

28 February 2019

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

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### HALF YEAR FINANCIAL REPORT & APPENDIX 4D

MCS Services Limited (**MCS Services** or the **Company**) (**ASX: MSG**) is pleased to present its auditor reviewed half-year report (**Report**) for the six (6) months ending 31 December 2018 (**Period**) and Appendix 4D.

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

- A 25% increase in revenue from ordinary activities to \$11,704,827 compared to the corresponding prior period of \$9,338,721, an increase of \$2,366,106;
- An underlying EBITDA profit of \$297,304 compared to a loss of \$293,779 during the corresponding prior period, an improvement of \$591,083;
- An underlying net profit from ordinary activities after tax of \$178,965 compared to a \$427,073 net loss during the prior corresponding period, an improvement of \$606,038;
- A net loss attributable to members of \$271,035 compared to a net loss of \$685,870 during the prior corresponding period, an improvement of \$414,565 (60%);
- Net Tangible Assets per ordinary share on issue at 31 December 2018 of \$0.004 (\$0.005 at 30 June 2018, \$0.004 at 31 December 2017)
- The Company:
  - Commenced new contractual work at shopping centres in WA and the Northern Territory and in other security segments such as yacht clubs and office buildings;
  - Extended and / or expanded existing contractual work including in Covert Security;
  - Continued to invest in business development, including new Hires;
  - Applied for Security Licences in NSW and Victoria;
  - Hired a dedicated manager for its CCTV and Alarm segment, which contributed to a notable increase in activity;
  - Progressed with management and system improvements as it moves towards seeking ISO Quality Management accreditation;
- Subsequent to the Period-end the Company finalised a review of its Workers Compensation insurance premium liabilities in relation to prior periods and concluded additional amounts are owing.
- The Company is not proposing to pay a dividend in relation to the Period.

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

A handwritten signature in blue ink, appearing to read 'Bob Kucera', is written over a light blue rectangular background.

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](http://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.



ABN: 66 119 641 986

# **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED  
31 DECEMBER 2018**

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Your directors present their report, together with the financial report on MCS Services Limited (**Company**) and its subsidiaries for the half-year ended 31 December 2018 ("*Period*" or "*half-year*").

### 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 Geoffrey Martin	Non Executive Director
Mr Matthew Ward	Non Executive Director

### Company Secretary

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

### Operating Results

The Company recorded:

- an underlying net profit for the Period of \$178,965 (\$427,073 underlying net loss in the prior corresponding period) before significant items.
- a net loss attributable to members of \$271,035 (\$685,870 loss in the prior corresponding 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 – with recent expansions into the Northern Territory.

During the Period the Company:

- provided a pay rise to all Guards effective 1 July 2018 having regard to the relevant Award rates, together with contractually-allowed increases to its customer charge-out rates where applicable;
- invested in business development including the appointment of an experienced Business Development Consultant and a Business Development Manager;
- applied for Security Licences in New South Wales and Victoria;
- hired a dedicated manager for its CCTV and Alarm segment, which contributed to a notable increase in activity in that segment including from (but not limited to) existing major retail security clients;
- progressed with management and system improvements as it moves towards seeking ISO Quality Management accreditation;
- commenced new contractual work at shopping centres in WA and also in the Northern Territory, and also in yacht clubs, office buildings and other security segments;
- extended and / or expanded existing contractual work including in Covert security.

Subsequent to the Period-end the Company has finalised a review of its Workers Compensation insurance premium liabilities in relation to prior periods and concluded additional amounts are owing. (**Note 16**)

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 Period the Company:

- repaid \$120,000 from the vendor loan owing to P&M Simmons, vendors of the MCS Security Group Pty Ltd business (**Note 9**);
- and reached agreement to extend repayment of the remainder of the vendor loan to October 2020; and;
- announced a buyback of Unmarketable Shares. The buyback completed subsequent to the Period end (**Note 11**).

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

### Capital

No shares or options were issued during the Period.

During the comparative period to 31 December 2017 1,407,680 ordinary securities were issued at \$0.022 each pursuant to the Dividend Reinvestment Plan announced 8 November 2017.

