



Activities Report & Cash Flow Statement  
*For the 3 months ending 30 June 2016*

## Quarterly Activities and Cash Flow Statement

For the three months ending 30 June 2016

29 July 2016

MCS Services Limited (**MCS Services**) (**Company**) (ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 30 June 2016 (**Period**).

### HIGHLIGHTS

- \$5.17 million in gross receipts generated in the Period (7.7% up on the previous period);
- \$2.18 million in cash and net receivables at 30 June 2016 (15.7% up on the previous period);
- Operating conditions remain strong with a continued focus on organic growth via the tender pipeline; and
- Continued focus on operational, financial and management system improvements.

### OPERATIONS UPDATE

The Company has continued a strong trading quarter in line with the previous three months ending 31 March 2016. The Company has further revenue performance and maintained all existing clients with several increasing their hours of coverage.

The Company was awarded two new contracts in the quarter which are due to commence on 1 July 2016. The first contract is the renewal of Hillarys Boat Harbour contract (retail, commercial and marina premises) for a further 12 months with the option of a further two 12 month extensions (refer Announcement 9 June 2016). The second is a new contract with a large property management group for 4 new sites (including 3 shopping centres) providing on-site security, patrols and alarm responses (refer ASX Announcement 22 June 2016).

The business has continued to grow in the Pilbara region of WA with additional work agreed and due to commence soon. The Company is focused on training local staff to enhance its presence in Port Hedland and aiding in the development of job opportunities for locals as opposed to fly in fly out workers. The Company is currently putting together a scope of works for patrols in the area to service the Shire and Aboriginal Aged Care.

The Company continues to quote for Event security and ad-hoc / periodic work, and are in advanced discussions with a large Perth metropolitan council over providing a physical security presence in its town-centre.

The Company has received notification of our acceptance as a supplier to a major facility management company with significant presence in the mining industry subject to meeting HSE requirements which we have commenced work thereon. We are talking with a major contractor in the Oil and Gas sector and, as in the mining areas, we are working towards ISO recognition for compliance.

The Company has been in discussions with a number of property management groups including a group which has 14 small shopping centre sites. Subsequent to the quarter end, MCS Services replaced a security alarm systems at one of these centres and is keen to expand on this relationship by providing

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security services at all 14 centres. The Company has also held preliminary discussions with another multi centre property management group who indicated they would like MCS Services to be their preferred supplier of security services.

The Company is awaiting responses on tenders lodged for security at AMP Commercial buildings in WA and Westfield shopping centres.

### **ACQUISITION UPDATE**

As noted in MCS Services prospectus (dated 26 October 2015), the Company is keen to expand its operations in the Perth metropolitan area, regional Western Australia and interstate through the identification and acquisition of suitable targets.

The Company is currently in talks with two privately-owned security companies in regard to acquisition. The first being an Eastern States company specialising in high end retail security and the second being a local Perth company that has contracts in the industrial sector - an area where the Company could leverage our management and operational expertise and add to our portfolio. These potential acquisitions are in their early stages of assessment and all discussion remain confidential, non-binding and incomplete.

The Company has chosen not to progress with one previously identified acquisition target having regard to the underlying profitability of that entity, the owner's price expectation and a number of issues identified during the preliminary due diligence process.

### **FINANCIAL PERFORMANCE**

The Company generated customer receipts of \$5.17 million during the Period (the 3 months ending 31 March 2016 was \$4.80 million).

At the end of the Period, \$1.92 million (the 3 months ending 31 March 2016 was \$2.23 million) had been invoiced but not yet received.

During the Period, the Company paid \$3.83 million (the 3 months ending 31 March 2016 was \$3.34 million) in staff costs, predominantly the costs of security guards including superannuation. Working capital costs of \$0.13 million (the 3 months ending 31 March 2016 was \$0.54 million) were paid in the Period included insurance and general administration costs.

Cash and net receivables at 30 June 2016 totaled \$2.18 million (the 3 months ending 31 March 2016 was \$1.89m) comprising of cash of \$1.07 million (the 3 months ending 31 March 2016 was \$0.39 million) and net receivables of \$1.10 million (the 3 months ending 31 March 2016 was \$1.50 million).

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### SECTOR OUTLOOK

Management remains confident regarding the local Perth 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 that it is awaiting release of documents of and has several upcoming meetings with Healthcare representatives and a major Educational Institution.

Furthermore, the national market also presents 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.

