MCS Services Ltd

ABN: 66 119 641 986

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2018

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
Postal Address	PO Box 3399, Joondalup, WA, 6919	
Company website	www.mcssecurity.com.au	
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 Pty Ltd, Level 2, 1 Walker Avenue, West Perth, 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 Achievements

During the Reporting Period the Group:

(a) Strategy

- undertook a strategic review of its business;
- as part of a strategic aim to expand into other States, obtained a South Australian security operations licence and employed and supported an existing company Business Development Manager from Adelaide over the period July to December 2017;

(b) Management and Administration

- continued developing and implementing processes – including extensive process design and reporting - to enable the Company to move towards ISO 9001 Quality Management, 14001 Environmental Management and 45001 Occupational Health & Safety Management certification. The Company aims to have its management processes audited and certified during the year to June 2019;
- installed and trained staff in an integrated risk, compliance and business optimisation system;

(c) Acquisition Growth:

- 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, marine and tourism in Perth, WA. The acquired operations were duly integrated into the business, including the Group enhancing the quality of service provided to those customers;
- undertook discussions with a number of other local and interstate security companies regarding possible acquisitions, joint ventures and / or purchase of contracts. The Company will only make acquisitions that are value accretive to shareholders and which are consistent with its strategic objectives;

(d) Organic Growth:

- leveraged the acquired expertise from managing the *State Security Services'* client base into winning further work in those new segments;
- won additional security contracts including but not limited to:
    - the Asset Protection security contract at the new Perth Stadium, with preliminary work commencing in November 2017 ahead of full operations in January 2018;
    - four further large Vicinity Centre shopping centres in WA commencing 1 June 2018, such that the Company now services all of the client's large centres in WA; and
    - security contracts in new sub-sectors such as healthcare, councils and covert operations;
- renewed a number of large retail security contracts, including but not limited to the renewal of all large existing Vicinity Centre shopping centres in Perth effective 1 June 2018;
- expanded its Business Development capability, increasing its BDM staffing numbers in the period to December 2017. Subsequently the Company re-focussed its Business Development to be in line with the strategic plan.

Corporate Achievements

During the Reporting Period:

a) Capital Restructure: John Boardman Pty Ltd (JBPL)

Further to a process commenced in the previous Reporting Period, the revised JBPL Capital Restructure was approved by shareholders at a General Meeting on 19th September 2017, the 18 million shares (as previously issued by the Company to the vendor of JBPL) were transferred into the Company's name and cancelled, and the consideration of $57,960 was paid by the Company to the vendor (**Note 20**)

b) Capital Restructure: MCS Security Pty Ltd

A required adjustment of $45,497 to the Working Capital Calculation, as payable to the vendors of MCS Security, was notified and paid to the vendors.

c) Corporate: Directors

The Board has been renewed 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.

CHAIRMAN'S REPORT

On behalf of the Board of MCS Services Limited ("**the Company"**) we present the 2018 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 2018 **("Financial Year").**

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

Corporate:

- appointed Mr Geoff Martin as Director. We thank the former director, Mr Josh Puckridge, for his contributions to the Company;
- settled the Capital Restructure over the JBPL / Intiga acquisition, including the buy-back and cancellation of 18,000,000 shares in the Company as originally issued to the vendor of JBPL.
- undertook a thorough strategic review of the business;
- dealt with and finalised all outstanding legacy issues emanating from the original establishment and merger of the various security-business segments of the Group, including any legal, contractual and management matters.

Operations:

- announced our continuing successes in:
    - gaining new security contracts with shopping centres and other venues;
    - winning renewals of all existing major retail security contracts falling due during the Reporting Period; and
    - significantly increasing our covert (store detective) security work;
- successfully integrated major new customer / locations into its operations, including but not limited to:
    - those acquired from State Security, including in the education and marine sector;
    - the major new sports stadium in Perth; and
    - a number of large Shopping Centres;
- 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 security clients.

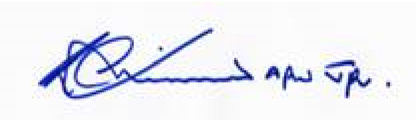
Development

- materially progressed our goal of obtaining ISO quality management accreditation to both support winning and retaining security work especially in high-risk and / or highly regulated environments and also in enhancing the work safety environments of our staff;
- implemented IT upgrades for its compliance, payroll and training systems, and are assessing further IT upgrades to maximise efficiency and enhance management;
- commenced seeking security licences in New South Wales and Victoria, in order to complement our current nationally-focussed clients' operations in those States;
- constantly seeking and reviewing business acquisition opportunities that are of value to shareholders.

The year has however not been without its challenges including:

- the Group is awaiting results of further material tenders in long lead-time processes;
- after an investment in licencing and Business Development staffing for South Australia in the period to December 2017, elected not to launch operations in Adelaide at this time;
- reviewing but electing not to pursue business acquisition opportunities.

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 2018.

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.

During the Reporting Period Mr Kucera undertook a refresher course in Governance with the Australian Institute of Company Directors (AICD) to ensure his personal currency as Chair and contemporary knowledge of new legislative and compliance requirements.

Other current directorships	None
Previous Directorships (last 3 years)	None
Interests in shares of the Company:	462,909
Interests in options of the Company:	3,000,000

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:	1,047,875
Interests in options of the Company:	3,000,000

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:	3,000,000

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.

Interests in shares of the Company:	Nil (at date of resignation)
Interests in options of the Company:	Nil (at date of resignation)

Company Secretary

Mr Jonathan Asquith: Company Secretary
Appointed 31 January 2017

Mr Asquith was the Company Secretary throughout the Reporting Period and since the end of the year. Mr Asquith is a Chartered Accountant with a Masters of Business Administration and over 30 years' corporate experience in Australia and overseas. He has previously held the office of Company Secretary for several ASX listed entities.

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, including deregistering remaining dormant 'mining exploration' subsidiaries.

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 loss attributable to members of the Company for the year ended 30 June 2018 was $0.677 million (2017: $0.459 million profit).

The Net Loss After Tax for the Reporting Period of $0.677 million included:

- a charge of $0.213 million as the assessed valuation of 18,000,000 options issued to Directors and Senior Management during the Reporting Period (**Note 20);**
- a charge of $0.045 million in recognising a required adjustment to the Vendor Consideration arising in 2015 and payable to the vendors of MCS Security Group Pty Ltd (**Note 24).**

The Net Profit After Tax of $0.459 million in the previous reporting period included:

- a gain of $0.3 million on the capital restructure of the MCS Security business acquisition;
- 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; 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.

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, including completing the cancellation of 18 million shares as approved by shareholders on 19 September 2017 (**Note 24**);

- the Group subsidiary, John Boardman Pty Ltd (JBPL), is now being liquidated. The entity has no material assets and does not trade.

Dividends

During the Reporting Period the Company made an unfranked dividend distribution of $187,902 as follows:

- $156,932 was paid (incl Withholding Tax of $10,999 paid to the ATO);
- $30,970 of participation in the Company's Dividend Reinvestment Plan.

