



ABN: 66 119 641 986

**APPENDIX 4E
PRELIMINARY FINAL REPORT**

**FOR THE YEAR ENDED
30 JUNE 2019**

1. Reporting Period

Reporting period: ("Current period") Year ending 30 June 2019

Previous corresponding period Year ending 30 June 2018

2. Results for announcement to the market

				\$'000
Revenue from ordinary activities	up	by 23% / \$4.443m	to	23,563
Profit / (loss) from ordinary activities after tax attributable to members excluding significant items	improved	by \$0.642m	to	251
Net profit / (loss) for the period attributable to members including significant items	improved	by 70% / \$0.478m	to	(199)

	Amount per share (cents)	Franked amount per share (cents)
Dividends		
Final: Current Year	-	-
Final: Previous Year	-	-
Interim: Current Year	-	-
Interim: Previous Year	-	-

The Board's intentions for declaring a dividend subsequent to 30 June 2019 are subject to assessments of the most effective available capital management and business opportunities.

Overall the business generated:

- underlying EBITDA (before Significant Items and tax) from ordinary activities of \$0.41m (2018: loss of \$0.02m);
- underlying net profit (before Significant Items and tax) from ordinary activities of \$0.26m (2018: loss of \$0.39m);
- a net loss attributable to members of \$0.20m (2018: net loss \$0.68m).

The security business contributed \$23.56m revenue (2018: \$19.12m), \$4.37m gross profit (2018: \$3.89m) and an operating profit (before significant items and tax) of \$0.59m (2018: \$0.04m profit before tax).

The parent entity incurred a loss (before significant items and tax) of \$0.33m (2018: \$0.43m loss) before tax during the year, incurring costs of compliance, audit, legal and directors' fees.

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

	30 June 2019	30 June 2018
	\$'000	\$'000
Revenue	23,563	19,120
Cost of sales	(19,191)	(15,233)
Gross profit	4,372	3,887
Other Income		
Interest	8	10
Other	21	-
	29	10
Overheads		
Overhead, administration and other expenses	(2,104)	(1,747)
Employee expenses & benefits	(1,889)	(2,166)
	(3,993)	(3,913)
	408	(16)
Depreciation of property, plant & equipment	(130)	(156)
Amortisation of contracts acquired	(22)	(217)
	(152)	(373)
	256	(389)
Significant items		
Loss on capital restructure	-	(45)
Issue of unlisted options (Note 6)	-	(213)
Impairment: other	-	(28)
Prior period insurance (Note 16)	(450)	-
	(450)	(286)
Loss before tax	(194)	(675)
Income tax expense	(5)	(2)
Total comprehensive loss for the year	(199)	(677)

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4. Condensed Consolidated Statement of Financial Position

	30 June 2019 \$'000	30 June 2018 \$'000
Current Assets		
Cash and cash equivalents	2,100	835
Trade and other receivables	3,102	2,873
Inventory	41	29
Other	40	50
	5,283	3,787
Non-Current Assets		
Plant and equipment	151	236
Intangible assets: contracts acquired	-	22
Other	2	2
	153	260
Total Assets	5,436	4,047
Current Liabilities		
Trade and other payables	3,275	1,811
Provisions	1,128	813
Related party loan	-	284
	4,403	2,908
Non-Current Liabilities		
Provisions	117	172
Related party loan	177	-
	294	172
Total Liabilities	4,697	3,080
Net Assets	739	967
Equity		
Issued capital (Note 6)	17,995	18,024
Other reserves	244	244
Accumulated losses (Note 8)	(17,500)	(17,301)
	739	967

5. Condensed Consolidated Statement of Cashflows

	30 June 2019	30 June 2018
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	25,681	20,735
Receipts: insurance reimbursements	-	261
Payments to employees, suppliers and directors	(22,272)	(19,226)
Payments for BAS	(1,880)	(1,575)
Income tax paid	(70)	(19)
Net cash provided by operating activities	1,459	176
Cash flows from investing activities		
Interest received	8	10
Payment for plant & equipment	(53)	(139)
Payment for acquisition of contracts	-	(156)
Net cash (used in) investing activities	(45)	(285)
Cash flows from financing activities		
Proceeds from the issue / (buyback) of share capital (Note 6)	(29)	(58)
Payment for acquisition of subsidiaries	-	(45)
Repayment of Related Party borrowings	(120)	-
Dividends paid	-	(146)
Net cash (used in) financing activities	(149)	(249)
Net increase / (decrease) in cash and cash equivalents	1,265	(358)
Cash / cash equivalents at beginning of financial year	835	1,193
Cash / cash equivalents at end of financial year	2,100	835

6. Securities on Issue

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

	Number
Ordinary shares	
Shares 1 July 2018	189,309,608
Shares bought and cancelled pursuant to unmarketable share buy-back (below)	(1,765,051)
On issue at date of this report	187,544,557
Quoted options	Number
Options at 1 July 2018	-
On issue at date of this report	-
Unquoted options	Number
Options at 1 July 2018	18,000,000
On issue at date of this report	18,000,000

Ordinary shares Dividend Reinvestment Plan (DRP)

During the Reporting Period no shares were issued pursuant to the DRP.

During the previous period 1,407,680 ordinary securities were issued at \$0.022 each.

