28 February 2018

Australian Securities Exchange
Level 40, Central Park
152-154 St George's Terrace
Perth WA 6000

ASX ANNOUNCEMENT

HALF YEAR FINANCIAL REPORT & APPENDIX 4D

MCS Services Limited (**MCS Services** or the **Company**) (**ASX: MSG**) is pleased to present its audit reviewed half-year report (**Report**) for the six (6) months ending 31 December 2017 (**Period**) and Appendix 4D.

Highlights from the Period, as detailed in the Report, are as follows:

- An increase in revenue to $9,338,721 compared to the corresponding prior period of $9,254,252;
- An underlying EBITDA loss of $293,779, compared to a profit of $539,660 during the prior corresponding period;
- An underlying net loss after tax of $427,073 compared to a $310,977 profit during the prior corresponding period;
- A net loss attributable to members of $685,870 compared to a net profit of $611,154 during the prior corresponding period;
- The Company:
    - Invested in business development, enabling notable contract wins including the new stadium in Perth, with other prospects in the pipeline;
    - Invested in ISO / HSEQ staffing, processes and training, with an expectation that the Company will achieve ISO 9001, ISO 14001 and ISO 45001 accreditation during the half-year period to 31 December 2018;
    - Acquired and integrated the customer contracts of State Security WA Pty Ltd, enabling the Company to enter into the education sector, a new vertical;
    - Finalised the capital restructure relating to the 2015 acquisition of John Boardman Pty Ltd (Intiga Security), with the Company buying back 18 million shares from the vendor for $57,960, a significant discount to market value;
    - Completed a strategic review to position the Company for the medium and longer term.

The current period was essentially a consolidation period that has been used to develop a core sustainable base from which to go forward.

The Company expects to deliver a better second half result as it has rationalised its operating cost base, won new contracts, and traditionally benefits from more ad-hoc work.

3/108 Winton Road, Joondalup WA 6027 | T: (08) 9301 2420
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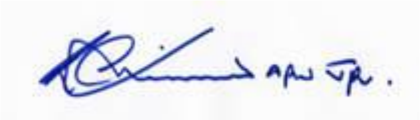
The Board and senior management are focussed on meeting the needs of its key stakeholders by providing excellent customer service, attracting and retaining quality staff, and delivering sustainable profitability and growth for its valued shareholders.

Yours faithfully



The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman
MCS Services Limited

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.

For further information, please visit the MCS website www.mcssecurity.com.au

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.

MCS Services Ltd

ABN: 66 119 641 986

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

CONTENTS

3/108 Winton Road, Joondalup WA 6027 | T: (08) 9301 2420
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Your directors present their report, together with the financial report on MCS Services Limited (**Company**) for the half-year ended 31 December 2017 (half-year).

Operating Results

The Company recorded:

- a net loss attributable to members of $685,870 ($611,098 profit in the prior corresponding period);
- an underlying net loss after tax of $427,073 for the half-year ($310,977 underlying net profit in the prior corresponding period), before significant items

Operational Overview

The Company specialises in asset security at retail shopping centres, government offices and facilities, major commercial property sites, sports stadiums, construction sites and other ancillary sites and major events throughout the Perth metropolitan area and regional country areas of Western Australia.

The half-year was impacted by, amongst other matters:

- a payrise to all Guards;
- investment in ISO / HSEQ processes and staff training;
- investment in business development;
- ramp-up costs for the commencement of a key Stadium contract, and with the acquisition of the customer contracts of State Security WA Pty Ltd (SSSWA), including incurring training costs (at no cost to the client) for new staff assigned to the work;
- amortisation of the customer contracts acquired from SSSWA during the period, of some $0.11m;
- a non-cash increase in Provision for Long Service Leave of some $0.05m;
- a non-cash expense arising on the issue of share options of $0.21m.

The Company announced further contract wins and renewals during the period, enjoyed the seasonal increase in work from extended Christmas trading hours and outdoor summer events, and continued to seek operational and cost efficiencies.

