period") Year ending 30 June 2018

Previous corresponding period Year ending 30 June 2017

## 2. Results for announcement to the market

				<b>\$'000</b>
Revenue from ordinary activities	up	by 6% / \$1.019m	to	19,120
Profit / (loss) from ordinary activities after tax attributable to members excluding significant items	down	by 170% / \$0.951m	to	(391)
Net profit / (loss) for the period attributable to members including significant items	down	by 247% / \$1.136m	to	(677)

	<b>Amount per share (cents)</b>	<b>Franked amount per share (cents)</b>
<b>Dividends</b>		
Final: Current Year	-	-
Final: Previous Year	0.100	0.100
Interim: Current Year	-	-
Interim: Previous Year	-	-

The Board's intentions for declaring a dividend subsequent to 30 June 2018 are subject to further clarity of profitability, the review of franking credits, prudent business practices and prevailing market conditions.

The security business contributed \$19.120m revenue (2017: \$18.101m), \$3.887m gross profit (2017: \$3.935m) and an operating profit (before significant items) of \$0.04m before tax (2017: \$1.07m profit before tax).

The parent entity incurred a loss (before significant items) of \$0.425m (2017: \$0.448m loss) before tax during the year, incurring costs of compliance, audit, legal and directors' fees.

The Company incurred an operating loss in the Half Year to December 2017 but a return to profitability in the second half of the Reporting Period.

### 3. Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	30 June 2018	30 June 2017
	\$'000	\$'000
Revenue	19,120	18,101
Cost of sales	(15,233)	(14,166)
<b>Gross profit</b>	<b>3,887</b>	<b>3,935</b>
<b>Other Income</b>		
Interest	10	11
Other	-	5
	<b>10</b>	<b>16</b>
<b>Overheads</b>		
Employee expenses & benefits	(2,166)	(1,705)
Depreciation of Property, Plant & Equipment	(156)	(176)
Amortisation of Contracts Acquired	(217)	-
Overhead, Administration and Other Expenses	(1,747)	(1,439)
	<b>(4,286)</b>	<b>(3,320)</b>
<b>(Loss) / gain before significant items</b>	<b>(389)</b>	<b>631</b>
<b>Significant items</b>		
(Loss) / gain on Capital Restructure <b>(Note 16)</b>	(45)	300
Recognition of previously undisclosed liabilities <b>(Note 16)</b>	-	(283)
Legal costs of share buy-back <b>(Note 16)</b>	-	(82)
Issue of unlisted options <b>(Note 6)</b>	(213)	-
Impairment: other	(28)	(36)
	<b>(286)</b>	<b>(101)</b>
<b>(Loss) / profit before tax</b>	<b>(675)</b>	<b>530</b>
Income tax (expense) / benefit	(2)	(71)
<b>Total comprehensive (loss) / profit for the year</b>	<b>(677)</b>	<b>459</b>

#### 4. Condensed Consolidated Statement of Financial Position

	30 June 2018	30 June 2017
	\$'000	\$'000
<b>Current Assets</b>		
Cash and cash equivalents	835	1,193
Trade and other receivables	2,873	2,739
Inventory	29	18
Other	50	38
	<b>3,787</b>	<b>3,988</b>
<b>Non-Current Assets</b>		
Plant and equipment	236	254
Intangible assets: contracts acquired	22	-
Other	2	2
	<b>260</b>	<b>256</b>
<b>Total Assets</b>	<b>4,047</b>	<b>4,244</b>
<b>Current Liabilities</b>		
Trade and other payables	1,811	1,588
Provisions	813	549
Related party loan	284	-
	<b>2,908</b>	<b>2,137</b>
<b>Non-Current Liabilities</b>		
Provisions	172	175
Related party loan	-	287
	<b>172</b>	<b>462</b>
<b>Total Liabilities</b>	<b>3,080</b>	<b>2,599</b>
<b>Net Assets</b>	<b>967</b>	<b>1,645</b>
<b>Equity</b>		
Issued capital ( <b>Note 6</b> )	18,024	18,051
Other reserves	244	232
Accumulated losses ( <b>Note 8</b> )	(17,301)	(16,638)
	<b>967</b>	<b>1,645</b>

