MCS Services Ltd

ABN: 66 119 641 986

Annual Report

For the year ended 30 June 2020

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	HWL Ebsworth, Level 20, 240 St Georges Terrace, Perth, WA, 6000	Verus Workplace Law, 63A Beamish Avenue, Brentwood, WA, 6153
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 Mr Paul Simmons Mr Matthew Ward Mr Geoff Martin	Non-Executive Chairman Managing Director (appt 1 July 2019) Non-Executive Director Non-Executive Director
Senior Management	Mr Paul Simmons Mr Mark Englebert	Chief Executive Officer (CEO) Chief Financial Officer (CFO)
Company Secretary	Mr Jonathan Asquith	

Table of Contents

Highlights

During the Reporting Period the Group's achievements included:

Operational Achievements

- a 6.6% increase in revenue to $25.11 million (2019: $23.56 million) notwithstanding the effects of COVID-19 restrictions on the retail, sports and events sectors;
- successfully attaining ISO 9001 (Quality), AS4801 and OHSAS 18001 (Health & Safety) certification following an independent audit;
- being recognised as the national 'Outstanding Guarding Company' of the year by the Australian Security Industry Association (ASIAL);
- obtaining an operating security licence for New South Wales and ACT, adding to existing operating licences for Western Australia, Victoria and South Australia;
- hiring a very experienced General Manager based in Melbourne to grow our business in the Eastern States;

Financial Achievements

- an operating EBITDA profit (before Significant Items) of $0.37 million; and
- an underlying net operating profit after tax (before Significant Items) of $0.13 million.

Corporate Achievements

- settling a legal claim brought by the liquidator of John Boardman Pty Ltd (In Liquidation) (JBPL), allowing a writeback of all net liabilities of JBPL;
- buying back and cancelling 1,270,000 ordinary shares as part of an on-market share buyback for $14,700;
- issuing 3.6m Performance Rights as an incentive to Paul Simmons, the CEO and Managing Director;
- repaying $100,000 of the Related Party loan owing to P&M Simmons, the vendors in 2015 of MCS Security Group Pty Ltd; and
- appointing Paul Simmons, the CEO, to the Board as Managing Director effective 1 July 2019.

Chairman's Report

On behalf of the Board of MCS Services Limited (**"the Company"**) we present the 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 2020 (**"Financial Year"**).

Operational Achievements

(a) Strategy

During the Reporting Period the Group continued to execute on its strategic plan for the business, including:

- maintaining our core retail, events, commercial and covert security clients – albeit with some temporary declines in work volumes during the period of strict COVID restrictions in WA;
- leveraging our reputation and expertise to win additional sites / work-flow from existing clients;
- expanding the Alarm & CCTV division, including winning work from various existing shopping centre clients and from a major international hotel chain at its locations in WA and Northern Territory;
- obtaining operating licences in NSW and ACT, adding to the existing operating licences for Victoria, South Australia and Western Australia. Subsequent to the Period the Group applied for an operating licence in the Northern Territory;
- tendering for retail and commercial security opportunities in the eastern states; and
- utilising a specialist Business Development Consultant, along with the Company's experienced security-sector Business Development Manager, to progress our strategically targeted marketing plan, and resourcing those target areas.

(b) Management and Administration

During the Reporting Period the Group:

- was recognised as the national 'Outstanding Guarding Company' of the year by the Australian Security Industry Association (ASIAL). ASIAL is the national peak body for security organisations and professionals in Australia, and members account for approx. 85% of the Australian security industry;
- had its management processes certified under ISO 9001 (Quality), AS4801 and OHSAS 18001 (Health & Safety). Certification covers the Company's core safety and quality systems including recruitment, training, operating procedures, risk assessments, hazard identifications, safe working, toolbox meetings, incident investigations, internal auditing, data reporting and continuous improvement processes. The Company continues to develop its environmental processes and will seek ISO 14001 Environmental Management accreditation in the year to June 2021;
- utilised its integrated risk, compliance, training, incident reporting and business optimisation IT system; and
- progressed moving all staff onto a new integrated Payroll IT system, with office staff transitioned to the new system during the Reporting Period and Guards to be transitioned by 31 December 2020.

(c) Acquisition Growth

During the Reporting Period the Group undertook discussions with a number of 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

During the Reporting Period the Group:

- achieved a 6.6% increase in revenue to $25.11 million (2019: $23.56 million) notwithstanding the effects of COVID-19 restrictions on the retail, sports and events sectors;
- renewed / extended contracts with existing retail and commercial security clients as they fell due including:
    - two major commercial office buildings in the Perth CBD;
    - three shopping centres in Perth; and
    - a major Perth tourist location;
- won new security contracts in WA, including but not limited to:
    - six shopping centres in Perth;
    - one shopping centre in far-north regional WA;
    - a major private hospital in Perth; and
    - for an existing Events & Stadia customer, the owner and operator of multiple venues across Perth, to also provide security at their other venues primarily for music and sports events, further cementing the Groups position in the WA event-security market.

The Group's retail and events security work volumes were impacted by COVID restrictions during the later part of the Reporting Period, with work volume reductions at some shopping centres and a complete suspension of music / sports events work (except for the asset protection security at Perth's major sports stadium, which remained unaltered) commencing in March 2020. However the effect was negated by new work opportunities during that period including undertaking security work at a quarantine-control hotel in Perth.

Towards the end of the Reporting Period, and into the subsequent period, the relevant retail security clients have progressively returned to standard work volumes and there has been a gradual increase in events-security volumes as WA's COVID restrictions have been eased. At the date of this Report the Group's quarantine-control hotel security work is ongoing.

Chairman's Report

Corporate Achievements

During the Reporting Period:

- the Company settled a disputed legal claim brought by the liquidator of John Boardman Pty Ltd (In Liquidation) (JBPL), a non-operating subsidiary acquired by the Company in 2015. The underlying claim related to undisclosed pre-acquisition tax liabilities of JBPL which were contractually payable by the Vendor. The settlement of $0.15 million included repayment of a $0.025 million interco loan, was made on commercial grounds, and allowed the Group to writeback the $0.34 million of net liabilities of JBPL previously consolidated into the Group's financial position;
- the Company bought back and cancelled 1,270,000 ordinary shares as part of an on-market share buyback. The buy-back scheme, of up to 10 per cent of issued share capital over the 12 months to November 2020, was approved by shareholders at the AGM on 29th November 2019 and was put in place to achieve share registry and administrative cost savings and as an efficient use of capital; The shares bought back in the Reporting Period, in March 2020, were acquired at an average buy-back price of 1.15 cents totalling $14,700;
- issued 3.6m Performance Rights as an incentive to Paul Simmons, the CEO and Managing Director. The Performance Rights would vest upon meeting earnings per share and strategic plan performance hurdles over reporting periods to June 2022 and would then entitle the holder to an equivalent number of ordinary shares in the Company. Such ordinary shares would rank equally with other ordinary shares upon vesting, but the Performance Rights carry no shareholder rights until then; and
- utilised existing cash balances to repay $100,000 of the Related Party loan owing to P&M Simmons, the vendors of MCS Security Group Pty Ltd in 2015. The loan accrues interest at 6% pa, and the remaining balance of $84,240 at 30 June 2020 was due for repayment in full in October 2020. Subsequent to the Reporting Period the Group repaid the remaining balance in full.

There was no change to the Board of Directors during the Reporting Period except that Paul Simmons, the CEO, was appointed to the Board as Managing Director effective 1 July 2019.

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 for South Australia, Victoria, NSW, ACT and (in progress) Northern Territory, the Group continues to work on securing work in those States;
- reviewing but electing not to pursue business acquisition opportunities;

The Board believes the Group is well positioned 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

Directors' Report

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 2020.

The following persons were Directors of the Company throughout the Reporting Period unless otherwise stated 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, having served as a Cabinet Minister in a number of portfolios, including health, small business, Tourism and a number of other social service ministries. Whilst in Government he represented Western Australia nationally and internationally in various roles as a Cabinet Minister and chair of various Governmental Committees and Delegations.

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.

During a previous 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:
Deputy Chair of Acacia Living Group,
Director of National Trust of Western Australia
Previous Directorships (last 3 years):
Deputy Chair Basketball Western Australia
Interests in shares of the Company: 462,909
Interests in options of the Company: 3,000,000

Directors' Report

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:	295,000
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 Paul Robert Simmons
Managing Director
Appointed 1 July 2019

On 1 July 2019 Mr Paul Simmons was appointed as Managing Director of the Company.
Paul brings a wealth of experience in the security sector and a track record in business growth, management, and developing lasting client relationships. Paul has completed an AICD corporate governance course.
Paul's career commenced as a Police Officer in the UK. Paul was later the Western Australia state security manager for a major national retailer for 12 years, leading to him becoming the founder and driving force of MCS Security Group Pty Ltd since its inception in 2005. MCS Security Group Pty Ltd was acquired by MCS Services Limited in 2015, with Paul continuing in the role as CEO of MCS Security since that time. Paul, who holds some 18% of the shares in MCS Services Ltd, will also continue in the role of CEO of MCS Security Group Pty Ltd.

Other current directorships:
MCS Security Group Pty Ltd

Previous Directorships (last 3 years)	None
Interests in shares of the Company:	34,446,812
Interests in options of the Company:	3,000,000
Performance Rights:	3,600,000

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.

Directors' Report

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 retail, commercial, industrial and domestic sectors.

