

28 February 2017

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 2016 (**Period**) and Appendix 4D.

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

- An underlying net profit before tax of \$409,946 (excluding a \$300,121 gain on the Capital Restructure of the consideration for MCS Security), in line with internal expectations and recent announcements;
- Net profit after tax, including the gain on the Capital Restructure of the consideration for MCS Security, of \$611,154.
- Total Revenues of \$9,254,252 were solely attributable to the Security Businesses (Total Revenues in the Period to 31 December 2015 were \$3,088,650, being for the two month period to 31 December 2015 in which MCS held an economic interest in the Security Businesses)

The Board is pleased with the profitability result, and is confident in the Company's organic growth and acquisition path.

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 Limited

Appendix 4D

Half-Year Report

1. Company details

Name of entity: MCS SERVICES LIMITED
 ABN: 66 119 641 986
 Reporting Period: For the half-year ended 31 December 2016
 Previous period: For the half-year ended 31 December 2015

2. Results for announcement to the market

Revenues from the ordinary activities	up	200%	to	\$9,254,252
Profit (Loss of \$4,626,292 in Previous period) from ordinary				
Activities after tax attributable to the owners of MCS Services Limited	up	-	to	\$611,154

Dividends

An unfranked dividend of \$649,184 was declared in the Reporting Period.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$611,154 (31 December 2015: loss of \$4,626,292). The net profit in the Reporting Period included a non-cash non-recurring gain of \$300,121 relating to the Capital Restructure of the MCS Security consideration announced on 7 September 2016.

3. Net tangible assets

	Reporting period Cents	Previous Period Cents
Net tangible assets per ordinary security	0.873	0.587

4. Gain or Loss of control over entities

Name of entities (or group of entities) Pty Ltd	MCS Security Group Pty Ltd and John Boardman
Date control gained	Transaction completed on 18 December 2015 however the Company took over control effective 1 November 2015

Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities before income tax during the period (where material).

Includes \$300,121 net gain arising on reduction of the post-closing payment due to the Vendors of MCS Security	\$710,067
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Profit/ (loss) from ordinary activities before income tax of the controlled entity
(Or group of entities) whilst controlled during the whole of the Previous period
(where material) (\$4,585,943)

5. Dividends

Current period

An unfranked dividend of \$649,184 was declared in the Current period, with a record date of 8 December 2016.

Of the total, \$107,292 of dividend entitlements were used by shareholders pursuant to the Dividend Reinvestment Plan to acquire further shares in the Company. The remainder was paid in cash to shareholders on 16 December 2016 or retained as Withholding Tax for subsequent payment to the ATO.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

A Dividend Reinvestment Plan (DRP) was announced on 2 November 2016, with details of the DRP announced on 11 November 2016.

The DRP allowed shareholders to use their dividend entitlement for the period ended 30 June 2016, with a record date of 8 December 2016, to acquire further shares in the Company at \$0.025 per share. This represented an approx. 13.8% discount based on the closing share price of \$0.029 as at 31 October 2016.

4,291,716 shares were issued under the DRP at \$0.025, representing \$107,292.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit / Review qualification

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by Stantons International, and their review report is attached as part of the Half-Year Report.

10. Attachments

Details of attachments (if any)

The Half Year Report of MCS Services Limited for the half –year ended 31 December 2016 is attached.

Signed

A handwritten signature in blue ink, appearing to read 'The Hon RC (BOB) KUCERA APM JP'.

*The Hon RC (BOB) KUCERA APM JP
Non-Executive Chairman
28 February 2017*



ABN: 66 119 641 986

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

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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 2016 (Reporting Period).

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 Company recorded an underlying Net Profit before tax of \$409,946 (excluding a non-cash non-recurring credit of \$300,121 relating to the Capital Restructure, **Note 14**) for the Reporting Period.

The Company announced further contract wins and renewals, 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 retail, mining, oil & gas sector security), in WA and other states, and remains confident in its competitive position for winning such work.