## 5. Condensed Consolidated Statement of Cashflows

	30 June 2018	30 June 2017
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	20,735	19,215
Receipts: insurance reimbursements	261	249
Payments to employees, suppliers and directors	(19,226)	(17,527)
Payments for BAS	(1,575)	(1,604)
Income tax paid	(19)	(114)
Net cash provided by operating activities	<b>176</b>	<b>219</b>
<b>Cash flows from investing activities</b>		
Interest received	10	21
Payment for plant & equipment	(139)	(90)
Payment for finance leases	-	-
Payment for acquisition of contracts	(156)	-
Net cash (used in) investing activities	<b>(285)</b>	<b>(69)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue / (buyback) of share capital	(58)	-
Payment for acquisition of subsidiaries	(45)	(667)
Related party loan repayment	-	(100)
Payments for share issue costs	-	-
Dividends paid	(146)	(542)
Net cash (used in) financing activities	<b>(249)</b>	<b>(1,309)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(358)</b>	<b>(1,159)</b>
<b>Cash / cash equivalents at beginning of financial year</b>	1,193	2,353
<b>Cash / cash equivalents at end of financial year</b>	<b>835</b>	<b>1,193</b>

## 6. Securities on Issue

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

	Number
<b>Ordinary Shares</b>	
Shares 1 July 2017	205,901,928
Shares issued in reporting period under DRP (below)	1,407,680
Shares bought back and cancelled pursuant to capital restructure (below)	(18,000,000)
<b>On issue at date of this report</b>	<b>189,309,608</b>
<b>Quoted Options</b>	<b>Number</b>
Options at 1 July 2017	4,000,047
RGXOA Ex \$0.44 expired 15/11/2017 (below)	(4,000,047)
<b>On issue at date of this report</b>	<b>-</b>
<b>Unquoted Options</b>	<b>Number</b>
Options at 1 July 2017	-
Issue of unquoted options to directors and staff (below)	18,000,000
<b>On issue at date of this report</b>	<b>18,000,000</b>

### Ordinary Shares Dividend Reinvestment Plan (DRP)

During the year 1,407,680 shares were issued pursuant to the DRP at \$0.022 each (2017:4,291,716 ordinary securities were issued at \$0.025 each).

### Ordinary Share Buy Back & Cancellation

As approved by shareholders at a Meeting held on 19 September 2017, the Company and Mr John Bartholomew Boardman reached agreement whereby the Company bought back the 18,000,000 shares, as originally issued by the Company in part consideration for the acquisition of John Boardman Pty Ltd ("Intiga"), in consideration for paying Mr John Bartholomew Boardman a cash sum of \$57,960. The shares were bought back pursuant to the agreement and cancelled by the Company.

### Quoted Options

The Company had 4,000,047 quoted options (RGXOA, ex \$0.44) which expired without being exercised on 15 November 2017.

### Unquoted Options

During the Reporting Period, on 30 November 2017, the Company granted 9 million unlisted options as a Directors' incentive, and on 19 December 2017 granted 9 million unlisted options as a staff incentive. The options were issued for \$nil consideration and are exercisable at 4 cents on or before 30 November 2022. The options were valued at \$213,300 on issue.

## 7. Dividend reinvestment plan

A Dividend Reinvestment Plan is in place.

## 8. Accumulated Losses

	30 June 2018	30 June 2017
	\$'000	\$'000
Accumulated (losses) at beginning of financial year	(16,638)	(16,447)
Expiration of Quoted Options	202	-
Net profit (loss) attributable to members	(677)	459
Dividend	(188)	(650)
Accumulated (losses) at end of financial year	<b>(17,301)</b>	<b>(16,638)</b>

## 9. Net Tangible Assets

	30 June 2018	30 June 2017
	cents	cents
Net tangible asset backing per ordinary share	0.5	0.8

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

During the Reporting Period, on 26 September 2017, John Boardman Pty Ltd, a 100% owned subsidiary of the Company, was placed into liquidation.

That entity has negligible assets and does not trade. The winding up is not expected to impact the operations or cashflow of the Company.

## 11. Details of associates and joint venture entities

Not applicable.

## 12. Any other significant information

Not applicable.

## 13. Accounting Standards

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

## 14. Results for the period

	30 June 2018	30 June 2017
	cents	cents
Basic earnings / (loss) per ordinary share	(0.350)	0.225
Weighted Average number of ordinary shares outstanding during the period used in the calculation of basic EPS	193,732,543	203,926,563



#### 15. Return to shareholders

Not applicable.

