



For personal use only

Appendix 4E Preliminary Final Report

For the year ended 30 June 2022

1. Reporting Period

Reporting period: ("Current period"): Year ending 30 June 2022
 Previous corresponding period: Year ending 30 June 2021

2. Results for announcement to the market

Revenue from ordinary activities	up	by 15% / \$5.713m	to	\$43,796,000
Profit / (loss) from ordinary activities after tax attributable to members excluding significant items	down	by 34% / \$0.56m	to	\$1,091,000
Net profit / (loss) for the period attributable to members including significant items	down	by 31% / \$0.49m	to	\$1,066,000

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

Overall the business generated:

- underlying EBITDA (before Significant Items and tax) from ordinary activities of \$1.52m (2021: \$2.22m);
- underlying net profit (before Significant Items and tax) from ordinary activities of \$1.30m (2021: \$2.05m);
- a net profit attributable to members of \$1.07m (2021: \$1.55m).

The Board's intentions for declaring a dividend subsequent to 30 June 2022 are subject to assessments of the most effective available capital management and business opportunities.

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

	30 June 2022 \$'000	30 June 2021 \$'000
Revenue	43,796	38,083
Cost of sales	(36,981)	(31,097)
Gross profit	6,815	6,986
Other Income		
Interest	15	13
Other	12	5
Overheads	27	18
Overhead, administration and other expenses	(2,817)	(2,416)
Employee expenses & benefits	(2,508)	(2,365)
	(5,325)	(4,781)
	1,517	2,223
Depreciation of property, plant & equipment	(139)	(102)
Depreciation of AASB 16 Right of Use assets	(44)	(42)
Depreciation: Other	(2)	
Finance Expenses	(36)	(34)
	(221)	(178)
Significant items	1,296	2,045
Issue of Performance Rights (Note 6)	(25)	(99)
	(25)	(99)
Profit before tax	1,271	1,946
Income tax expense	(205)	(391)
Profit for the year attributable to members of the Company	1,066	1,555
	-	-
Other Comprehensive Income		
Total comprehensive profit for the year attributable to members of the Company.	1,066	1,555

4. Condensed Consolidated Statement of Financial Position

	30 June 2022 \$'000	30 June 2021 \$'000
Current Assets		
Cash and cash equivalents	3,892	4,613
Trade and other receivables	3,888	2,923
Inventory	249	123
	8,029	7,659
Non-Current Assets		
Plant and equipment	372	245
Right of Use Assets: vehicle operating leases	45	-
Right of Use assets: leased property	145	187
Intangibles	101	-
Restricted Cash	202	52
	865	484
Total Assets	8,894	8,143
Current Liabilities		
Trade and other payables	2,845	2,679
Income Tax	53	380
Provisions	1,774	1,960
Financial liabilities: AASB 16 Leases	50	45
Financial liabilities: motor vehicle	16	10
	4,738	5,074
Non-Current Liabilities		
Provisions	215	202
Financial liabilities: AASB 16 Leases	123	170
Financial liabilities: motor vehicle	35	5
	373	377
Total Liabilities	5,111	5,451
Net Assets	3,783	2,692
Equity		
Issued capital (Note 6)	18,055	17,980
Other reserves (Note 6)	2,909	1,893
Accumulated losses (Note 8)	(17,181)	(17,181)
	3,783	2,692

5. Condensed Consolidated Statement of Cashflows

	30 June 2022 \$'000	30 June 2021 \$'000
Cash flows from operating activities		
Receipts from customers	47,188	41,635
Payments to employees, suppliers and directors	(43,390)	(35,842)
Payments for BAS	(3,422)	(2,834)
Income tax paid	(533)	(80)
Net cash provided by operating activities	(158)	2,879
Cash flows from investing activities		
Business Asset Acquisition	(86)	-
Security for Bank Guarantees	(150)	(50)
Interest received	16	13
Interest paid	(36)	(25)
Payment for plant & equipment	(255)	(139)
Net cash (used in) investing activities	(511)	(201)
Cash flows from financing activities		
Finance Lease - motor vehicle	(10)	(10)
AASB 16 Leases – (Note 13)	(42)	(51)
Repayment of Related Party borrowings	-	(85)
Net cash (used in) financing activities	(52)	(146)
Net increase / (decrease) in cash and cash equivalents	(721)	2,532
Cash / cash equivalents at beginning of financial year	4,613	2,081
Cash / cash equivalents at end of financial year	3,892	4,613

6. Securities on Issue

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

	Number
Ordinary shares	
Shares 1 July 2021	186,274,557
Issued during the year (Conversion of performance rights)	2,700,000
On issue at date of this report	188,974,557
Quoted options	
Options at 1 July 2021	-
On issue at date of this report	-
Unquoted options	
Options at 1 July 2021	18,000,000
On issue at date of this report	18,000,000
Performance Rights	
Performance Rights at 1 July 2021	5,400,000
Converted during the year	(2,700,000)
On issue at date of this report	2,700,000

Ordinary shares Dividend Reinvestment Plan (DRP)

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

Ordinary share buyback and cancellation

During the Period there were no on-market share buybacks under the program approved by shareholders.

Quoted options

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

Unquoted options

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

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

Performance rights

During a previous reporting period 3.6 million Performance Rights, as approved by shareholders at the AGM on 29 November 2019, were granted to the CEO / Managing Director, Paul Simmons, effective 29 November 2019 as a cost effective incentive forming part of a reasonable and appropriate remuneration package. During the previous Reporting Period 1.8 million Performance Rights were granted to the CFO, Mark Englebert.

