



# **Appendix 4E**

## **Preliminary Final Report**

For the year ended 30 June 2023

## 1. Reporting Period

Reporting period: ("Current period"): Year ending 30 June 2023  
 Previous corresponding period: Year ending 30 June 2022

## 2. Results for announcement to the market

Revenue from ordinary activities	down	by 12% / \$5.148m	to	\$38,648,000
Profit / (loss) from ordinary activities after tax attributable to members excluding significant items	down	by \$1.74m	to	(\$649,471)
Net profit / (loss) for the period attributable to members including significant items	down	by \$2.99m	to	(\$1,927,000)

	Amount per share (cents)	Franked amount per share (cents)
<b>Dividends</b>		
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 \$0.7m deficit (2022: \$1.52m Surplus);
- underlying net loss (before Significant Items and tax) from ordinary activities of \$1.34m (2022: \$1.30m Surplus);
- a net loss attributable to members of \$1.93m (2022: \$1.07m surplus).

The Board's intentions for declaring a dividend subsequent to 30 June 2023 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 2023 \$'000	30 June 2022 \$'000
Revenue	38,648	43,796
Cost of sales	(33,270)	(36,981)
<b>Gross profit</b>	<b>5,378</b>	<b>6,815</b>
<b>Other Income</b>		
Interest	21	15
Other	-	12
<b>Overheads</b>	<b>21</b>	<b>27</b>
Overhead, administration and other expenses	(3,108)	(2,817)
Employee expenses & benefits	(3,014)	(2,508)
	<b>(6,122)</b>	<b>(5,325)</b>
	<b>(723)</b>	<b>1,517</b>
Depreciation of property, plant & equipment	(395)	(139)
Depreciation of AASB 16 Right of Use assets	(77)	(44)
Depreciation: Other	(26)	(2)
Finance Expenses	(117)	(36)
	<b>(615)</b>	<b>(221)</b>
	<b>(1,338)</b>	<b>1,296</b>
<b>Significant items</b>		
Legal settlement	110	-
Share based payments expense	(171)	(25)
Expensing of value of contracts acquired	(1,218)	-
	<b>(1,279)</b>	<b>(25)</b>
<b>Profit (loss) before tax</b>	<b>(2,617)</b>	<b>1,271</b>
Income tax benefit (expense)	690	(205)
<b>Profit (loss) for the year attributable to members of the Company</b>	<b>(1,927)</b>	<b>1,066</b>
<b>Other Comprehensive Income</b>	-	-
<b>Total comprehensive profit for the year attributable to members of the Company.</b>	<b>(1,927)</b>	<b>1,066</b>



#### 4. Condensed Consolidated Statement of Financial Position

	30 June 2023 \$'000	30 June 2022 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	1,847	3,892
Trade and other receivables	5,019	3,888
Inventory	358	249
	<b>7,224</b>	<b>8,029</b>
<b>Non-Current Assets</b>		
Plant and equipment	1,656	372
Right of Use Assets: vehicle operating leases	90	45
Right of Use assets: leased property	103	145
Intangibles	1,993	101
Restricted Cash	222	202
	<b>4,064</b>	<b>865</b>
<b>Total Assets</b>	<b>11,289</b>	<b>8,894</b>
<b>Current Liabilities</b>		
Trade and other payables	3,810	2,845
Financial liabilities: bank loan	318	–
Financial liabilities: Invoice Finance	1,369	–
Income Tax	(251)	53
Provisions	2,226	1,774
Financial liabilities: AASB 16 Leases	49	50
Financial liabilities: motor vehicle	30	16
	<b>7,551</b>	<b>4,738</b>
<b>Non-Current Liabilities</b>		
Financial liabilities: bank loan	1,094	–
Provisions	208	215
Financial liabilities: AASB 16 Leases	77	123
Financial liabilities: motor vehicle	62	35
	<b>1,441</b>	<b>373</b>
<b>Total Liabilities</b>	<b>8,992</b>	<b>5,111</b>
<b>Net Assets</b>	<b>2,297</b>	<b>3,783</b>
<b>Equity</b>		
Issued capital (Note 6)	18,400	18,055
Other reserves (Note 6)	3,005	2,909
Accumulated losses (Note 8)	(19,108)	(17,181)
	<b>2,297</b>	<b>3,783</b>

