ABN: 66 119 641 986

MCS Services Ltd

Annual Report

For the year ended 30 June 2021

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 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	

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Highlights

During the Reporting Period the Group's achievements included:

Operational Achievements

- a 52% increase in revenue to $38.1 million (2020: $25.1 million) notwithstanding the effects of COVID-19 restrictions on the sports and events sectors and despite the Company not being eligible for Government support programs such as Jobkeeper;
- successfully attaining ISO 14001 (Environment) following an independent audit, adding to our ISO 9001 (Quality), AS4801 and OHSAS 18001 (Health & Safety) certification attained in 2020;
- obtaining an operating security licence for Queensland, adding to existing operating licences for New South Wales, ACT, Western Australia, Victoria and South Australia;
- continuing to expand the Alarm/CCTV division, including engaging additional staff;
- continuing its security work at one quarantine-control hotel in Perth, operating to protocols and PPE requirements developed in line with regulatory requirements and guidance and using a specialist roster of security staff; and
- expanding its security work in the health sector, including for North Metropolitan Health Services in Perth.

Financial Achievements

- an operating EBITDA profit (before Significant Items) of $2.22 million (2020: $0.37 million); and
- an underlying net operating profit after tax (before Significant Items) of $1.65 million (2020: $0.13 million).

Corporate Achievements

- issuing 1.8m Performance Rights as an incentive to Mark Englebert, the CFO; and
- repaying the remaining $85,000 of the Related Party loan owing to P&M Simmons, the vendors in 2015 of MCS Security Group Pty Ltd.

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 2021 (**"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 and minor declines in work volumes during the period of strict COVID restrictions in WA;
- expanding our security work in the Health Sector, including work for the WA Government's North Metropolitan Health Service in Perth;
- 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 number of hotel chains at their locations in WA;
- obtaining operating licences in Queensland, adding to the existing operating licences for NSW, ACT, Victoria, South Australia and Western Australia. The Group is continuing with the process of applying for an operating licence in the Northern Territory;
- tendering for retail and commercial security opportunities in the eastern states; and
- progressing our strategically targeted marketing plan, and resourcing those target areas.

(b) Management and Administration

During the Reporting Period the Group:

- had its environmental management processes audited and certified under ISO 14001, adding to the ISO 9001 (Quality) and AS4801 and OHSAS 18001 (Health & Safety) certification obtained in the previous Reporting Period. Certification covers the Company's core environmental, safety and quality systems including recruitment, training, operating procedures, risk assessments, hazard identifications, safe working, toolbox meetings, incident investigations, internal auditing, data reporting, procurement, and continuous improvement processes;
- utilised its integrated risk, compliance, training, incident reporting and business optimisation IT system; and
- moved all staff onto a new integrated Payroll IT system;
- moved it's financial recording to a new Accounting IT system.

(c) Acquisition Growth

During the Reporting Period the Group undertook discussions with a number of 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 52% increase in revenue to $38.1 million (2020: $25.1 million) notwithstanding the effects of COVID-19 restrictions on the retail, sports and events sectors and despite the Company not being eligible for Government support programs such as Jobkeeper;

- renewed / extended contracts with existing retail and commercial security clients as they fell due including and despite the company not being eligible for Government support programs such as Jobkeeper;
    - a major commercial office and retail buildings in the Perth CBD;
    - three shopping centres in Perth; and
    - the iconic Perth Stadium;
- won new security contracts, including but not limited to:
    - North Metropolitan Health Service in Perth;
    - covert (plain clothed) security for a national retailer, at its stores in South Australia; and
    - for an existing Events & Stadia customer, to also provide security at their motorsport venue, further cementing the Group's position in the WA event-security market.

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

Our retail security clients materially maintained standard work volumes.

At the date of this Report the Group's quarantine-control hotel security work is ongoing. The continuation / volume of such work going forward is subject to a number of factors including government policy, quarantine regulations, incoming flight restrictions, and any construction of new quarantine facilities.

Corporate Achievements

During the Reporting Period the Company:

- issued 1.8m Performance Rights as an incentive to Mark Englebert, the CFO. 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 the final $85,000 of the Related Party loan owing to P&M Simmons, the vendors of MCS Security Group Pty Ltd in 2015. The loan had accrued interest at 6% pa, and the remaining balance was due for repayment in full in October 2020.

There was no change to the Board of Directors during the Reporting Period.

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 Queensland, South Australia, Victoria, NSW, ACT

Chairman’s Report

and (in progress) Northern Territory, the Group continues to work on securing work in those States;

- reviewing but electing not to pursue some 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 2021.

The following persons were Directors of the Company throughout the Reporting Period unless otherwise stated and continue to be so:

Directors' Report

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

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:	360,000
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

Directors' Report

Mr Paul Robert Simmons

Managing Director
Appointed 1 July 2019

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. Paul holds some 18% of the shares in MCS Services 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.

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, hotel, 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 statutory net profit after tax attributable to members of the Company for the Reporting Period of $1.55 million (2020: $0.32m) included:

- an underlying operating profit after tax before significant items of $1.65 million (2020: $0.13 million)
- individually significant items, being a $0.099 million expensed valuation of Performance Rights issued to the Managing Director, Paul Simmons and Mark Englebert, the CFO, as relevant to the Reporting Period **(Note 19)**.

The Group's results were not impacted by COVID-related Government subsidies, as the Group was ineligible for such subsidies.

Significant Changes in State of Affairs

There were no significant changes in the State of Affairs of the Group during the Reporting Period.

At the time of this Report the JBPL entity continues to be registered with ASIC, under the control of the liquidator **(Note 26)**.

Dividends

The Board has elected not to pay a dividend for the current year. The Company will be deploying available funds to 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.

