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Activities Report & Cash Flow Statement  
*For the 3 months ending 31 December 2015*

## Quarterly Activities and Cash Flow Statement

For the 3 months ending 31 December 2015

January, 2016

MCS Services Limited (formerly Red Gum Resources Limited) (**MCS Services**) (**Company**) (ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 31 December 2015 (**Period**).

### HIGHLIGHTS:

- Completion of the acquisition of MCS Security and Intiga Security;
- Effective accounting consolidation of the operating business from 1 November 2015
- Successful re-listing on the Australian Securities Exchange (**ASX**) having raised \$4.5 million;
- \$3.2 million in gross revenues generated in the quarter since 1 November 2015;
- Strong operating conditions experienced in the quarter with a focus on organic growth with a growing tender pipeline; and
- Operational initiatives undertaken to increase Company efficiency to support future growth and shareholder return.

### CORPORATE UPDATE – ACQUISITION OF MCS SECURITY AND INTIGA SECURITY

On 18 December 2015, MCS Services (formally Red Gum Resources) announced it had completed the acquisition of MCS Security Group Pty Ltd (trading as MCS Security) and John Boardman Pty Ltd (trading as Intiga Security) (**Acquisition**) as approved by the Company on 28 October 2015 at a General Meeting of Shareholders. The Company was reinstated to the ASX on 29 December 2015 under the code “MSG”.

At completion of the Acquisitions the listed entity (formerly being Red Gum Resources Limited) maintained approximately \$1.175 million in cash at bank after costs relating to the Acquisition.

### OPERATIONS UPDATE

The Company benefited from strong demand for services in December with increased hours billed at all main shopping centres in line with extended Christmas trading hours. Due to the seasonal change to summer, an increase in demand for security for outdoor summer events was also prevalent.

During the Period, the Company focused on expanding into regional Western Australia in the government facilities and health care sectors. As announced 14 January, the Company has been awarded, by the Department of Health (Western Australia), the security contract to the Hedland Health Campus. The Company has also now commenced work for the Town of Port Hedland Council providing asset security services for events in the Pilbara region.

The Company established a new division in Loss Prevention Management which provides crime prevention strategies, retail theft protection, covert officers and tracking services to clients in the Perth Metropolitan area. The Company has already secured a 12-month sub-contract with a multi-national security provider operating in two major retail sites in Perth.

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The integration of the Company's accounting and financial reporting systems (of the two businesses) has been a priority during the Period to ensure the timely reporting of financial performance to the Company's management and Board. The integration of these reporting systems is paramount to allowing the Company track its financial performance and identify areas for improvement in a timely manner. The full integration is intended to be completed during the current quarter.

### **FINANCIAL PERFORMANCE**

The Company generated revenue of \$3.2 million in the months of November and December of which \$2 million had been invoiced but not yet received at the end of the Period.

During the Period the Company paid \$2.05 million in staff and administrative costs, largely comprising of the costs of security guards. Other costs of \$0.523 million were largely one off costs, the most significant component were those relating to the Acquisition and were approximately \$0.33 million.

Cash and net receivables at 31 December 2015 totaled \$1.6 million comprising of cash of \$0.404 million and net receivables of \$1.2 million.

### **SECTOR OUTLOOK**

Management remain 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 pursuing.

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 and VIC.

### **BOARD COMPOSITION**

During the period Non-Executive Director Mr Edwin Bulseco retired from the Board and Ms Melissa Chapman was appointed to the Board. The Board would like to thank Mr Bulseco for his significant contribution to the Company's Acquisition and wish him the best in his future endeavors.

Subsequent to the Period, Mr Thomas Pickett also retired from the Board and the Honorable Robert Charles Kucera was appointed. The Board would like to thank Mr Pickett for his significant contribution to the Company's Acquisition and wish him the best in his future endeavors.

Mr. Kucera has taken the position of Chairman of the Company's Board and his biography was announced 20 January 2016, "Appointment of Chairman – The Hon. Robert Charles Kucera".

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January, 2016

Attached is the Appendix 4C Quarterly Cash Flow Statement for the period starting 1 October 2015 and ending 31 December 2015.

Yours faithfully,



Paul R. Simmons  
**Chief Executive Officer**  
**MCS Services Limited**  
**29 January 2016**

For further information, please contact:

**Corporate/Operational**

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**Investors/Analysts**

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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](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 may include 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 document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and 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.

## 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")

31 December 2015

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	1,327	1,327
1.2 Payments for (a) staff costs <sup>1</sup>	(2,054)	(2,054)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	(3)	(3)
(e) other working capital	(523)	(644)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
Transaction costs (payments) / refund	(271)	(158)
Exploration and evaluation	(3)	(10)
<b>Net operating cash flows</b>	<b>(1,522)</b>	<b>(1,533)</b>

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

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

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,522)	(1,533)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	(3,780)	(3,780)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(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>	(3,780)	(3,780)
<b>1.14 Total operating and investing cash flows</b>	(5,302)	(5,313)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	4,500	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>	4,500	4,500
<b>Net increase (decrease) in cash held</b>	(802)	(813)
1.21 Cash at beginning of quarter/year to date	1,206	1,217
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	404	404

+ 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	\$45
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

Salary cash payment (net of taxes) paid to CEO and COO (\$35k)  
Cash office rent paid to related party of CEO (\$10k)

**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

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

**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

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

**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	404	1,206
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>404</b>	<b>1,206</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	(a) MCS Security Group Pty Ltd trading as MCS Security  (b) John Boardman Pty Ltd trading as Intiga Security	Nil
5.2 Place of incorporation or registration	(a) Western Australia (b) Western Australia	Nil
5.3 Consideration for acquisition or disposal	(a) Cash \$3.78m and Shares (b) Shares	Nil
5.4 Total net assets	Both companies were acquired on a cash free and debt free basis	Nil
5.5 Nature of business	Security Services	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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.

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Sign here: ..... Date: 29 January 2016  
Director

Print name: Melissa Chapman

### 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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### 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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