The Board has elected not to pay a dividend for the current year. The Company will be deploying funds to reduce debt and enhance its growth strategy.

Events Arising since the End of the Reporting Period

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)	11	11
Matthew Ward (appointed 28 November 2016)	11	10
Geoffrey Martin (appointed 14 July 2017)	11	11
Josh Puckridge (retired 14 July 2017)	-	-

As discussed in the Remuneration Report 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 2018 the Company had 189,309,608 (30 June 2017: 205,901,928) ordinary shares on issue. The decrease of 16,592,320 shares during the Reporting Period was a result of:

- 1,407,680 shares issued under the Company's Dividend Reinvestment Plan on 8 December 2017 **(Note 20);**

- 18,000,000 shares, as originally issued to the vendor of JBPL Pty Ltd in 2015, being bought back and cancelled by the Company pursuant to the Capital Restructure in consideration for the payment of $57,960 by the Company (**Note 20).**

Unissued Shares Under Option

Unissued ordinary shares of the Company under option as at 30 June 2017 expired without being exercised during the Reporting Period:

Quoted options on Issue: MSGOA Ex $0.44 exp 15/11/2017	Number
Opening Balance 1 July 2017	4,000,047
Expired without being exercised	(4,000,047)
Closing Balance 30 June 2018	-

The above quoted options were not part of any employee package nor part of the Security Businesses Transactions. During the Reporting Period, unquoted options over unissued ordinary shares of the Company were issued as follows:

Unquoted options on Issue: Ex $0.04 exp 30 November 2022	Number Vested
Opening Balance 1 July 2017	-
Issued on 19 December 2017 to:	
R Kucera, Director	3,000,000
M Ward, Director	3,000,000
G Martin, Director	3,000,000
P Simmons, CEO	3,000,000
M. Englebert, CFO	3,000,000
J Asquith, Co Secretary	3,000,000
Closing Balance 30 June 2018	**18,000,000**

None of the above unquoted 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 Mark Englebert as Chief Financial Officer (**CFO**), and
- Mr Jonathan Asquith, Company Secretary.

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.

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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

The CEO is party to an Executive Share Plan, as approved by shareholders and as documented in the 2015 prospectus. As relevant profitability milestones have not been achieved, no issue of shares under the Executive Share Plan have been made.

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 99% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2017 and 88% for the financial year ended 30 June 2016. The Company received no specific feedback on its Remuneration Report at any of the above Annual Meeting.

3. Consequences of performance on shareholder wealth:

Item	2018	2017	2016	2015	2014
EPS (cents) post consolidation	(0.350)	0.225	(4.4)	(10.38)	(125.05)
Dividends (cents per share)	0.100	0.322	-	-	-
Net Profit / (loss) ($'000)	(677)	459	(5,908)	(2,460)	(6,042)
Share Price (cents) at 30 June	1.5	2.4	3.0	5.8 *(1)*	1.0

(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 / Section 6 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: 2017) 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, which include:

- Superannuation:
  - Superannuation does not accrue on Director or Company Secretary fees;
  - the CEO and CFO salaries accrue superannuation at 9.5%;

- Term of Agreement:
  - all Directors are engaged on an ongoing basis,
  - the CFO and Company Secretary are engaged on an open basis, and
  - the CEO is engaged on a two year contract;

- Notice Period:
  - the CEO has a 12 week notice period,
  - the CFO has a one month notice period.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6. Details of Remuneration including Service Agreements (continued)

The remuneration is set out below. In addition to fixed remuneration (salaries / fees):

- equity-settled share-based payments (SBP) in the form of 3 million unquoted options were granted to each of the three current Directors, to the CEO, the CFO and Company Secretary during the Reporting Period (**Note 20**) for $nil consideration on 19 December 2017. The options vested immediately on the grant date and their value was calculated as at the grant date using the Black Scholes model;

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

Remuneration	2018				2017		
	Salaries / Fees $	SBP $	Total $	SBP as % of total	Salaries / Fees $	SBP $	SBP as % of total
Non-Executive Directors							
Bob Kucera (Appt 20 Jan 2016)	30,833	38,100	68,933	55%	25,000	-	-
Matthew Ward (Appt 28 Nov 2016)	28,332	38,100	66,432	57%	14,580	-	-
Geoffrey Martin (Appt 14 July 2017)	27,000	38,100	65,100	59%	-	-	-
Josh Puckridge (retired July 2017)	940	-	940	-	25,000	-	-
Melissa Chapman (18 Dec 2015 – 28 Nov 2016)	-	-		-	10,416	-	-
Sub total	**87,105**	**114,300**	**201,405**	**57%**	**74,996**	**-**	**-**
Other Key Management Personnel							
Paul Simmons, CEO (appointed 1 Nov 2015)	170,769	33,000	203,769	15%	160,000	-	
Superannuation	16,223	-	16,223		15,200	-	
John Boardman, COO: (1 Nov 2015 – Apr 2017)	-	-			128,365	-	
Superannuation	-	-			12,195	-	
Mark Englebert, CFO (appointed 12 May 2016)	160,000	33,000	193,000	16%	126,153	-	
Superannuation	15,200	-	15,200		11,985	-	
Sub total	**362,192**	**66,000**	**428,192**	**15%**	**453,898**	**-**	
Company Secretaries							
Jonathan Asquith: Appt 31 Jan 2017-	28,000	33,000	61,000	54%	18,027	-	
Josh Puckridge (acting capacity) 28 Nov 2016 – 31 Jan 2017	-	-	-		-	-	
Melissa Chapman, 2 Feb 2016 – 28 Nov 2016	-	-	-		10,000	-	
Sub total	**28,000**	**33,000**	**61,000**	**54%**	**28,027**	**-**	
TOTAL	**477,297**	**213,300**	**690,597**	**31%**	**556,921**	**-**	

REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Other Information

Shares held by Key Management Personnel

The number of ordinary shares held in the Company during the 2018 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below:

	Start of Reporting period	Movement	End of Reporting Period
Directors	**Number**	**Number**	**Number**
Bob Kucera, Chairman	383,000	79,909	462,909
Matthew Ward	1,002,316	45,559	1,047,875
Geoffrey Martin	-	-	-
Josh Puckridge (retired July 2017)	-	-	-
Other Key Management Personnel			
Paul Simmons, CEO	32,500,000	1,031,812	33,531,812
John Boardman, COO to April 2017 **(Note)**	18,000,000	(18,000,000)	-
Mark Englebert, CFO	-	-	-
Company Secretary			
Jonathan Asquith	400,000	-	400,000
TOTAL	**52,285,316**	**(16,842,720)**	**35,442,596**

Note:
Mr Boardman's employment with the MCS Security ceased in April 2017.
18 million shares as at the previous Reporting Date had been issued by the Company as vendor consideration for the acquisition of the JBPL business. During the Reporting Period these shares were subject to a selective share buy-back and cancellation by the Company as part of an agreed capital restructure with the vendor of JBPL. (**Note 20).**

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.