Directors' Report

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, 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 in WA and other States; and
- utilising its ISO quality management / health & safety/environmental accreditations to demonstrate industry leading competencies to potential and existing clients and also to aid in the management of 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	5	5
Matthew Ward	5	5
Geoffrey Martin	5	4
Paul Simmons	5	5

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 2021 the Company had 186,274,557 (30 June 2020: 186,274,557) ordinary shares on issue.

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.

Directors' Report

Unquoted options on Issue: Ex $0.04 exp 30 November 2022	**Number 2021**	**Number 2020**	**Number 2019**	**Number 2018**
Opening Balance 1 July	18,000,000	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	–	–	–	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**	**18,000,000**
Exercised	–	–	–	–
Lapsed	–	–	–	–
Closing Balance 30 June	**18,000,000**	**18,000,000**	**18,000,000**	**18,000,000**

Unissued Shares Subject to Performance Rights

During the previous Reporting Period 3.6 million Performance Rights were issued to Paul Simmons, the CEO and Managing Director. During the current Reporting Period 1.8 million Performance Rights were issued to Mark Englebert, the CFO.

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.

Unissued shares subject to Performance Rights	**Number 2021**	**Number 2020**
Paul Simmons, CEO	3,600,000	3,600,000
Mark Englebert, CFO	1,800,000	–
	5,400,000	**3,600,000**

Directors' 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) and 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.

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 Paul Simmons, the CEO / Managing Director during the previous Reporting Period, and 1.8 million Performance Rights issued to Mark Englebert, the CFO during the current Reporting Period, are linked to achieving earnings per share and strategic plan milestones over reporting periods to 30 June 2022 (**Note 19**);
- 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 (**Note 19**).

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	2021	2020	2019	2018	2017
EPS (cents)	0.835	0.169	(0.090)	(0.350)	0.225
Dividends (cents per share)	–	–	–	0.100	0.322
Profit / (loss) ($'000)	1,555	316	(171)	(677)	459
Share Price at 30 June (cents)	6.0	2.6	1.4	1.5	2.4

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 Reporting Period or up to the Reporting Date.

4. Bonuses included in remuneration

During the Reporting Period $nil bonuses $nil: 2020 accrued to or were paid to Key Management Personnel as part of remuneration.

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 accrued superannuation at 9.5% in the Reporting Period;
- **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:

Directors' Report
Renumeration Report (Audited)

Remuneration	2021				2020			
	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, CEO[1]	180,000	25,500	205,500		180,000	25,500	205,500	
	30,000	–	30,000		30,000	–	30,000	
Superannuation	17,100	–	17,100		17,100	–	17,100	
Sub total	**227,100**	**25,500**	**252,600**	**10%**	**227,100**	**25,500**	**252,600**	**10%**
Other Key Management Personnel								
Mark Englebert, CFO	180,000	73,500	253,500	–	180,000	–	180,000	–
Superannuation	17,100	–	17,100	–	17,100	–	17,100	–
Sub total	**197,100**	**73,500**	**270,600**	**27%**	**197,100**	**-**	**197,100**	
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**	**99,000**	**648,200**		**549,200**	**25,500**	**574,700**	

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 CEO salary.

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 had been issued to Paul Simmons, the CEO / Managing Director, in the previous Reporting Period for $nil consideration. The Performance Rights vest over the period to 30 June 2022 subject to achieving earnings per share and strategic plan performance criteria, and had been valued at $61,200 using the Black Scholes model. $25,500 of the valuation was expensed in the previous Reporting Period, $25,500 was expensed in the current Reporting Period, with the remainder to be expensed over future reporting periods to 30 June 2022.
- equity-settled share-based payments (SBP) in the form of 1.8 million Performance Rights were issued to Mark Englebert, the CFO, during the Reporting Period for $nil consideration. The Performance Rights vest over the period to 30 June 2022 subject to achieving earnings per share and strategic plan performance criteria. The Performance Rights were valued at $88,200 using the Black Scholes Model. $73,500 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 2020: $nil or the CFO 2020: $nil;
- 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 2021 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	65,000	360,000
Paul Simmons, CEO / Managing Director	34,446,812	–	34,446,812
Other Key Management Personnel			
Mark Englebert, CFO	–	–	–
Company Secretary			
Jonathan Asquith	418,181	–	418,181
TOTAL	**36,670,777**	**65,000**	**36,735,777**

Directors' Report

Renumeration Report (Audited)

6. Other Information (continued)

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 2021 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**

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 a previous Reporting Period and effective 29 November 2019, 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. During the current Reporting Period and effective 9 February 2021, 1.8 million Performance Rights were issued to Mark Englebert, the CFO. Their value was calculated at $88,200 at the grant date using the Black Scholes model. The Performance Rights only vest (and then entitle the holder to an equivalent number of ordinary in the Company) upon earnings per share and strategic plan milestones being achieved over the current and future Reporting Period. The valuations are being expensed as follows:

Performance Rights Valuation Expense	**CEO $**	**CFO $**	**Total $**
Year Ended 30 June 2020	25,500	–	25,500
Year Ended 30 June 2021	25,500	73,500	99,000
Year Ended 30 June 2022	10,200	14,700	24,900
	61,200	**88,200**	**149,400**

Directors’ Report

Performance Rights granted, $nil consideration						
	Balance at Start of Period	Issued In Period		Exercised / Lapsed in Period		Balance at End of Period
	No.	No.	Expense in Grant Period $	No.	Value $	No.
Paul Simmons (CEO, Managing Director)	3,600,000	–	25,500	–	–	3,600,000
Mark Englebert, the CFO	-	1,800,000	73,500	–	–	1,800,000
	3,600,000	**1,800,000**	**99,000**	**-**	**-**	**5,400,000**