The Company continues to pursue pipeline opportunities in WA and other states and remains confident in its competitive position for winning such work, and is focussed on customer care and profitability.

Corporate Overview

During the half-year the Company:

- Advised shareholders of the award of new Security contracts;

- Completed a capital restructure involving adjustments to the original vendor considerations for the acquisition of John Boardman Pty Ltd (Intiga Security) **(Note 14**). The Company successfully bought back the 18 million shares in the Company held by the vendor for $57,960, a significant discount to market value.

The Company is seeking to exit the remainder of its non-core mining exploration activities.

Directors

The names of Directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

MCS Services Ltd

The Hon RC (Bob) Kucera APM JP	Non Executive Chairman
Mr Josh Puckridge	Non Executive Director (retired 14 July 2017)
Mr Geoffrey Martin	Non Executive Director (appointed 14 July 2017)
Mr Matthew Ward	Non Executive Director

Company Secretary

The Company Secretary, Mr Jonathan Asquith, held office throughout the half year.

Capital

During the half-year 1,407,680 ordinary securities were issued at $0.022 each pursuant to the Dividend Reinvestment Plan announced 8 November 2017.

During the comparative period to 31 December 2016, 4,291,716 ordinary securities were issued at $0.025 each pursuant to the Dividend Reinvestment Plan announced 2 November 2016.

The Company had the following securities on issue at the date of this report:

	Number
Ordinary Shares	**189,309,608**
Unlisted Options	**18,000,000**

Signed in accordance with a resolution of the directors.

The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman
Dated this 28th day of February 2018

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28 February 2018

Board of Directors
MCS Services Limited
3/108 Winton Road
JOONDALUP WA 6027

Dear Sirs

RE: MCS SERVICES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of MCS Services Limited.

As Audit Director for the review of the financial statements of MCS Services Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

MCS Services Ltd

	Note	31 December 2017 $	30 June 2017 $
Assets			
Current Assets			
Cash and cash equivalents		349,635	1,193,130
Trade and other receivables	5	3,415,602	2,739,309
Inventory		26,497	19,903
Other		-	38,115
Total Current Assets		**3,791,734**	**3,990,457**
Non-Current Assets			
Plant and equipment	6	231,524	253,679
Restricted cash and bonds		2,200	2,200
Intangible assets	12	155,654	-
Total Non-Current Assets		**389,378**	**255,879**
Total Assets		**4,181,112**	**4,246,336**
Current Liabilities			
Trade and other payables		2,126,649	1,589,244
Provisions		614,142	549,162
Income tax		(43,151)	-
Related party loan	9	295,420	-
Total Current Liabilities		**2,993,060**	**2,138,406**
Non-Current Liabilities			
Provisions		228,937	174,640
Related party loan	9	-	286,713
Total Non-Current Liabilities		**228,937**	**461,353**
Total Liabilities		**3,221,997**	**2,599,759**
Net Assets		**959,115**	**1,646,577**
Equity			
Issued capital	7	18,024,270	18,051,260
Foreign currency translation reserve		30,624	30,624
Share option reserve	7	213,300	201,743
Accumulated losses		(17,309,079)	(16,637,050)
Total Equity		**959,115**	**1,646,577**

This statement should be read in conjunction with the Notes to the Financial Statements

