



CEO ADDRESS

INTRODUCTION

Good morning ladies and gentleman.

My name is Paul Simmons, and I am the Chief Executive Officer of MCS.

I welcome all shareholders to this, our third AGM as a listed security company.

I firstly thank our Chairman, The Hon Bob Kucera, for his address and for his guidance and encouragement over the past year. I similarly thank our other Board members for their skills and valued contributions over the course of the year.

Our third year as a listed company has been enjoyable, challenging but also rewarding:

Integration:

- The mergers of the retail and events security, we can now categorically say has been fully completed and is a success with future for both divisions looking very promising.

Strategy:

- The Strategy Review which was completed last year has been embraced by all staff and has given the company a clear vision going forward. We have the next 5 years road mapped and will strive to develop the business in add on markets that will benefit all shareholders and drive the business forward in all areas.
- The strategy has been implemented and we have grown the business as stated last year, organically by adding more of our existing clients' property charges to our portfolio. We are also focusing on acquisitions and had identified four businesses that fit into the model of our development. Two we decided for commercial reasons were not a correct fit and the remaining two we are still speaking with. I have every confidence that the approach of organic and acquisition development will be a success and benefit all our shareholders.

Quality Standards:

- Our drive towards ISO accreditation continues with advancement towards the goal continuing, so be it not as quickly as anticipated due to the increased workload and demands associated with adding more clients and large events having to take priority. Our HSEQ Manager is driving the process of gaining the ISO accreditation and we have recently signed off on the required IT package to assist in this objective, after a few adjustments and alterations to the package to make it work for our model and business;
- The development and progress of the ISO has already dividends, with recruitment and training, addressing Insurance needs and streamlining reporting procedures. Once the system is fully functioning it will add a substantial difference between not only our company but the front-line officers compared to others in our industry, our competitors.

Business Development:

- The business development area has been restructured. Several staff in this area have left the business and have been replaced with, staff I believe can drive the business forward in Commercial Security and Aged Care, plus an appointment of a person who is fully qualified and familiar in the electronic, CCTV and Alarms, sectors. These appointments are concentrating on the development of the business in areas where we have not focused on in the past;
- Tenders continuing to be a source of development and a process for the submissions of these tenders has been developed with more input for most head office departments. A set submission of information process has been developed and going forward will assist greatly in ensuring all relevant information required by the variety of requests is captured and not missed. As last year we have several large tenders still pending results.

Acquisitions:

- No acquisitions were made this last year but we have been actively looking for similar businesses that fit with our model and as previously stated we have spoken with four and are continuing dialect with two.
- The process and assessment of these businesses highlights the fact that we need to be 100% sure that the business can be of benefit to the company and ultimately be of benefit to all shareholders. We will not pursue a business for the sake of development. It must be the right fit.
- In addition to the obvious security related acquisitions we are looking at 'add on' businesses that can grow the business in another direction, this may be Traffic Management, Maintenance or a similar fit;
- We continue to discuss opportunities for similar acquisitions, to grow our business into other security sectors and geographies, in particular taking the MCS brand to the eastern states.
- In order to achieve a presence on the eastern seaboard we have recently applied for the required licences in New South Wales and Victoria and it is anticipated that these should be received in the coming months.

Legacy Issues

- All have been well finalised and have had no adverse impact on the business and will now be filed and not mentioned in the future.

OPPORTUNITIES FOR THE SECURITY INDUSTRY AND OUR COMPANY

Security continues to be a growing business due to factors listed last year such as general population growth, construction phases, community concerns with security, and new emerging sectors seeking security services.

Strategic opportunities were identified last year in regard to current clients' portfolios and we have grown this market share here in Western Australia. Discussions have been had with major clients and it is obvious the need to develop the MCS brand in the Eastern States. The opportunities over East are massive and we have taken steps by firstly applying for all the required licences..

Opportunities still exist in Events security and in other sectors including, Commercial Buildings, Aged Care/Retirement Villages, education, Government and tourism. All these areas will be actively pursued this coming year.