### CORPORATE UPDATE

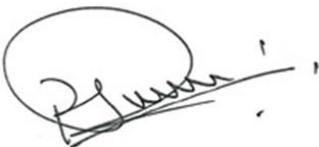
During the quarter, the Company appointed Mark Englebert as its Chief Financial Officer with effect from 12 May 2016.

The Company is continuing to progress improvements for its accounting, rostering and operational management systems.

The Company has made pleasing progress with the quantum and management of Workers Compensation incidents and claims, and anticipates this will result in notably reduced premiums on insurance going forward. The Company is looking to further enhance its risk-management tools in the near future with the implementation of the GSI Employee survey tools, which have received favourable comments from our insurer and will also assist greatly in our HSE Compliance requirements.

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 30 June 2016.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. Simmons', with a large circular flourish above the name.

Paul R. Simmons  
**Chief Executive Officer**  
**MCS Services Limited**

## Quarterly Activities and Cash Flow Statement

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29 July 2016

For further information, please contact:

### **Corporate/Operational**

Paul Simmons, Chief Executive Officer +61 (8) 9301 2420

### **Investors/Analysts**

Josh Puckridge, Non-Executive Director +61 (8) 6489 1600

### **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](http://www.mcssecurity.com.au)) and see the Company's latest announcements ([www.asx.com.au/asx/research/company.do#!/MSG](http://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.

**-END-**

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

MCS Services Limited

ABN

66 119 641 986

Quarter ended ("current quarter")

30 June 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	5,169	11,297
1.2 Payments for (a) staff costs <sup>1</sup>	(3,827)	(9,225)
(b) advertising and marketing	(6)	(6)
(c) research and development	-	-
(d) leased assets	(25)	(49)
(e) other working capital	(133)	(1,314)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	20
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(86)	(172)
1.7 Other (provide details if material)		
Transaction costs (payments) / refund	-	(624)
Exploration and evaluation	-	(18)
BAS	(392)	(756)
<b>Net operating cash flows</b>	<b>704</b>	<b>(847)</b>

<sup>1</sup> Includes payroll, PAYG, payroll tax, superannuation etc.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>704</b>	<b>(847)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	(3,780)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(17)	(17)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(17)</b>	<b>(3,797)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>688</b>	<b>(4,644)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	4,500
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>4,500</b>
<b>Net increase (decrease) in cash held</b>	<b>688</b>	<b>(144)</b>
1.21 Cash at beginning of quarter/year to date	385	1,217
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>1,073</b>	<b>1,073</b>

The above is exclusive of \$1.37m (31 March 2016, \$1.37m) of cash held by the Company on behalf of the Vendors

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	107
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Gross salary payments (incl superannuation) paid to CEO and COO (\$95k) Cash office rent paid to related party of CEO (\$12k)
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,073	386
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,073</b>	<b>386</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration	Nil	Nil
5.3 Consideration for acquisition or disposal	Nil	Nil
5.4 Total net assets	Nil	Nil
5.5 Nature of business	Nil	Nil

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 29 July 2016  
 Company Secretary

Print name: Melissa Chapman

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+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

## ASX Listing Rule 5.3.3 tenement details

MCS Services Limited retains the following historic mining tenements:

Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
Chongos A Peru	See below a)	100%	100%
Chongos B Peru	See below a)	100%	100%
Chongos C Peru	See below a)	100%	100%
La Negra Chile	See below b)	100%	100%
Majada Chile	See below c)	See c)	See c)

### Nature of Interest - Notes

- a) The Company through its wholly owned subsidiary, Red Gum Resources (Peru) Pty Ltd holds 100% beneficial interest in the shares in Central Peru Resources ("CPR"), which in turn holds 100% of the three remaining Peruvian Projects.
- b) In 2012 Red Gum exercised its option to acquire the 100% interest in the La Negra Project which was registered on a 100% basis on 19 July 2012.
- c) In March 2014 the Company notified each of the individual nine concession holders that it intended to give notice of its intention to withdraw from the Option Agreements entered into in March 2013. That agreement provided that by making staged, six monthly, optional payments totalling 679.5 million Chilean pesos (A\$ 1.44 million at the then exchange rate) to the owners over a 3 year period from the date of signature, the Company could earn a 100% interest. After withdrawing from those agreements the Company no longer has any financial obligations concerning the Project and in view of the announced anticipate change in fundamental business activities no longer seeks to pursue this project.

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