Corporate Overview

During the Reporting Period the Company:

- Advised shareholders of the award of new Security contracts;
- Announced a capital restructure involving adjustments to the original vendor considerations for the acquisition of MCS Security Group Pty Ltd (MCS Security) and John Boardman Pty Ltd (Intiga Security) (**Note 14**).

The Company is seeking to exit the remainder of its non-core mining exploration activities, and is in the final stages of selling its legacy tenement holdings.

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.

- The Hon RC (Bob) Kucera APM JP Non Executive Chairman
- Mr Josh Puckridge Non Executive Director
- Ms Melissa Chapman Non Executive Director (resigned 25 November 2016)
- Mr Matthew Ward Non Executive Director (appointed 29 November 2016)

Company Secretary

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

- Ms Melissa Chapman (retired 28 November 2016)
- Mr Josh Puckridge (appointed in acting capacity 29 November 2016, ceasing 31 January 2017)
- Mr Jonathan Asquith (appointed 31 January 2017)

Operating Results

The net profit after tax attributable to members of the Company for the half-year ended 31 December 2016 was \$611,154 (2015: loss of \$4,626,292). It includes the non-cash non-recurring net gain of \$300,121 on the Capital Restructure during the period. Refer **Note 14**.

The comparative period to 31 December 2015 included only 2 months of trading of the Security businesses, following their acquisition by the Company effective 1 November 2015.

Capital

During the half-year 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	205,901,928
Quoted options RGXOA Ex \$0.44 exp 15/11/2017	4,000,047

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 2017

28 February 2017

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 2016, 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
Director

**CONSOLIDATED STATEMENT OF FINANCIAL
POSITION AS AT 31 DECEMBER 2016**

MCS Services Ltd

	Note	31 December 2016	30 June 2016
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		654,433	2,353,042
Trade and other receivables	4	3,682,554	2,066,554
Inventory		21,294	13,580
Total Current Assets		4,358,281	4,433,176
Non-Current Assets			
Plant and equipment	5	418,839	468,160
Restricted cash and bonds		2,200	2,200
Intangible assets	12	-	-
Exploration and evaluation expenditure	6	-	-
Total Non-Current Assets		421,039	470,360
Total Assets		4,779,320	4,903,536
Current Liabilities			
Trade and other payables		1,594,219	2,426,719
Provisions		495,962	451,545
Financial liabilities		143,427	184,543
Income tax		255,281	4,330
Total Current Liabilities		2,488,889	3,067,137
Non-Current Liabilities			
Provisions		141,852	106,993
Related party loan	9 / 14	350,000	-
Total Non-Current Liabilities		491,852	106,993
Total Liabilities		2,980,741	3,174,130
Net Assets		1,798,579	1,729,406
Equity			
Issued capital	7	18,051,259	17,944,000
Foreign currency translation reserve		30,624	30,680
Share option reserve	7	201,743	201,743
Accumulated losses		(16,485,047)	(16,447,017)
Total Equity		1,798,579	1,729,406

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 2016**

MCS Services Ltd

	Note	31 December 2016 \$	31 December 2015 \$
Revenue		9,254,252	3,088,650
Cost of Goods Sold		(7,153,205)	(2,331,525)
Gross Profit		2,101,047	757,125
Other income		6,739	33,361
Exploration expenses written off	6	-	(10,228)
Employee expenses and benefits		(778,123)	(326,407)
Directors fees and remuneration		(37,500)	(91,078)
Insurance		(357,547)	(140,797)
Finance expenses		(32,161)	(6,253)
Depreciation and amortisation		(97,553)	(166,535)
Impairment of goodwill		-	(4,403,319)
Other expenses		(394,956)	(242,040)
Capital Restructure	14	300,121	-
Total Expenses		(1,390,980)	(5,353,296)
Profit / (Loss) before tax		710,067	(4,596,171)
Income tax expense		(98,913)	(30,121)
Profit / (Loss) for the period attributable to members		611,154	(4,626,292)
Other Comprehensive income			
<i>Items that will may be reclassified subsequently to profit or loss</i>			
Exchange gain loss arising on the translating foreign operations		(56)	(3,510)
<i>Items that will not be reclassified subsequently to profit or loss</i>			-
Total comprehensive Profit / (Loss) for the period		611,098	(4,629,802)
Earnings per share		Cents	Cents
Basic profit (loss) per share from continuing operations	10	0.303	(6.93)
Diluted profit (loss) per share from continuing operations	10	0.297	(6.93)