Options held by Directors and Key Management Personnel

The number of options held over ordinary shares in the Company during the 2018 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below.

	Start of Reporting period	Granted as Remuneration	End of Reporting Period
Directors	**Number**	**Number**	**Number**
Bob Kucera, Chairman	-	3,000,000	3,000,000
Matthew Ward	-	3,000,000	3,000,000
Geoffrey Martin	-	3,000,000	3,000,000
Josh Puckridge (retired July 2017)	-	-	-
	-	**9,000,000**	**9,000,000**
Other Key Management Personnel			
Paul Simmons, CEO	-	3,000,000	3,000,000
John Boardman (COO, ceased April 2017)	-	-	-
Mark Englebert, CFO	-	3,000,000	3,000,000
Jonathan Asquith, Co. Secretary	-	3,000,000	3,000,000
	-	**9,000,000**	**9,000,000**
TOTAL	**-**	**18,000,000**	**18,000,000**

REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Other Information (cont)

The issue of the above 9 million options to Directors was approved by shareholders at the Annual General Meeting on 30 November 2017. All of the above options were issued as cost effective incentives to attract and retain Directors and Senior Management of their particular skills and experience and form part of a reasonable and appropriate remuneration package.

All of the above options are unlisted and have the following terms:

Exercise Price	4 cents, being a premium to the Company's share price at the time of issue
Expiry Date	On or before 30 November 2022
Issue price	$nil

The options vested immediately and their value has been calculated as at the grant date using the Black Scholes model.

Remuneration: Unlisted Options granted on 19 Dec 2017, $nil consideration							
	Issued in Period		Exercised in Period		Lapsed in Period		Balance at End of Period
	Number	Value at Grant Date $	Number	Value $	Number	Value $	Number
Bob Kucera (Chairman)	3,000,000	38,100	-	-	-	-	3,000,000
Matthew Ward (Director)	3,000,000	38,100	-	-	-	-	3,000,000
Geoffrey Martin (Director)	3,000,000	38,100	-	-	-	-	3,000,000
	9,000,000	**114,300**	**-**	**-**	**-**	**-**	**9,000,000**
Paul Simmons (CEO)	3,000,000	33,000	-	-	-	-	3,000,000
Mark Englebert (CFO)	3,000,000	33,000	-	-	-	-	3,000,000
Jonathan Asquith (Co Sec)	3,000,000	33,000	-	-	-	-	3,000,000
	9,000,000	**99,000**	**-**	**-**	**-**	**-**	**9,000,000**
	18,000,000	**213,300**	**-**	**-**	**-**	**-**	**18,000,000**

Except for the above, no other 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 2018 Reporting Period;
- were issued to the Directors or Key Management Personnel as part of their remuneration in the year ended 30 June 2018 or year ended 30 June 2017.

None of the above options:

- 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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Other Information (cont)

Engagement of Remuneration Consultants
The Company did not engage the services of a Remuneration Consultant.

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 during the previous Reporting Period;

- a resulting Related Party loan (also see **Note 19**) owed by the Company to the vendors of MCS Security; and

- the continuing rental by the Group of its operational and corporate head office premises in Joondalup, Perth, WA from a related entity of its CEO and significant shareholder, Paul Simmons.

END OF REMUNERATION REPORT

Diversity Report

a) Policy

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 2018 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*

b) Current Position

The Group has an aggregate of three Directors, two Key Management Personnel and approximately 350 operational (incl Administration) staff. Of the above:

- 33 (31: 2017) are female, including 14 (14, 2017) in supervisory or middle-management positions;

- 30 (33: 2017) are of mature age, being at least 60 years old; and

- a significant proportion of employees are of diverse ethnic or cultural backgrounds.

c) 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. 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.

Non Audit Services

During the Reporting Period, Stantons International, the Company's auditors, performed only one service in addition to their statutory audit duties – being a Black Scholes calculation of the 18 million options issued to the Directors and Senior Management. No additional fee was levied for this work.

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.

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.

The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman
Dated 28 September 2018

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

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28 September 2018

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 2018, 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

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 2018 is dated as at 30 June 2018 and was approved by the Board on 28 September 2018.

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

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

MCS Services Ltd

	Note	30 June 2018 $'000	30 June 2017 $'000
Revenue	6	19.120	18,101
Cost of Goods Sold, incl. operational staff expenses	18	(15,233)	(14,166)
Gross Profit		**3,887**	**3,935**
Other Income			
Interest	6	10	11
Other	6	-	5
		10	**16**
Overheads			
Overheads, Administration and Other Expenses	7	(1,747)	(1,439)
Depreciation of property, plant and equipment	13	(156)	(176)
Amortisation of Contracts Acquired	15	(217)	-
Employee expenses and benefits (non-operational staff)	18	(2,166)	(1,705)
		(4,286)	**(3,320)**
		(389)	**631**
Significant Items			
Impairment: Other		(28)	(36)
Recognition of previously undisclosed JBPL liabilities	16	-	(283)
(Loss) / Gain on MCS Security capital restructure	24	(45)	300
Legal costs in JBPL capital structure dispute	24	-	(82)
Share-based payment expense	20	(213)	-
		(286)	**(101)**
Profit / (Loss) before tax		**(675)**	**530**
Income tax (expense) / benefit	9	(2)	(71)
Profit / (Loss) for the year attributable to members		**(677)**	**459**
Other Comprehensive income		-	-
Items that may be reclassified to Profit or Loss in Subsequent periods		-	-
Items that will not reclassified to Profit or Loss in Subsequent periods		-	-
Total comprehensive profit / (loss) for the year		**(677)**	**459**
Earnings per share		**Cents**	**Cents**
Basic profit / (loss) per share from continuing operations	21	(0.350)	0.225
Diluted profit / (loss) per share from continuing operations	21	(0.350)	0.221
		Number	**Number**
Weighted average of common shares outstanding: Basic: Post-consolidation	21	193,732,543	203,926,563