The Performance Rights have the following key trigger terms:

Performance Rights: Key Terms				
Period	**CEO Number**	**CFO Number**	**Earnings per share**	**Strategic Milestones**
1 July 2019 to 30 June 2021	1,350,000	675,000	$0.002-$0.0045	–
1 July 2019 to 30 June 2021	450,000	225,000	–	At least 3 of the below
1 July 2021 to 30 June 2022	1,350,000	675,000	$0.002-$0.0045	–
1 July 2021 to 30 June 2022	450,000	225,000	–	At least 3 of the below
Total	**3,600,000**	**1,800,000**		

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 2021 or 2020 Reporting Periods;
- were issued to the Directors or Key Management Personnel as part of their remuneration in the year ended 30 June 2021 or year ended 30 June 2020.

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 previous Reporting Period, including in relation to the subsequent granting of 3.6 million Performance Rights to Paul Simmons, the CEO / Managing Director and 1.8 million Performance Rights to the CFO in the current Reporting Period. A fee of $5,000 was paid to the Remuneration Consultant for the above work in the previous Reporting Period.

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 $8,154 in the Reporting Period (2020: $20,239). 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 2021 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 600 operational (incl Administration) staff. Of the above:

- 77 (2020: 52) are female, including 4 (2020: 8) in supervisory or middle-management positions;
- 50 (2020: 7) 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. There have been no breach of regulations in relation to any activity notified during the Reporting Period or to the date of this report.

The Company had its environmental processes independently audited during the Reporting Period and attained ISO 14001 Environmental Management certification.

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
- 100% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2020

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 companies, 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.

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.

During the previous Reporting Period Stantons International performed a Black Scholes calculation of the 3.6 million Performance Rights issued to the CEO/Managing Director, Paul Simmons during that previous reporting period, for a fee of $656. in addition to their statutory audit duties.

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.

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 30 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 2021

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29 September 2021

Board of Directors
MCS Services Limited
3/108 Winton Road
Joondalup WA 6027

Dear Directors

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 2021, 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
(An Authorised Audit Company)

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 2021 is dated as at 30 June 2021 and was approved by the Board on 29 September 2021.

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 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Revenue	6	38,083	**25,111**
Cost of Sales, incl. operational staff expenses	8	(31,097)	**(20,485)**
Gross Profit		**6,986**	**4,626**
Other Income			
Interest	6	13	7
Other	6	5	12
		18	**19**
Overheads			
Overheads, administration and other expenses	7	(2,416)	(2,098)
Employee expenses and benefits (non-operational staff)	8	(2,365)	(2,172)
		(4,781)	(4,270)
		2,223	**375**
Finance expenses	9	(34)	(32)
Depreciation of property, plant and equipment	14	(102)	(102)
Depreciation of AASB 16 Right of Use assets	15	(42)	(42)
		(178)	(176)
		2,045	**199**
Significant Items			
Writeback of JBPL net liabilities	26	–	338
JBPL Settlement	26	–	(125)
Share-based payment expense	19	(99)	(25)
		(99)	188
Profit before tax		**1,946**	**387**
Income tax (expense)	10	(391)	(71)
Profit for the year attributable to members		**1,555**	**316**
Other Comprehensive income		–	–
Total comprehensive profit for the year		**1,555**	**316**

	Note	30 June 2021 Cents	30 June 2020 Cents
Earnings per share			
Basic earnings per share from continuing operations	20	0.835	0.169
Diluted earnings per share from continuing operations	20	0.811	0.166

	Note	30 June 2021 Number	30 June 2020 Number
Weighted average of ordinary shares outstanding: Basic	20	186,274,557	187,157,297
Weighted average of ordinary shares outstanding: Diluted	20	197,674,557	190,757,257

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

Consolidated Statement of Financial Position

As at 30 June 2021

Assets	Note	30 June 2021 $'000	30 June 2020 $'000
Current			
Cash and cash equivalents	11	4,613	2,081
Trade and other receivables	12	2,923	2,728
Inventory	13	123	53
Total Current Assets		**7,659**	**4,862**
Non-Current			
Restricted cash	11	52	2
Plant and equipment	14	245	203
Right of Use asset – leased property	15	187	229
Total Non-Current Assets		**484**	**434**
Total Assets		**8,143**	**5,296**