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 underlying (before Significant Items) net profit after tax was $0.13 million (2019: $0.25 million)

The statutory net profit attributable to members of the Company for the year ended 30 June 2020 was $0.32 million (2019: $0.2 million loss)

The statutory net profit after tax for the Reporting Period of $0.32 million included:

- operating profit before significant items of $0.13 million (2019: $0.25 million)
- individually significant items:
  - the $0.125 million net expense of settlement of a disputed legal claim brought by the liquidator of John Boardman Pty Ltd (JBPL). The total payment of $0.15 million included repayment of a $0.025 million inter-company loan recorded between those entities **(Note 26)**;
  - a $0.34 million writeback of net liabilities previously recognised in the accounts of JBPL and so previously consolidated into the Group financial position which, following the above settlement, are no longer relevant to the Group **(Note 26)**;
  - a $0.025 million expensed valuation of Performance Rights issued to the Managing Director, Paul Simmons, as relevant to the Reporting Period **(Note 19)**.

Significant Changes in State of Affairs

There were no significant changes in the State of Affairs of the Group during the Reporting Period except for the commercial settlement with the liquidator of JBPL in June 2020 **(Note 26)**, including:

- a net $0.125 million expensed settlement;
- the writeback of the $0.34 million of net liabilities of JBPL, primarily pre-acquisition tax liabilities, which until then had been consolidated into the financial position of the Group
- at the time of this Report the JBPL entity continues to be registered with ASIC, under the control of the liquidator.

Dividends

The Board has elected not to pay a dividend for the current year. The Company will be deploying available funds to reduce debt, efficiently manage its capital structure and / or enhance its growth strategy.

Events Arising since the End of the Reporting Period

There are no 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.

Subsequent to the end of the Reporting Period the Group has taken up the contractual option to renew the lease of its office premises in Joondalup, WA, from the Simmons Superannuation Fund **(Note 23).**

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 ISO quality management processes, recruitment and training processes, OHS, operational management expertise and the long-standing reputation of its Senior Management and brand.

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's Strategic Plan recognises growth opportunities including:

- expanding our reach further into regional WA and other States;
- acquisition of security businesses 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
- utilising its ISO quality management / health & safety accreditations to demonstrate quality and assurance competencies to potential and existing clients and to aid in 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 Reporting Period, 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	6	6
Matthew Ward	6	6
Geoffrey Martin	6	6
Paul Simmons (appointed 1 July 2019)	6	6

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 2020 the Company had 186,274,557 (30 June 2019: 187,544,557) ordinary shares on issue. The decrease of 1,270,000 shares during the Reporting Period was a result of an on-market buyback of shares at an average of 1.15 cents in March 2020 **(Note 19).**

Unissued Shares Under Option

There were no quoted options existing during the Reporting Period.

During a previous Reporting Period 18 million unquoted options over unissued ordinary shares of the Company were issued to Directors and Senior Management **(Note 19).** None of the options were exercised or lapsed during the Reporting Period, such that 18 million options remain as at the Reporting Date. None of the unquoted options entitle the holder to participate in any share issue of the Company.

Unquoted options on Issue: Ex $0.04 exp 30 November 2022	Number 2020	Number 2019	Number 2018
Opening Balance 1 July	18,000,000	18,000,000	-
Issued			
Bob Kucera, Chairman	-	-	3,000,000
Matthew Ward, Director	-	-	3,000,000
Geoffrey Martin, Director	-	-	3,000,000
Paul Simmons, CEO, Director since 1 July 2019	-	-	3,000,000
Mark Englebert, CFO	-	-	3,000,000
Jonathan Asquith, Co Sec	-	-	3,000,000
	18,000,000	**18,000,000**	**18,000,000**
Exercised	-	-	-
Lapsed	-	-	-
Closing Balance 30 June	**18,000,000**	**18,000,000**	**18,000,000**

Unissued Shares Subject to Performance Rights

During the Reporting Period 3.6 million Performance Rights were issued to Paul Simmons, the CEO and Managing Director. The Performance Rights would vest upon meeting earnings per share and strategic plan performance hurdles over reporting periods to June 2022 and would then entitle the holder to an equivalent number of ordinary shares in the Company. Such ordinary shares would rank equally with other ordinary shares upon vesting, but the Performance Rights carry no shareholder rights until then. None of the Performance Rights vested or lapsed during the Reporting Period.

Director's Report

Renumeration 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). Since 1 July 2019 Mr Simmons has also been Managing Director of the Company,
- 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, in conjunction with an external Remuneration Consultant when relating to the CEO / Managing Director, 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 5 below); and
- Short-term incentives (such as cash bonuses);
- Long-term incentives, incl Performance Rights and Options **(Note 19)**.

The full Board of Directors assess the appropriateness of the nature and amount of fixed 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. During the Reporting Period the Board reviewed the CEO's remuneration package, including assessing future key performance targets and incentives, in conjunction with an external Remuneration Consultant.

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 STI performance measures are able to be set annually after consultation with the Directors and 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).

In respect of the Group's long-term Performance Rights incentives:

- 3.6 million Performance Rights issued to the CEO / Managing Director during the Reporting Period are linked to achieving earnings per share and strategic plan milestones over future reporting periods to 30 June 2022 (**Note 19**);
- the CEO / Managing Director was previously party to an Executive Share Plan, as approved by shareholders and as documented in the 2015 prospectus, which provided for shares in the Company to be issued upon achieving profitability milestones in periods ending up to 36 months from the 2015 acquisition of MCS Security Group Pty Ltd by the Company. As relevant profitability milestones were not achieved within required timeframes no share issues were made under that Executive Share Plan. The timeframes for achieving the profitability milestones referred to in the 2015 Executive Share Plan have now expired;
- The value to holders of Options (as issued to Board members and key management personnel during a previous reporting period) is dependent on an increase in the Company share price over future years.

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

2. Consequences of performance on shareholder wealth

Item	2020	2019	2018	2017	2016
EPS (cents)	0.169	(0.090)	(0.350)	0.225	(4.4)
Dividends (cents per share)	–	–	0.100	0.322	-
Profit / (loss) ($'000)	316	(171)	(677)	459	(5,908)
Share Price at 30 June (cents)	2.6	1.4	1.5	2.4	3.0

3. 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.

4. Bonuses included in remuneration

During the Reporting Period $nil bonuses ($15,000: 2019) accrued to or were paid to Key Management Personnel as part of remuneration in the Reporting Period.

5. 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, including the CEO / Managing Director, as are the CFO and Company Secretary;
- **Notice Period:** The CEO has a 3 month notice period, and the CFO has a one month notice period.

The remuneration is set out overleaf:

Remuneration	**2020**				**2019**			
	Salaries / Fees $	**SBP $**	**Total $**	**SBP as % of total**	**Salaries / Fees $**	**SBP $**	**Total $**	**SBP as % of total**
Non-Executive Directors								
Bob Kucera	35,000	–	35,000	–	35,000	–	35,000	–
Matthew Ward	30,000	–	30,000	–	30,000	–	30,000	–
Geoffrey Martin	30,000	–	30,000	–	30,000	–	30,000	–
Sub total	**95,000**	**-**	**95,000**	**-**	**95,000**	**-**	**95,000**	**-**
Executive Directors								
Paul Simmons,	180,000	25,500	205,500		–	–	–	–
CEO[1]	30,000	–	30,000					
Superannuation	17,100	–	17,100		–	–	–	–
Sub total	**227,100**	**25,500**	**252,600**	**10%**	**-**	**-**	**-**	**-**
Other Key Management Personnel								
Paul Simmons, CEO[1]	–	–	–	–	190,000	–	190,000	–
Superannuation	–	–	–	–	18,050	–	18,050	–
Mark Englebert, CFO[2]	180,000	–	180,000	–	170,769	–	170,769	–
Superannuation	17,100	–	17,100	–	15,748	–	15,748	–
Sub total	**197,100**	**-**	**197,100**	–	**394,567**	**-**	**394,567**	**-**
Company Secretary								
Jonathan Asquith	30,000	–	30,000	–	30,000	–	30,000	–
Sub total	**30,000**	**-**	**30,000**	–	**30,000**	**-**	**30,000**	**-**
TOTAL	**549,200**	**25,500**	**574,700**		**519,567**	**-**	**519,567**	**-**

1 Paul Simmons became the Managing Director of the Company effective 1 July 2019, entitling him to Director fees of $30,000 pa in addition to his $180,000 pa salary. Paul Simmons' salary in the 2019 Reporting Period includes a bonus of $10,000
2 Mark Englebert's salary as CFO in the 2019 Reporting Period included a bonus of $5,000

MCS

5. Details of Remuneration including Service Agreements (continued)

In addition to fixed remuneration (salaries / fees):

- equity-settled share-based payments (SBP) in the form of 3.6 million Performance Rights were issued to Paul Simmons, the CEO and Managing Director, during the Reporting Period for $nil consideration further to shareholder approval at the AGM held on 29 November 2019. The Performance Rights vest over the period to 30 June 2022 subject to achieving earnings per share and strategic plan milestones performance criteria including.
- The Performance Rights were valued at $61,200 using the Black Scholes Model. $25,500 of the valuation was expensed in the Reporting Period with the remainder to be expensed over future reporting periods to 30 June 2022.
- cash bonuses may be granted at the discretion of the Board. During the Reporting Period no bonuses were paid to the CEO (2019: $10,000) or the CFO (2018: $5,000);
- the Directors and Key Management Personnel may be also reimbursed for business-related expenses.