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

The value of the CEO Performance Rights was calculated using the Black-Scholes Model at \$61,200, of which \$51,000 was expensed to Profit or Loss in previous reporting periods, and the remainder expensed over the reporting period to June 2022. The value of the CFO Performance Rights was calculated at \$88,200, of which \$73,500 was expensed to Profit or Loss in the previous Reporting Period and the remainder expensed over the reporting periods to 30 June 2022.

2.7million of the Performance Rights had vested by 30 June 2022, being 1.8m to the CEO and 0.9m to the CFO

Profit Reserve

A meeting of the Board of Directors has resolved that the net profit of the Company for the Reporting Period is not offset against Accumulated Losses but is appropriated to a 2022 Profit Reserve. These profits are not otherwise made unavailable for distribution as a dividend.

		30 June 2022	30 June 2021
		\$'000	\$'000
Share option and Performance Rights Reserve	At beginning of year	338	239
	Performance Rights Converted	(75)	-
	Performance Rights Expended	25	99
		288	338
Profit Reserve	At beginning of year	1,555	-
	Net profit attributable to members	1,066	1,555
		2,621	1,555
		2,909	1,893

7. Dividend reinvestment plan

A dividend reinvestment plan is in place.

8. Accumulated losses

	30 June 2022	30 June 2021
	\$'000	\$'000
Accumulated (losses) at beginning of financial year	(17,181)	(17,181)
Net profit attributable to members	-	-
Accumulated (losses) at end of financial year	(17,181)	(17,181)

9. Net tangible assets

	30 June 2022	30 June 2021
	Cents	Cents
Net tangible asset backing per ordinary share	2.0	1.5

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

None

11. Details of associates and joint venture entities

Not applicable.

12. Any other significant information

On 26 September 2017, John Boardman Pty Ltd ("JBPL"), a 100% owned subsidiary of the Company, was placed into liquidation. JBPL was de-registered as an entity from ASIC records during the Reporting Period.

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.

The Group applies AASB 16 - Leases.

The Group reviewed all the Group's arrangements to identify leases. The Group continues to lease its office premises and recently acquired the use of two site vehicles under operating leases. The Group currently has no other material operating leases and does not act as a lessor.

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

- the carrying of Right of Use assets and lease liabilities in the Statement of Financial Position
- the rental charge for the Group's office premises of \$51,624 being classified as payment of the lease liability and interest thereon. The Right of Use Asset has been depreciated by \$42,000 and an interest charge of \$10,320 has been recognised in Profit or Loss, with a resulting effect on EBITDA calculations for users of the financial report; and giving rise to a reduction in reported net profitability of some \$696;
- the operating lease rental charges for the two site vehicles have been treated similarly. As the vehicle leases only commenced in the month of June 2022 the effect on Profit or Loss is not significant
- repayment of the principal portion of the lease liabilities is classified as cashflow from financing activities rather than as cashflow from operating activities.

14. Results for the period

	30 June 2022	30 June 2021
	cents	cents
Basic earnings per ordinary share	0.569	0.835
Diluted earnings per ordinary share	0.559	0.811
Weighted Average number of ordinary shares used in the calculation of diluted EPS	190,493,581	191,674,557

15. Return to shareholders

No on-market Share Buy-Back occurred in the current or previous Reporting Period.

16. Significant features of operating performance

During the Reporting Period the Company:

Operational

- increased annual revenue notwithstanding COVID 19 restrictions on travel and the WA economy in general for much of the Period, which included notable challenges with the availability of quality security staff recruits.
- benefitted from notable levels of revenue from its work in the WA quarantine-control hotel system (materially ceased in month of June 2022)
- increased its revenues through organic growth, with new contractual work commencing at shopping centres and increasing workflow from private and WA Government health providers.
- continued to enhance its management processes having regard to its ISO 9001 (Quality), AS4801 and OHSAS 18001 (Health & Safety) and ISO 14001 (Environmental Management) certified processes.

Corporate

- 1.8m Performance Rights of the CEO, Paul Simmons and 0.9m Performance Rights of the CFO, Mark Englebert were converted to ordinary shares in the company.

Strategic

- continued to hold security operating licences for Queensland, NSW, ACT, Victoria, South Australia and Western Australia;
- continued to pursue pipeline opportunities in WA and other States;

The Company:

- continued 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, including continuing to pursue an acquisition
- 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 or share buy-backs.

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 reflected:

- increased work levels during the Reporting Period at a Perth quarantine- control hotel; which ceased during the month of June 2022.
- increasing work levels in the health sector.
- increased revenues from the award of additional shopping centre contracts from our Westfield and Vicinity clients
- limited level of COVID restrictions in Western Australia;
- events security work volumes being impacted by COVID restrictions during the Reporting Period, with significant work volume reductions or suspension of music / sports events work (except for the asset protection security at Perth's major sports stadium, which remained unaltered) commencing in March 2020.

Gross Profit margins were affected by pay awards to Guards net of contractual rate increases to clients and from the increased use of subcontractors in a tight labour market (which notably eased during the month of June 2022).

Operational overheads were effected by increased office staffing but benefitted from the continuing downward trend in the Company's Workers Compensation insurance costs relative to wage costs, a function of a trend in reduced incidents and enhance management of the return to work process.

The Income Tax expense benefitted from utilisation of carry-forward tax losses that have satisfied the requisite loss utilisation tests, resulting in reduced income tax payable for the period.

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 2022