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

MCS Services Ltd

	Note	30 June 2018	30 June 2017
		$'000	$'000
Assets			
Current			
Cash and cash equivalents	10	835	1,193
Trade and other receivables	11	2,873	2,739
Inventory	12	29	18
Other	9	50	38
Total Current Assets		**3,787**	**3,988**
Non-Current			
Restricted cash and bonds	10	2	2
Plant and equipment	13	236	254
Intangible Assets: Contracts Acquired	15	22	-
Total Non-Current Assets		**260**	**256**
Total Assets		**4,047**	**4,244**
Liabilities			
Current			
Trade and other payables	16	(1,811)	(1,588)
Provisions	17	(813)	(549)
Related Party Loan	19	(284)	-
Total Current Liabilities		**(2,908)**	**(2,137)**
Non-Current			
Provisions	17	(172)	(175)
Related Party Loan	19	-	(287)
Total Non-Current Liabilities		**(172)**	**(462)**
Total Liabilities		**(3,080)**	**(2,599)**
Net Assets		**967**	**1,645**
Equity			
Share Capital	20	18,024	18,051
Foreign Currency Translation Reserve		30	30
Share Option Reserve	20	214	202
Retained Earnings		(17,301)	(16,638)
Total Equity		**967**	**1,645**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	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
Total comprehensive income		**-**	**-**	**-**	**459**	**459**
Dividend	**21**	-	-	-	(650)	**(650)**
Issue of shares: Dividend Reinvestment Plan	**20**	107	-	-	-	**107**
		107	**-**	**-**	**(650)**	**(543)**
Balance 30 June 2017		**18,051**	**30**	**202**	**(16,638)**	**1,645**
Loss for the year		-	-	-	(677)	(677)
Total comprehensive income / (loss)					**(677)**	**(677)**
Expiration: Quoted Options		-	-	(202)	202	**-**
Issue: Unquoted Options				214	-	**214**
Dividend	**21**	-	-	-	(188)	**(188)**
Share Issue: DRP	**20**	31	-	-	-	**31**
Share Buy Back		(58)	-	-	-	**(58)**
		(27)	**-**	**12**	**14**	**(1)**
Balance 30 June 2018		**18,024**	**30**	**214**	**(17,301)**	**967**

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 2018

	Note	30 June 2018	30 June 2017
		$'000	$'000
Cash flows from Operating activities			
Receipts: from customers		20,735	19,215
Receipts: insurance reimbursements		261	248
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	**22**	**176**	**218**
Cash flows from Investing activities			
Interest received		10	22
Payment for Plant & Equipment		(139)	(90)
Payment for acquisition of customer contracts		(156)	-
Payment for acquisition of subsidiaries		(45)	-
Net Cash used in investing activities		**(330)**	**(68)**
Cash flows from financing activities			
Related Party loan (MCS Security vendors) reduction	**19**	-	(100)
Buy-back of share capital	**20**	(58)	-
Dividends Paid	**21**	(146)	(543)
Vendor liability (MCS Security vendors) reduction	**24 (a)**	-	(667)
Net Cash used in financing activities		**(204)**	**(1,310)**
Net decrease in cash and cash equivalents		**(358)**	**(1,160)**
Cash and cash equivalents at beginning of the year		1,193	2,353
Cash and cash equivalents at end of the year	**10**	**835**	**1,193**

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. There was no activity in this sector during the Reporting Period.

2. General Information and statement of compliance

These consolidated general purpose financial statements of the Group for the year ended 30 June 2018 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 or Intiga** in liquidation 26 September 2017);
- Red Gum Resources (Peru) Pty Ltd (deregistered 16 March 2018);
- 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 2018 (including the comparatives) were approved and authorised for issue by the Board of Directors on 28 September 2018.

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,

3. Changes in Accounting Policies (continued)

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.

  The transitional provisions of this standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108, *Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15), or recognise* the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

  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.

3. Changes in Accounting Policies (continued)

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.

- **AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions* (applicable to annual reporting periods commencing on or after 1 January 2018).**

  The AASB issued amendments to AASB 2 *Share-based Payment* that address three main areas:

  - the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
  - the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

3. Changes in Accounting Policies (continued)

- accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of this amendment is permitted.

Although the directors anticipate that the adoption of this amendment 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 loss attributable to shareholders of $0.677 million (2017: $0.459 million profit). The Group has net assets of $0.967 million (2017: $1.645 million) including Cash and Cash Equivalents of $0.835 million (2017: $1.193 million).

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 2018. 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.

4. Summary of Accounting Policies (continued)

Business Combination (continued)
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
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 Western Australia;

- Mineral exploration: A now dormant segment, previously active in Latin America, a legacy from a period prior to the Company acquiring the security businesses. There was no 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
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. Revenue is recognise to reflect the period in which the service is provided.

Interest income and expenses are reported on an accrual basis.

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

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

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

Income Taxes
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.

4. Summary of Accounting Policies (continued)

Income Taxes (continued)

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.

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

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

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

The Group does not own any freehold land or buildings.

4. Summary of Accounting Policies (continued)

Plant and Equipment (continued)
Motor vehicles, 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 be capable of operating in the manner intended by the Group's management.

Motor vehicles, 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
As at the Reporting Date the Group does not record any value for exploration and evaluation expenditure in its Statement of Financial Position.

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
As at the Reporting Date the Group does not record any value to Goodwill in its Statement of Financial Position.

Goodwill represents future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is calculated after separate recognition of identifiable intangible assets – including Customer Contracts Acquired.

4. Summary of Accounting Policies (continued)

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

The Group presents its Long Service Leave employee benefits obligations in the Statement of Financial Position as:

- Current Liabilities where the employee has an unconditional right to Long Service Leave (have reached the relevant service-period threshold) such that 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;

- Non Current Liabilities where the employee has not yet earned an unconditional right to Long Service leave.

The Long Service Leave provision relates to 15 employees entitled to Long Service Leave as at 30 June 2018 (2017: 9 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.

4. Summary of Accounting Policies (continued)

Employee Benefits (continued)
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
Except for the below Share Based Payments, the Group does not currently have an equity-settled share-based remuneration plan for its employees.

The value of Share Based Payments (such as Options) issued to Directors and Key Management Personnel is calculated as at the grant date using the Black Scholes model. The value is expensed to Profit or Loss on the date of the vesting period of the options.

Leased Assets - 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.

Leased Assets - 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
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

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

The Board has elected not to pay a dividend for the current year. The dividend paid in the period relates to the prior year. The Company will be deploying funds to reduce debt and enhance its growth strategy. As such, no dividend distributions payable to equity shareholders are included in Other Liabilities.

4. Summary of Accounting Policies (continued)

Provisions, contingent liabilities and contingent assets
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 transactions 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. 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
The Group did not have any foreign operations during the Reporting Period.

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.

4. Summary of Accounting Policies (continued)

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 2018, 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.

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.

4. Summary of Accounting Policies (continued)

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 2017 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.

Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination.