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

MCS Services Ltd

	Note	31 December 2017 $	31 December 2016 $
Revenue		9,338,721	9,254,252
Cost of goods sold		(7,620,010)	(7,153,205)
Gross profit		**1,718,711**	**2,101,047**
Other income		9,043	6,739
Employee expenses and benefits		(1,116,264)	(778,123)
Directors fees and remuneration		(39,604)	(37,500)
Insurance		(319,789)	(357,547)
Other expenses		(545,876)	(394,956)
		(2,012,490)	**(1,561,387)**
		(293,779)	**539,660**
Share based payments expense	7	(213,300)	-
Capital restructure		(45,497)	300,121
		(258,797)	**300,121**
		(552,576)	**839,781**
Finance expenses		(18,161)	(32,161)
Amortisation of contracts acquired	12	(109,304)	-
Depreciation and amortisation	6	(74,672)	(97,553)
		(202,137)	**(129,714)**
Profit / (loss) before tax		**(754,713)**	**710,067**
Income tax expense		24,560	(98,913)
Prior year tax adjustment		44,283	-
Profit / (loss) for the period attributable to members		**(685,870)**	**611,154**
Other Comprehensive income			
Exchange gain / (loss) arising on the translating foreign operations		-	(56)
Total comprehensive Profit / (Loss) for the period		**(685,870)**	**611,098**
Earnings per share		**Cents**	**Cents**
Basic profit (loss) per share from continuing operations	10	(0.346)	0.303
Diluted profit (loss) per share from continuing operations	10	(0.346)	0.297

This statement should be read in conjunction with the Notes to the Financial Statements

	Ordinary shares	Foreign currency translation Reserve	Share option Reserve	Accumulated losses	Total
	$	**$**	**$**	**$**	**$**
Balance 30 June 2017	18,051,260	30,624	201,743	(16,637,050)	1,646,577
Loss for the period	-	-	-	(685,870)	(685,870)
Total comprehensive income / (loss)	**-**	**-**	**-**	**(685,870)**	**(685,870)**
Issue of share capital: DRP	30,970	-	-	-	30,970
dividend	-	-	-	(187,902)	(187,902)
Buyback of share capital	(57,960)	-	-	-	(57,960)
Options issued	-	-	213,300	-	213,300
Options expired		-	(201,743)	201,743	-
Balance 31 December 2017	**18,024,270**	**30,624**	**213,300**	**(17,309,079)**	**959,115**
Balance 30 June 2016	17,944,000	30,680	201,743	(16,447,017)	1,729,406
Profit for the period	-	-	-	611,154	611,154
Foreign currency translation reserve	-	(56)	-	-	(56)
Total comprehensive income / (loss)	**-**	**(56)**	**-**	**611,154**	**611,098**
Issue of share capital: DRP	107,259	-	-	-	107,259
dividend	-	-	-	(649,184)	(649,184)
Balance 31 December 2016	**18,051,259**	**30,624**	**201,743**	**(16,485,047)**	**1,798,579**

This statement should be read in conjunction with the Notes to the Financial Statements

	Note	31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Receipts from customers		9,886,738	8,842,320
Payments to employees, suppliers and directors		(10,311,210)	(9,424,480)
Loan to related party		-	(15,000)
Income tax paid		19,524	147,466
Net cash used in operating activities		**(404,948)**	**(449,694)**
Cash flows from investing activities			
Interest received		8,823	6,248
Interest paid		(808)	(1,888)
Payment for fixed assets	6	(52,517)	(48,232)
Payment for finance leases		-	(40,535)
Payment for acquisition of subsidiaries		(45,497)	(667,771)
Payment for acquisition of business		(144,655)	-
Net cash used in investing activities		**(234,654)**	**(752,178)**
Cash flows from financing activities			
Buy back of share capital		(57,960)	-
Dividends paid		(145,933)	(496,737)
Net cash used in financing activities		**(203,893)**	**(496,737)**
Net decrease in cash and cash equivalents		(843,495)	(1,698,609)
Cash and cash equivalents at the beginning of the financial period		1,193,130	2,353,042
Foreign exchange difference		-	-
Cash and cash equivalents at the end of the financial period		**349,635**	**654,433**

This statement should be read in conjunction with the Notes to the Financial Statements

MCS Services Limited and its subsidiaries' (**Group** or **Consolidated Entity**) principal activity during the half-year was the provision of uniformed security.

1. General information and basis of preparation

These condensed interim consolidated financial statements (**the interim financial statements**) of the Group are for the six months ended 31 December 2017 and are presented in Australian dollars (**$**), which is the functional currency of the parent company.