Ordinary share buy-back & cancellation

During the Reporting Period, as part of an Unmarketable Parcels Share Buy-Back, 1,765,051 ordinary securities were acquired and cancelled at a buy-back price of 1.64 cents, totalling \$28,945.

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

Quoted options

No quoted options were issued, exercised or expired during the Reporting Period.

During the previous period the Company had 4,000,047 quoted options (RGOXA, ex \$0.44) which expired without being exercised on 15 November 2017.

Unquoted options

No unquoted options were issued, exercised or expired during the Reporting Period.

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

7. Dividend reinvestment plan

A dividend reinvestment plan is in place.

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8. Accumulated losses

	30 June 2019	30 June 2018
	\$'000	\$'000
Accumulated (losses) at beginning of financial year	(17,301)	(16,638)
Expiration of quoted options	-	202
Net profit (loss) attributable to members	(199)	(677)
Dividend	-	(188)
Accumulated (losses) at end of financial year	(17,500)	(17,301)

9. Net tangible assets

	30 June 2019	30 June 2018
	cents	Cents
Net tangible asset backing per ordinary share	0.4	0.5

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

During the Reporting Period a dormant entity, Red Gum Resources (Chile) Pty Ltd, was deregistered.

During the previous period, on 26 September 2017, John Boardman Pty Ltd, a 100% owned subsidiary of the Company, was placed into liquidation. That entity has negligible assets and does not trade. The winding up continues and is not expected to impact the operations or cashflow of the Company.

11. Details of associates and joint venture entities

Not applicable.

12. Any other significant information

Not applicable.

13. Accounting Standards

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

14. Results for the period

	30 June 2019	30 June 2018
	cents	cents
Basic earnings / (loss) per ordinary share	(0.106)	(0.350)
Weighted Average number of ordinary shares outstanding during the period used in the calculation of basic EPS	188,535,887	193,732,543

15. Return to shareholders

Not applicable.

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16. Significant features of operating performance

During the Reporting Period the Company:

- maintained all material existing client contracts;
- increased its revenues through organic growth, with new contractual work commencing at shopping centres in WA and Northern Territory and through extended / expanded work including in Covert Security, Event Security and in office buildings and Local Government;
- applied for Security Licences in Victoria and NSW;
- continued to pursue pipeline opportunities in WA and other States;
- invested in staffing, including:
 - o hiring a dedicated manager for its CCTV and Alarm segment, which contributed to a notable increase in that segment's activity;
 - o an increased targeted Business Development capability, both in Western Australia and eastern states;
 - o continued the work of its highly credentialled OHS Manager whose role includes providing for the welfare of our staff, a clear point of difference when marketing our services, and driving the Company towards gaining ISO 9001 (Quality Management), 14001 (Environmental) and 45001 (Occupational Health & Safety) accreditation;
- bought back and cancelled 1,765,051 ordinary shares, representing 1% of the then share capital, for \$28,945;
- repaid \$120,000 of the vendor loan owing to P&M Simmons, vendors of the MCS Security Group Pty Ltd business, and reached agreement to extend repayment of the remainder of the vendor loan to October 2020. All other terms remain unchanged; and
- as reported in the Half Year Financial Report, finalised a review of its Workers Compensation Insurance premium liabilities for insurance periods prior to those managed by its current Insurance Broker. An amount of \$450,000 has been accrued in relation to expected workers' compensation call-up premiums for the years 2015/16 and 2016/17. The Company's insurer confirmed the additional premiums would not fall due until at least 31 August 2019. The Company is in the process of finalising a payment structure to pay this liability in 12 monthly instalments commencing September 2019. The Company has at all times maintained full Workers Compensation insurance for all of its employees.

The Company:

- continues to seek further organic growth opportunities in its specialist security segments, including but not limited to leveraging its reputation with existing clients to obtain work at additional locations;
- is also assessing the addition of new verticals to its business;
- is constantly assessing the expansion of its operations in the Perth metropolitan area, regional Western Australia and interstate through the identification and acquisition of suitable targets. It may progress these opportunities if they are value accretive to shareholders and consistent with the Company's strategy; and
- is assessing the most effective use of cash balances going forward including for business acquisitions, share buy-backs and / or reduction of the remaining Related Party loan balance.

17. Segment results

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

18. Trends in results

The upward trend in Revenue during the Reporting Period reflects the Company's progress in establishing itself as the most prominent provider of security services to shopping centres and sports stadia in Western Australia.

Gross Profit margins were affected by pay-awards to Guards net of contract rate increases to customers.

Operational Overheads were affected by:

- investment in Business Development staffing in both Western Australia and eastern states. The investment brought benefits in further contract wins during the Reporting Period and in tender submissions for which the Company awaits results;
- investment in employing and resourcing an OHS / ISO Manager. This investment is ongoing and provides for the welfare of our staff, a clear point of difference when marketing our services, and is driving the Company towards gaining ISO 9001 (Quality Management), 14001 (Environmental) and 45001 (Occupational Health & Safety) accreditation which we anticipate will occur during the year ending June 2020.

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

The accounts are in the process of being audited.

20. Description of any likely audit dispute or qualification

None



Signed in accordance with a resolution of the directors.

The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman
Dated this 30th day of August 2019

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