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 Group as having one operating segment, security services, and one dormant segment, mineral exploration. The Group has dormant subsidiaries which previously operated in mining exploration in Latin America. Those subsidiaries have no material assets or liabilities. During the Reporting Period no mining exploration activity took place and one of the dormant former mining exploration subsidiaries, Red Gum Resources (Peru) Pty Ltd, was deregistered with ASIC on 16 March 2018. 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 services and 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, MCS Services Limited, which functions solely in fulfilling corporate responsibilities for the Group, are also shown):

5. Segmental Information (continued)

30 June 2018	**Corporate**	**Security Services**	**Mineral Exploration**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	-	19,120	-	19,120
Gross Profit	**-**	**3,887**	**-**	**3,887**
Other Income – Income Received	-	10	-	10
Overheads				
Other Costs	(407)	(3,478)	-	(3,885)
EBITDA	**(407)**	**419**	**-**	**12**
Significant Items	(258)	(28)	-	(286)
Depreciation and Amortisation	-	(373)	-	(373)
Finance costs	(19)	(8)	(1)	(28)
	(277)	**(409)**	**(1)**	**(687)**
Profit / (Loss) before income tax	**(684)**	**10**	**(1)**	**(675)**
Income tax expense	(2)	-	-	(2)
Profit / (Loss) after income tax	**(686)**	**10**	**(1)**	**(677)**
Segment assets	163	3,884	-	4,047
Segment liabilities	(376)	(2,704)	-	(3,080)
Segment Net Assets	**(213)**	**1,180**	**-**	**967**

30 June 2017	**Corporate**	**Security Services**	**Mineral Exploration**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	-	18,101	-	18,101
Gross Profit	**-**	**3,935**	**-**	**3,935**
Other Income – Income Received	4	7	-	11
	4	**7**		**11**
Overheads				
Other Costs	(670)	(2,441)	-	(3,111)
EBITDA	**(666)**	**1,501**	**-**	**835**
Significant Items	218	(319)		(101)
Depreciation and amortisation	-	(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**

5. Segmental Information (continued)

All of the Security Services segment's income and results were incurred in Australia, being where all its customers, assets and liabilities are situated. All of the Parent Entity income and results were incurred in Australia.

During the Reporting Period $2.8m or 15% (2016: $2.7m or 15%) of the Group's total revenues depended on a single customer (across a number of contracts / locations) in the Security 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 and plant & 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.

Intersegment Transfers

For the periods ended 30 June 2018 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:

	2018 $'000	2017 $'000
Revenue		
Guard security	18,458	17,588
Other security	662	513
Total	**19,120**	**18,101**
Other Income		
Interest Revenue: Bank	10	11
Other	-	5
Total	**10**	**16**

7. Expenses

Overhead expenses include the following:

	2018 $'000	2017 $'000
Professional Fees	285	253
Directors Fees and Remuneration	87	75

Administration & Occupancy	464	396
Insurance	647	515
Finance Costs **(Note 8)**	21	38

8. Finance Costs and Finance Income

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

	Note	2018 $'000	2017 $'000
Interest income: from Cash and Cash Equivalents		10	11
Interest expense: Finance leases		-	(1)
Interest expense: Related Party loan	**19**	(17)	(37)
Interest expense: Other		(4)	-
		(21)	**(38)**

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 27.5% (2017: 30%):

	2018 $'000	2017 $'000
(a) Recognised in the Income Statement		
Current tax		
Current Year	2	71
Deferred Tax		
Origination & Reversal of temporary differences	-	-
Under / (Over) Provision for Prior Periods	-	-
Income tax (benefit)/ expense	**2**	**71**
Numerical reconciliation between Tax Expense and Pre-Tax Net		
Net profit (loss) before tax	(675)	530
Domestic tax rate for the Company	**27.5%**	**30%**
Income Tax expense / (benefit)	**(186)**	**159**
Increase in Income tax due to tax effect of:		
Non-deductible expenses	156	58
Under Provision in Prior Year	(10)	-
Decrease in Income Tax expense due to:		
Movement in unrecognised temporary tax losses	119	(36)
Utilisation of previously unrecognised tax losses	(13)	(35)
Deductible equity raising costs	(64)	(75)
Income tax expense / (benefit) attributable to Equity	**2**	**71**

9. Income Tax Expense (continued)

b) Deferred Tax Recognised Directly in Equity	2018 $'000	2017 $'000
Using a corporate tax rate of	**27.5%**	**30%**
Relating to equity raising costs	-	-
Deferred tax expense attributable to equity recognised in equity	**-**	**-**
c) Recognised Deferred Tax Assets and Liabilities		
Opening balance	-	-
Charged to Income	-	-
Charged to Equity	-	-
Acquisitions / disposals	-	-
	-	-
Deferred Tax Assets		
Accruals and Provisions	48	44
Previously Expensed Black Hole costs	-	7
Gross Deferred tax assets	**48**	**51**
Set off of deferred tax liabilities	(48)	(51)
Net deferred tax assets	**-**	**-**
Deferred Tax Liabilities		
Prepayments	(42)	(51)
Plant & Equipment	-	-
Intangibles	(6)	-
Other DTLs	-	-
Gross Deferred Tax Liabilities	**(48)**	**(51)**
Set off of deferred tax assets	48	51
Net deferred tax liabilities	**-**	**-**
Income Tax expense / (benefit)	**2**	**71**
d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 27.5% (2017: 30%)		
Deductible temporary differences	495	474
Tax revenue losses	1,432	1,565
Tax capital losses	174	190
Total	**2,101**	**2,229**
e) Current tax liabilities		
Income tax refundable / (payable)	**50**	**38**

10. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2018 $'000	2017 $'000
Current Asset: Cash at Bank	835	1,193
Non-Current Asset: Restricted Cash / Bonds	2	2
	837	**1,195**

11. Trade and Other Receivables

Trade and Other Receivables consist of the following:

	2018 $'000	2017 $'000
Trade Debtors	2,690	2,510
Prepayments	161	223
Other Receivables	22	6
	2,873	**2,739**

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 2018 Other Receivables included Employee Loans of $9,348 (30 June 2017: $8,120). 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 2018 have been reviewed for indicators of impairment. Specific balances of $30,757 (2017: $20,900) 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:

	2018 $'000	2017 $'000
Inventories	29	18

13. Plant and Equipment

30 June 2018	Furniture & Equipment $'000	Motor Vehicles $'000	Software $'000	Total $'000
Cost or Valuation				
Balance at 1 July 2017	375	206	60	641
Additions	57	41	67	165
Transfers and other movements	(11)	-	(6)	(17)
Impairment	-	-		-
Disposals	-	(39)	-	(39)
Balance at 30 June 2018	**421**	**208**	**121**	**750**

Depreciation				
Balance at 1 July 2017	**(226)**	**(115)**	**(46)**	**(387)**
Disposals	-	12	-	12
Transfers and other movements	11	-	6	17
Impairment	-	-	-	-
Depreciation	(80)	(42)	(34)	(156)
Balance at 30 June 2018	**(295)**	**(145)**	**(74)**	**(514)**
Carrying amount at 30 June 2018	**126**	**63**	**47**	**236**

30 June 2017	**Furniture & Equipment $'000**	**Motor Vehicles $'000**	**Software $'000**	**Total $'000**
Cost or Valuation				
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**

14. Mineral Exploration and Evaluation Expenditure

During the year ended 30 June 2018 $nil (30 June 2017: $nil) of project-related costs were expensed to Profit or Loss. 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.

Exploration expenditure commitments:

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

- No mineral exploration activity occurred, such that no mineral exploration expenditure was incurred;

- The Group subsidiary Red Gum Resources (Peru) Pty Ltd was deregistered by the Company with ASIC on 16 March 2018. Immediately prior to being deregistered it was a dormant 100% owned subsidiary with no assets or liabilities. Red Gum Resources (Peru) Pty Ltd previously held 99.99% of the shares in Central Peru Resources SAC (**"CPR",** a Peruvian entity) which in turn held 100% of four Peruvian projects Cerro Huancash and Chongos A, B and C. Central Peru Resources SAC had been sold in August 2015 (pending Peruvian government approval) for a nominal amount. As such, the forward costs required to maintain the remaining Peruvian tenements in good administrative standing at 30 June 2018 were $nil (2017: $nil). These Peruvian tenements had a $nil Net Book Value as the date of sale of the subsidiary.