6. Other Information

Shares held by Key Management Personnel

The number of ordinary shares held in the Company during the 2020 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below:

	Start of the Reporting period	Movement	End of the Reporting Period
Directors			
Bob Kucera, Chairman	462,909	–	462,909
Matthew Ward	1,047,875	–	1,047,875
Geoffrey Martin	–	295,000	295,000
Paul Simmons, CEO / Managing Director	33,531,812	915,000	34,446,812
Other Key Management Personnel			
Mark Englebert, CFO	–	–	–
Company Secretary			
Jonathan Asquith	418,181	–	418,181
TOTAL	**35,460,777**	**1,210,000**	**36,670,777**

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 or vesting of Performance Rights.

Options held by Directors and Key Management Personnel

The number of options held over ordinary shares in the Company during the 2020 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below:

Remuneration: Unlisted Options granted on 19 Dec 2017, $nil consideration							
	Balance at Start of 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
Paul Simmons (CEO)	3,000,000	33,000	–	–	–	–	3,000,000
	12,000,000	**147,300**	**-**	**-**	**-**	**-**	**12,000,000**
Mark Englebert (CFO)	3,000,000	33,000	–	–	–	–	3,000,000
Jonathan Asquith (Co Sec)	3,000,000	33,000	–	–	–	–	3,000,000
	6,000,000	**66,000**	**-**	**-**	**-**	**-**	**6,000,000**
Total	**18,000,000**	**213,300**	**-**	**-**	**-**	**-**	**18,000,000**

6. Other Information (continued)

The issue of the above 9 million options to Directors (and the issue of 3 million options to Paul Simmons, at a time prior to him becoming a Director of the Company) occurred in a previous Reporting Period and 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.

The options vested immediately on being granted in December 2017, and their value was calculated as $213,300 at the grant date using the Black Scholes model. The value of the options was expensed in the period of being granted. All of the above options are unlisted and have the following terms:

Unlisted Options: Key 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

Performance Rights held by Directors and Key Management Personnel

During the Reporting Period 3.6 million Performance Rights were issued to Paul Simmons, the CEO and Managing Director, effective 29 November 2019 at $nil consideration. Their value was calculated as $61,200 at the grant date using the Black Scholes model. As the Performance Rights only vest upon future period earnings per share and strategic plan milestones being achieved the valuation is being expensed as follows:

Performance Rights Valuation Expense	$
Year Ended 30 June 2020	25,500
Year Ended 30 June 2021	25,500
Year Ended 30 June 2022	10,200
	61,200

Remuneration: Performance Rights granted on 29 November 2019, $nil consideration					
	Issued In Period		Exercised / Lapsed in Period		Balance at End of Period
	No.	Value in Grant Period $	No.	Value $	No.
Paul Simmons (CEO, Managing Director)	3,600,000	25,500	–	–	3,600,000

The Performance Rights have the following key terms:

Performance Rights: Key Terms			
Period	**Number**	**Earnings per share**	**Strategic Milestones**
1 July 2019 to 30 June 2021	1,350,000	$0.002-$0.0045	–
1 July 2019 to 30 June 2021	450,000	–	At least 3 of the below
1 July 2019 to 30 June 2022	1,350,000	$0.002-$0.0045	–
1 July 2019 to 30 June 2022	450,000	–	At least 3 of the below
Total	**3,600,000**		

Strategic milestones have been specified under each of the following categories:

- Business Succession Planning
- People & Culture
- Risk, and
- Investor relations

The above valuations of the Unlisted Options and Performance Rights have been recorded in the Share Option Reserve **(Note 19)** in the relevant reporting periods.

Except for the above, no other options or performance rights:

- 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 2020 or 2019 Reporting Periods;
- were issued to the Directors or Key Management Personnel as part of their remuneration in the year ended 30 June 2020 or year ended 30 June 2019.

None of the above options or performance rights were exercised, lapsed or forfeited during the Reporting Period or until the date of this Report. Director option and performance rights holdings are measured up until the date of their retirement / resignation.

Engagement of Remuneration Consultants
The Company engaged the services of a Remuneration Consultant during the Reporting Period, including in relation to the subsequent granting of 3.6 million Performance Rights to Paul Simmons, the CEO / Managing Director. A fee of $5,000 was paid to the Remuneration Consultant for the above work.

Other Transactions with Key Management Personnel
Refer to **Note 23** regarding:

- the continuing rental at commercial rates by the Group of its operational and corporate head office premises in Joondalup, Perth, WA from a related entity of its CEO, Managing Director and significant shareholder, Paul Simmons;
- the use of a corporate travel agency owned by a relation of Mr Geoff Martin, a director of the Company, to arrange domestic flight bookings for the Group totalling $20,329 (2019: $44,814). The Board consider the service is provided at commercial rates.

END OF REMUNERATION REPORT

Directors' 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 2020 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 four Directors, two Key Management Personnel and approximately 500 operational (incl Administration) staff. Of the above:

- 52 (2019: 44) are female, including 8 (2019: 13) in supervisory or middle-management positions;
- 7 (2019: 35) 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. The Company is in the process of developing its environmental processes and will seek ISO 14001 Environmental Management certification in the year to June 2021.

Remuneration Report Voting and Comments made at the last Annual General Meetings

The Company received:

- 100% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2019, and
- 97% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2018

The Company received no specific feedback on its Remuneration Report at any of the above Annual Meetings.

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 provided to the auditors.

Directors' Report

Non Audit Services

During the Reporting Period Stantons International, the Company's auditors, did not perform any service in addition to their statutory audit duties except a Black Scholes calculation of the 3.6 million Performance Rights issued to the Managing Director, Paul Simmons, during the Reporting Period **(Note 19).** A fee of $650 was paid for this work. The Board has considered the non-audit services provided during the above periods 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.

During the previous Reporting Period Stantons International did not perform any service in addition to their statutory audit duties.

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 22** 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 18 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 29 September 2020

Auditors Independence Declaration

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

29 September 2020

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

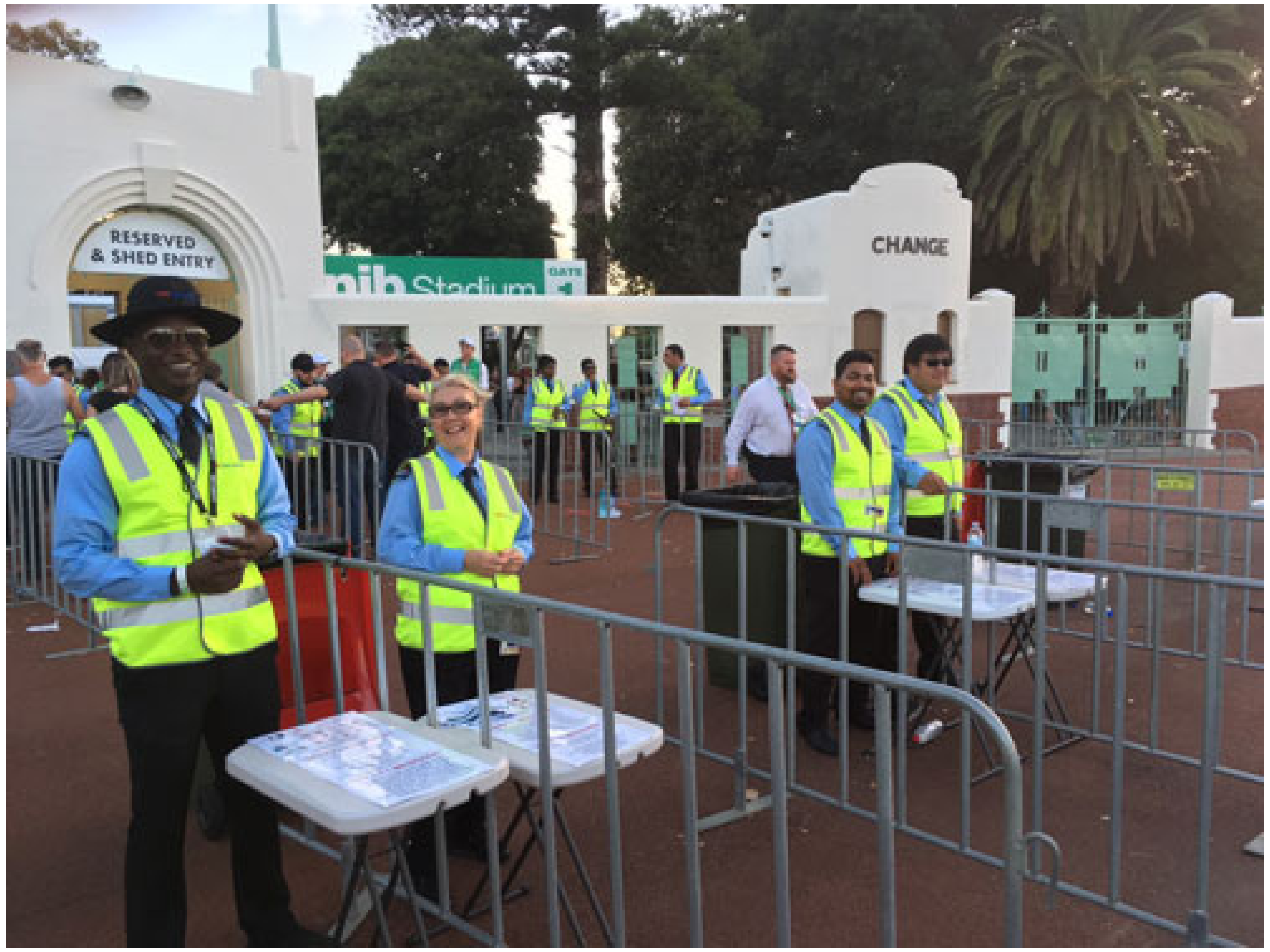
(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Yours sincerely,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Samir Tirodkar
Director



Corporate Governance Statement

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 2020 is dated as at 30 June 2020 and was approved by the Board on 29 September 2020.