Liabilities	Note	30 June 2021 $'000	30 June 2020 $'000
Current			
Income Tax	10	(380)	(71)
Trade and other payables	16	(2,679)	(2,206)
Provisions	17	(1,960)	(1,521)
Related party loan	18	–	(84)
Financial liabilities: AASB 16 Leases	15 / 27	(45)	(42)
Financial liabilities: Vehicles	27	(10)	(10)
Total Current Liabilities		**(5,074)**	**(3,934)**
Non-Current			
Provisions	17	(202)	(94)
Financial liabilities: AASB 16 Leases	15 / 27	(170)	(214)
Financial liabilities: Motor Vehicle	27	(5)	(16)
Total Non-Current Liabilities		**(377)**	**(324)**
Total Liabilities		**(5,451)**	**(4,258)**
Net Assets		**2,692**	**1,038**
Equity			
Share Capital	19	17,980	17,980
Profit Reserve	19	1,555	–
Share Option/Performance Rights Reserve	19	338	239
Retained Earnings		(17,181)	(17,181)
Total Equity		**2,692**	**1,038**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Share Capital	Share Option Reserve	Profit Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000
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		**17,980**	**239**	**-**	**(17,181)**	**1,038**
Profit for the year	19	–	–	1,555	–	1,555
Other Comprehensive Income		–	–	–	–	–
Total Comprehensive Income		**-**	**-**	**1,555**	**-**	**1,555**
Performance Rights Issue	19	–	99	–	–	99
		–	99	–	–	99
Balance 30 June 2021		**17,980**	**338**	**1,555**	**(17,181)**	**2,692**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Cash flows from Operating activities			
Receipts: from customers		41,635	27,949
Payments to employees, suppliers and directors		(35,842)	(25,544)
Payments for BAS		(2,834)	(2,010)
Income tax refunded / (paid)		(80)	39
JBPL legal settlement		–	(150)
Net Cash provided by operating activities	21	**2,879**	**284**
Cash flows from Investing activities			
Interest received	6	13	7
Interest Paid		(25)	(13)
Payment for security for Bank Guarantee	11	(50)	–
Net payment for Plant & Equipment		(139)	(154)
Net Cash (used in) investing activities		**(201)**	**(160)**
Cash flows from financing activities			
Related Party loan	18	(85)	(100)
Buy-back of share capital	19	–	(15)
Finance Lease – vehicle	27	(10)	25
AASB 16 Leases - office	15 / 27	(51)	(51)
Net Cash (used in) financing activities		**(146)**	**(141)**
Net increase (decrease) / increase in cash and cash equivalents		**2,532**	**(17)**
Cash and cash equivalents at beginning of the year		2,081	2,098
Cash and cash equivalents at end of the year	11	**4,613**	**2,081**

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


MCS Security

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 2021 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 consolidated financial statements for year ended 30 June 2021 (including the comparatives) were approved and authorised for issue by the Board of Directors on 29 September 2021.

3. New and Amended Standards Adopted by the Group

The group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

Initial adoption of AASB 2020-04: COVID-19-Related Rent Concessions.

AASB 2020-4: Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions amends AASB 16 by providing a practical expedient that permits lessees to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and, if certain conditions are met, account for those rent concessions as if they were not lease modications.

Initial adoption of AASB 2018-6: Amendments to Australian Accounting Standards - Definition of a Business

AASB 2018-6 amends and narrows the definition of a business specified in AASB 3: Business Combinations, simplifying the determination of whether a transaction should be accounted for as a business combination or an asset acquisition. Entities may also perform a calculation and elect to treat certain acquisitions as acquisitions of assets.

Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards - Definition of a Business

This amendment principally amends AASB 101 and AASB 108 by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

Initial adoption of AASB 2019-3: Amendments to Australian Accounting Standards - Interest Rate Benchmark

This amendment amends specific hedge accounting requirements to provide relief from the potential effects of the uncertainity caused by the interest rate benchmark reform.

Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards - References to the Conceptual Framework

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 $1.55 million (2020: $0.32 million). The Group has net assets of $2.69 million (2020: $1.04 million) including Cash and Cash Equivalents of $4.61 million (2019: $2.08 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 2021, except that as a result of the settlement with the liquidator of JBPL in the previous Reporting Period the net liabilities of JBPL are no longer applicable to the Group and had been written back giving rise to a $0.337 million credit to the Statement of Profit or Loss in the previous Reporting Period **(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, primarily 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 (repaid in full during the Reporting Period, **Note 18)** and a vehicle lease (**Note 27**). The Related Party loan incurred 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.

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 of 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 would be calculated after separate recognition of identifiable intangible assets – including Customer Contracts Acquired.

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

For impairment assessment purposes, assets would be grouped at the lowest levels for which there are largely independent cash inflows (cash generating units).

As a result, some assets would be tested individually for impairment and some would be tested at cash-generating unit level. Goodwill would be allocated to those cash-generating units that were expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill;

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

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

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

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

Employee Benefits

Short term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

Examples of such benefits include wages and salaries, non-monetary benefits and accumulating Annual Leave and 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, having 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 41 employees entitled to Long Service Leave as at 30 June 2021 (2020: 42 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.

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For the year ended 30 June 2021

Share Based Employee Remuneration

During the previous Reporting Period the Company issued 3.6 million Performance Rights to Paul Simmons, the CEO / Managing Director. During the current Reporting Period the company issued 1.8 million Performance Rights to Mark Englebert, the CFO. The Performance Shares vest and entitle the holder to an equivalent number of ordinary shares in the Company upon achieving earnings per share and strategic plan milestones over reporting periods to 30 June 2022. The CEO and CFO Performance Rights were valued using the Black Scholes Model at $61,200 and $88,200 respectively, with a total of $25,500 expensed to Profit or Loss in the previous Reporting Period, a total of $99,000 in the current Reporting Period and the remainder to be expensed over future reporting periods to 30 June 2022 (**Note 19**).

Leased Assets – Finance leases

The Group currently has one vehicle lease **(Note 27)**.

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 loss, as finance costs, over the period of the lease. (**Note 9**)

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**).

Right of use AASB 16

AASB 16 applies to annual reporting periods commencing on or after 1 January 2019. As such, it had been applied for the first time during the previous 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.

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);**
- The Profit Reserve, which includes the net profit of the Company for the current Reporting Period. These profits are not otherwise made unavailable for distribution as a dividend; and
- Retained earnings, which includes all prior period profits / losses.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 transacted using the exchange rates at the date when fair value was determined.

Foreign Operations

The Group did not have any foreign operations during the Reporting Period.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than A$ are translated into A$ upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into A$ at the closing rate at the reporting date. Income and expenses have been translated into A$ at the average rate over the reporting period. Exchange differences are charged or credited to 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

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 (Continued)*

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.