14. Mineral Exploration and Evaluation Expenditure (continued)

Exploration expenditure commitments (continued)

The Company previously held 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. During the previous Reporting Period the relevant Group subsidiary waived its rights to the La Negra tenements in Chile. As such, no further commitments exist in relation to those tenements. The Chilean tenements had a $nil Net Book Value as the date of waiver.

15. Intangible Assets

Customer Contracts Acquired

During the Reporting Period the Group acquired certain customer contracts and relationships of State Security WA Pty Ltd on 1 August 2017.

The consideration was to a maximum of $0.239 million, the amount being contingent on continuation of work-flow from the relevant customers over a 12 month period from the date of the transaction and was payable – except for an element paid on settlement - in monthly instalments over a 12 month period.

The fair value of the Contracts Acquired was assessed having regard to:

- the total expected cost of the acquisition (including an assumption that the contingent monthly instalments would be paid to the vendor in full);
- net of the assessed value of tangible assets; and
- an assessment of the expected future economic benefits embodied in the Contracts Acquired that would flow to the Group.

Due to the relatively short period over which benefits were assumed to occur, discount rates were not applied. Management took the view to amortise the value of the Contracts Acquired to the Profit or Loss over a 12 month period from the acquisition on 1 August 2017, based on an estimated average remaining life of the contracts at acquisition date - excluding any renewals or extensions – and the purchase price instalment period. Most of the contracts and customer relationships have subsequently extended beyond the 12 month amortisation period. The movement in the net carrying amount of Contracts Acquired is as follows:

	2018 $'000	2017 $'000
Balance 1 July	-	-
Acquired:	239	-
Amortised to Profit or Loss	(217)	-
Balance 30 June	**22**	**-**

16. Trade & Other Payables

Trade and Other Payables consist of the following:

	2018 $'000	2017 $'000
Trade Payables	192	237
GST and Payroll Tax **(1)**	867	853
Accruals	168	129
PAYG	250	324
Superannuation	306	2
Other Payables	28	43
	1,811	**1,588**

16. Trade & Other Payables (continued)

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

(1): The above GST liability includes $0.32m owed by JBPL, a dormant subsidiary, of which $0.283m had not been disclosed prior to the acquisition of JBPL by the Company in 2015. The liability has been warranted by the vendor.

17. Provisions

All annual leave provisions are considered current.

Long service leave provisions are considered:

- current liabilities where an employee had an unconditional right to the benefit (has reached the required length of continuous employment) as at 30 June 2018, or

- non-current liabilities where an employee does not yet have an unconditional right to the benefit.

All leave provisions relate to Annual Leave and Long Service leave of the Security Business staff. The directors of the Company do not accrue annual or long service leave.

The carrying amounts and movements in the provisions account are as follows:

	2018 $'000	2017 $'000
Current Liabilities		
Annual Leave	698	549
Long Service Leave	115	-
	813	549
Non-Current Liabilities		
Long Service Leave	172	175
	985	**724**
Movement		
Balance 1 July	724	558
Movement in year	261	166
Balance 30 June	**985**	**724**

No provision has been made for legal claims. Whilst the Group is dealing with a number of Workers' Compensation 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:

18. Employee Remuneration (continued)

	2018	2017
	$'000	**$'000**
Employee expenses within Cost of Sales		
Gross Wages and salaries	12,475	12,009
Superannuation	953	870
Payroll Tax	791	744
	14,219	**13,623**
Other Costs of Sales	1,014	543
	15,233	**14,166**
Employee expenses within Overheads		
Gross Wages and salaries	1,609	1,408
Superannuation	151	98
Movement in Leave Provisions	261	165
Other	145	34
	2,166	**1,705**

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. Related Party Loan

The acquisition of the Security Businesses in a 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**.** Of this, $0.6m was paid to the MCS Security vendors during the previous Reporting Period.

A capital restructure was entered into during the previous 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

19. Related Party Loan (continued)

Subsequent to the end of the Reporting Period the Company and Related Party agreed in principle to restructure the Related Party loan agreement on the same terms to the above, except that $0.12 million of the balance is to be payable on 31 October 2018 and the remainder not later than 31 October 2020.

The Related Party Loan arising from the Working Capital Calculation owing to the vendors of MCS Security Pty Ltd, being P&M Simmons, is as below:

Related Party Loan	**2018**	**2017**
	$'000	**$'000**
Opening Balance	287	-
Loan Agreed	-	350
Interest accrued	17	37
Repayment	-	(100)
Waived by Related Party	(20)	-
Closing Balance	**284**	**287**

As at 30 June 2018 the Working Capital Calculation amount owing to / by the vendor of JBPL (Intiga Security) had not been finally quantified.

20. Equity

Share Capital

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

Ordinary shares	**2018**	**2017**
	$'000	**$'000**
At the beginning of reporting period	18,051	17,944
Shares Issued		
16 December 2016(1)	-	107
8 December 2017(2)	31	-
Shares Bought Back & Cancelled		
9th-20th October 2017(3)	(58)	-
	(27)	**107**
Less: Share Issue Costs	-	-
At the end of Reporting Period	**18,024**	**18,051**

Ordinary shares	**2018**	**2017**
	Number	**Number**
At the beginning of reporting period	205,901,928	201,610,212
Shares Issued		
16 December 2016 (1)	-	4,291,716
8 December 2017 (2)	1,407,680	-
Shares Bought Back & Cancelled		
9 October 2017 (3)	(14,400,000)	-
20 October 2017 (3)	(3,600,000)	-
	(16,592,320)	**4,291,716**
At the end of Reporting Period	**189,309,608**	**205,901,928**

20. Equity (continued)

Share Capital (continued)
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.

(1) On 16 December 2016, 4,291,716 ordinary shares were issued at $0.025 per share under the Dividend Reinvestment Plan
(2) On 8 December 2017, 1,407,680 ordinary shares were issued at $0.022 per share under the Dividend Reinvestment Plan
(3) As approved by shareholders at a General Meeting on 19 September 2017, the Company bought back and cancelled 18,000,000 ordinary shares, as originally issued to the vendor of JBPL Pty Ltd ("Intiga") in 2015, pursuant to a selective share buy back agreement and for consideration payable by the Company of $57,960.