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 four Directors is considered sufficient at this stage.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Revenue	6	25,111	23,563
Cost of Goods Sold, incl. operational staff expenses	8	(20,485)	(19,191)
Gross Profit		**4,626**	**4,372**
Other Income			
Interest	6	7	8
Other	6	12	21
		19	**29**
Overheads			
Overheads, Administration and Other Expenses	7	(2,098)	(2,080)
Employee expenses and benefits (non-operational staff)	8	(2,172)	(1,889)
		(4,270)	(3,969)
		375	432
Finance Expenses	9	(32)	(24)
Depreciation of property, plant and equipment	14	(102)	(130)
Depreciation of AASB 16 Right of Use assets	15	(42)	
Amortisation of Contracts Acquired	15	–	(22)
		(176)	(176)
		199	256
Significant Items			
Prior Period Insurance Accrual	16	–	(450)
Writeback of JBPL net liabilities	16	338	
JBPL Settlement	26	(125)	
Share-based payment expense	19	(25)	–
		188	(450)
Profit (Loss) before tax		**387**	**(194)**
Income tax (expense) / benefit	10	(71)	(5)
Profit / (Loss) for the year attributable to members		**316**	**(199)**
Discontinued operations	26	–	(2)
		316	(201)
Other Comprehensive income			**-**
Gain on deconsolidation of discontinued operations	26	–	30
Total comprehensive profit / (loss) for the year		**316**	**(171)**

	Note	30 June 2020 Cents	30 June 2019 Cents
Earnings per share			
Basic profit / (loss) per share from continuing operations	20	0.169	(0.106)
Basic profit / (loss) per share from discontinued operations	20	–	0.015
		0.169	(0.091)
Diluted profit / (loss) per share from continuing operations	20	0.166	(0.106)
Diluted profit / (loss) per share from discontinued operations	20	–	0.015
		0.166	(0.091)

	Note	30 June 2020 Number	30 June 2019 Number
Weighted average of common shares outstanding: Basic	20	187,157,287	188,535,887
Weighted average of common shares outstanding: Diluted	20	190,757,257	188,535,887

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

Consolidated Statement of Financial Position

As at 30 June 2020

Assets	Note	30 June 2020 $'000	30 June 2019 $'000
Current			
Cash and cash equivalents	11	2,081	2,098
Trade and other receivables	12	2,728	3,097
Inventory	13	53	41
Other	10	–	40
Total Current Assets		**4,862**	**5,276**
Non-Current			
Restricted cash and bonds	11	2	2
Plant and equipment	14	203	151
Right of use asset	15	229	–
Total Non-Current Assets		**434**	**153**
Total Assets		**5,296**	**5,429**

Liabilities	Note	30 June 2020 $'000	30 June 2019 $'000
Current			
Income Tax	10	(71)	–
Trade and other payables	16	(2,206)	(3,270)
Provisions	17	(1,521)	(1,128)
Financial liabilities: AASB 16 Leases	15/27	(42)	–
Related party loan	18	(84)	–
Financial liabilities: Vehicles	27	(10)	–
Total Current Liabilities		**(3,934)**	**(4,398)**
Non-Current			
Provisions	17	(94)	(117)
Financial liabilities: AASB 16 Leases	15/27	(214)	–
Related Party Loan	18	–	(177)
Financial liabilities: Motor Vehicle	27	(16)	–
Total Non-Current Liabilities		**(324)**	**(294)**
Total Liabilities		**(4,258)**	**(4,692)**
Net Assets		**1,038**	**737**
Equity			
Share Capital	19	17,980	17,995
Foreign Currency Translation Reserve	19	–	–
Share Option Reserve	19	239	214
Retained Earnings		(17,181)	(17,472)
Total Equity		**1,038**	**737**

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 2020

	Note	Share Capital $'000	Foreign Currency Translation Reserve $'000	Share Option Reserve $'000	Retained Earnings $'000	Total $'000
Balance 30 June 2018		**18,024**	**30**	**214**	**(17,301)**	**967**
Loss for the year		–	–	–	(201)	(201)
Other Comprehensive Income		–	(30)	–	30	-
Total Comprehensive Income		**-**	**(30)**	**-**	**(171)**	**(201)**
Unmarketable Parcel Share Buy Back	20	(29)	–	–	–	(29)
		(29)	–	–	–	(29)
Balance 30 June 2019		**17,995**	**-**	**214**	**(17,472)**	**737**
Profit for the year		–	–	–	316	316
Other Comprehensive Income		–	–	–	–	-
Total Comprehensive Income		**-**	**-**	**-**	**316**	**316**
Application of AASB 16 Leases	15	–	–	–	(25)	(25)
On-market Share Buy Back	19	(15)	–	–	–	(15)
Performance Rights Issue	19	–	–	25	–	25
		(15)	–	25	(25)	(15)
Balance 30 June 2020		**17,981**	**-**	**239**	**(17,181)**	**1,038**

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 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Cash flows from Operating activities			
Receipts: from customers		27,949	25,681
Payments to employees, suppliers and directors		(25,544)	(22,272)
Payments for BAS		(2,010)	(1,880)
Income tax refunded / (paid)		39	(70)
JBPL legal settlement	16	(150)	-
Net Cash provided by operating activities	21	**284**	**1,459**
Cash flows from Investing activities			
Interest received		7	8
Interest Paid		(13)	
Payment for Plant & Equipment		(154)	(53)
Release of cash held by former mining subsidiaries		–	(2)
Net Cash (used in) investing activities		**(160)**	**(47)**
Cash flows from financing activities			
Related Party loan (MCS Security vendors) reduction	18	(100)	(120)
Buy-back of share capital	19	(15)	(29)
Finance Lease – vehicle		25	-
AASB 16 Leases - office	15	(51)	-
Net Cash (used in) financing activities		**(141)**	**(149)**
Net (decrease) / increase in cash and cash equivalents		**(17)**	**1,263**
Cash and cash equivalents at beginning of the year		2,098	835
Cash and cash equivalents at end of the year	**11**	**2,081**	**2,098**

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

Notes to the Financial Statements

For the year ended 30 June 2020

1. Nature of operations

The principal activity of MCS Services Limited and its subsidiaries' (**Group** or **Consolidated Entity**) during the Reporting Period and previous 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.

2. General Information and statement of compliance

These consolidated general purpose financial statements of the Group for the year ended 30 June 2020 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 on 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**, which has been in liquidation since 26 September 2017, **Note 26**).

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 following entities are no longer part of the Group (**Note 26);**

- Red Gum Resources (Peru) Pty Ltd (deregistered 16 March 2018);
- Red Gum Resources (Chile) Pty Ltd; (deregistered 16 December 2018), and
- Red Gum Resources (Chile) SpA, a subsidiary of Red Gum Resources (Chile) Pty Ltd.

The consolidated financial statements for year ended 30 June 2020 (including the comparatives) were approved and authorised for issue by the Board of Directors on 29 September 2020.

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.

AASB 16: Leases

This standard applies to annual reporting periods commencing on or after 1 January 2019. As such, it has been applied during the Reporting Period. It superseded the previous accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations.

AASB 16 introduced a single lessee accounting model that eliminated the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remained materially unchanged. The key features of AASB 16 are:

- Lessees are required to recognise assets and liabilities for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- A lessee measures the right-of-use assets similar to other non-financial assets and lease liabilities similarly to other financial liabilities;
- Assets and liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease;
- additional disclosure requirements.

The Group has reviewed all the Group's arrangements to identify leases. The Group currently leases it's office premises, the terms of which are at **Note 23 (b)**. The Group currently has no other material operating leases and does not act as a lessor.

The impact of AASB 16 on the Group's financial statements in the Reporting Period are disclosed at Note 15.

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 Group has recorded a comprehensive profit attributable to shareholders of $0.316 million (2019: $0.171 million loss). The Group has net assets of $1.038 million (2019: $0.737 million) including Cash and Cash Equivalents of $2.08 million (2019: $2.10 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 controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2020, except that as a result of the settlement with the liquidator of JBPL the net liabilities of JBPL are no longer applicable to the Group and have been written back giving rise to a $0.337 million credit to the Statement of Profit or Loss **(Note 26)**.

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 disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Business Combination

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred or assumed, and the equity interest issued by the Group. The consideration includes the fair value of any asset or liability arising from a contingent consideration arrangement. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

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

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

Investments in associates and joint arrangements

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

Segment Reporting

The Group has one segment, Retail and Event Security. The Group provides 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. The measurement policies that the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements. 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 are measured in accordance with AASB 15 *Revenue from Contracts* with Customers, recognising an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring services or goods to a customer. It excludes sales taxes, rebates and discounts.

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.

The Group's only borrowings are a Related Party loan (**Note 18**) and a vehicle lease (**Note 27**). The Related Party loan incurs interest at 6% pa and the vehicle lease incurs interest at 5%.

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. 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.

Trade Receivables

Trade Receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30-45 days of being invoiced and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate. An allowance for doubtful debts is made when there is objective evidence that the Group might not be able to collect a debt. Bad debts are written off when identified.

Notes to the Financial Statements

For the year ended 30 June 2020

Plant and Equipment

The Group does not own any freehold land or buildings. 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:

Item	Assumed Useful Life
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.

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.

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).
Summary of Accounting Policies (continued)

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 certain 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 to 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 42 employees entitled to Long Service Leave as at 30 June 2020 (2019: 38 employees) plus a further pro-rata provision (based on management experience as to employee departures and periods of service) for other long-serving employees yet to achieve the required length of service.

