



Activities Report & Cash Flow Statement
For the 3 months ending 31 March 2017

Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2017

28 April 2017

MCS Services Limited (**MCS Services**) (**Company**) (ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 31 March 2017 (**Period**).

HIGHLIGHTS

- \$2.8 million in cash and net receivables at 31 March 2017 (20% up on the previous period);
- \$5.5 million in gross receipts generated in the Period (17% up on the previous period);
- During the Period the Company:
 - commenced a number of new contracts;
 - continued its focus on organic growth via the tender pipeline, tendering for a range of contracts across a variety of sectors in several States & Territories, and will update the market in due course;
 - pursued potential acquisition targets,
 - serviced and maintained existing contracts;
 - continued its focus on operational, financial and management system improvements.

OPERATIONS UPDATE

The Company had a strong quarter, and after 9 months of the Financial Year the Company's performance is tracking in line with Management's expectations.

The Company has maintained revenue performance and has maintained all existing clients, with many requiring additional 'ad-hoc' hours of coverage during the Period.

The Company has recorded the below unaudited results, on an accruals basis:

	3 months to 30 Sept 2016 \$'m	3 months to 31 Dec 2016 \$'m	3 months to 31 March 2017 \$'m	Cumulative 9 months to 31 March 2017 \$'m
Revenue	4.38	4.87	4.42	13.68
Gross Profit	1.02	1.09	0.91	3.01
Insurance	(0.18)	(0.18)	(0.18)	(0.54)
Operating Overheads	(0.55)	(0.49)	(0.48)	(1.52)
Corporate Overheads	(0.12)	(0.10)	(0.03)	(0.24)
EBITDA	0.17	0.32	0.24	0.73
Depn, Interest, Impairment	(0.05)	(0.05)	(0.05)	(0.15)
Net Profit before Tax	0.12	0.27	0.19	0.58

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SECTOR OUTLOOK

Management remains confident regarding the WA market's ability to provide growth to the Company's revenues. The Company has identified multiple key contract tenders in Government, Healthcare, Retail, Mining and Construction.

The national market presents further large growth opportunities and the Company has been approached by multiple national retailers and property groups requesting MCS Services tenders on contracts located in NSW, QLD, VIC and NT.

NEW WORK UPDATE

During the Period the Company:

- commenced a 3 month trial period to provide covert security to key WA stores of a major national retailer;
- completed the 3 month trial of providing a physical security presence in the town centre of a large Perth metropolitan council. Following completion, the Company received strong positive feedback from stakeholders and was advised the Council is seeking funding to re-commence the work under a long term contract;
- attended to preparations for the opening of a South Australian office in April 2017 including contact with existing clients regarding tender opportunities for work at their South Australian facilities;
- continued to expand in the Kimberly and Pilbara regions of WA, being WA's main mining and Oil & Gas regions. Having completed its security work at a major demolition site during the Period and continuing its levels of Events security work for a local council and at a major regional hospital, the Company provided increased levels of coverage at a contracted shopping centre and tendered for contracts at a shopping centre and an additional hospital.

The Company is continuing to progress through the selection process to supply uniformed security to a major contractor in the Oil & Gas sector operating in WA. The Company has been shortlisted and will lodge its tender shortly.

ACQUISITION UPDATE

The Company is constantly assessing expanding its operations in the Perth metropolitan area, regional Western Australia and interstate through the identification and acquisition of suitable targets.

The Company remains in talks with a number of privately-owned security companies regarding possible acquisition by the Company. Discussions remain confidential, non-binding and incomplete.

The Company will only make acquisitions that are value accretive to shareholders and which enhance its strategic objectives.

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28 April 2017

FINANCIAL PERFORMANCE

The Company generated customer receipts of \$5.47 million during the Period (the 3 months ending 31 December 2016 was \$4.69 million).

At the end of the Period, \$2.74 million (the 3 months ending 31 December 2016 was \$3.35 million) had been invoiced but not yet received. The 31 December position was a function of a seasonal increase in customer billings in December and the timing of customer receipts over the Christmas period.

During the Period, the Company paid \$3.97 million (the 3 months ending 31 December \$4.02 million) in staff costs, predominantly the costs of security guards including superannuation. Working capital costs of \$0.31 million (the 3 months ending 31 December 2016 was \$0.39 million) were paid in the Period included insurance and general administration costs.

Cash and net receivables as at 31 March 2017 totaled \$2.77 million (the 3 months ending 31 December 2016 was \$2.30 million on a comparable basis) comprising cash of \$1.32 million (the 3 months ending 31 December 2016 was \$0.30 million) and net receivables of \$1.45 million (the 3 months ending 31 December 2016 was \$2.00 million on a comparable basis).

TAX UPDATE:

During the Period the Company obtained confirmation from the ATO that, subject to continuing compliance with a number of factors, a portion of operating tax losses arising prior to the Company's acquisition of its Security Businesses may be utilised against ongoing operating profits.

The Company will provide updates as to this potential tax asset as it receives further confirmation from its advisors.

CORPORATE UPDATE

Effective 31 January 2017 Mr Josh Puckridge ceased as acting Company Secretary and Mr Jonathan Asquith was appointed as Company Secretary. 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.

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 31 March 2017.

Yours faithfully,



Paul R. Simmons

Chief Executive Officer
MCS Services Limited

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For further information, please contact:

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About MCS Services Limited

MCS Services Limited is a Company listed on the Australian Securities Exchange (ASX: **MSG**).

The Company is one of the largest fully integrated security providers in Western Australia, employing over 500 operational staff and supervisors. MCS Services specialises in asset security at government offices and facilities, major commercial property sites, retail shopping centres, sports stadiums, construction sites, ancillary sites and major outdoor events throughout Western Australia.

Visit the Company's website (www.mcssecurity.com.au) and see the Company's latest announcements (www.asx.com.au/asx/research/company.do#!/MSG) for more details.

Forward-Looking Statements

This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning MCS Services Limited's planned activities, operations, expectations and other statements that are not historical facts. When used in this announcement, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and any other similar expressions are forward-looking statements. Although MCS Services Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. All figures presented in this document are unaudited and this document does not contain any forecasts of profitability or loss.

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