Subsequent to the end of the Period the Company completed the buy-back of unmarketable parcels of MCS ordinary shares, with 1,765,051 ordinary shares acquired and cancelled at a buy-back price of 1.64 cents, for a total consideration of \$28,944.

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

	Number
Ordinary Shares	187,544,557
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 2019**

28 February 2019

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 2018, 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 2018**

**MCS** Services Ltd

	Note	31 December 2018 \$	30 June 2018 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		701,670	834,644
Trade and other receivables	5	3,966,336	2,711,571
Prepayments		231,893	160,680
Inventory		28,169	29,806
Other		-	49,785
<b>Total Current Assets</b>		<b>4,928,068</b>	<b>3,786,486</b>
<b>Non-Current Assets</b>			
Plant and equipment	6	183,772	235,547
Restricted cash and bonds		2,200	2,200
Intangible assets	12	-	22,071
<b>Total Non-Current Assets</b>		<b>185,972</b>	<b>259,818</b>
<b>Total Assets</b>		<b>5,114,040</b>	<b>4,046,304</b>
<b>Current Liabilities</b>			
Trade and other payables		3,094,063	1,809,647
Provisions		1,023,964	813,350
Related party loan	9	-	284,194
Income Tax Liability		14,790	-
<b>Total Current Liabilities</b>		<b>4,132,817</b>	<b>2,907,191</b>
<b>Non-Current Liabilities</b>			
Provisions		113,806	172,286
Related party loan	9	171,625	-
<b>Total Non-Current Liabilities</b>		<b>285,431</b>	<b>172,286</b>
<b>Total Liabilities</b>		<b>4,418,248</b>	<b>3,079,477</b>
<b>Net Assets</b>		<b>695,792</b>	<b>966,827</b>
<b>Equity</b>			
Issued capital	7	18,024,270	18,024,270
Foreign currency translation reserve		30,624	30,624
Share option reserve	7	213,300	213,300
Accumulated losses		(17,572,402)	(17,301,367)
<b>Total Equity</b>		<b>695,792</b>	<b>966,827</b>

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR THE  
HALF YEAR ENDED 31 DECEMBER 2018**

**MCS** Services Ltd

	Note	31 December 2018 \$	31 December 2017 \$
<b>Revenue</b>		11,704,827	9,338,721
<b>Cost of goods sold</b>		(9,515,610)	(7,620,010)
<b>Gross profit</b>		<b>2,189,217</b>	<b>1,718,711</b>
Other income		3,796	9,043
Employee expenses and benefits		(904,135)	(1,116,264)
Directors fees and remuneration		(47,500)	(39,604)
Insurance		(506,048)	(319,789)
Other expenses		(438,026)	(545,876)
		<b>(1,891,913)</b>	<b>(2,012,490)</b>
		<b>297,304</b>	<b>(293,779)</b>
Share based payments expense	7	-	(213,300)
Capital restructure		-	(45,497)
Prior Period Insurance	16	(450,000)	-
		<b>(450,000)</b>	<b>(258,797)</b>
		<b>(152,696)</b>	<b>(552,576)</b>
Finance expenses		(19,895)	(18,161)
Amortisation of contracts acquired	12	(22,071)	(109,304)
Depreciation	6	(76,373)	(74,672)
		<b>(118,339)</b>	<b>(202,137)</b>
<b>Profit / (loss) before tax</b>		<b>(271,035)</b>	<b>(754,713)</b>
Income tax expense		-	68,843
<b>Profit / (loss) for the period attributable to members</b>		<b>(271,035)</b>	<b>(685,870)</b>
<b>Other Comprehensive income</b>			
Exchange gain / (loss) arising on the translating foreign operations		-	-
<b>Total comprehensive Profit / (Loss) for the period</b>		<b>(271,035)</b>	<b>(685,870)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic profit (loss) per share from continuing operations	10	(0.143)	(0.346)
Diluted profit (loss) per share from continuing operations	10	(0.143)	(0.346)