As the amounts owing are not considered material, they are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Accordingly, full allowance has not been made for the present value of the expected future payment to be made to employees which might have allowed for:

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

Share Based Employee Remuneration

During the Reporting Period the Company issued 3.6 million Performance Rights to Paul Simmons, the CEO / Managing Director. The Performance Shares vest into an equivalent number of ordinary shares upon achieving earnings per share and strategic plan milestones over reporting periods to 30 June 2022. The Performance Rights were valued using the Black Scholes Model at $61,200, with $25,500 expensed to Profit or Loss in the Reporting Period and the remainder to be expensed over future reporting periods to 30 June 2022 (**Note 19**).

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

A corresponding amount is recognised as a finance lease liability (**Note 27**). 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. AASB 16: Leases has been applied to operating leases for the Reporting Period (**Note 15**).

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 & Performance Right Reserve which records items recognised on the valuation of share options and Performance Rights over the vesting period **(Note 19);**
- Foreign currency translation reserve which compromises foreign currency translation differences arising on the translation of financial statement of the Group's foreign entities into A$ **(Note 19)**; and
- Retained earnings which includes all current and prior period profits / losses **(Note 19).**

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 or disclosed.

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

The Group occasionally purchases supplies in a foreign currency, typically paying at the time of ordering.

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 translated 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 other comprehensive income and recognised in the currency translation reserve in equity.

Financial Instruments

Financial Assets at Amortised Cost

The Group's cash and cash equivalents, trade and most other receivables fall into the category of financial instruments. After initial recognition, financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial Assets at Fair Value Through Other Comprehensive Income (Equity Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective of both holding to collect contractual cashflows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or renewals are recognised in the statement of profit or loss and computed in the same manner as for financial asset measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments - Presentation and are not held for trading.

During the Reporting Period the Group did not hold any financial assets of this nature.

Financial Assets at Fair Value Through Profit or Loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

During the Reporting Period the Group did not hold any financial assets of this nature.

Derecognisation

Financial assets are derecognised 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 expired.

Impairment

From 1 July 2019 the Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For Trade Receivables, the Group applies the simplified approach permitted by AASB, which requires expected timeline losses to be recognised from initial recognition of the Receivables.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are initially recognised at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial Liabilities (Continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income

Rounding of Amounts

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

Significant management judgement in applying accounting policies

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

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

The judgements, estimates and assumptions applied in the financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019 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.

The Group's 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 Security Services. 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):

30 June 2020	Corporate $'000	Security Services $'000	Mineral Exploration $'000	Total $'000
Revenue		25,111	–	25,111
Gross Profit	**-**	**4,626**	**-**	**4,626**
Other Income	–	19	–	19
Overheads				
Other Costs	(365)	(3,905)	–	(4,270)
EBITDA	**(365)**	**740**	**-**	**375**
Depreciation	–	(144)	–	(144)
Finance costs – AASB 16	–	(11)	–	(11)
Finance costs - Other	(9)	(12)	–	(21)
	(9)	(167)	–	(176)
	(374)	573	–	199
Significant Items – JBPL (Note 26)	(125)	338	–	213
Significant Items – Performance Rights	(25)	–	–	(25)
	(150)	338	–	188
Profit / (Loss) before income tax	**(524)**	**911**	**-**	**387**
Income tax expense	(71)	–	–	(71)
Profit / (Loss) after income tax	**(595)**	**911**	**-**	**316**
Segment assets	44	5,252	–	5,296
Segment liabilities	(241)	(4,017)	–	(4,258)
Segment Net Assets	**(197)**	**1,235**	**-**	**1,038**

30 June 2019	Corporate $'000	Security Services $'000	Mineral Exploration $'000	Total $'000
Revenue	–	23,563	–	23,563
Gross Profit	**-**	**4,372**	**-**	**4,372**
Other Income	–	29	–	29
Overheads				
Other Costs	(320)	(3,639)	–	(3,959)
EBITDA	**(320)**	**762**	**-**	**442**
Significant Items	–	(450)	–	(450)
Depreciation and amortisation	–	(152)	–	(152)
Finance Costs	(14)	(20)	–	(34)
Profit / (Loss) before income tax	**(334)**	**140**	**-**	**(194)**
Income tax expense	–	(5)	–	(5)
Profit / (Loss) attributable to Members	(334)	135	–	(199)
Gain on discontinued operations	–	–	28	28
Total Profit / (Loss)	**(334)**	**135**	**28**	**(171)**
Segment assets	123	5,306	–	5,429
Segment liabilities	(269)	(4,423)	–	(4,692)
Segment Net Assets	**(146)**	**883**	**-**	**737**

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 $3.3m or 13% (2019: $3.3m or 14%) of the Group's total revenues depended on a single customer (across a number of contracts / locations) in the Security segment.

Notes to the Financial Statements

For the year ended 30 June 2020

MCS

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Revenues have been identified based on the customer's business segment. 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 2020 and 30 June 2019 there were no material intersegment transfers.

6. Revenue & Other Income

Revenue	2020 $'000	2019 $'000
Guard security	24,316	22,726
Other security	795	837
Total	**25,111**	**23,563**
Other Income		
Interest Revenue: Bank	7	8
Other	12	21
Total	**19**	**29**

7. Expenses

Overhead expenses include the following:

	2020 $'000	2019 $'000
Professional Fees	263	211
Directors Fees (excl CEO salary)	125	95
Administration & Occupancy	439	484
Insurance	1,048	1,055
Bad Debt Impairment (Note 12)	23	10
Other	200	225
Total	**2,098**	**2,080**

8. Employee Remuneration

Expenses recognised for employee benefits are analysed below:

	2020 $'000	2019 $'000
Employee expenses within Cost of Sales		
Gross Wages and salaries	16,199	15,355
Movement in Leave Provisions	351	175
Superannuation	1,315	1,222
Payroll Tax	1,069	1,008
	18,934	**17,760**
Other Costs of Sales	1,551	1,431
	20,485	**19,191**
Employee expenses within Overheads		
Gross Wages and salaries (including CEO salary)	1,891	1,623
Superannuation	178	145
Movement in Leave Provisions	19	85
Other	84	36
	2,172	**1,889**

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.

9. Finance Costs

Finance costs for the reporting periods consist of the following:

	Note	2020 $'000	2018 $'000
Interest expense: AASB 16 Lease	15	11	–
Interest expense: Related Party loan	18	7	13
Interest expense: Motor Vehicle Lease	27	1	–
Interest expense: Other		13	11
		32	**24**

Notes to the Financial Statements

For the year ended 30 June 2020

10. 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% (2019: 27.5%):

a) Recognised in the Income Statement	2020 $'000	2019 $'000
Current tax		
Current Year	71	–
Under / (Over) provision for Prior Year	–	5
Deferred Tax		
Origination & Reversal of temporary differences	–	–
Under / (Over) Provision for Prior Periods	–	–
Income tax (benefit)/ expense	71	5
Numerical reconciliation between Tax Expense and Pre-Tax Net Profit / Loss		
Profit (loss) before tax from continuing operations	387	(194)
Profit (loss) before tax from discontinued operations	–	28
	387	(166)
Domestic tax rate for the Group	27.5%	27.5%
Income Tax expense / (benefit)	106	(46)
Increase in Income tax due to tax effect of:		
Non-deductible expenses	12	4
Under Provision in Prior Year	–	(2)
Current year tax losses not recognised	–	12
Decrease in Income Tax expense due to:		
Movement in unrecognised temporary tax losses	89	78
Utilisation of previously unrecognised tax losses	(46)	–
Deductible equity raising costs	(32)	(41)
Non-assessable income	(58)	
Income tax expense / (benefit) attributable to Equity	**71**	**5**
b) Deferred Tax Recognised Directly in Equity		
Using a corporate tax rate of	**27.5%**	**27.5%**
Relating to equity raising costs	–	–
Deferred tax expense attributable to equity recognised in equity	–	–

c) Recognised Deferred Tax Assets and Liabilities	2020 $'000	2019 $'000
Opening balance	–	–
Charged to Income	–	–
Charged to Equity	–	–
Acquisitions / disposals	–	–
	–	–
Deferred Tax Assets		
Accruals and Provisions	46	42
Previously Expensed Black Hole costs	–	–
Gross Deferred tax assets	**46**	**42**
Set off of deferred tax liabilities	(46)	(42)
Net deferred tax assets	**-**	**-**
Deferred Tax Liabilities		
Prepayments	(46)	(42)
Plant & Equipment	–	–
Intangibles	–	–
Other DTLs	–	–
Gross Deferred Tax Liabilities	**(46)**	**(42)**
Set off of deferred tax assets	46	42
Net deferred tax liabilities	–	–
d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 27.5% (2018: 27.5%)		
Deductible temporary differences	609	552
Tax revenue losses	1,396	1,443
Tax capital losses	174	174
Total	**2,179**	**2,169**
e) Current tax assets / (liabilities)		
Income tax refundable / (payable)	**(71)**	**40**

Notes to the Financial Statements

For the year ended 30 June 2020

MCS

11. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2020 $'000	2019 $'000
Current Asset: Cash at Bank	2,081	2,098

12. Trade and Other Receivables

Trade and Other Receivables consist of the following:

	2019 $'000	2019 $'000
Trade Debtors	2,553	2,901
Prepayments	171	186
Other Receivables	4	10
	2,728	**3,097**

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 2020 Other Receivables included Employee Loans of $3,021 (30 June 2019: $8,679). 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 2020 have been reviewed for indicators of impairment. Specific balances of $8,699 (2019: $42,520) have been identified as past-due and impaired, and $23,487 (2019: $10,196) has been expensed to Profit & Loss in relation to the impairment provision and bad debt, and $57,308 has been written off.