## 5. Condensed Consolidated Statement of Cashflows

	30 June 2023 \$'000	30 June 2022 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	41,723	47,188
Payments to employees, suppliers and directors	(39,954)	(43,390)
Payments for BAS	(2,857)	(3,422)
Income tax paid	(171)	(533)
Net cash provided by operating activities	<b>(1,259)</b>	<b>(158)</b>
<b>Cash flows from investing activities</b>		
Business Asset Acquisition	(3,138)	(86)
Security for Bank Guarantees	(20)	(150)
Legal settlement	110	-
Interest received	15	16
Interest paid	(115)	(36)
Payment for plant & equipment	(345)	(255)
Net cash (used in) investing activities	<b>(3,493)</b>	<b>(511)</b>
<b>Cash flows from financing activities</b>		
Finance Lease - motor vehicle	(10)	(10)
AASB 16 Leases - (Note 13)	(42)	(42)
Share Issue: Options exercised	20	-
Share Buyback	(10)	-
Bank finance : Invoice Finance	1,369	-
Bank finance : Acquisition loan (net)	1,160	-
Bank finance : Vehicle loan	220	-
Net cash (used in) financing activities	<b>2,707</b>	<b>(52)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,045)</b>	<b>(721)</b>
Cash / cash equivalents at beginning of financial year	3,892	4,613
<b>Cash / cash equivalents at end of financial year</b>	<b>1,847</b>	<b>3,892</b>

## 6. Securities on Issue

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

	Number
<b>Ordinary shares</b>	
Shares 1 July 2022	188,974,557
Issued during the year: Exercise of Performance Rights	2,700,000
Bought back and cancelled	(400,000)
Issued during the year: Options Exercised	500,000
Issued during the year: Vendors of Highway Traffic	6,643,382
<b>On issue at date of this report</b>	<b>198,417,939</b>
<b>Quoted options</b>	
Options at 1 July 2022	–
<b>On issue at date of this report</b>	<b>–</b>
<b>Unquoted options</b>	
Options at 1 July 2022	18,000,000
Converted to ordinary shares	(500,000)
Lapsed unexercised	(17,500,000)
Issued	16,296,293
<b>On issue at date of this report</b>	<b>16,296,293</b>
<b>Performance Rights</b>	
Performance Rights at 1 July 2022	2,700,000
Converted during the year	(2,700,000)
<b>On issue at date of this report</b>	<b>–</b>

### 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 was an on-market share buyback at 400,000 shares at 2.5 cents (total consideration \$10,000) under the program approved by shareholders.

### Quoted options

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

### Unquoted options

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.

During the Reporting Period :

- 500,000 of these 4 cent November 2022 options were exercised at 4 cents for a total consideration of \$20,000
- The remaining 17,500,000 4 cent November 2022 options lapsed unexercised.
- 9,000,000 6 cent 2025 options and 4,296,523 long dated options were issued as directors incentives, and 3,000,000 6 cent 2025 options issued as a staff incentive. None were exercised during the Reporting Period

### 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 expired on or before 30 June 2022. Each Performance Right would, 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 \$10,200 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 previous reporting periods and \$14,700 expensed over the reporting period to 30 June 2022.

2.7million of the Performance Rights had vested by 30 June 2022, and the remaining 2.7 million vested in the Reporting Period 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 2023 \$'000	30 June 2022 \$'000
<b>Share option and Performance Rights Reserve</b>	At beginning of year	288	338
	Options/Performance Rights Converted	(75)	(75)
	Options/Performance Rights Expended	171	25
		<b>384</b>	<b>288</b>
<b>Profit Reserve</b>	At beginning of year	2,621	1,555
	Net profit attributable to members	-	1,066
		<b>2,621</b>	<b>2,621</b>
		<b>3,005</b>	<b>2,909</b>

## 7. Dividend reinvestment plan

A dividend reinvestment plan is in place.