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

**CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

MCS Services Ltd

	Ordinary shares	Foreign currency translation Reserve	Share option reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
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: Dividend Reinvestment Plan	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
Balance 30 June 2015	11,621,646	20,379	201,743	(10,538,585)	1,305,183
Loss for the period	-	-	-	(4,626,292)	(4,626,292)
Other comprehensive income	-	(3,510)	-	-	(3,510)
Total comprehensive income / (loss)	-	(3,510)	-	(4,626,292)	(4,629,802)
Issue of Share Capital: Prospectus	4,500,000	-	-	-	4,500,000
Issue of share capital: MCS Consideration	1,500,000	-	-	-	1,500,000
Issue of share capital: Intiga Consideration	900,000	-	-	-	900,000
Issue of share capital: Facilitator Shares	400,000	-	-	-	400,000
Share Issue Costs	(977,646)	-	-	-	(977,646)
Balance 31 December 2015	17,944,000	16,869	201,743	(15,164,877)	2,997,735

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

3/108 Winton Road, Joondalup WA 6027 | T: (08) 9301 2420

investors@mcsservices.com.au | www.mcssecurity.com.au

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**



	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	8,842,320	2,920,827
Payments to employees, suppliers and directors	(9,424,480)	(3,184,305)
Refund in respect of transaction costs	-	125,000
Payments in respect of transaction costs	-	(12,626)
Loan to related party	(15,000)	-
Income tax paid	147,466	(30,000)
Net Cash (used in)/provided by operating activities	<u>(449,694)</u>	<u>(181,104)</u>
Cash flows from investing activities		
Interest received	6,248	9,265
Interest paid	(1,888)	-
Payments for exploration expenditure	-	(10,228)
Payment for Fixed Assets	5 (48,232)	-
Payment for finance leases	(40,535)	(17,747)
Cash balances at acquisition of subsidiaries	-	668,633
Payment for acquisition of subsidiaries	(667,771)	(3,780,000)
Net Cash (used in)/provided by investing activities	<u>(752,178)</u>	<u>(3,130,077)</u>
Cash flows from financing activities		
Proceeds from the issue of share capital	-	4,500,000
Dividends paid	(496,737)	-
Payments for share issue costs	-	(283,484)
Net Cash (used in)/provided by financing activities	<u>(496,737)</u>	<u>4,216,516</u>
Net (decrease)/increase in cash and cash equivalents	(1,698,609)	905,335
Cash and cash equivalents at the beginning of the financial period	2,353,042	1,216,564
Foreign exchange difference	-	(196)
Cash and cash equivalents at the end of the financial period	<u>654,433</u>	<u>2,121,703</u>

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

**CONDENSED NOTES TO THE FINANCIAL
STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2016**

MCS Services Limited and its subsidiaries' (**Group** or **Consolidated Entity**) principal activity during the Reporting Period 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 2016 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 2016 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 2016 (including the comparatives) were approved by the board of directors on 28 February 2017.

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 non applicable or 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 2016.