13. Inventories

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

	2020 $'000	2019 $'000
Inventories	53	41

14. Plant and Equipment

30 June 2020	Furniture & Equipment $'000	Motor Vehicles $'000	Software $'000	Total $'000
Cost or Valuation				
Balance at 1 July 2019	414	238	143	795
Additions	48	72	34	154
Transfers and other movements	-	-	-	-
Disposals	-	(20)	-	(20)
Balance at 30 June 2020	**462**	**290**	**177**	**929**
Depreciation				
Balance at 1 July 2019	(359)	(170)	(115)	(644)
Disposals	-	20	-	20
Transfers and other movements	-	-	-	-
Depreciation	(46)	(35)	(21)	(102)
Balance at 30 June 2020	**(405)**	**(185)**	**(136)**	**(726)**
Carrying amount at 30 June 2020	**57**	**105**	**41**	**203**

30 June 2019	Furniture & Equipment $'000	Motor Vehicles $'000	Software $'000	Total $'000
Cost or Valuation				
Balance at 1 July 2018	421	208	121	750
Additions	2	30	28	60
Transfers and other movements	(9)	-	(6)	(15)
Balance at 30 June 2019	**414**	**238**	**143**	**795**
Depreciation				
Balance at 1 July 2018	(295)	(145)	(74)	(514)
Depreciation	(64)	(25)	(41)	(130)
Transfers and other movements	-	-	-	-
Balance at 30 June 2019	**(359)**	**(170)**	**(115)**	**(644)**
Carrying amount at 30 June 2019	**55**	**68**	**28**	**151**

15. Other Non-Current Assets

Right of Use Asset: AASB 16 Leases

Accounting Standard AASB 16 *Leases* applies to annual reporting periods commencing on or after 1 January 2019. As such, it has been applied during the Reporting Period. It superseded the previous accounting requirements applicable to leases in AASB 117: *Leases and related Interpretations*. AASB 16 introduced a single lessee accounting model that eliminated the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remained materially unchanged.

The key features of AASB 16 are:

- Lessees are required to recognise assets and liabilities for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- A lessee measures the right-of-use assets similar to other non-financial assets and lease liabilities similarly to other financial liabilities;
- Assets and liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease;
- additional disclosure requirements.

The Group has reviewed all the Group's arrangements to identify leases. The Group currently leases it's office premises, the terms of which are at **Note 23 (b)**. The Group currently has no other material operating leases and does not act as a lessor.

The impacts of AASB 16 on the Group's financial statements in the Reporting Period included:

- a Right of Use asset arose on the initial application of AASB 16 Leases, which was applied from 1 July 2019 using the modified retrospective approach whereby the opening balances were not restated. Under this approach, the cumulative effect of initially applying AASB16 was recognised as an adjustment to equity at the date of initial application – being an adjustment to Accumulated Losses brought forward of $25,141;
- the rental charge for the Group's office premises of $51,098 was reclassified as payment of the lease liability and interest thereon. The Right of Use Asset has been depreciated by $42,250 and an interest charge of $11,124 has been recognised in Profit or Loss, with a resulting effect on EBITDA calculations for users of the financial report; and giving rise to a reduction in reported net profitability of some $2,275;
- repayment of the principal portion of the office lease liability has been classified as cashflow from financing activities, rather than as cashflow from operating activities.

Statement of Financial Position	**On Adoption** $'000	**Initial Recognition of periods prior to adoption** $'000	**Reporting Period** $'000	**Total** $'000
Right of Use Asset				
On adoption	422	–	–	422
Additions	–	–	–	–
Disposals	–	–	–	–
	422	**-**	**-**	**422**
Accumulated Depreciation				
Depreciation – Prior Period	–	(151)	–	(151)
Depreciation in Period	–	–	(42)	(42)
	-	**(151)**	**(42)**	**(193)**
Net	**422**	**(151)**	**(42)**	**229**
Lease Liability				
On adoption	(422)	–	–	(422)
Interest and repayments – prior period	–	126	–	126
Interest – current reporting period	–	–	(11)	(11)
Repayments – current reporting period	–	–	51	51
Balance at 30 June 2020	**(422)**	**126**	**40**	**(256)**
Retained Earnings (Note 19)		**25**	**-**	**25**
Net	**-**	**-**	**(2)**	**(2)**
Income Statement				
Finance Cost – current period	–	–	(11)	(11)
Depreciation – current period	–	–	(42)	(42)
	-	**-**	**(53)**	**(53)**

Notes to the Financial Statements
For the year ended 30 June 2020

Intangible Assets - Customer Contracts Acquired
During a previous 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.

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. The movement in the net carrying amounts of Contracts Acquired is as follows:

	2020 $'000	**2019** $'000
Balance 1 July	-	22
Acquired:	-	-
Amortised to Profit or Loss	-	(22)
Balance 30 June	**-**	**-**

16. Trade & Other Payables

Trade and Other Payables consist of the following:

	2020 $'000	**2019** $'000
Trade Payables	192	309
GST and Payroll Tax (1)	819	872
Accruals	441	248
Accruals for Prior Period Insurance (2)	-	450
PAYG	325	923
Superannuation	419	381
Other Payables	10	87
	2,206	3,270

All amounts are short-term unless otherwise stated. The carrying values of are considered a reasonable approximation of fair value. The Trade Payables are payable within 30-60 days.

(1): The GST liability as at June 2019 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. JBPL's pre-acquisition liabilities had been warranted as payable by the vendor but the Group subsequently became aware they had not been fully disclosed nor paid by the vendor. JBPL has been in the process of liquidation since September 2017. During the Reporting Period the Company settled a claim from the liquidator of JBPL for $150,000 (**Note 26**) with the effect of releasing the Group from all net liabilities of JBPL totalling some $0.34m including the above-mentioned JBPL GST liabilities. As a result, $0.34m has been credited to Profit or Loss and no JBPL liabilities are included in the above as at 30 June 2020.

(2): During the previous Reporting Period $450,000 was accrued in relation to expected workers compensation call-up premiums for the years 2015/16 and 2016/17. During the Reporting Period the Company agreed a premium funding agreement to pay its insurance premiums, including the above prior period workers compensation call-up premiums, in 10 equal monthly instalments over the financial year to June 2020. All such premium funding instalments had been paid by 30 June 2020. The Company has at all times maintained full Workers Compensation insurance coverage for all of its employees.

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 2020, 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 in relation to their directorships. The carrying amounts and movements in the provisions account are as follows:

Current Liabilities	**2020** $'000	**2019** $'000
Annual Leave	1,220	868
Long Service Leave	301	260
	1,521	**1,128**
Non-Current Liabilities		
Long Service Leave	94	117
	1,615	**1,245**
Movement		
Balance 1 July	1,245	985
Movement in year	370	260
Balance 30 June	**1,615**	**1,245**

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. 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.

During the previous Reporting Period the Company and the vendors of MCS Security Group Pty Ltd, P&M Simmons, agreed to restructure the Related Party loan agreement in that $0.12 million of the balance was to be payable on 31 October 2018 and the remainder not later than 31 October 2020. As a result of the restructure, the Related Party loan was disclosed as a Non Current Liability as at 30 June 2019.

During the Reporting Period the Company made a $100,000 repayment and $7,400 interest ($12,644: June 2019) was accrued on the Related Party Loan. The remaining loan balance ($84,240 as at 30 June 2020) is due for full repayment no later than 31 October 2020 and is disclosed as a Current Liability as at 30 June 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	2020 $'000	2019 $'000
Opening Balance	177	284
Interest accrued	7	13
Repayment	(100)	(120)
Closing Balance	**84**	**177**

Subsequent to the Reporting Period the Group has repaid the remaining balance in full.

As at 30 June 2020 the Working Capital Calculation amount owing to / by the vendor of JBPL (Intiga Security) had not been finally quantified.

19. Equity

Share Capital
The share capital of the Company consists only of fully-paid ordinary shares as follows.

Ordinary shares	2020 $'000	2020 Number	2019 $'000	2019 Number
At the beginning of reporting period	17,995	187,544,557	18,024	189,309,608
Shares Issued	–	–	–	–
Shares Bought Back & Cancelled				
22nd January 2019[1]	–	–	(29)	(1,765,051)
9th and 17th March 2020[2]	(15)	(1,270,000)	-	-
	(15)	(1,270,000)	(29)	(1,765,051)
Less: Share Issue Costs	–		–	
At the end of Reporting Period	**17,980**	**186,274,557**	**17,995**	**187,544,557**

1 On 22 January 2019, under the terms of the unmarketable buy-back as announced to relevant shareholders on 28 November 2018, a total of 1,765,051 ordinary MCS shares were acquired and cancelled at a buy-back price of 1.64 cents totalling $28,945.
2 In transactions on 9th and 17th March 2020, pursuant to the on-market share buyback approved by shareholders at the AGM on 29 November 2019, a total of 1,270,000 ordinary MCS shares were acquired and cancelled at an average buy-back price of 1.1 cents totalling $14,700.

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

Share Option Reserve

The Share Option & Performance Rights Reserve records items recognised on the valuation of share options and performance rights over the vesting period.

	2020 $'000	2019 $'000
At the beginning of the year	214	214
Unquoted options issued during the year[1]	–	–
Performance Rights issued during the year[2]	25	
At the end of the year	**239**	**214**

1 During a previous Reporting Period, 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. 3 million unlisted options were also issued to each of the CEO Paul Simmons (now a Director), CFO and Company Secretary.

