

15 May 2020

## Revised Appendix 4C and Quarterly Activities Report

As requested, attached is the Company's Appendix 4C for the quarter ended 31 March 2020 prepared on the current Appendix 4C template, along with the correspondingly revised Quarterly Activity Report.



Jonathan Asquith  
**Company Secretary**  
**MCS SERVICES LTD**

### About MCS Services

MCS Services provides security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia. These security services include mobile patrols and response vehicle services. In addition, MCS provides electronic security services including the design, supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to commercial, industrial and domestic sectors.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

MCS Services Limited

**ABN**

66 119 641 986

**Quarter ended ("current quarter")**

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,410	20,241
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(35)	(129)
(d) leased assets	-	-
(e) staff costs	(5,372)	(16,299)
(f) administration and corporate costs	(1,010)	(2,729)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(3)	(7)
1.6 Income taxes paid	37	19
1.7 Government grants and tax incentives	-	-
1.8 Other (GST to ATO)	(190)	(1,078)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>839</b>	<b>23</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(152)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	10
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(15)</b>	<b>(142)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from (payments for) issues (buy-back) of equity securities (excluding convertible debt securities)	(15)	(15)
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	31
3.6 Repayment of borrowings	-	(100)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(15)</b>	<b>(84)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,086	2,098
4.2 Net cash from / (used in) operating activities (item 1.9 above)	839	23
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(15)	(142)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(15)	(84)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,895</b>	<b>1,895</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,895	1,086
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,895</b>	<b>1,086</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
95
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Gross salary payments (incl superannuation) paid to the CEO, plus office rent paid to a related party of the CEO totalling \$63,000.

Director Fees totalling \$32,000.

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	83	83
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>83</b>	<b>83</b>

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company finalised the terms of an unsecured \$0.35m loan from the Vendors of MCS Security pursuant to the Capital Restructured announced on 7 September 2016. Interest at 6% per annum since commencement is accrued. During the September 2018 Period the terms of the loan were varied such that the remaining amount was payable not later than 31 October 2020. Other terms remain unchanged. A loan reduction of \$100,000 was made during the previous Period.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	839
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,895
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,895
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	Ongoing

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

15 May 2020

Date: .....

By the Board

Authorised by: .....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.



Activities Report & Cash Flow Statement  
*For the 3 months ending 31 March 2020*

## Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2020

15 May 2020

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 2020 (**Period**).

During the Period the Company recorded a net cash inflow of \$809,000, finishing the Period with a cash balance of \$1,895,000 (31 Dec 2019: \$1,086,000). The cash position was materially a function of:

- the timing of account payments to the Company by customers, with some account payments ordinarily due over the Christmas period not received until January 2020;
- the temporary deferment of \$380,000 of GST due to the ATO during the Period, as a precaution at the commencement of COVID restrictions (see below).

Cash and net receivables as at 31 December 2019 totaled \$2.1 million (\$2.2 million as at 31 Dec 2019) comprising cash of \$1.9 million (\$1.1 million as at 31 Dec 2019) and net receivables of \$0.2 million (\$1.1 million as at 31 Dec 2019). Net receivables as at 31 March and 31 December 2019 includes the current liability of \$0.08 million owing on the Related Party loan as due for repayment no later than 31 October 2020.

### **COVID-19**

The operational and commercial impacts on the Company continue to develop, including:

#### Events Security:

During March 2020 we were notified of necessary cancellations of scheduled Events security work, including soccer and rugby fixtures and music events. The reduction in revenue has been estimated at some \$0.2m for the 3.5 month period to 30 June 2020.

Affected security staff have been offered alternative work by the Company at Retail or other sites.

There has been no effect on the Company's asset-protection security workflow at a major Perth stadium

#### Retail Security:

To 31 March 2020 there had been no material decline in shopping centre security work flows.

During April 2020 the Company was formally notified of reduced rostering requirements, and hence revenues, from some shopping centre operators in response to reduced patronage.