**CONDENSED NOTES TO THE FINANCIAL
STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2016**

4. Trade and other receivables

	31 December 2016	30 June 2016
	\$	\$
Trade debtors	3,352,582	1,999,694
Prepayments	290,084	16,010
Related party loan	31,082	16,082
Other receivables	8,806	34,768
	3,682,554	2,066,554

5. Plant and equipment

	Furniture & equipment	Motor vehicles	Software	Total
	\$	\$	\$	\$
31 December 2016				
Cost				
Balance at 1 July 2016	365,587	412,777	42,103	820,467
Additions	7,324	22,726	18,182	48,232
Disposals	-	-	-	-
Balance at 31 December 2016	372,911	435,503	60,285	868,699
Depreciation				
Balance at 1 July 2016	(147,079)	(172,875)	(32,353)	(352,307)
Disposals	-	-	-	-
Depreciation	(40,215)	(48,934)	(8,404)	(97,553)
Balance at 31 December 2016	(187,294)	(221,809)	(40,757)	(449,860)
Carrying amount at 31 December 2016	185,617	213,694	19,528	418,839

30 June 2016

Cost				
Balance at 1 July 2015	14,601	-	-	14,601
Additions	5,450	15,197	-	20,647
Transfers and other movements	399,670	409,480	42,103	851,253
Impairment	(54,134)	(11,900)	-	(66,034)
Disposals	-	-	-	-
Balance at 30 June 2016	365,587	412,777	42,103	820,467
Depreciation				
Balance at 1 July 2015	(14,601)	-	-	(14,601)
Depreciation	(53,445)	(72,479)	(5,500)	(131,424)
Transfers and other movements	(114,624)	(102,398)	(26,853)	(243,875)
Impairment	35,591	2,002	-	37,593
Balance at 30 June 2016	(147,079)	(172,875)	(32,353)	(352,307)
Carrying amount at 30 June 2016	218,508	239,902	9,750	468,160

**CONDENSED NOTES TO THE FINANCIAL
STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2016**

6. Exploration and evaluation expenditure

During the period ended 31 December 2016 \$nil (31 December 2015 \$10,228 of project costs were expensed in the Statement of Profit or Loss and Other Comprehensive Income rather than capitalised.

7. Issued capital

	Half Year Ended 31 December 2016 \$	Year Ended 30 June 2016 \$
205,901,928 (30 June 2016: 201,610,212) ordinary shares	18,051,259	17,944,000
Ordinary shares		
At the beginning of reporting period	17,944,000	11,621,646
Shares issued during the prior period		
- Shares issued 18 December 2015 ⁽¹⁾	-	4,500,000
- Shares issued 18 December 2015 ⁽²⁾	-	1,500,000
- Shares issued 18 December 2015 ⁽³⁾	-	900,000
- Shares issued 18 December 2015 ⁽⁴⁾	-	400,000
Shares issued / cancelled during the current period		
- Shares issued : Dividend Reinvestment Plan ⁽⁵⁾	107,259	-
Total (net) shares issued during the period	107,259	7,300,000
Less: Share issue costs	-	(977,646)
At the end of reporting period	18,051,259	17,944,000

	Half Year Ended 31 December 2016 No.	Year Ended 30 June 2016 No.
Ordinary shares		
At the beginning of reporting period	201,610,212	55,610,212
Shares issued during the prior period		
- Shares issued 18 December 2015 ⁽¹⁾	-	90,000,000
- Shares issued 18 December 2015 ⁽²⁾	-	30,000,000
- Shares issued 18 December 2015 ⁽³⁾	-	18,000,000
- Shares issued 18 December 2015 ⁽⁴⁾	-	8,000,000
Shares issued/cancelled during current period:		
- Shares issued; Dividend Reinvestment Plan ⁽⁵⁾	4,291,716	-
At the end of reporting period	205,901,928	201,610,212

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 2016 \$	30 June 2016 \$
At the beginning of the period	201,743	201,743

**CONDENSED NOTES TO THE FINANCIAL
STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2016**

At the end of the period

201,743

201,743

The share option reserve records items recognised on the valuation of share options over the vesting period.