All of the 18 million options vested immediately, 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 to attract and retain Directors and Key Management Personnel of their particular skills and experience.

The value of the unlisted options was calculated using the Black-Scholes Model at $0.214 million and was expensed in the period of issue.

None of the options had been exercised by 30 June 2020.

No options were granted to directors or employees during the Reporting Period or subsequently.

2 During the Reporting Period 3.6m Performance Rights were issued to the CEO / Managing Director, Paul Simmons, effective 29 November 2019 as a cost effective incentive and form part of a reasonable and appropriate remuneration package.

The Performance Rights vest over the period to 30 June 2022 upon achievement of the earnings per share / strategic plan milestones, were issued for $nil consideration, have an exercise price of nil cents and expire on or before 30 June 2022. Each Performance Right will, subject to vesting, entitle the holder on exercise to one share in the Company.

The value of these Performance Rights was calculated using the Black-Scholes Model at $61,200, of which $25,500 was expensed to Profit or Loss in the Reporting Period and the remainder will be expensed over future reporting periods to June 2022.

None of the Performance Rights had been vested by 30 June 2020.

The Company has the following share options and Performance Rights outstanding:

	Quoted Options 2020 Number	Quoted Options 2019 Number	Unquoted Options 2020 Number	Unquoted Options 2019 Number	Weighted Average Exercise price	Performance Rights 2020 Number	Performance Rights 2019 Number
At 1 July	–	–	18,000,000	18,000,000	$0.04	–	–
Expired un-exercised	–	–	–	–	–	–	–
Issued	–	–	–	–	–	3,600,000	–
At 30 June	**-**	**-**	**18,000,000**	**18,000,000**	**$0.04**	**3,600,000**	**-**

Foreign Currency Translation Reserve

The foreign currency translation reserve was eliminated during the previous Reporting Period upon the deconsolidation of the former mining exploration subsidiaries following their deregistration with ASIC.

	2020 $'000	2019 $'000
At the beginning of the year	–	30
Deconsolidation of mining exploration subsidiaries	–	(30)
At the end of the year	**-**	**-**

20. 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 (overleaf):

20. Earnings per share and dividends (Continued)

	2020 '000 of shares	**2019** '000 of shares
Weighted average number of shares used in basic earnings per share	187,157	188,536
Weighted average number of shares used in diluted earnings per share	190,757	188,536
Profit / (loss) used in calculation of Earnings per share:	**$'000**	**$'000**
From continuing operations	316	(199)
From discontinued operations	–	28
	316	**(171)**

Basic profit (loss) per share	**Cents**	**Cents**
From continuing operations	0.169	(0.106)
From discontinued operations	–	0.015
	0.169	**(0.091)**
Diluted profit (loss) per share		
From continuing operations	0.166	0.106
From discontinued operations	–	0.015
	0.166	**(0.091)**

Dividends

The Board has elected not to pay a dividend for the current year. The Company will be deploying funds to reduce debt, efficiently manage its capital structure and / or enhance its growth strategy.

	2020 $'000	**2019** $'000
Dividends declared during the year	–	–
Being:		
Paid cash	–	–
Withholding tax paid to ATO	–	–
Shares issued under Dividend Reinvestment Plan	–	–
	–	–

21. Reconciliation of cashflows from operating activities

	2020 $'000	**2019** $'000
Profit / (Loss) for Year	316	(171)
Adjustments for:		
Interest received and receivable	(7)	(8)
Depreciation	102	130
Amortisation	–	22
AASB 16 Leases (**Note 15**)	53	–
Granting of Performance Rights (**Note 19**)	25	–
Net change in Working Capital:		
Change in Inventories	(12)	(12)
Change in Trade & Other Receivables	369	(224)
Change in other net assets	21	13
Change in Trade Creditors and Accruals	(1,064)	1,459
Change in Tax Asset / Liability	111	(10)
Change in Provisions	370	260
Net Cash provided by Operating Activities	**284**	**1,459**

22. 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.

	2020 $'000	**2019** $'000
Audit & Review of financial statements	85	92
Other Services: Non-audit assistance: Performance Rights valuation	1	–
Total	**86**	**92**

The Auditor's Independence Declaration is set out on page 30 of the Annual Report.

23. Related Party Transactions

(a) Related Party Loan
The terms of the loan and remaining balance are set out at **Note 18**.

(b) Head Office Lease
On 1 October 2014 MCS Security Group Pty Ltd entered into a lease agreement with The Simmons Superannuation Fund, a related party to CEO and Managing Director (and primary vendor of MCS Security) Mr Paul Simmons, for the lease of a 231m² office premises at 3/108 Winton Road, Joondalup, WA, 6027.

The term of the original lease was 1 October 2014 to 30 September 2019, with a 5 year option period, an annual rent of $49,123 (excluding GST) per annum subject to an annual CPI increase, and with variable outgoings charged separately at market rates. The lease was assigned to the Group upon the acquisition of MCS Security in November 2015, and a variation was entered into in November 2015 with annual rent at $47,924 (excl GST) and a CPI indexed rent-rise mechanism with a cap of 2.5% pa. The varied lease has a five year term ending November 2020 with a further 5 year option. The rental agreement has previously been assessed by the Company as being at market rate.

Subsequent to the end of the Reporting Period the Company has notified its intention to exercise the 5 year option from November 2020 to November 2025. The Simmons Superannuation Fund has agreed to waive the contractual rent increase applicable for the year to November 2021.

The amount billed during the Reporting Period for rent was $51,614 (2019: $50,371). The lease has been accounted for in accordance with AASB 16 Leases effective from 1 July 2019.

(c) Related Party Transactions – Director
During the Reporting Period a corporate travel agency owned by a relation of Mr Geoff Martin, a director of the Company, arranged domestic flight bookings for the Group totalling $20,329 (2019: $44,814). The Board consider the service is provided at commercial rates.

(d) CEO Benefits
Mr Paul Simmons, one of the vendors of MCS Security, received an annual salary of $180,000 pa (plus superannuation) in the Reporting Period (2019: $180,000).

From 1 July 2019 Mr Simmons was also paid Director fees of $30,000 pa.

(e) Transactions with Key Management Personnel
Key management of the Group are the members of the Company's Board of Directors (incl the CEO / Managing Director), CFO and Company Secretary during the Reporting Period. In addition to the matters set out above, key management's remuneration includes the following:

- salaries / fees (incl superannuation on the CEO and CFO salaries at 9.5%);
- equity-settled share-based payments (SBP) in the form of 3.6 million Performance Rights were granted to Mr Paul Simmons, CEO / Managing Director, which vest over the period to 30 June 2022 subject to achieving earnings per share and strategic plan milestones. Their value was calculated as at the grant date as $61,200 using the Black Scholes model and the value is being expensed to Profit or Loss in the current ($25,500) and future reporting periods to 30 June 2022 ($35,700).

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

	2020			2019		
Non Executive Directors	**Salary & Fees** $	**Share Based Payments** $	**Total** $	**Salary & Fees** $	**Share Based Payments** $	**Total** $
Bob Kucera (Chairman)	35,000	-	35,000	35,000	-	35,000
Matthew Ward	30,000	-	30,000	30,000	-	30,000
Geoffrey Martin	30,000	-	30,000	30,000	-	30,000
	95,000	-	95,000	95,000	-	95,000
Executive Director						
Paul Simmons (appointed 1 July 2019) Director fee	30,000	-	30,000	-	-	-
	125,000	-	125,000	95,000	-	95,000
Key Management Personnel						
Paul Simmons - Salary	180,000	25,500	205,500	190,000	-	190,000
Superannuation	17,100	-	17,100	18,050	-	18,050
Other key management personnel	227,100	-	227,100	216,517	-	216,517
	549,200	**25,500**	**574,700**	**519,567**	**-**	**519,567**

24. 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.

25. Capital Commitments

As at the Reporting Date the Group has not formally committed to any capital expenditure for the subsequent Reporting Period. As at 30 June 2019 the Group had committed to $0.04 million for IT upgrades, which had been completed by 30 June 2020.

26. 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 2020	Group ownership % 30 June 2019
MCS Security Pty Ltd	Australia	Security	100%	100%
John Boardman Pty Ltd (*JBPL*)	Australia	Security	100%	100%

The winding up of JBPL commenced in September 2017, during a previous Reporting Period, and is ongoing. 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 to have been paid by the vendor **(Note 16)**. The extent of the liabilities was not fully disclosed, nor were they subsequently paid by the vendor.

Notwithstanding that JBPL technically remains part of the Group by virtue of all shares in JBPL being held by the Company:

- effective control is with the liquidator of JBPL;
- during the Reporting Period the Company settled a legal claim from the liquidator of JBPL, the underlying claim relating to the outstanding pre-acquisition vendor-warranted tax liabilities. The Company paid $150,000 in settlement of all existing and possible claims, including an inter-company loan of some $0.025m owing by the Company to JBPL. As a result, the net liabilities of JBPL, as previously consolidated into the Group's reported financial position, are no longer a liability of the Group and have given rise to a writeback of $0.34m to the Group's consolidated Profit or Loss;
- the Company anticipates JBPL will be deregistered by the liquidator in due course.

Red Gum Resources (Chile) Pty Ltd was deregistered with ASIC during the previous Reporting Period on 16 December 2018. Immediately prior to being deregistered it was dormant and had no material assets or liabilities. Following de-registration the subsidiary was deconsolidated from the Group's financial reporting generating a profit from discontinued operations of $30,029 in the previous Reporting Period (**Note 19**).