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 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 2021	Corporate $'000	Security Services $'000	Total $'000
Revenue	–	38,093	38,093
Gross Profit	**-**	**6,986**	**6,986**
Other Income	–	18	18
Overheads			
Other Costs	(422)	(4,359)	(4,781)
EBITDA	**(422)**	**2,645**	**2,223**
Depreciation	–	(144)	(144)
Finance Costs – AASB 16 (**Note 15**)	–	(10)	(10)
Finance Costs – Other (**Note 9**)	(1)	(23)	(24)
	(423)	**2,468**	**2,045**
Significant Items: Performance Rights **(Note 19)**	(99)	–	(99)
Profit / (Loss) before income tax	**(522)**	**2,468**	**1,946**
Income tax expense	(391)	–	(391)
Profit / (Loss) attributable to Members	**(913)**	**2,468**	**1,555**
Segment assets	154	7,989	8,143
Segment liabilities	(463)	(4,988)	(5,451)
Segment Net Assets	**(309)**	**3,001**	**2,692**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

30 June 2020	Corporate $'000	Security Services $'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 (**Note 15**)	–	(11)	(11)
Finance costs - Other (**Note 9**)	(9)	(12)	(21)
	(9)	(167)	(176)
	(374)	**573**	**199**
Significant Items – JBPL (**Note 26**)	(125)	338	213
Significant Items – Performance Rights (**Note 19**)	(25)	–	(25)
	(150)	338	188
Profit / (Loss) before income tax	**(524)**	**911**	**387**
Income tax expense	(71)	–	(71)
Profit / (Loss) attributable to members	**(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**

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 $13.8m or 36% (2020: $3.3m or 13%) of the Group's total revenues depended on a single customer (across a number of contracts / locations) in the Security segment.

Accounting Policies
Segment revenues and expenses are those directly attributable to the segments. Revenues have been identified based on the customer's 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 2021 and 30 June 2020 there were no material intersegment transfers.

6. Revenue & Other Income

Revenue	**2021** $'000	**2020** $'000
Guard security	36,960	24,316
Other security	1,123	795
Total	**38,083**	**25,111**
Other Income		
Interest Revenue: Bank	13	7
Other	5	12
Total	**18**	**19**

The company was not eligible for COVID - related Government subsidies during the Reporting Period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

7. Expenses

Overhead expenses include the following:

	2021 $'000	2020 $'000
Professional Fees	329	263
Directors Fees (excl CEO salary)	125	125
Administration & Occupancy	481	439
Insurance	1,169	1,048
Bad Debt Impairment (**Note 12**)	26	23
Other	286	200
Total	**2,416**	**2,098**

8. Employee Remuneration

Expenses recognised for employee benefits are analysed below:

	2021 $'000	2020 $'000
Employee expenses within Cost of Sales		
Gross wages and salaries	22,372	16,199
Movement in leave provisions	454	351
Superannuation	1,794	1,315
Payroll Tax	1,447	1,069
	26,067	**18,934**
Other Costs of Sales	5,030	1,551
	31,097	**20,485**
Employee expenses within Overheads		
Gross wages and salaries (including CEO salary)	2,012	1,891
Superannuation	219	178
Movement in leave provisions	93	19
Other	41	84
	2,365	**2,172**

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 Expenses

Finance expenses for the reporting periods consist of the following:

	Note	2021 $'000	2020 $'000
Interest expense: AASB 16 Lease	15	10	11
Interest expense: Related Party loan	18	1	7
Interest expense: Motor Vehicle Lease	27	1	1
Interest expense: Other		22	13
		34	**32**

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 26% (2020: 27.5%):

	2021 $'000	2020 $'000
a) Recognised in the Income Statement		
Current tax		
Current Year	389	71
Under / (Over) provision for Prior Year	2	-
Deferred Tax		
Origination & Reversal of temporary differences	-	-
Under / (Over) Provision for Prior Periods	-	-
Income tax (benefit)/ expense	**391**	**71**
Numerical reconciliation between Tax Expense and Pre-Tax Net Profit / Loss		
Profit (loss) before tax from continuing operations	1,946	387
Domestic tax rate for the Group	26%	27.5%
Income Tax expense / (benefit)	**506**	**106**
Increase in Income tax due to tax effect of:		
Non-deductible expenses	50	12
Under Provision in Prior Year	2	-

Current year tax losses not recognised	–	–
Decrease in Income Tax expense due to:		
Movement in unrecognised temporary tax losses	27	89
Utilisation of previously unrecognised tax losses	(194)	(46)
Deductible equity raising costs	–	(32)
Non-assessable income	–	(58)
Income tax expense attributable to Equity	**391**	**71**
b) Deferred Tax Recognised Directly in Equity		
Using a corporate tax rate of	**26%**	**27.5%**
Relating to equity raising costs	-	-
Deferred tax expense attributable to equity recognised in equity	–	–

	2021 $'000	2020 $'000
c) Recognised Deferred Tax Assets and Liabilities		
Opening balance	–	–
Charged to Income	–	–
Charged to Equity	–	–
Acquisitions / disposals	-	-
Deferred Tax Assets		
Accruals and Provisions	28	46
Previously Expensed Black Hole costs	–	–
Gross Deferred tax assets	**28**	**46**
Set off of deferred tax liabilities	(28)	(46)
Net deferred tax assets	**-**	**-**
Deferred Tax Liabilities		
Prepayments	(28)	(46)
Plant & Equipment	–	–
Intangibles	–	–
Other DTLs	–	–
Gross Deferred Tax Liabilities	**(28)**	**(46)**
Set off of deferred tax assets	28	46
Net deferred tax liabilities	–	–

d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 26% (2020: 27.5%)		
Deductible temporary differences	607	609
Tax revenue losses	1,125	1,396
Tax capital losses	165	174
Total	**1,897**	**2,179**
e) Current tax assets / (liabilities)		
Income tax refundable / (payable)	**(380)**	**(71)**

11. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2021 $'000	**2020** $'000
Current Assets		
Cash at Bank	4,463	2,081
Cash at call	150	-
	4,613	**2,081**
Non-Current Assets		
Restricted Cash	2	2
Cash as Security for bank guarantee provided to Client	50	-
	52	**2**

12. Trade and Other Receivables

Trade and other receivables consist of the following:

	2021 $'000	**2020** $'000
Trade Debtors	2,806	2,553
Prepayments	108	171
Other Receivables	9	4
	2,923	**2,728**

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 2021 Other Receivables included Employee Loans of $9,077 (30 June 2020: $3,021). 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 2021 have been reviewed for indicators of impairment. The Group applies the simplified approach in assessing for expected credit losses, with expected credit losses on trade receivables estimated using a provision matrix by reference to past default experience and analysis of the debtor's current financial position. In addition, a specific review for individual impaired accounts is undertaken. Specific balances of $24,738 (2020: $8,699) have been identified as past-due and impaired, and $25,543 (2020: $23,487) has been expensed to Profit & Loss in relation to the impairment provision and bad debt, and $9,504 (2020: $57,308) has been written off.

13. Inventory

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

	2021 $'000	**2020** $'000
Inventories	123	53

14. Plant and Equipment

30 June 2021 **Cost or Valuation**	**Furniture & Equipment** $'000	**Motor Vehicles** $'000	**Software** $'000	**Total** $'000
Balance at 1 July 2020	462	290	177	929
Additions	83	68	–	151
Transfers and other movements	(1)	(24)	–	(25)
Balance at 30 June 2021	**544**	**334**	**177**	**1,055**
Depreciation				
Balance at 1 July 2020	(405)	(185)	(136)	(726)
Depreciation	(37)	(44)	(21)	(102)
Transfers and other movements	1	18	(1)	18
Balance at 30 June 2021	**(441)**	**(211)**	**(158)**	**(810)**
Carrying amount at 30 June 2021	**103**	**123**	**19**	**245**

30 June 2020 **Cost or Valuation**	**Furniture & Equipment** $'000	**Motor Vehicles** $'000	**Software** $'000	**Total** $'000
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**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

15. Right of Use asset - Leased Property

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.

	2021 $'000	**2020** $'000
(i) AASB 16 related amounts recognized in the balance sheet		
Right of use assets: Leased Buildings		
At cost or on initial application of AASB 16	422	422
Accumulated Depreciation	(235)	(193)
Net Carrying Amount of Leased Buildings	**187**	**229**
Movement in carrying amounts:		
Leased buildings		
Opening balance or on initial application of AASB 16	229	422
Addition to right-of-use asset	-	-
Depreciation on initial application of AASB 16	-	(151)
Depreciation expense	(42)	(42)
Net Carrying Amount of Leased Buildings	**187**	**229**
(ii) Lease Liabilities recognized is the balance sheet		
Leased buildings		
Opening balance or on initial application of AASB 16	256	422
Interest and payments on initial application of AASB 16	-	(126)
Intense expense	10	11
Repayments	(51)	(51)
Net Carrying Amount of Leased Buildings	**215**	**256**
Lease Liability is classified as follows:		
Current Liability	45	42
Non-Current Liability	170	214
Total Lease Liability	**215**	**256**

16. Trade & Other Payables

Trade and Other Payables consist of the following:

	2021 $'000	2020 $'000
Trade Payables	210	192
GST and Payroll Tax	1,024	819
Accruals	616	441
PAYG	828	325
Superannuation	–	419
Other Payables	1	10
	2,679	**2,206**

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.

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 (had reached the required length of continuous employment) as at 30 June 2021, or are considered 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:

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For the year ended 30 June 2021

	2021 $'000	2020 $'000
Current Liabilities		
Annual Leave	1,673	1,220
Long Service Leave	287	301
	1,960	**1,521**
Non-Current Liabilities		
Long Service Leave	202	94
	2,162	**1,615**
Movement		
Balance 1 July	1,615	1,245
Movement in year	547	370
Balance 30 June	**2,162**	**1,615**

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 2015 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 a 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.

The remaining loan balance, of $84,240 owing as at 30 June 2020 plus $844 of subsequent interest, was paid in full during the Reporting Period. The loan had been due for full repayment no later than 31 October 2020 and had been 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	2021 $'000	2020 $'000
Opening Balance	84	177
Interest accrued	1	7
Repayment	(85)	(100)
Closing Balance	**-**	**84**

As at 30 June 2021 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	2021 $'000	2020 $'000	2021 Number	2020 Number
At the beginning of reporting period	17,980	17,995	186,274,557	187,544,557
Shares Issued	–	–	–	–
Shares Bought Back & Cancelled				
9th and 17th March 2020[1]	–	(15)	–	(1,270,000)
	–	(15)	–	(1,270,000)
Less: Share Issue Costs	–	–		
At the end of Reporting Period	**17,995**	**17,980**	**186,274,557**	**186,274,557**

1 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.

Profit Reserve

A meeting of the Board of directors of the Company has resolved that the net profit for the Reporting Period of $1,555,310 is not to be offset against the Company's Accumulated Losses but is appropriated to a 2021 profit reserve. These profits are not otherwise made unavailable for distribution as a dividend.

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

	2021 $'000	2020 $'000
At the beginning of the year	239	214
Performance Rights expensed during the year - CEO	25	25
Performance Rights expensed during the year - CFO	74	-
	99	**25**
At the end of the year	**338**	**239**

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 2021.