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

**CONSOLIDATED STATEMENT OF CHANGE IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

**MCS** Services Ltd

	Ordinary shares	Foreign currency translation Reserve	Share option Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance 30 June 2018</b>	<b>18,024,270</b>	<b>30,624</b>	<b>213,300</b>	<b>(17,301,367)</b>	<b>966,827</b>
Loss for the period	-	-	-	(271,035)	(271,035)
Foreign currency translation reserve	-	-	-	-	-
<b>Total comprehensive (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(271,035)</b>	<b>(271,035)</b>
Issue of share capital: DRP	-	-	-	-	-
Dividend	-	-	-	-	-
<b>Balance 31 December 2018</b>	<b>18,024,270</b>	<b>30,624</b>	<b>213,300</b>	<b>(17,572,402)</b>	<b>695,792</b>
<b>Balance 30 June 2017</b>	<b>18,051,260</b>	<b>30,624</b>	<b>201,743</b>	<b>(16,637,050)</b>	<b>1,646,577</b>
Loss for the period	-	-	-	(685,870)	(685,870)
<b>Total comprehensive (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(685,870)</b>	<b>(685,870)</b>
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	-
<b>Balance 31 December 2017</b>	<b>18,024,270</b>	<b>30,624</b>	<b>213,300</b>	<b>(17,309,079)</b>	<b>959,115</b>

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

**CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	<b>31 December 2018 \$</b>	<b>31 December 2017 \$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	11,576,393	9,886,738
Payments to employees, suppliers and directors	(11,548,720)	(10,311,210)
Income tax paid	(12,127)	19,524
Net cash from / (used in) operating activities	<b>15,546</b>	<b>(404,948)</b>
<b>Cash flows from investing activities</b>		
Interest received	3,783	8,823
Interest paid	-	(808)
Payment for fixed assets	6 (32,303)	(52,517)
Payment for acquisition of subsidiaries	-	(45,497)
Payment for acquisition of business	-	(144,655)
Net cash (used in) investing activities	<b>(28,520)</b>	<b>(234,654)</b>
<b>Cash flows from financing activities</b>		
Repayment of related party vendor loan	(120,000)	-
Buy back of share capital	-	(57,960)
Dividends paid	-	(145,933)
Net cash (used in) financing activities	<b>(120,000)</b>	<b>(203,893)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(132,974)</b>	<b>(843,495)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>834,644</b>	<b>1,193,130</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>701,670</b>	<b>349,635</b>

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

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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

### 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 2018 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 2018 and any public announcements made by the Company 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 (collectively, **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 2018 (including the comparatives) were approved by the board of directors on 28 February 2019.

### 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.

#### *New and amended standards adopted by the Company*

The Company has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The following accounting standards have been applied for the first time.

- AASB 9: Financial Instruments; and
- AASB 15: Revenue from Contracts with Customers.

The application of these standards has not had a significant impact on the financial statements of the Group.

#### *Impact of standards issued but not yet applied by the entity*

AASB 16 *Leases* was issued in February 2016. When applied, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The adoption of AASB16 in the financial year ended 30 June 2020 is not expected to have a material impact on the financial statements but the Company has not yet quantified the impact. The estimated impact is expected to be disclosed in the 30 June 2019 annual report. The Board does not expect the impact to be

**CONDENSED NOTES TO THE FINANCIAL  
STATEMENTS FOR THE HALF-YEAR  
ENDED 31 DECEMBER 2018**

significant. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

**3. Judgements, Estimates and Assumptions**

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 2018.

**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 2018, the Group had net assets of \$695,792, cash and cash equivalents of \$701,670 and net working capital surplus of \$795,251. The Company had incurred a loss after tax for the period ended 31 December 2018 of \$271,035.