#### COVID

Commencing in April 2020 the Company has been providing security at a Perth hotel utilised for COVID isolation. This work has cushioned MCS Services' revenue from some of the decline in Retail Security work.

in recent weeks a number of other work opportunities have been presented to MCS directly or indirectly relating to the COVID situation. MCS is pursuing those work opportunities.



## Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2020

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The Company continues to monitor the availability of subsidies and payment deferral options from Government bodies:

### Federal Government Jobkeeper subsidy:

Based on current and forecast Guard utilization rates the Company will prima facie not be eligible for the Jobkeeper subsidy for the month of April 2020 (being the first month available for subsidy), having not suffered a sufficiently material decline in revenue. The Jobkeeper scheme requires a 30% reduction in revenue compared to the equivalent period a year earlier

It is not yet possible to gauge the Company's eligibility for the subsidy in May 2020 or in subsequent months.

### Payroll Tax waivers available from WA State Revenue:

As the Company's payroll levels significantly exceed published eligibility thresholds, the Company is prima facie not eligible for such waivers.

### Payment Deferrals:

The Company has a potential exposure to slower cash inflows resulting from, for example, major clients' finance staff working from home and so being less prompt in approving invoiced amounts for payment

As such, during the Period the Company requested:

- a staged payment deferral from the ATO for the quarterly BAS payment then falling due of some \$0.57m. The deferral request was granted, with a payment made during the Period, a 2<sup>nd</sup> payment of \$0.19m paid in April and the remaining \$0.19m due for payment in May;
- a payment deferral from WA State Revenue for the \$0.08m monthly Payroll Tax falling due in March. The payment was made in full in April.

## **OPERATIONS UPDATE**

The Company has maintained all major clients.

During the Period the Company:

- Quality Management Systems
  - o Continued steps to enhance its Environmental management processes ahead of a planned independent audit in the December 2020 quarter and, if successful, application for international environmental standard 14001;
- Uniformed Security:
  - o Announced the extension of existing Retail Security contracts at three shopping centres in WA, and winning a tender from an existing customer at a major tourism site in Perth, WA;

## Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2020

15 May 2020

- Alarm & CCTV:
  - o continued to seek expansion of its market for the installation, maintenance and monitoring of CCTV and alarm systems at shopping centres, aged-care facilities and hotel chains in WA and the Northern Territory;
- Events and Stadia:
  - o continued providing 24/7 asset-management security, including gatehouse and precinct security, at the recently constructed major stadium in Perth;
  - o until March, when COVID related restrictions curtailed the hosting of such events, the Company provided security at major sporting (including A League and Rapid Rugby), music (including major international artists) and other events for the owner and operator of multiple venues across Perth, in addition to various sporting and community events at other locations.

### **GROWTH OPPORTUNITIES**

The Company has security operating licences for Western Australia, South Australia, Victoria and New South Wales. Subsequent to the end of the Period the Company was also granted an operating licence for ACT.

The Company continues to seek further organic growth opportunities in its specialist security segments, including but not limited to leveraging its reputation with existing clients to obtain work at additional locations. The Company is also assessing the addition of new verticals to its business.

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. It may progress these opportunities if they are value accretive to shareholders and consistent with the Company's strategy.

The company continues to actively review and enhance its marketing strategy.

### **CORPORATE**

During the Period the Company commenced an on-market share buy-back for up to 10 per cent of the Company's issued capital over the following 12 months, to be funded from the Company's existing cash balances.

During the Period 1,270,000 shares were bought back for a total consideration of \$14,700.

Item 6.1 in the Appendix 4C lodged by the Company discloses \$95,000 paid to related parties during the Quarter. These payments comprise gross salary payments (incl superannuation) paid to the CEO and office rent paid to a related party of the CEO totalling \$63,000 plus director fees totalling \$32,000. These payments have been made in the normal course of business in support of the on-going operations of the Company.

## Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2020

15 May 2020

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 31 March 2020.

Yours faithfully,

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

Paul R. Simmons  
**Managing Director**

This announcement was authorised for release to the ASX by Mr Paul Simmons.

For further information contact Mr Simmons on 0439 943 405

### **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) or see the Company's latest announcements <https://www.asx.com.au/asx/share-price-research/company/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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