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

During the previous Reporting Period 3.6m Performance Rights were issued for $nil consideration 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 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 previous Reporting Period , $25,500 in the current Reporting Period and the remainder will be expensed over and the remainder will be expensed over future reporting periods to June 2022. During the current Reporting Period 1.8 million Performance Rights were issued for $nil consideration to the CFO, Mark Englebert, effective 9 February 2021 as a cost effective incentive and form part of a reasonable and appropriate remuneration package. The value of these Performance Rights was calculated using the Black Scholes model at $88,200, of which $73,500 was expensed to Profit or Loss in the current Reporting Period and the remainder will be expensed over future reporting periods to June 2022.

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 2021.

The Company has the following Share Options and Performance Rights outstanding:

	Quoted Options 2021 Number	**Quoted Options 2020 Number**	**Unquoted Options 2021 Number**	**Unquoted Options 2020 Number**	**Weighted Average Exercise price**	**Performance Rights 2021 Number**	**Performance Rights 2020 Number**
At 1 July	–	–	18,000,000	18,000,000	$0.04	3,600,000	–
Expired	–	–	–	–	–	–	–
Exercised	–	–	–	–	–	–	–
Issued	–	–	–	–	–	1,800,000	3,600,000
At 30 June	**-**	**-**	**18,000,000**	**18,000,000**	**$0.04**	**5,400,000**	**3,600,000**

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:

	2021 '000 of shares	2020 '000 of shares
Number of Shares used in Calculation of Earnings per share:		
Weighted average number of shares used in basic earnings per share calculation	186,275	187,157
Weighted average number of shares used in diluted earnings per share calculation	197,675	190,757
Profit / (loss) used in calculation of Earnings per share:	**$'000**	**$'000**
From continuing operations	1,555	316

	Cents	Cents
Basic earnings per share		
From continuing operations	0.835	0.169
Diluted earnings per share		
From continuing operations	0.811	0.166

Dividends

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

	2021 $'000	**2020** $'000
Dividends declared during the year	–	–
Being:		
Paid cash	–	–
Withholding tax paid to ATO	–	–
Shares issued under Dividend Reinvestment Plan	–	–
	–	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

21. Reconciliation of cashflows from operating activities

	2021 $'000	2020 $'000
Profit / (Loss) for Year	1,555	316
Adjustments for:		
Interest received and receivable (**Note 6**)	(13)	(7)
Depreciation (**Note 14**)	102	102
AASB 16 Leases (**Note 15**)	51	53
Share based payment expense	99	25
Net change in Working Capital:		
Change in Inventories	(70)	(12)
Change in Trade & Other Receivables	(195)	369
Change in other net assets	21	21
Change in Trade Creditors and Accruals	473	(1,064)
Change in Tax Asset / Liability	309	111
Change in Provisions **(Note 17)**	547	370
Net Cash provided by Operating Activities	**2,879**	**284**

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.

	2021 $'000	2020 $'000
Audit & Review of financial statements	92	85
Other Services: Non-audit assistance: Performance Rights valuation	–	1
Total	**92**	**86**

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 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 $231m^2$ 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.

During the end of the Reporting Period the Company exercised the 5 year option from November 2020 to November 2025. The Simmons Superannuation Fund agreed to waive the contractual rent increase applicable for the year to November 2021.

The amount billed during the Reporting Period for rent was $51,619 (2020: $51,614). The lease has been accounted for in accordance with AASB 16 Leases (**Note 15**) 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 $8,155 (2020: $20,329). 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 (2020: $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 granted to Mr Paul Simmons, CEO / Managing Director in the previous Reporting Period, 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 previous reporting period ($25,500), in the current Reporting Period ($25,500) and future reporting periods to 30 June 2022 ($10,200);
- equity-settled share-based payments (SBP) in the form of 1.8 million Performance Rights granted to the CFO, Mark Englebert, in the Reporting Period, 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 $88,200 using the Black Scholes model and the value is being expensed to Profit or Loss in the current Reporting Period ($73,500) and future reporting periods to 30 June 2022 ($14,700).

	2021 $	**2020** $
Short term	515,000	515,000
Post Employment	34,200	34,200
Shared Based Payments	99,000	25,500
	648,200	**574,700**

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

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 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.

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 2021	Group ownership % 30 June 2020
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. The extent of the liabilities was not fully disclosed upon acquisition of JBPL by the Company 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 previous 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, were no longer a liability of the Group and gave rise to a writeback of $0.34m to the Group's consolidated Profit or Loss in the previous reporting period;

- the Company anticipates JBPL will be deregistered by the liquidator in due course.

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

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 previous Reporting Period, with a balance payable of $15,347 as at 30 June 2021 ($25,576: 30 June 2020). 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.

	2021 $'000	**2020** $'000
Current		
Finance Lease – Motor Vehicle	10	10
Finance Lease – Leased Building	45	42
Total current borrowings	**55**	**52**
Non-Current		
Finance Lease – Motor Vehicle	5	16
Finance Lease – Leased Building	170	214
Total non-current borrowings	**175**	**230**
Total borrowings	**230**	**282**
Total current & non current secured liabilities included above		
Finance Lease - Motor Vehicle	**15**	**26**
Carrying value of non-current assets pledged as security		
Motor Vehicle	**28**	**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 (repaid in the Reporting Period) Related Party loan, as owed to the vendor of the MCS Security business, was fixed at 6% pa **(Note 18).** The balance was fully paid in the year.