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**

	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Trade debtors	3,922,101	2,689,689
Other receivables	44,235	21,882
	<b>3,966,336</b>	<b>2,711,571</b>

**6. Plant and equipment**

	<b>Furniture &amp; equipment</b>	<b>Motor vehicles</b>	<b>Software</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2018</b>				
<b>Cost</b>				
Balance at 1 July 2018	420,744	208,026	121,689	750,458
Additions	1,690	16,770	13,843	32,303
Disposals & other movements	(7,705)	-	-	(7,705)
Balance at 31 December 2018	<b>414,729</b>	<b>224,796</b>	<b>135,531</b>	<b>775,056</b>
<b>Depreciation</b>				
Balance at 1 July 2018	(295,200)	(145,523)	(74,188)	(514,911)
Disposals	-	-	-	-
Depreciation	(33,663)	(11,793)	(30,917)	(76,373)
Balance at 31 December 2018	<b>(328,863)</b>	<b>(157,316)</b>	<b>(105,105)</b>	<b>(591,284)</b>
<b>Carrying amount at 31 December 2018</b>	<b>85,866</b>	<b>67,480</b>	<b>30,426</b>	<b>183,772</b>

**CONDENSED NOTES TO THE FINANCIAL  
STATEMENTS FOR THE HALF-YEAR  
ENDED 31 DECEMBER 2018**

**30 June 2018**

**Cost**

Balance at 1 July 2017	374,911	206,041	60,284	641,236
Additions	57,436	40,691	67,402	165,529
Disposals & other movements	(11,603)	(38,706)	(5,998)	(56,307)
Balance at 30 June 2018	<b>420,744</b>	<b>208,026</b>	<b>121,688</b>	<b>750,458</b>

**Depreciation**

Balance at 1 July 2017	(226,351)	(114,673)	(46,533)	(387,557)
Depreciation	(80,452)	(41,930)	(33,653)	(156,035)
Disposals	11,603	11,080	5,998	28,681
Balance at 30 June 2018	<b>(295,200)</b>	<b>(145,523)</b>	<b>(74,188)</b>	<b>(514,911)</b>
<b>Carrying amount at 30 June 2018</b>	<b>125,544</b>	<b>62,503</b>	<b>47,501</b>	<b>235,547</b>

**7. Issued capital**

	<b>Half Year Ended 31 December 2018 \$</b>	<b>Year Ended 30 June 2018 \$</b>
<b>Ordinary shares (\$)</b>		
At the beginning of the reporting period	18,024,270	18,051,260
Shares cancelled: Capital restructure ( <b>Note 14</b> )	-	(57,960)
Shares issued: Dividend Reinvestment Plan <sup>(1)</sup>	-	30,970
At the end of the reporting period	<b>18,024,270</b>	<b>18,024,270</b>

	<b>Half Year Ended 31 December 2018 No.</b>	<b>Year Ended 30 June 2018 No.</b>
<b>Ordinary shares (Number)</b>		
At the beginning of the reporting period	189,309,608	205,901,928
<i>Shares cancelled:</i>		
Shares cancelled pursuant to Capital restructure ( <b>Note 14</b> )	-	(18,000,000)
<i>Shares issued</i>		
Shares issued: Dividend Reinvestment Plan <sup>(1)</sup>	-	1,407,680
At the end of the reporting period	<b>189,309,608</b>	<b>189,309,608</b>

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.

	<b>31 December 2018 \$</b>	<b>30 June 2018 \$</b>
<b>Share Option Reserve</b>		
At the beginning of the reporting period	213,300	201,743
Options expired <sup>(2)</sup>	-	(201,743)
Options Issued <sup>(3)</sup>	-	213,300
At the end of the reporting period	<b>213,300</b>	<b>213,300</b>

**CONDENSED NOTES TO THE FINANCIAL  
STATEMENTS FOR THE HALF-YEAR  
ENDED 31 DECEMBER 2018**

**Share Option Number**

	<b>31 December 2018 (No.)</b>	<b>30 June 2018 (No.)</b>
At the beginning of the reporting period	18,000,000	4,000,047
Expired unexercised during the reporting period <sup>(2)</sup>	-	(4,000,047)
Issued during the reporting period <sup>(3)</sup>	-	18,000,000
At the end of the reporting period	<b>18,000,000</b>	<b>18,000,000</b>

**Share and Option issue notes:**

- <sup>(1)</sup> 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.
- <sup>(2)</sup> On 15 November 2017 the Company's listed 4,000,047 \$0.44 MSGOA options expired without being exercised.
- <sup>(3)</sup> 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 Mineral Exploration segment was dormant during the reporting period and had no assets or liabilities. As such, the financial information presented in the Statement of Financial Position and Statement of Profit or Loss represent the Security Services segment.