Share Option Number

At the beginning of the period

**31 December
2016**

**30 June
2016**

\$

\$

4,000,047

4,000,047

At the end of the period

4,000,047

4,000,047

Share and Option issue notes:

- (1) On 18 December 2015, 90,000,000 ordinary shares were issued at \$0.05 per share
- (2) On 18 December 2015, 30,000,000 ordinary shares were issued at \$0.05 per share to the vendors of MCS Security Group Pty Ltd as part of the security business acquisition
- (3) On 18 December 2015, 18,000,000 ordinary shares were issued at \$0.05 per share to the vendor of John Boardman Pty Ltd as part of the security business acquisition
- (4) On 18 December 2015, 8,000,000 ordinary shares were issued at \$0.05 per share to the facilitators of the security business acquisition
- (5) 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.

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 as follows.

- Security services
- 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 2016			
REVENUE			
Total revenue	9,254,252	-	9,254,252
RESULT			
Segment result	742,228	-	742,228
Finance costs	(32,161)	-	(32,161)
Profit (Loss) before income tax	710,067	-	710,067
	Security services	Mineral exploration	Total
	\$	\$	\$
Income tax expense	(98,913)	-	(98,913)
Profit (Loss) 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			

**CONDENSED NOTES TO THE FINANCIAL
STATEMENTS FOR THE HALF-YEAR
ENDED 31 DECEMBER 2016**

Segment liabilities	(2,980,741)	-	(2,980,741)
31 December 2015			
REVENUE			
Total revenue	3,088,650	-	3,088,650
RESULT			
Segment result	(4,585,943)	(10,228)	(4,596,171)
Finance costs	(6,253)	-	(6,253)
Loss before income tax	(4,585,943)	(10,228)	(4,596,171)
Income tax expense	(30,121)	-	(30,121)
Loss after income tax	(4,616,064)	(10,228)	(4,626,292)
OTHER			
Depreciation and amortisation of segment assets	(166,535)	-	(166,535)
ASSETS			
Segment assets	7,511,944	-	7,511,944
LIABILITIES			
Segment liabilities	(4,514,209)	-	(4,514,209)

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 2016 and 30 June 2016 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 2016 annual report except as noted below.

During the Reporting Period, as announced on 7 September 2016, the Company entered into an agreement with the vendor of MCS Security. The vendor agreed to a \$350,000 reduction in the post-closing payment due to be made to the vendor, and the conversion of a further remaining \$350,000 post-closing payment into a \$350,000 loan facility. The agreement was formalised subsequent to the period-end but was considered effective by 31 December 2016. **Refer Note 14**

The \$350,000 Related Party loan has been recorded as a Non-Current Liability as at 31 December 2016.

The above Related Party Loan is unsecured, incurs interest at 6% per annum (payable upon maturity), and matures on 30 October 2018. The Company has the ability to reduce (but not redraw) the loan at any time over the term.

10. Earnings per share

**CONDENSED NOTES TO THE FINANCIAL
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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 2016 No.	31 December 2015 No.
Weighted average number of shares: basic	201,983,405	66,718,908
Weighted average number of shares: dilutive	205,983,452	70,718,955

11. Events subsequent to balance date

On 6 February 2017, the Company announced the appointment of Mr Jonathan Asquith as Company Secretary effective 31 January 2017.

Refer **Note 14** regarding the Capital Restructure relating to the consideration of Intiga Security.

Other than the above there are no other events subsequent to balance date.

12. Intangible assets

	31 December 2016 \$	30 June 2016 \$
Cost		
At the beginning of the period	-	-
Acquisitions: Contracts on acquisition of MCS Security and Intiga Security	-	1,944,083
Acquisitions: Goodwill on acquisition of MCS Security and Intiga Security	-	4,403,319
At the end of the period	-	6,347,402
Amortisation		
At the beginning of the period	-	-
Amortisation in the period	-	(518,422)
Expensed in the period	-	(5,828,980)
		(6,347,402)
Carrying value at end of the period	-	-

Key assumptions used in the discounted cash flow calculations

The fair value of the contracts at acquisition date was calculated using the discounted cash-flow model based the following assumptions:

- i. *Life of contracts*
Using the remaining life of each contract at acquisition date and the net cash flows from each contract.
- ii. *Cash flows from contracts*
Cash revenues are based on the contract values for each contract. The values assigned to the operating costs on each contract represent management's assessment of estimated costs to deliver on the contracts based on internal sources (historical data).

