



# Activities Report & Cash Flow Statement

*For the 3 months ending 30 June 2017*

## Quarterly Activities and Cash Flow Statement

For the three months ending 30 June 2017

31 July 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 June 2017 (**Period**).

### HIGHLIGHTS:

- \$2.7 million in cash and net receivables at 30 June 2017 (2% down on the previous period);
- \$5.1 million in gross receipts generated in the Period (6% down on the previous period);
- During the Period the Company:
  - continued its focus on organic growth via the tender pipeline, tendering for a range of contracts across a variety of sectors, and will update the market in due course;
  - continued to assess 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 over the full Financial Year the Company's operational performance has tracked 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 progressed its implementation of a Quality Management System, and has shortlisted IT suppliers to enhance its Rostering / Payroll systems.

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

	<b>3 months to 30 Sept 2016 \$'m</b>	<b>3 months to 31 Dec 2016 \$'m</b>	<b>3 months to 31 March 2017 \$'m</b>	<b>3 months to 30 June 2017 \$'m</b>	<b>12 months 30 June 2017 \$'m</b>
Revenue	4.38	4.87	4.42	4.43	<b>18.1</b>
<b>Gross Profit</b>	<b>1.02</b>	<b>1.09</b>	<b>0.91</b>	<b>0.90</b>	<b>3.92</b>
Overheads	(0.85)	(0.77)	(0.67)	(0.82)	<b>(3.11)</b>
<b>EBITDA</b>	<b>0.17</b>	<b>0.32</b>	<b>0.24</b>	<b>0.08</b>	<b>0.81</b>
Depn, Interest	(0.05)	(0.05)	(0.05)	(0.01)	<b>(0.16)</b>
<b>Net Profit before Tax</b>	<b>0.12</b>	<b>0.27</b>	<b>0.19</b>	<b>0.07</b>	<b>0.65</b>

### SECTOR OUTLOOK

Management remains confident that it can continue to grow revenue in the WA market. The Company has identified multiple key contract tenders in several different verticals.

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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:

- continued its 3 month trial period providing covert security to key WA stores of a major national retailer. Subsequent to the end of the Period the customer has advised it intends to enter into a contract to June 2018 with a further 1 year option;
- opened a South Australian office in April 2017, with a senior General Manager relocating to Adelaide, to develop and expand the business within South Australia and the Northern Territory. The Business Development team has been liaising with existing Company clients regarding tender opportunities at their South Australian facilities and has also been identifying other opportunities. The Company expects to receive its South Australian operating licence shortly;
- as announced on 19<sup>th</sup> May, recruited and commenced two senior staff as Business Development Managers, based in Perth, to further target growth opportunities in Events, Stadia, Commercial, Retail, Industrial, Marine and Defence;
- continued to expand in the Kimberly and Pilbara regions of WA, being WA's main mining and Oil & Gas regions, providing increased levels of coverage at a contracted shopping centre, hospital and at Events;
- lodged its tender to supply uniformed security to a major contractor in the Oil & Gas sector operating in WA. The Company is awaiting the result of the tender.

The Company is also awaiting responses to other lodged tenders.

During or subsequent to the Period the Company has:

- as announced on 5 May, confirmed a 12 month extension with the WA Dept of Transport from 1 July 2017 to the Company's existing security contract at Hillary's Boat Harbour. The Company has held the contract since 2006;
- extended existing security contracts with two of the Company's major WA Shopping Centre customers for a further two years. The Company currently generates some \$2.9m per year from these contracts;
- extended existing security contracts with another two of the Company's major WA Shopping Centre customers for a further one year. The Company currently generates some \$1.9m per year from these contracts;

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

### **FINANCIAL PERFORMANCE**

The Company generated customer receipts of \$5.15million during the Period (the 3 months ending 31 March 2017 was \$5.47 million).

At the end of the Period, \$2.51 million (\$2.74 million as at 31 March 2017) had been invoiced but not yet received.

During the Period, the Company paid \$4.09 million (the 3 months ending 31 March 2017 was \$3.97 million) in staff costs, predominantly the costs of security guards including superannuation. Working capital costs of \$0.40 million (the 3 months ending 31 March 2017 was \$0.31 million) were paid in the Period included insurance and general administration costs.

Cash and net receivables as at 30 June 2017 totaled \$2.70 million (\$2.77 million as at 31 March 2017) comprising cash of \$1.19 million (\$1.32 million as at 31 March 2017) and net receivables of \$1.51 million (\$1.45 million as at 31 March 2017 on a comparable basis).

### **CORPORATE UPDATE**

As announced on 19 May, the employment of John Paul Boardman, Chief Operating Officer, ceased in April 2017.

As announced on 14 July, Mr. Josh Puckridge resigned as director of the Company and Mr. Geoffrey Martin was appointed as director.

For many years Geoffrey was occupied with the development of the family retailing business, Archie Martin & Sons. As a director and joint managing director Geoffrey oversaw the conversion of the business into a public company, its ASX listing and its eventual takeover by Parrys Ltd. Geoffrey served for six years on the Board of Racing and Wagering WA and is presently a Board member of RSL Care WA.

### **SELECTIVE SHARE BUY BACK**

As announced on 18 April, 14.4m shares in the name of John Bartholomew Boardman were released from voluntary escrow. These shares form part of the 18m shares held by John Bartholomew Boardman and which are the subject of a selective share buyback approved by shareholders on 28 November 2016.

The Company has advised of its intention and willingness to proceed to completion. A further meeting of shareholders may be required in order to complete the share buyback.

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As announced on 15 / 16 May, the Company initiated an application for an urgent Supreme Court injunction concerning the selective share buyback after Mr. John Boardman sought to transfer a major portion of the shares to a 3<sup>rd</sup> party. The Company was successful in obtaining an interlocutory injunction concerning the 18m shares, with the Court ordering on an interim basis that he be restrained from doing so, and that the proposed purchaser be restrained from purchasing the shares until further order.

**Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 30 June 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](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

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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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