**Intersegment transfers**

The prices charged on intersegment transactions would be the same as those charged on similar goods / services to parties outside of the Company at an arm's length. There were no inter-segment revenues and expenses.

**9. Related party transactions**

There were no significant changes to the nature of related party relationships and transactions from those disclosed in 30 June 2018 annual report except as noted below:

- the related party loan owing to P&M Simmons, as vendors of MCS Security, was renegotiated during the Period to amend the repayment date terms. The repayments were amended to \$120,000 being payable by no later than 31 October 2018 and the remainder (including accumulated interest) payable by no later than 31 October 2020. All other terms remain unchanged. As such, the balance of the Related Party loan has been classified as a non-current liability.

**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:

	<b>31 December 2018 No.</b>	<b>31 December 2017 No.</b>
Weighted average number of shares: basic	189,309,608	198,083,365
Weighted average number of shares: dilutive	189,309,608	198,083,365

## 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 except:

- Pursuant to the buy-back proposal announcement to shareholders on 27<sup>th</sup> November 2018, on 23 January 2019 the Company completed its buy-back of unmarketable parcels of MCS ordinary shares. A total of 1,765,051 MCS ordinary shares were acquired at a buy-back price of 1.64 cents and then cancelled.

## 12. Intangible assets

	31 December 2018 \$	30 June 2018 \$
<b>Cost</b>		
At the beginning of the period	239,131	-
Acquisitions: SSSWA customer contracts	-	239,131
At the end of the period	<b>239,131</b>	<b>239,131</b>
<b>Amortisation</b>		
At the beginning of the period	(217,060)	-
Amortisation in the period: SSSWA customer contracts	(22,071)	(217,060)
	<b>(239,131)</b>	<b>(217,060)</b>
<b>Carrying value at end of the period</b>	<b>-</b>	<b>22,071</b>

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

## 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.

During the reporting period to 30 June 2017 the vendors agreed that a remaining \$350,000 owed to them could be reclassified as a loan to the Company. Subsequent reductions to the Related Party loan have been:

- \$100,000 was paid to the Vendors during the period ending June 2017;
- \$20,000 was waived by the Vendors during the period ending June 2018;
- during the reporting period to June 2018 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 that period;
- \$120,000 was paid to the Vendors during the Period (refer **Note 9**).

During the Period the Vendors agreed to extend terms for payment of the remaining balance of the Related Party loan, after the aforementioned payment of \$120,000, until October 2020.

#### **14. Capital restructure**

During the half year period to 31 December 2017 the Company reached an agreement with the vendor of John Boardman Pty Ltd ("*JBPL*", *Intiga Security*) for the 18 million fully paid ordinary shares originally issued to the vendor of JBPL during the reporting period ended 30 June 2016 to be cancelled by way of a selective share buy back in consideration for payment by the Company of \$57,960.

The above revision was approved by shareholders during the half-year to 31 December 2017, on 19 September 2017. During the same half-year period, 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 to 31 December 2017 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.

#### **16. Accrual for prior period insurance**

The Company, in conjunction with its current Insurance Broker, has recently undertaken a review of the Workers Compensation Insurance premiums for insurance periods prior to those managed by our current Broker.

An amount of \$450,000 has been accrued in relation to expected workers' compensation call-up premiums for the years 2015/16 and 2016/17. The accrued amount may be subject to the future application of potential rebates and offsets which may reduce the amount ultimately payable.

The Company's insurer has confirmed the expected additional premiums will not fall due for payment until at least 31 August 2019 following a final quantification.

The Company has at all times maintained full Workers Compensation insurance coverage for all of its employees.

## 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 2018 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



Handwritten signature in blue ink, appearing to read 'Bob Kucera'.

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

Dated this 28<sup>th</sup> day of February 2019

## **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 2018, 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 2018 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 2019.

*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 2018 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 2019