

31 August 2016

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

**ASX ANNOUNCEMENT**

**APPENDIX 4E**

MCS Services Limited (**MCS Services** or the **Company**) (ASX: **MSG**) is pleased to present its Appendix 4E: Preliminary Final Report (**Report**) for the 12 months ending 30 June 2016 (**Period**).

MCS Services completed the acquisition of MCS Security Group Pty Limited and John Boardman Pty Limited (**Security Businesses**) and on 1 November 2015 consummated the acquisition and took on the economic interests of the Security Businesses.

Highlights from the Period:

- Results of the Security Businesses have been captured for 8 months from 1 November 2015;
- The Company generated revenues of \$11.83m in the Period (30 June 2015: \$0.03m) primarily from the provision of uniformed guards;
- The Company incurred overhead expenses of \$8.79m (30 June 2015: \$2.41m) which included impairment charges of \$5.89m (30 June 2015: Nil). Impairment charges are due to the Company fully impairing its intangible assets and its goodwill arising from the acquisition of the Security Businesses.
- Impairment expenses of \$5.89m are non-cash items and do not affect the Company's underlying cash position.
- Cash and net receivables as at 30 June 2016 totalled \$1.99m (30 June 2015: \$1.3m).
- At the end of the Period \$2m (30 June 2015: \$nil) had been invoiced but not yet received.

On the release of this Appendix 4E, the Company has entered into a trading halt, as it is in final stages of entering a potential agreement with the Vendors of the Security Businesses to optimise the Company's balance sheet.

The financial results for the year ending 30 June 2016 are in the process of being audited.

Yours faithfully



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

**MCS Services Limited**

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**ABN: 66 119 641 986**

**APPENDIX 4E  
PRELIMINARY FINAL REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2016**

## 1. Reporting Period

Reporting period: ("Current period") Year ending 30 June 2016

Previous corresponding period Year ending 30 June 2015

## 2. Results for announcement to the market

				<b>\$'000</b>
Revenue	up		to	11,829
(Loss) from ordinary activities after tax attributable to members	down	139%	to	(5,908)
Net (loss) for the period attributable to members	down	139%	to	(5,908)

The net loss attributable to members of the Company for the year ended 30 June 2016 was \$5,908,363 (2015: \$2,470,632 loss). The net loss includes the impairment of goodwill of \$4,403,319, the amortisation of Contracts Acquired of \$518,422, the impairment as at 30 June 2016 of Contracts Acquired of \$1,425,661, and a \$300,000 reversal of a contingent element of the Security Business purchase price no longer considered payable.

	<b>Amount per share (cents)</b>	<b>Franked amount per share (cents)</b>
<b>Dividends</b>	-	-
Final: Current Year	-	-
Final: Previous Year	-	-
Interim: Current Year	-	-
Interim: Final Year	-	-

The Board is currently considering the Company's financing position going forward, including dividend payments.

### 3. Condensed Consolidated Income Statement

	30 June 2016	30 June 2015
	\$'000	\$'000
Revenue	11,829	
<b>Gross Profit</b>	<b>2,803</b>	<b>-</b>
Employee Expenses & Benefits	(1,208)	-
Professional fees	(353)	(357)
Directors fees and remuneration	(146)	(219)
Administration	(170)	(47)
Insurance	(538)	-
Depreciation and Amortisation	(650)	-
Reversal of Contingent consideration	300	
Impairment: Goodwill	(4,403)	-
Impairment: Other	(64)	(511)
Impairment: Contracts Acquired	(1,426)	-
Other income & expenses	(139)	(143)
Transaction Costs		(1,135)
<b>Total Overheads</b>	<b>(8,797)</b>	<b>(2,412)</b>
<b>Loss Before Tax</b>	<b>(5,994)</b>	<b>(2,412)</b>
Income tax (expense)/benefit	86	(48)
<b>Loss for the period attributable to members</b>	<b>(5,908)</b>	<b>(2,460)</b>
<b>Other Comprehensive income</b>	<b>-</b>	<b>(11)</b>
<i>Items that will be reclassified subsequently to profit or loss</i>		
<b>Total comprehensive loss for the period</b>	<b>(5,908)</b>	<b>(2,471)</b>

The above includes 8 months of trading of the Security businesses, which were acquired effectively 1 November 2015.

	30 June 2016	30 June 2015
	\$'000	\$'000
<b>Revenue</b>		
Uniformed Guards	11,486	-
Mobile Patrols	174	-
Alarm & CCTV	143	-
Monitoring	26	-
	<b>11,829</b>	<b>-</b>

#### 4. Condensed Consolidated Balance Sheet

	30 June 2016	30 June 2015
	\$'000	\$'000
<b>Current Assets</b>		
Cash and cash equivalents	2,353	1,217
Trade and other receivables	2,067	166
Inventory	13	-
	<b>4,433</b>	<b>1,383</b>
<b>Non-Current Assets</b>		
Plant and equipment	468	-
Intangible assets	-	-
Other	2	-
	<b>470</b>	<b>-</b>
<b>Total Assets</b>	<b>4,903</b>	<b>1,383</b>
<b>Current Liabilities</b>		
Trade and other payables	2,427	78
Provisions	558	-
Financial liabilities	185	-
Income tax	4	-
	<b>3,174</b>	<b>78</b>
<b>Non-Current Liabilities</b>		
Financial liabilities	-	-
Deferred tax liability	-	-
	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>3,174</b>	<b>78</b>
<b>Net Assets</b>	<b>1,729</b>	<b>1,305</b>
<b>Equity</b>		
Issued Capital	17,944	11,622
Other Reserves	232	222
Accumulated Losses	(16,447)	(10,539)
<b>Total Equity</b>	<b>1,729</b>	<b>1,305</b>