#### 16. Significant features of operating performance

During the Reporting Period the Company:

- a) increased its revenues including through the acquisition of State Security (WA) contracts in August 2017, the winning of the new Perth Stadium asset security contract commencing January 2018 and gaining the security contract for an additional four shopping centres in metropolitan Perth from a major client commencing 1 June 2018 such that MCS Security now services all of that customer's major contracts in metropolitan Perth;
- b) maintained all material existing client contracts, with a number of clients taking up options to extend their contract terms and several increasing their hours of coverage;
- c) acquired the available customer base of State Security (WA) Pty Ltd effective 1 August 2017. The acquired customer base includes uniformed security work in retail and tourism locations and prestigious schools across the Perth area. The assessed value of the contracts of \$0.24m acquired was capitalised, to be amortised over 12 months to 31 July 2018. \$0.22m was amortised against the Income Statement in the Reporting Period and \$0.02m was remaining (to be amortised in July 2018) in the Statement of Financial Position as at 30 June 2018;
- d) won new retail, Local Government and private school contracts;
- e) won a new contract in Covert Security for the Western Australian operations of a major national retailer, demonstrating the value to retailers of the Company's covert expertise;
- f) invested in staffing, including:
  - o an increased Business Development capability, both in Western Australia and South Australia;
  - o appointing a highly credentialled OHS Manager whose role includes providing for the welfare of our staff, a clear point of difference when marketing our services, and driving the Company towards gaining ISO 9001 (Quality Management), 14001 (Environmental) and 45001 (Occupational Health & Safety) accreditation;
  - o management training courses for applicable staff;
- g) subsequently reviewed and reduced its Business Development staffing numbers, including in South Australia, in line with its strategically targeted business development focus;
- h) declared and paid a dividend of 0.1 cents per share (a yield of 4.2% on the relevant closing share price);
- i) bought back and cancelled 18 million shares, representing 8.7% of the then share capital, for \$0.06 million;
- j) reviewed and finalised the calculation of the Vendor Liability owing to the vendors of MCS Security Group Pty Ltd following its acquisition by the Company in 2015, including making a \$0.045m payment to the Vendors;



The Company continues to seek further organic growth opportunities in its specialist security segments, including but not limited to leveraging its reputation with existing clients to obtain work at additional locations.

The Company is also assessing the addition of new verticals to its business.

The Company is constantly assessing the expansion of its operations in the Perth metropolitan area, regional Western Australia and interstate through the identification and acquisition of suitable targets. It may progress these opportunities if they are value accretive to shareholders and consistent with the Company's strategy.

During the previous Reporting Period the Company:

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

## 17. Segment results

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

## 18. Trends in results

The upward trend in Revenue during the Reporting Period reflects the Company's progress in establishing itself as the most prominent provider of security services to shopping centres and sports stadia in Western Australia, with Revenue in the Reporting Period including part-year revenues from the Company's most recent major contract wins. The full effect of the revenue progress will be reflected in the results to June 2019.

Gross Profit margins were affected by pay-awards to Guards net of contract rate increases to customers, and by ramp-up costs for the aforementioned new contracts and customer contracts acquired from State Security (WA) Pty Ltd.

Operational Overheads were affected by:

- investment in Business Development staffing in both Western Australia and South Australia. Whilst the investment brought benefits in further contract wins during the Reporting Period and in tender submissions for which the Company awaits results, Business Development staffing was subsequently reduced during the Reporting Period under a strategically targeted business development focus;

- investment in management training for staff;
- investment in employing and resourcing an OHS / ISO Manager. This investment is ongoing and provides for the welfare of our staff, a clear point of difference when marketing our services, and is driving the Company towards gaining ISO 9001 (Quality Management), 14001 (Environmental) and 45001 (Occupational Health & Safety) accreditation which we anticipate will occur during the year ending June 2019;
- amortisation of the assessed value of the contracts acquired from State Security (WA) Pty Ltd. The amortisation period ceases on 31 July 2018

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

The accounts are in the process of being audited.

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

None

Signed in accordance with a resolution of the directors.



The Hon RC (Bob) Kucera APM JP  
Non-Executive Chairman  
Dated this 31st day of August 2018