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

	2018 $'000	2017 $'000
At the beginning of the year	202	202
Quoted options lapsed during the year (1)	(202)	-
Unquoted options issued during the year (2)	214	-
At the end of the year	**214**	**202**

(1) Options exercisable at $0.44 expired without being exercised on 15 November 2017. The fair value of these options, $202,000, was transferred to Retained Earnings.
(2) As approved by shareholders at the Annual General meeting on 30 November 2017, 3 million unlisted options were issued to each of the Directors of the Company, being Messrs Kucera, Ward and Martin. During the Reporting Period 3 million unlisted options were also issued to each of the CEO, CFO and Company Secretary. All of the 18 million options have an exercise price of 4 cents, can be exercised at any time up to 30 November 2022, were issued for $nil consideration, and form part of a remuneration package to provide a realistic and meaningful incentive. The value of the unlisted options was calculated using the Black-Scholes Model.

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

	Quoted Options 2018 Number	Quoted Options 2017 Number	Unquoted Options 2018 Number	Unquoted Options 2017 Number	Weighted Average Exercise price
At 1 July	4,000,047	4,000,047	**-**	-	$0.44
Expired un-exercised	(4,000,047)	-	**-**	**-**	($0.44)
Issued	-		18,000,000		$0.04
At 30 June	**-**	**4,000,047**	**18,000,000**	**-**	**$0.04**

The 18 million unquoted options were issued to Directors and Key Management Personnel during the Reporting Period, on 19 December 2017, as cost effective incentives to attract and retain Directors and Key Management Personnel of their particular skills and experience and form part of a reasonable and appropriate remuneration package. The value of these unquoted options was calculated using the Black-Scholes Model and expensed to Profit or Loss. The options vested immediately, were issued for $nil consideration, have an exercise price of 4 cents and expire on or before 30 November 2022. None of the options had been exercised by 30 June 2018.

No Options were issued during the year ended 30 June 2017.

21. Earnings per share and dividends

Earnings per share

Both basic and diluted earnings per share have been calculated using the profit (loss) 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:

	2018	2017
	'000 of shares	'000 of shares
Weighted average number of shares used in basic earnings per share	193,733	203,927
Weighted average number of shares used in diluted earnings per share	193,733	207,927

Dividends

	2018	2017
	$'000	$'000
Dividends declared during the year	**188**	**650**
Being:		
Paid cash	146	497
Withholding tax paid to ATO	11	46
Shares issued under Dividend Reinvestment Plan	31	107
	188	**650**

The Board has elected not to pay a dividend for the current year. The Company will be deploying funds to reduce debt and enhance its growth strategy.

22. Reconciliation of cashflows from operating activities

	2018 $'000	2017 $'000
Profit / (Loss) for Year	(677)	459
Adjustments for:		
- Interest received and receivable	(10)	(11)
- Depreciation	156	176
- Amortisation	217	-
- Loss (Gain) on MCS Security capital restructure	45	(300)
- Issue of unquoted Options	213	-
Net change in Working Capital:		
- Change in Inventories	(11)	(5)
- Change in Trade & Other Receivables	(134)	(672)
- Change in other net assets	(107)	1,244
- Change in Trade Creditors and Accruals	223	(839)
- Change in Provisions	261	166
Net Cash provided by Operating Activities	**176**	**218**

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

	2018 $'000	2017 $'000
Audit & Review of financial statements	105	93
Other Services: Non-audit assistance: Options valuation	-	1
Total	**105**	**94**

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

24. Related Party Transactions

(a) Capital Restructure: MCS Security

During a 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 previous 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 in the previous Reporting Period;

- and $0.35m was effectively converted into a Related Party Loan (**Note 19**)

- with a small balance remaining being paid in Cash during the previous Reporting Period.

During the current Reporting Period a required adjustment of $0.045 million to the Working Capital Calculation was notified and paid to the vendors of MCS Security Pty Ltd. The adjustment was not added to the Related Party Loan (**Note 19**).

(b) 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.

During the current Reporting Period:

- the Company and the vendor of JBPL agreed to a revision of the capital restructure such that the 18 million fully paid ordinary shares originally issued to the vendor of JBPL during the Reporting Period ending 30 June 2016 were 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 – would not occur;

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

- the Company had the 18 million shares transferred into its own name and cancelled during October 2017;

- the purchase consideration of $57,960 was paid to the vendor.

24. Related Party Transactions (continued)

(c) Related Party Loan

The terms of the loan and remaining balance are set out at **Note 19**.

(d) 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 was $49,762 (2017: $48,042).

(e) CEO Benefits

Mr Paul Simmons, one of the vendors of MCS Security, has received an annual salary of $160,000 pa (plus superannuation) since 1 November 2015 to 14 December 2017, then rising to $180,000 pa (plus superannuation).

During part of the previous Reporting Period 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 previous Reporting Period under a pre-agreed buy-back arrangement at the value of the remaining lease (balloon) obligations.

(f) Transactions with Key Management Personnel

Key management of the Group are the members of the Company's Board of Directors, the CEO, 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, CFO and former COO salaries at 9.5%) includes the following:

- Salaries / fees and expenses,
- equity-settled share-based payments (SBP) in the form of 3 million unquoted options were granted to each of the three current Directors, to the CEO, the CFO and Company Secretary during the Reporting Period (**Note 20**) for $nil consideration on 19 December 2017. The options vested immediately on the grant date and their value was calculated as at the grant date using the Black Scholes model;

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

24. Related Party Transactions (continued)

(f) Transactions with Key Management Personnel (continued):

	2018			2017		
	Salary & Fees	Share Based Payments	Total	Salary & Fees	Share Based Payments	Total
	$	$	$	$	$	$
Non Executive Directors						
Bob Kucera (Chairman) (20 Jan 2016-)	30,833	38,100	68,933	25,000	-	25,000
Josh Puckridge (27 May 2015–14 July 2017)	940	-	940	25,000	-	25,000
Melissa Chapman (18 Dec 2015–28 Nov 2016)	-	-	-	10,416	-	10,416
Matthew Ward (28 Nov 2016-)	28,332	38,100	66,432	14,580	-	14,580
Geoffrey Martin (14 July 2017-)	27,000	38,100	65,100	-	-	-
	87,105	**114,300**	**201,405**	**74,996**	**-**	**74,996**
Key Management Personnel						
Paul Simmons, CEO (1 Nov 2015-)	186,992	33,000	219,992	175,200	-	175,200
John Boardman, COO. (1 Nov 2015–April 2017)	-	-	-	140,560	-	140,560
Mark Englebert, CFO. (12 May 2016-)	175,200	33,000	208,200	138,138	-	138,138
Jon Asquith (Co Sec) (31 Jan 2017-)	28,000	33,000	61,000	18,027	-	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
	390,192	**99,000**	**489,192**	**481,925**	**-**	**481,925**
	477,297	**213,300**	**690,597**	**556,921**	**-**	**556,921**

25. 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) commenced during the Reporting Period. 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.

26. Capital Commitments

As at the Reporting Date the Group has not, except for the remaining acquisition cost instalments of some (max) $0.02m for the acquisition of the State Security WA customer base, formally committed to any capital expenditure for the subsequent Reporting Period.