**CONDENSED NOTES TO THE FINANCIAL
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iii. Discount rates

The discount rates used is based on the estimated weighted average cost of raising funds by the Company.

Amortisation of the contracts was based on the estimated average remaining life of the contracts at acquisition date. Per management, the average estimated life of the contracts, excluding any renewals or extensions, was 2.5 years.

13. Business combinations

On 31 October 2015, the Group completed the acquisition of 100% of the issued share capital and voting rights of MCS Security and Intiga Security. The objective of the acquisition includes exposure to future potential cash flows from two established and profitable businesses.

Details of the business combination are as follows:

	Note	\$
Consideration		
MCS Security		5,280,000
Intiga Security ⁽¹⁾		1,200,000
	(i)	6,480,000
Assets Acquired		
Cash acquired		-
Trade and other receivables		1,100
Inventory		51,344
Plant and equipment		603,726
Deferred tax asset		259,653
Intangible asset		1,944,083
		2,859,906
Less trade and other payables		(200,000)
Less deferred tax liability		(583,225)
Net assets acquired	(ii)	2,076,681
Goodwill	(i) less (ii)	4,403,319

⁽¹⁾ Includes contingent consideration of \$300,000

Identifiable net assets

The fair values of the identifiable intangible assets were determined at 31 October 2015. The fair value of the trade and other receivables acquired as part of the business combination amounted to \$1,100. The value of intangible assets amounted to \$1,944,083 as outlined in **Note 12**.

Goodwill

The goodwill that arose on the combination could be attributed to the synergies expected to be derived from the combination and the value of the workforce of Intiga Security and MCS Security which cannot be recognised as an intangible asset. At the previous reporting date the Board determined that the goodwill was not recoverable and therefore had written it off to the consolidated statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2015. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Reconciliation accounts

At completion, the Company was required to transfer the MCS Security retained cash and Intiga Security retained cash to the vendors of MCS Security and Intiga Security.

The reconciliation accounts for MCS Security have been finalised, with a total of \$1.367m calculated as payable to the vendors. During the Reporting Period \$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. **Refer Note 9**

14. Capital restructure

As announced on 7 September 2016, the Company entered into agreements with the vendors of its operating subsidiaries, MCS Security Group Pty Ltd (MCS Security) and John Boardman Pty Ltd (Intiga Security) to restructure the acquisition considerations.

The Capital Restructure included:

- A \$350,000 reduction in the post-closing payment to be made to the vendors of MCS Security and the conversion of the remaining \$350,000 post-closing payment due into a \$350,000 loan facility.
 - o This element of the Capital Restructure was considered effective prior to the period-end, though was formally documented in final form subsequent to the period end.
 - o The \$350,000 reduction in the post-closing payment due was credited to the Consolidated Statement of Profit & Loss as part of the \$300,121 *Effect of Capital Restructure* gain (Net of \$49,879 arising from final calculation of the MCS Security's vendor consideration). The \$350,000 loan has been debited against amounts payable to the Vendors of MCS Security and is included in the Statement of Financial Position as a Non-Current liability. **Refer Note 9**
- 18 million fully paid ordinary shares held by the vendor of Intiga Security to be cancelled by way of selective share buy-back in consideration for the issue of 27m unlisted options exercisable at \$0.06 each, expiring 30 October 2020.
 - o At the date of this report the Company has not completed the share cancellation and option issue approved by shareholders at a general meeting on 28 November 2016. The company anticipates that this will be completed during the half-year ending 30 June 2017.

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 2016 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 2017

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 2016, 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 2016 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 2017.

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 2016 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 2017