## 5. Condensed Consolidated Statement of Cashflows

	30 June 2016	30 June 2015
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	11,128	-
Payments to employees, suppliers and directors	(10,750)	(1,999)
Payments for BAS	(591)	
Payments for exploration expenditure	(17)	(73)
Income tax paid	(120)	-
Net Cash (used in)/provided by operating activities	<b>(350)</b>	<b>(2,072)</b>
<b>Cash flows from investing activities</b>		
Interest received	19	19
Payment for Plant & Equipment	(26)	
Proceeds from sale of exploration assets	-	65
Payment for finance leases (net of Vendor contribution)	36	-
Working capital balances at acquisition of Security subsidiaries *	1,315	-
Payment for acquisition of subsidiaries	(3,780)	-
Net Cash (used in)/provided by investing activities	<b>(2,436)</b>	<b>84</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	4,500	795
Convertible Note proceeds	-	490
Payments for share issue costs	(578)	(155)
Net Cash provided by/ (used in) financing activities	<b>3,922</b>	<b>1,130</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,136</b>	<b>(858)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>1,217</b>	<b>2075</b>
Foreign exchange difference	-	-
<b>Cash and cash equivalents at the end of the financial period</b>	<b>2,353</b>	<b>1,217</b>
* Amount represents cash and relevant net working capital at date of acquisition in Intiga Security and MCS Security. The amount was not acquired as part of The Transaction and will be repaid to the vendors of Intiga Security and MCS Security.		

## 6. Securities on Issue

During the year 146,000,000 ordinary securities were issued at \$0.05 each. The Company had the following securities on issue at the date of this report:

	Number
<b>Ordinary Shares</b>	
Ordinary Shares <sup>1</sup>	201,610,212
<b>Options</b>	
Quoted options RGXOA Ex \$0.44 exp 15/11/2017	4,000,047

<sup>1</sup> Includes 38,400,000 ordinary shares held in escrow and restricted from trade until 29 December 2016.

#### 7. Dividend reinvestment plan

A Dividend Reinvestment Plan is not currently in place

#### 8. Retained Earnings

	30 June 2016	30 June 2015
	\$'000	\$'000
Accumulated (losses) at beginning of financial year	(10,539)	(8,079)
Net loss attributable to members	(5,908)	(2,460)
Accumulated (losses) at end of financial year	(16,447)	(10,539)

#### 9. Net Tangible Assets

	30 June 2016	30 June 2015
	cents	Cents
Net tangible asset backing per ordinary share	0.9	2.3

#### 10. Details of entities over which control has been gained or lost

Effective 1 November 2015, though completed 18 December 2015, the Group completed the acquisition of 100% of the issued share capital and voting rights of MCS Security Group Pty Ltd (**MCS Security**) and John Boardman Pty Ltd (**Intiga Security**). MCS Security and Intiga Security specialise 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 objective of the acquisition includes exposure to future potential cash flows from two established and profitability businesses.

#### 11. Details of Associates and Joint Venture Entities

Not applicable

#### 12. Any other significant information

Not applicable

#### 13. Accounting Standards

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001

#### 14. Results for the Period

	30 June 2016	30 June 2015
	cents	Cents
Basic earnings (loss) per ordinary share	(4.4)	(10.3)
Dilute earnings if materially different	-	-

Weighted Average number of ordinary shares outstanding during the period used in the calculation of basic EPS	133,796,001	23,907,139
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**15. Return to Shareholders**

Not applicable

**16. Significant features of operating performance**

The Company has maintained all existing clients with several increasing their hours of coverage and is in discussions with / quoting for further opportunities, including Event security. The business has continued to grow in the Pilbara region of WA.

The Company has received notification of acceptance as a supplier to a major facility management company with significant presence in the mining industry, subject to meeting HSE requirements. The Company is also in talks with a major contractor in the Oil & Gas sector and, as in the mining areas, is working towards ISO recognition for compliance.

The Company is in discussions with regard to possible acquisitions, and continues to assess internal efficiencies

**17. Segment Results**

All revenue earned during the year, and all non-cash assets included in the Balance Sheet at the year end, relate to the Security businesses as based in Australia

The acquired Security entities contributed \$11.829m revenue, gross profit of \$2.803m and an operating profit (before Consolidation adjustments and corporate costs) of \$0.617m before tax

The Parent entity incurred a loss (before Consolidation adjustments) of \$0.556m before tax during the year, incurring costs of compliance, audit and Directors fees

**18. Trends in Results**

The year ended 30 June 2016 was the first reporting year of the Company owning the security businesses.

**19. This Report is based on accounts to which the following applies**

The accounts are in the process of being audited

**20. Description of any likely audit dispute or qualification**

Not applicable

Signed in accordance with a resolution of the directors.

The Hon RC (Bob) Kucera APM JP  
Non-Executive Chairman  
Dated this 31 day of August 2016