Our two focuses of growth, continue to be the same - organic and acquisition – and to take advantage of such opportunities when they arise.

The areas identified last year being:

- oil and gas,
- mining and
- Ports and Harbours.

Still remain priority as large tenders are due soon and the attaining of the ISO accreditation will hold us in a good position when submissions are called for.

FUTURE

It is exciting times ahead for the Company.

I retain absolute focus on our key aims, which remain unchanged from last year:

- to maximise shareholder value;
- to service existing clients to the highest standards,
- to retain their work in the long term;
- to leverage proven capabilities and long-term trusted relationships with major Retail Centre owners into work in other geographies;
- to leverage into servicing new sectors;
- to maximise the utilisation of our Head Office team by driving a greater volume of work through our Company, and to maintain office numbers at efficient levels.

Looking at the immediate future:

- We are now moving into the second half of the year which is always our highest generating period due to extended Christmas-holiday trading hours, Easter trading and summer Events and sports, we have recently completed a 175 guard deployment at the RnB Festival at Nib Stadium and have many additional hours called for by shopping centres to cover the extended December trading period.;
- Last year we were waiting confirmation on the awarding of a major tender in the events sector and we were pleased to announce in January to the ASK that we had been appointed as the 24/7 Asset Protection Security company for the iconic Optus Stadium, an honour and privilege and a fantastic achievement by the company.;
- We have recently been awarded a five year contract with a significant owner of shopping centres across WA and are eagerly awaiting the outcome from a second centre operator, expected in December 2018.
- We recently commenced our first non Western Australia shopping centre security services, in Katherine, Northern Territory. This has proven to be a boost for all head office staff and has again highlighted our commitment to shareholders of advancing the company into other states.
- January/ February will see the efforts to secure our first eastern states contract ramped up hopefully will see the company take on it's first major site.

CHALLENGES

There have been, and always will be, many challenges for our Company.

As last year *Sham contracting* remains a major problem in the security sector, especially in the smaller end of the tender market. It involves Security companies having Guards subcontract to them via an

ABN invoice arrangement – with the Guards often receiving an hourly rate below Award rates and, in some cases, with no superannuation, payroll-tax, leave or Workers Compensation coverage. Such practices allow those Security providers to submit very low-priced tenders which would be unsustainable without resorting to such practices. We, and other respected security providers, are addressing this through the Security Agents Institute of WA and the Police Licensing - Commercial Agents Division.

New Technology continues to evolve and we have been keeping up to date on the progress. This is a definite opportunity, especially with robotics and the development of an automated unit in the USA by a Knightscope. We have registered our interest and believe the unit will not be available for export until 2021. We want to be at the forefront of technology especially devices that enhance our operating protocols and provide added benefits to our clients. We have supplied many of our current clients with the latest Body Worn Cameras. These units have proved very beneficial in evidence gathering, incident reporting and public liability issues.

Our office manning levels are coming to a peak with workloads shared and staff multi-tasking. This has enhanced not only the operations of the company but enriched office staffs' capabilities and knowledge. We will continue to develop staff in multiple rolls and always be looking for technology to assist in making their jobs more efficient. The multi-tasking will create advancement opportunities for staff and heighten their opportunities for advancement within the company.

ONWARDS

Finally the success of a company is solely dependent on the staff in all areas. I believe we have a fantastic team both front line and head office and would like to personally thank each and every one of them for the professionalism, loyalty, diligence and commitment that serves our clients and fulfils our commitment to them of 'Exceeding Client Expectations.' As I opened with, I would also like to thank the Chairman and board for their support and confidence in myself in being the person to take the company to the next level. Their understanding and advice and also their enthusiasm in striving to take the company forward.

I cannot close without thanking our many loyal clients who have shown over the years their satisfaction, contentment and faith in the company by renewing contracts and the continued use of the services provided by MCS. It is a pleasure and honour to be of service to these many fine people and organisations.

I would like to take this final opportunity to thank every shareholder for your support of MCS during this year and pledge my 100% commitment in making MCS profitable for many years to come.

Thank you.

Paul Simmons
Chief Executive Officer
MCS Services Limited