## 8. Accumulated losses

	30 June 2023 \$'000	30 June 2022 \$'000
Accumulated (losses) at beginning of financial year	(17,181)	(17,181)
Net profit attributable to members	(1,927)	–
Accumulated (losses) at end of financial year	<b>(19,108)</b>	<b>(17,181)</b>

## 9. Net tangible assets

	30 June 2023 Cents	30 June 2022 Cents
Net tangible asset backing per ordinary share	0.5	2.0

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

The Company acquired 100% of the share capital of Highways Traffic Pty Ltd effective on 16 October 2022.

## 11. Details of associates and joint venture entities

Not applicable.

## 12. Any other significant information

The Company received a total of \$0.11m from legal settlements with a past director (without admission of liability) and the Company's past solicitors (without admission of liability) in relation to the re-listing of the Company in October 2015.

## 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 lag four operational 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 \$55,548 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 \$12,915 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 \$633;
- the operating lease rental charges for the operational site vehicles have been treated similarly.
- 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 2023 cents	30 June 2022 cents
Basic earnings per ordinary share	(0.985)	0.569
Diluted earnings per ordinary share	(0.975)	0.559
Weighted Average number of ordinary shares used in the calculation of diluted EPS	197,864,628	190,493,581

#### 15. Return to shareholders

- 400,000 shares were bought back at 2.5 cents in the Reporting Period.
- No on-market Share Buy-Back occurred in the previous Reporting Period.

#### 16. Significant features of operating performance

During the Reporting Period the Company:

##### Security Operational

- no longer benefitted from the previous notable levels of revenue from its work in the WA quarantine-control hotel system which ceased in June 2022
- increased its non COVID quarantine hotel 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.

##### Traffic Operational

- integrated the financial (accounting/payroll) processes of Highway Traffic with its security business.
- commenced a rolling upgrade to its vehicle fleet.
- identified opportunities for operational efficiencies and improvements.

## 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

- acquired Highways Traffic Pty Ltd. effective 16 October 2022 giving rise to:-
  - an increase of \$1.4m in fixed assets (motor vehicles)
  - an increase in intangibles (goodwill) of \$1.4m
  - an expensing on acquisition of \$1.2m of the value of contracts acquired
  - the issue of 6.6m ordinary shares (value of \$0.26m on issue) to the vendors
  - payment of \$3.1m in cash to the vendors, of which \$1.4m was funded by a 5 year term bank loan.
- continued to hold security operating licences for Queensland, NSW, ACT, Victoria, South Australia and Western Australia;
- continued to seek further organic growth opportunities in its specialist security and traffic segments, including but not limited to leveraging its reputation with existing clients to obtain work at additional locations;

## The Company:

- is 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 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 traffic management business and security business as based in Australia.

	<b>Security</b> \$'000	<b>Traffic</b> \$'000	<b>Corporate</b> \$'000	<b>Total</b> \$'000
Revenue	31,708	6,940	–	38,648
Gross Profit	4,296	1,082	–	5,377
Overheads	(4,555)	(1,036)	(510)	(6,101)
	<b>(259)</b>	<b>45</b>	<b>(510)</b>	<b>(724)</b>
Depreciation	(238)	(260)	–	(498)
Finance	(49)	(12)	(56)	(117)
Net operating loss before tax and significant items	<b>(546)</b>	<b>(227)</b>	<b>(566)</b>	<b>(1,339)</b>

The above Revenue of \$31.7m for the security business included \$nil revenue from COVID quarantine hotel work, which had been a significant revenue source in year ending 30 June 2022. Revenue from other security business clients increased approx 10% compared to year ending 30 June 2022.

The traffic business, Highways Traffic Pty Ltd, was acquired in October 2022. The above results are for an 8.5 month period.

## 18. Trends in results

The downward trend in Revenue during the Reporting Period reflected the net effect of:-

- cessation of work at a Perth quarantine- control hotel; which ceased during June 2022.
- increasing work levels from other security clients acquired and
- effective 16th October 2022, revenue from the traffic business

Operational overheads increased due to the overheads of the traffic business acquired in October 2022 but benefitted from decreased head office staffing headcount and continuing downward trend in the Workers Compensation insurance costs relative to wage costs, a function of a trend in reduced incidents and enhanced 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 31st day of August 2023*