These general purpose interim financial statements have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards Board (**AASB**) 134: *Interim Financial Reporting.* They do not include all of the information required in the annual financial statements in accordance with International Financial Reporting Standards (**IFRS**), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements under the Australian Stock Exchange (**ASX**) Listing Rules and *Corporations Act 2001.*

The interim financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The interim financial report covers MCS Services Limited (**Company**) and its 100% subsidiaries MCS Security Group Pty Ltd, John Boardman Pty Ltd, Red Gum Resources (Peru) Pty Ltd and Central Peru Resources SAC (**Group**).

MCS Services Limited is a public company, incorporated and domiciled in Australia. The registered office is 3/108 Winton Road, Joondalup, WA, 6027.

The Company was incorporated on 11 May 2006.

The interim financial statements for the half-year ended 31 December 2017 (including the comparatives) were approved by the board of directors on 28 February 2018.

2. Significant accounting policies

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

All the applicable new accounting standards were either not applicable or not material to the Group.

The Company has not elected to early adopt any new accounting standards and interpretations.

3. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2017.

4. Going Concern

The financial statements of the Group have been prepared on a going concern basis which anticipates the ability of the entity to meet its obligations in the normal course of business.

At 31 December 2017, the Group had net assets of $959,115, cash and cash equivalents of $349,635 and net working capital surplus of $798,674. The company had incurred a loss for the period ended 31 December 2017 of $685,870.

The Directors consider these funds, combined with the additional in-flow expected from the continuation of normal business activities to be sufficient to ensure the ability of the Group to continue as a going concern and meet its planned operational, administration and other commitments when they fall due.

5. Trade and other receivables

	31 December 2017 $	30 June 2017 $
Trade debtors	3,032,344	2,510,590
Prepayments	329,304	222,768
Other receivables	53,954	5,951
	3,415,602	**2,739,309**

6. Plant and equipment

	Furniture & equipment $	Motor vehicles $	Software $	Total $
31 December 2017				
Cost				
Balance at 1 July 2017	372,911	206,041	60,284	639,236
Additions	40,592	2,443	9,482	52,517
Balance at 31 December 2017	**413,503**	**208,484**	**69,766**	**691,753**
Depreciation				
Balance at 1 July 2017	(224,351)	(114,673)	(46,533)	(385,557)
Disposals	-	-	-	-
Depreciation	(42,068)	(27,896)	(4,708)	(74,672)
Balance at 31 December 2017	**(266,419)**	**(142,569)**	**(51,241)**	**(460,229)**
Carrying amount at 31 December 2017	**147,084**	**65,915**	**18,525**	**231,524**
30 June 2017				
Cost				
Balance at 1 July 2016	365,587	412,777	42,102	820,466
Additions	7,324	62,625	18,182	88,131
Disposals	-	(269,361)	-	(269,361)
Balance at 30 June 2017	**372,911**	**206,041**	**60,284**	**639,236**
Depreciation				
Balance at 1 July 2016	(147,079)	(172,875)	(32,353)	(352,307)
Depreciation	(77,272)	(84,228)	(14,180)	(175,680)
Disposals	-	142,430	-	142,430
Balance at 30 June 2017	(224,351)	(114,673)	(46,533)	(385,557)
Carrying amount at 30 June 2017	**148,560**	**91,368**	**13,751**	**253,679**

7. Issued capital

	Half Year Ended 31 December 2017 $	Year Ended 30 June 2017 $
Ordinary shares ($)		
At the beginning of the reporting period	18,051,260	17,944,001
Shares issued / cancelled during the current period		
Shares cancelled: Capital restructure **(Note 14)**	(57,960)	-
Shares issued: Dividend Reinvestment Plan[1,2]	30,970	107,259
At the end of the reporting period	**18,024,270**	**18,051,260**