Red Gum Chile SpA was 100% owned by Red Gum Resources (Chile) Pty Ltd.

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

MCS

27. Leases

Finance Leases

The terms and conditions of outstanding leases are as follows:

- The Group obtained a finance lease for one Operations vehicle during the Reporting Period, with a balance payable of $25,576 as at 30 June 2020 ($nil: 30 June 2019). Instalments of some $900 per month are payable, including interest at 4.8%, to November 2022.
- The Group leases its Head Office from a party related to Mr Paul Simmons, the CEO and vendor of MCS Security Pty Ltd **(Note 23(b))**. The lease has been accounted for in accordance with AASB 16 Leases effective from 1 July 2019.

The Group has no other material leases.

	2020 $'000	2019 $'000
Current		
Finance Lease – Motor Vehicle	10	–
Finance Lease – Leased Building	42	–
Total current borrowings	**52**	–
Non-Current		
Finance Lease – Motor Vehicle	16	–
Finance Lease – Leased Building	214	–
Total non-current borrowings	**230**	–
Total borrowings	**282**	–
Total current & non current secured liabilities included above		
Finance Lease - Motor Vehicle	**26**	–
Carrying value of non-current assets pledged as security		
Motor Vehicle	**39**	–

28. Financial Instrument Risk

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised below. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management is co-ordinated at its Head Office, in close co-operation with its Board of Directors, and focusses on actively securing the Group's short to medium term cashflows by obtaining, and renewing, long-term security contracts with credit-worthy customers

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

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

Market Risk Analysis:

a) Foreign Currency sensitivity

Materially all of the Group's transactions are carried out in Australian Dollars (A$), all of its Cash Balances are held in A$ (**Note 11**) and all of its Trade & Other Receivables (**Note 12**), Trade Payables (**Note 16**) and Lease liabilities (**Note 27**) are denominated in A$.

The Group has no foreign currency loans or material liabilities in foreign currencies. The Group does not enter 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 9);**
- the Group does not have any material Finance Lease arrangements **(Note 27);** 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 18).**

c) 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	2020 $'000	2019 $'000
Current Assets: Cash and Cash Equivalents	11	2,081	2,098
Current Assets: Trade & Other Receivables	12	2,553	2,911
Non-Current Assets: Cash Bonds		2	2

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.

In respect of Trade Debtors, the Group's largest 5 customers (either a single counterparty or a group of related counterparties) accounted for some 63% (66%: 2019) of the Trade Debtors amount owing as at 30 June 2020. 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 2020 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 2020 analysed by the length of time past due are:

	2020 $'000	2019 $'000
More than 3 months but not more than 6 months	235	244

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

d) Price Risk

The Group is not exposed to price risk.

e) 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, 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.

29. 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 2020 and 30 June 2019:

	Level 1 $'000	**Level 2** $'000	**Level 3** $'000
30 June 2020			
Cash	-	2,081	-
Trade & Other Receivables	-	2,553	-
Trade & Other Payables	-	(2,206)	-
Income Tax Payable	-	(71)	-
Financial Liabilities – Motor Vehicle	-	(26)	-
Financial Liability - Leased Building	-	(256)	-
Related Party Loan	-	(84)	-
30 June 2019			
Cash	-	2,098	-
Trade & Other Receivables	-	2,911	-
Trade & Other Payables	-	(3,270)	-
Related Party Loan	-	(177)	-

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.

30. 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.

Notes to the Financial Statements

For the year ended 30 June 2020

31. Parent entity information

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

Statement of Financial Position	**2020** $'000	**2019** $'000
Current Assets	45	130
Non-Current Assets	4,930	4,930
Total Assets	**4,975**	**5,060**
Current Liabilities	(241)	(123)
Non-Current Liabilities	(1,370)	(1,237)
Total Liabilities	**(1,611)**	**(1,360)**
Net Assets	**3,364**	**3,700**
Equity		
Issued Capital	17,981	17,995
Share Option & Performance Right Reserve	239	214
Accumulated Losses	(14,856)	(14,509)
Total Equity	**3,364**	**3,700**
Financial Performance		
Operating Loss for the Year	**(347)**	**(335)**

No dividend was declared in the current or previous year.

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.

32. Events Arising since the end of the Reporting Period

No adjustments or significant non-adjusting events have occurred between the Reporting Date and the date of authorisation of this Report, except that:

- the Company took up the 5 year option on its office premises in Joondalup (**Note 23**);
- the Company has repaid the remaining balance of the Related Party Loan (**Note 18**)

MCS

Directors' Declaration

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 Group's financial position as at 30 June 2020 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 2020.

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 29 September 2020

Independent Auditor's Report

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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 2020, 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 2020 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 under the new revenue Standard AASB 15 Revenue from Contracts with Customers There is an inherent risk around the accuracy of revenue recorded given the nature of the Group's activities. The application of AASB 15 *Revenue from Contracts with Customers* (AASB 15) involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. 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 $25.1 million).	Inter alia, our audit procedures included the following: i. Assessing the Group's process to for revenue recognition that ensure recognition in accordance with AASB 15. ii. Assessing the appropriateness of the Group's revenue recognition accounting policies and the adequacy of their disclosures in the financial statements; iii. Testing the operating effectiveness of the key controls over the revenue process that ensure completeness, accuracy and timing of revenue recognised; iv. Performing tests for accuracy, completeness and cut-off of customer invoicing on a sample basis; and v. 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 $20.5 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 employees' rates of pay per the payroll system to relevant supporting documentation; v. Verification on a sample basis of employees' 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 8 and Note 17.

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 2020, 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 18 to 25 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of MCS Services Limited for the year ended 30 June 2020 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 and Consulting Pty Ltd

Samir Tirodkar
Director
West Perth, Western Australia
29 September 2020

ASX Additional Information

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 2020.

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	17.88

Distribution of Equity Security Holders as at 18 September 2019

Holding	Shareholders	Total Units
1-1000	12	2,954
1,001-5,000	11	27,788
5,001-10,000	4	25,996
10,001-100,000	178	9,476,513
100,000 and over	145	176,741,306
	350	186,274,557

Top 20 Shareholders	Number of Ordinary Shares	% of Issued shares
JP Morgan Nominees Australia Limited	33,697,882	18.09
PR & M Simmons Pty Ltd (Simmons Super Fund a/c)	33,531,812	18.00
National Nominees Limited	13,527,078	7.26
Mr Richard Batrachenko & Mrs Jacqueline Batrachenko (Batrachenko Superfund a/c)	6,332,580	3.40
Savol Pty Ltd	4,000,000	2.15
Mr Johnathon Matthews	3,673,663	1.97
Mr Salvatore Di Vincenzo	3,527,605	1.89
Capital H Management Pty Ltd (Capital H a/c)	3,400,000	1.83
Dr David George Maxwell Welsh	3,000,000	1.61
Mr Adam Leonard Goulding & Mrs Renee Louise Goulding (Race Superfund a/c)	2,729,457	1.47
Mrs Lay Hoon Lee	2,490,000	1.34
M Conway Investments Pty Ltd (Conway Family a/c)	2,300,000	1.23
Mr John James Wiltshire Gilmour	2,231,561	1.20
Ferguson Corporation Pty Ltd	2,000,000	1.07
Mr David Winton Julius Dare	2,000,000	1.07
Mr Norman Colburn Mayne (NC Mayne Family Fund a/c)	2,000,000	1.07
Yucaja Pty Ltd (The Yoegiar Family Fund a/c)	1,860,090	1.00
Navigator Australia Ltd (MLC Investment Sett a/c)	1,800,000	0.97
Mr Peter David Sheppeard & Mrs Sharon Fay Sheppeard (Sheppeard Family S/F A/Cc)	1,796,546	0.96
Mr Adam Leonard Goulding (Race Investment a/c)	1,508,642	0.81
	127,406,916	68.39
Total Remaining Holders (balance)	58,867,641	31.61
Total Ordinary Shares on issue	**186,274,557**	**100%**

ASX Additional Information

Less than Marketable Parcel
There were 46 holders of less than a marketable parcel of ordinary shares.

Escrowed Shares
There are no shares held in escrow.

Unissued Equity Securities
During the Reporting Period 3.6m Performance Rights were issued to the CEO / Managing Director, Paul Simmons, effective 29 November 2019 as a cost effective incentive and form part of a reasonable and appropriate remuneration package. The Performance Rights vest over the period to 30 June 2022 upon achievement of the earnings per share / strategic plan milestones, were issued for $nil consideration, have an exercise price of nil cents and expire on or before 30 June 2022. Each Performance Right will, subject to vesting, entitle the holder on exercise to one share in the Company.

None of the Performance Rights had been vested by 30 June 2020.

On-Market Buy-Backs
Shareholders approved at the 29 November 2019 AGM for the Company to buy-back up to 10% of shares on issues over the 12 month period to November 2020. 187 million shares were on issue as at 29 November 2019, such that the buyback limit equates to some 18 million shares. Subsequent to shareholder approval the Company has bought back and cancelled 1.27 million shares at an average of 1.15 cents. The Company has remaining capacity to buyback some 17 million shares.

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.
- **Performance Rights:** No voting rights until vest

Quoted Options
There are no quoted options.

Unquoted Options
As at 18 September 2020 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 / Managing Director	3,000,000
M Englebert	CFO	3,000,000
J Asquith	Company Secretary	3,000,000

As at 18 September 2020 the Company had the following Performance Rights on issue:

Holder	Role	Holding
P Simmons	CEO / Managing Director	3,600,000

END OF REPORT