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	2021 $'000	2020 $'000
Current Assets: Cash and Cash Equivalents	11	4,613	2,081
Current Assets: Trade & Other Receivables	12	2,806	2,553
Non-Current Assets: Restricted Cash	11	52	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 61% (63%: 2020) of the Trade Debtors amount owing as at 30 June 2021. 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 2021 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 2021 analysed by the length of time past due are:

	2021 $'000	2020 $'000
More than 3 months but not more than 6 months	87	235

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 2021 and 30 June 2020:

	Level 1 $'000	**Level 2** $'000	**Level 3** $'000
30 June 2021			
Cash	-	4,613	-
Restricted Cash	-	52	-
Trade & Other Receivables	-	2,806	-
Trade & Other Payables	-	(2,679)	-
Income Tax Payable	-	(380)	-
Financial Liabilities – Motor Vehicle	-	(15)	-
Financial Liabilities - Leased Building - AASB 16	-	(215)	-
30 June 2020			
Cash	-	2,083	-
Trade & Other Receivables	-	2,553	-
Trade & Other Payables	-	(2,206)	-
Income Tax Payable	-	(71)	-
Financial Liabilities – Motor Vehicle	-	(26)	-
Financial Liabilities - Leased Building - AASB 16	-	(256)	-
Related Party Loan	-	(84)	-

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 Group 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 Company 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.

31. Parent entity information

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

	2021 $'000	**2020** $'000
Statement of Financial Position		
Current Assets	552	45
Non-Current Assets	4,930	4,930
Total Assets	**5,482**	**4,975**
Current Liabilities	(464)	(241)
Non-Current Liabilities	–	(1,370)
Total Liabilities	**(464)**	**(1,611)**
Net Assets	**5,018**	**3,364**
Equity		
Issued Capital	17,980	17,980
Share Option & Performance Right Reserve	338	239
Accumulated Losses	(14,855)	(14,855)
Profit Reserve	1,555	–
Total Equity	**5,018**	**3,364**
Financial Performance		
Operating Loss for the Year	**(214)**	**(347)**

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

No dividend to shareholders of the Company 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.

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 2021 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 Group 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 2021.

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

Signed in accordance with a resolution of the directors

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MCS Services Limited, the Company and its subsidiaries, ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

Key Audit Matters	How the matter was addressed in the audit
Completeness and accuracy of revenue under 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 $38.1 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 $31.1 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 2021 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 17 to 25 of the directors’ report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of MCS Services Limited for the year ended 30 June 2021 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
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director
West Perth, Western Australia
29 September 2021

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 13 September 2021.

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	%
Capital H Management Pty Ltd	41,897,882	22.5
PR & M Simmons	34,446,812	18.5

Distribution of Equity Security Holders as at 13 September 2021

Holding	Shareholders	Total Units
1–1000	17	4,894
1,001–5,000	11	27,735
5,001–10,000	9	73,536
10,001–100,000	182	9,065,065
100,000 and over	128	177,103,327
	347	186,274,557

Top 20 Shareholders	Number of Ordinary Shares	% of Issued shares
JP Morgan Nominees Australia Limited	41,347,893	22.20
PR & M Simmons Pty Ltd (Simmons Super Fund a/c)	33,531,812	18.00
Mr Richard Batrachenko & Mrs Jacqueline Batrachenko (Batrachenko Superfund a/c)	13,567,447	7.28
Mr Adam Leonard Goulding & Mrs Renee Louise Goulding (Race Superfund a/c)	9,724,255	5.22
Dr Darko Pozder	4,846,746	2.60
BNP Paribas Nominees (IB Au Noms Retail Client DRP)	4,344,964	2.33
Mr Salvatore Di Vincenzo	3,527,605	1.89
Mr Adam Leonard Goulding (Race Investment a/c)	3,301,559	1.77
Savol Pty Ltd	3,000,000	1.61
Dr David George Maxwell Welsh	3,000,000	1.61
Mr Stephen Richard Barrett & Mrs Alison Barrett (SR & A Barrett SF A/C)	3,000,000	1.61
Mr Johnathon Matthews	2,361,134	1.27
Mr John James Wiltshire Gilmour	2,250,000	1.21
Multi Tech Systems Pty Ltd (Bhatia Super a/c)	1,650,000	0.89
Mr Peter Scarf & Mrs Ida Scarf (Scarf Superfund)	1,500,000	0.81
Mr Paul James Menary	1,500,000	0.81
Miss Lindsay Jeanette Blyth	1,449,050	0.78
Investors Advantage Pty Ltd	1,291,126	0.69
Navigator Australia Ltd (MLC Investment Sett a/c)	1,200,000	0.64
Mr Steven Clive Bailey	1,139,131	0.61
	137,532,722	**73.8**
Total Remaining Holders (balance)	48,741,835	26.2
Total Ordinary Shares on issue	**186,274,557**	**100%**

Less than Marketable Parcel
There were 32 holders of less than a marketable parcel of ordinary shares.

Escrowed Shares
There are no shares held in escrow.

ASX Additional Information

Unissued Equity Securities
During the previous Reporting Period 3.6m Performance Rights were issued to the CEO / Managing Director, Paul Simmons, effective 29 November 2019. During the Reporting Period 1.8m Performance Rights were issued to the CFO, Mark Englebert, effective 9 February 2021. The Performance Rights are 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 2021.

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 equated to some 18 million shares. Subsequent to shareholder approval the Company bought back and cancelled 1.27 million shares at an average of 1.15 cents.

Shareholders approved at the 26 November 2020 AGM for the Company to buy-back up to 10% of shares on issue over the 12 month period to November 2021. As such, the Company has remaining capacity to buyback some 18 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 13 September 2021 the Company had the following unquoted options on issue:

Holder	Role	Number
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
		18,000,000

As at 13 September 2021 the Company had the following Performance Rights on issue:

Holder	Role	Number
P Simmons	CEO / Managing Director	3,600,000
M Englebert	CFO	1,800,000
		5,400,000

END OF REPORT