



Activities Report & Cash Flow Statement
For the 3 months ending 30 September 2017

Quarterly Activities and Cash Flow Statement

For the three months ending 30 September 2017

31 October 2017

MCS Services Limited (**MCS Services**) (**Company**) (ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 30 September 2017 (**Period**).

HIGHLIGHTS:

\$5.0 million in gross receipts were generated in the Period (3% down on the previous period).

During the Period the Company:

- serviced and maintained existing contracts;
- continued its focus on organic growth, tendering for a range of strategically targeted contracts including a major Stadia contract in Perth, WA;
- acquired the customer base of State Security (WA) Pty Ltd;
- continued to assess further potential acquisition targets; and
- continued its focus on operational, financial and management system improvements.

OPERATIONS UPDATE

The Company has maintained revenue performance and maintained all existing clients.

Over the Period the Company:

- won tenders to renew existing retail security contracts, demonstrating the continuing confidence by our customers in the Company;
- was granted extensions for existing contracts in the Retail and Healthcare sectors, again demonstrating continuing customer confidence;
- won a new contract in covert security for the Western Australian operations of a major national retailer, demonstrating the value to retailers of the Company's covert expertise;
- integrated the operations of the customer base acquired from State Security (WA) Pty Ltd ("**SSSWA**").

Subsequent to the Period the Company has won:

- a new security contract at a prestigious school in Perth, leveraging on the Company's acquisition in the Period of the customer base of SSSWA; and
- new contracts in community patrols and Local Government, as the Company seeks to expand into those markets.

ACQUISITION UPDATE

As announced on 1 August 2017, the Company acquired the customer base of SSSWA, a business specializing in Retail, Tourism and Education security in Perth.

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For the three months ending 30 September 2017

31 October 2017

The Company 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. The Company will only make acquisitions that are value accretive to shareholders and which enhance its strategic objectives. In this regard the Company is currently in preliminary discussions for the acquisition of a security business based outside of WA. Discussions remain confidential, non-binding and incomplete.

FINANCIAL PERFORMANCE

The Company generated customer receipts of \$5.0 million during the Period (the 3 months ending 30 June 2017 was \$5.1 million).

During the Period, the Company paid \$3.8 million (the 3 months ending 30 June 2017 was \$4.1 million) in staff costs, predominantly the costs of security guards including superannuation.

Administration costs of \$1 million (the 3 months ending 30 June 2017 was \$0.4 million) were paid in the Period including insurance, audit fees and general administration costs and:

- \$0.1m of legal fees and relates costs in effecting the Share Buy Back;
- \$0.1m net by moving to the standardised fortnightly (previously quarterly) timetable for payments of PAYG Withholding to the ATO;
- \$0.1m of working capital in commencing operating the acquired SSSWA customer base.

Cash balances were also affected by the payment of \$0.1 million in the Period as an upfront instalment for the acquisition of the customer base of SSSWA. Further instalments are payable on a monthly basis subject to revenue performance.

At the end of the Period, \$2.6 million (\$2.5 million as at 30 June 2017) had been invoiced but not yet received.

Cash and net receivables as at 30 September 2017 totalled \$2.4million (\$2.7 million as at 30 June 2017) comprising cash of \$0.9 million (\$1.2 million as at 30 June 2017) and net receivables of \$1.5 million (\$1.5 million as at 30 June 2017).

SELECTIVE SHARE BUY BACK

On 19 September 2017 shareholders at a General Meeting unanimously approved a selective buy-back of 18 million shares in the Company in consideration for the Company paying a cash sum of \$57,960 rather than the previous arrangement to issue 27 million options.

Subsequent to the Period the buyback has been completed and the 18m shares have been cancelled. The cancelled shares represented 8.7% of the previous total share capital of the Company. The Company now has 187,901,928 shares on issue.

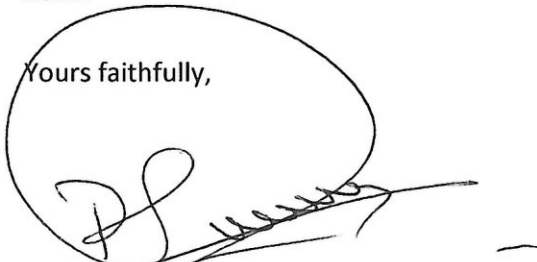
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Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 30 September 2017.

Yours faithfully,



Paul R. Simmons
Chief Executive Officer
MCS Services Limited

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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