	Half Year Ended 31 December 2017 No.	Year Ended 30 June 2017 No.
Ordinary shares (Number)		
At the beginning of the reporting period	205,901,928	201,610,212
Shares cancelled:	(18,000,000)	-
Shares cancelled pursuant to Capital restructure **(Note 14)**		
Shares issued		
Shares issued: Dividend Reinvestment Plan [1,2]	1,407,680	4,291,716
At the end of the reporting period	**189,309,608**	**205,901,928**

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Share Option Reserve

	31 December 2017 $	30 June 2017 $
At the beginning of the reporting period	201,743	201,743
Options expired *[3]*	(201,743)	-
Options Issued *[4]*	213,300	-
At the end of the reporting period	**213,300**	**201,743**

Share Option Number

	31 December 2017 $	30 June 2017 $
At the beginning of the reporting period	4,000,047	4,000,047
Expired unexercised during the reporting period[3]	(4,000,047)	-
Issued during the reporting period[4]	18,000,000	-
At the end of the reporting period	**18,000,000**	**4,000,047**

Share and Option issue notes:

(1) On 16 December 2016, 4,291,716 ordinary shares were issued at $0.025 per share under the Dividend Reinvestment Plan as announced 2 November 2016.

(2) On 8 December 2017, 1,407,680 ordinary shares were issued at $0.022 per share under the Dividend Reinvestment Plan as announced 8 November 2017.

(3) On 15 November 2017 the Company's listed 4,000,047 $0.44 MSGOA options expired without being exercised.

(4) On 30 November 2017 the Company granted 9 million unlisted options as a Directors incentive, and on 19 December 2017 granted 9 million unlisted options as a staff incentive. The options were issued for $nil consideration and are exercisable at 4 cents on or before 30 November 2022. The options were valued at $213,300.

8. Segmental information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on operating sector. The Group's reportable segments under AASB 8 are therefore Security services, and Mineral exploration. The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Security services $	Mineral exploration $	Total $
31 December 2017			
REVENUE			
Total revenue	9,338,721	-	9,338,721
RESULT			
Segment result	(736,552)	-	(736,552)
Finance costs	(18,161)	-	(18,161)
Loss before income tax	**(754,713)**	**-**	**(754,713)**
Income tax expense	24,560	-	24,560
Prior year tax adjustment	44,283	-	44,283
Loss after income tax	**(685,870)**	**-**	**(685,870)**
OTHER			
Depreciation and amortisation of segment assets	(183,976)	-	(183,976)
ASSETS			
Segment assets	4,181,112	-	4,181,112
LIABILITIES			
Segment liabilities	(3,221,997)	-	(3,221,997)

31 December 2016

	Security services $	Mineral exploration $	Total $
REVENUE			
Total revenue	9,254,252	-	9,254,252
RESULT			
Segment result	742,228	-	742,228
Finance costs	(32,161)	-	(32,161)
Profit before income tax	710,067	-	710,067
Income tax expense	(98,913)	-	(98,913)
Profit after income tax	**611,154**	**-**	**611,154**
OTHER			
Depreciation and amortisation of segment assets	(97,553)	-	(97,553)
ASSETS			
Segment assets	4,779,320	-	4,779,320
LIABILITIES			
Segment liabilities	(2,980,741)	-	(2,980,741)

Accounting policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangible assets, exploration and evaluation expenditure and plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company at an arm's length. These transfers are eliminated on consolidation. At 31 December 2017 and 30 June 2017 there were no such intersegment transfers.

9. Related party transactions

There were no significant changes to the nature of related party relationships and transactions from those disclosed in 30 June 2017 annual report except as noted below.

- the Company agreed with the vendor of the Intiga Security business to buy-back for $57,960, and then cancel, the 18,000,000 shares in the Company originally issued to the vendor;
- the related party loan owing to P&M Simmons, as vendors of MCS Security, accumulated interest of $8,707. Interest is payable on maturity. The balance owing at 31 December 2017 was $295,420. Repayment is currently scheduled for 31 October 2018;
- the Company became aware of further tax-related information relevant to the previous calculation of the working capital liability due to the Vendor of MCS Security effective October 2015. The Company paid $45,497 to the Vendor during the period.

10. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit (loss) attributable to shareholders of MCS Services Limited as the numerator.

The weighted average number of shares for the purposes of calculating the basic and diluted earnings per share:

	31 December 2017 No.	31 December 2016 No.
Weighted average number of shares: basic	198,083,365	201,983,405
Weighted average number of shares: dilutive	198,083,365	205,983,452

11. Events subsequent to balance date

There has not been any matter or circumstance occurring subsequent to the end of the half-year period that has significantly affected or may significantly affect the operations of the Company, the results of operations or the state of affairs of the Company in future financial periods.

12. Intangible assets

	31 December 2017 $	30 June 2017 $
Cost		
At the beginning of the period	-	-
Acquisitions: SSSWA customer contracts	264,958	-
At the end of the period	**264,958**	**-**
Amortisation		
At the beginning of the period	-	-
Amortisation in the period: SSSWA customer contracts	(109,304)	-
	(109,304)	**-**
Carrying value at end of the period	**155,654**	**-**

13. Business combinations

MCS Security Reconciliation accounts

At completion of the Company's acquisition of MCS Security in 2015 the Company was required to transfer the MCS Security retained cash to the vendors of MCS Security.

The reconciliation accounts for MCS Security had previously been considered finalised, with a total of $1.367m calculated as payable to the vendors. During the reporting period to 31 December 2016 $667,771 was paid in cash to the vendors of MCS Security, $350,000 was agreed as a reduction (refer announcement 7 September 2016) and $350,000 was agreed with the vendors of MCS Security to be reclassified as a loan to the Company.

During this Reporting Period a correction was identified in relation to MCS Security's closing tax position, such that an additional $45,497 was payable to the MCS Security vendor. The amount was paid during the half - year.

Acquisition of Customer Contracts of State Security Services (WA) Pty Ltd
As advised to shareholders on 1 August 2017, the Company acquired the customer base of the above entity effective on that date. The consideration is to a maximum of $0.25m (with Stamp Duty payable), the amount being contingent on continuation of workflow from the relevant customers and is payable – except for an element paid on settlement – in monthly instalments over a 12 month period.

14. Capital restructure

As announced on 7 September 2016, the Company and the vendor of John Boardman Pty Ltd (Intiga Security) ("JBPL") agreed to a capital restructure arising from agreed adjustments to the original vendor consideration. The capital restructure in relation to JBPL was subject to a subsequent legal dispute during the reporting period ended 30 June 2017.

During the half-year the Company and the vendor of JBPL agreed to a revision of the capital restructure such that the 18 million fully paid ordinary shares originally issued to the vendor of JBPL during the reporting period ended 30 June 2016 were to be cancelled by way of a selective share buy back in consideration for the payment by the Company of $57,960. The previously arranged consideration – for the issue of 27 million unlisted options in the Company exercisable at $0.06 each expiring 30 October 2020 – would not occur.

The above revision was approved by shareholders during the half-year, on 19 September 2017. During the half-year, in October 2017, the 18 million shares were transferred into the name of MCS Services and cancelled and the $57,960 payment made.

15. Winding up of JBPL

During the half-year the winding up of JBPL was commenced. JBPL has no material assets and does not trade. JBPL's main liabilities are tax amounts of some $0.32m arising prior to JBPL's acquisition by the Company and as warranted by the vendor.

The Company does not anticipate the winding up will have any adverse effect on operations or on the Group's financial position.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
   b) Complying with Accounting Standards AASB 134 Interim Financial Reporting.

This declaration is made in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporation Act 2001.*

On behalf of the Directors

The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman

Dated this 28th day of February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MCS SERVICES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MCS Services Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for MCS Services Limited ("the consolidated entity"). The consolidated entity comprises both MCS Services Limited ("the Company") and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of MCS Services Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MCS Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of MCS Services Limited on 28 February 2018.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MCS Services Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
28 February 2018