27. 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 2018	Group ownership % 30 June 2017
MCS Security Pty Ltd	Australia	Security	100%	100%
John Boardman Pty Ltd (*JBPL*) **(1)**	Australia	Security	100%	100%
Red Gum (Peru) Pty Ltd **(2)**	Australia	Formerly, mineral exploration	-	100%
Red Gum (Chile) Pty Ltd	Australia	Holds shareholding in Red Gum Chile SpA	100%	100%
Red Gum Chile SpA	Chile	Mineral exploration, dormant	100%	100%

(1) The winding up of JBPL commenced in September 2017, during the Reporting Period**.** 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.

(2) Red Gum Resources (Peru) Pty Ltd was deregistered by the Company with ASIC on 16 March 2018. Immediately prior to being deregistered it was dormant and had no assets or liabilities.

Interests in Unconsolidated Structured Entities
The Group has no interests in unconsolidated structured entities.

28. Leases

Finance leases
The Group has no remaining finance lease arrangements as at the Reporting Date.
During the previous Reporting Period, as part of the Working Capital Calculation owing to the vendors of MCS Security, 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(d)**).

The Group has no other Operating Leases.

29. 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.

29. Financial Instrument Risk (continued)

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

Market Risk Analysis

a) 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 2018 $nil, 2017 $nil), had not actively explored for minerals in the above locations during the Reporting Period, and does not have material liabilities or exposures in those locations. As such, the Group is not incurring material costs or liabilities in currencies other than A$.

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.

b) 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 previous Reporting Period**;** 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 19**)**.**

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	**2018 $'000**	**2017 $'000**
Cash and Cash Equivalents	**10**	835	1,193
Non-Current Asset: Cash Bonds		2	2
Trade & Other Receivables	**11**	2,712	2,516

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 with a reputable Australian bank, National Australia Bank.

29. Financial Instrument Risk (continued)

Credit Risk Analysis (continued)

In respect of Trade Debtors the Group's largest 5 customers (either a single counterparty or a group of related counterparties) accounted for some 64% (63%: 2017) of the Trade Debtors amount owing as at 30 June 2018. 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:

	2018 $'000	2017 $'000
More than 3 months but not more than 6 months	197	127

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.

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.

30. 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 2018 and 30 June 2017:

	Level 1	Level 2	Level 3
	$'000	$'000	$'000
30 June 2018			
Cash	-	835	-
Trade & Other Receivables	-	2,712	-
Trade & Other Payables	-	(1,811)	-
30 June 2017			
Cash	-	1,193	-
Trade & Other Receivables	-	2,516	-
Trade & Other Payables	-	(1,588)	-

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.

31. 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.

32. Parent entity information

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

	2018 $'000	2017 $'000
Statement of Financial Position		
Current Assets	163	96
Non-Current Assets	4,931	4,988
Total Assets	**5,094**	**5,084**
Current Liabilities	(376)	(194)
Non-Current Liabilities	(654)	-
Total Liabilities	**(1,030)**	**(194)**
Net Assets	**4,064**	**4,890**
Equity		
Issued Capital	18,024	18,051
Share Option Reserve	214	202
Accumulated Losses	(14,174)	(13,363)
Total Equity	**4,064**	**4,890**
Financial Performance		
Operating Loss for the Year	**(788)**	**(1,639)**

During the year the Company declared and paid a dividend of $0.188 million (incl Dividend Reinvestment Plan participation)

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.

33. 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 that subsequent to the end of the Reporting Period, the Company and Related Party agreed in principle to restructure the Related Party loan agreement on the same terms to that described at Note 19, except that $0.12 million of the balance is to be payable on 31 October 2018 and the remainder not later than 31 October 2020.

MCS Services Ltd

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 2018 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 2018.

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

Signed in accordance with a resolution of the directors

APM JP.

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

Dated 28 September 2018

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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 2018, 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 2018 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

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
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 $19.1million).	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. Performing 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's cost of sales for the year amounted to $15.2 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 2018, 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 11 to 16 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of MCS Services Limited for the year ended 30 June 2018 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

Martin Michalik
Director
West Perth, Western Australia
28 September 2018

Additional information required by ASX listing rules and not disclosed elsewhere in this report is set our below. The information is effective as at 18 September 2018.

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 (Simmons Super Fund a/c)	33,531,812	17.71

Distribution of Equity Security Holders as at 18 September 2018

Holding	Shareholders	Total Units
1-1000	200	61,762
1,001-5,000	110	305,086
5,001-10,000	45	327,087
10,001-100,000	211	9,733,976
100,000 and over	177	178,881,697
	743	**189,309,608**

Top 20 Shareholders	Number of Ordinary Shares	% of Issued shares
PR & M Simmons Pty Ltd (Simmons Super Fund A/C)	33,531,812	17.71
National Nominees Limited	13,527,078	7.15
Newport MC Investments Pty Ltd (ZW Family a/c)	8,250,000	4.36
Westferry Road Pty Ltd	5,500,000	2.91
Edward James Dally & Mrs Selina Dally (EJ Dally Super Fund A/C)	4,425,294	2.34
Mr Edward Shann (Shann Super Fund A/C)	4,148,121	2.19
JP Morgan Nominees Australia Limited	3,989,045	2.11
Three Hundred Capital Pty Ltd	3,900,000	2.06
Harley N Pty Ltd (Harley Super Fund A/C)	3,686,624	1.95
Mr Johnathon Matthews	3,544,117	1.87
Ferguson Corporation Pty Ltd (Ferguson's Furniture S/F A/C)	3,000,000	1.58
Super RAB Pty Ltd (RA Black Pers S/F RAB A/C)	3,000,000	1.58
Passio Pty Ltd (G Weston & Assoc S/F A/C)	3,000,000	1.58
RJ & A Investments Pty Ltd (Muller Morvan Family A/C)	2,840,432	1.50
Mr Salvatore Di Vincenzo	2,630,287	1.39
Savol Pty Ltd	2,500,000	1.32
International Business Networks (Services) Pty Ltd (Intl Business SVCS S/F A/C)	2,500,000	1.32
Mrs Nadine Ruth Tolcon	2,500,000	1.32
ITS Worldwide Limited	2,500,000	1.32
Lamro Pty Ltd (Orama A/C)	2,500,000	1.32
	111,472,810	**58.88**
Total Remaining Holders (balance)	77,836,798	41.12
Total Ordinary Shares on issue	**189,309,608**	**100%**

Less than Marketable Parcel
There were 432 holders of less than a marketable parcel of ordinary shares, holding a total of 2,067,934 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.

Quoted Options
All 4,000,047 quoted options (ASX Code: MSGOA, exercisable at $0.44, expiring 15 November 2017) expired without being exercised on 15 November 2017.

Unquoted Options
As at 18 September 2018 the Company had the following unquoted options on issue:

Holder	Role	Holding
RC Kucera	Chairman	3,000,000
M Ward	Director	3,000,000
G Martin	Director	3,000,000
P Simmons	CEO	3,000,000
M Englebert	CFO	3,000,000
J Asquith	Company Secretary	3,000,000

END OF REPORT