



Activities Report & Cash Flow Statement

For the 3 months ending 31 March 2016

Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2016

April, 2016

MCS Services Limited (**MCS Services**) (**Company**) (ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 31 March 2016 (**Period**).

HIGHLIGHTS:

- \$4.8 million in gross revenues generated in the Period (48% up on the previous period);
- \$1.89 million in cash and net receivables for the Period (18% up on the previous period);
- Operating conditions remain strong with a continued focus on organic growth via the growing tender pipeline;
- Operational initiatives undertaken to increase Company efficiency to support future growth and shareholder return; and
- Consolidation of systems and identification of system improvements.

OPERATIONS UPDATE

The Company has continued a strong trading quarter. MCS is assessing expanding its services in the Pilbara region, especially the Town of Port Hedland. The Company is currently putting together a scope of works for patrols in the area which will service the Shire and Aboriginal Aged Care.

During the Period, the Company submitted tenders to The Department of Education WA, AMP Commercial buildings in WA, Westfield Shopping Centres, Perth Arena and The Water Corporation.

The new division of Loss Prevention Management, formed last quarter, has expanded from two operatives to four and it is anticipated that this growth will continue.

The Company has identified two potential acquisitions that represent genuine acquisition opportunities that would likely also increase the operating efficiency of MCS, post their acquisitions (should these acquisitions eventuate). The potential acquisitions are in their early stages of assessment and all discussion in this regard remain confidential, non-binding and incomplete.

The integration of the Company's accounting and financial reporting systems were largely completed during the Period. The Company has identified significant further improvements for these systems; the Company is in the process of implementing these improvements ahead of the new financial year to allow the Company to better track its financial performance and identify areas for improvement in a timely manner.

FINANCIAL PERFORMANCE

The Company generated revenue of \$4.8 million during the quarter of which \$2.2 million had been invoiced but not yet received at the end of the Period.

Quarterly Activities and Cash Flow Statement

For the three months ending 31 March 2016

April, 2016

During the Period, the Company paid \$3.34 million in staff costs, predominantly comprising of the costs of security guards. Working capital costs of \$0.54 million, for the Period, included insurance and general administration costs. Transaction costs were one off costs relating to costs associated to the acquisition and these will not re-occur in future periods.

Cash and net receivables at 31 March 2016 totaled \$1.89 million comprising of cash of \$0.39 million and net receivables of \$1.5 million.

SECTOR OUTLOOK

Management remains confident regarding the local Perth market's ability to provide growth to the Company's revenues. The Company has identified multiple key contract tenders in Government, Healthcare, Retail, Mining and Construction that it is pursuing.

Furthermore, the national market also presents large growth opportunities and the Company has been approached by multiple national retailers and property groups requesting MCS Services tenders on contracts located in NSW, QLD and VIC.

CHANGE IN REGISTERED OFFICE

During the quarter, the Company changed its registered office to 3/108 Winton Road, Joondalup, Western Australia, 6027.

CHANGE IN SHARE REGISTRY

During the quarter, the Company changed its share registry from Computershare to Automic Registry Services with effect from 18 April 2016.

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 31 March 2016.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Paul R. Simmons', with a large circular flourish at the end.

Paul R. Simmons
Chief Executive Officer
MCS Services Limited

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For further information, please contact:

Corporate/Operational

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About MCS Services Limited

MCS Services Limited is a Company listed on the Australian Securities Exchange (ASX: **MSG**).

The Company is one of the largest fully integrated security providers in Western Australia, employing over 500 operational staff and supervisors. MCS Services specialises in asset security at government offices and facilities, major commercial property sites, retail shopping centres, sports stadiums, construction sites ancillary sites and major outdoor events throughout Western Australia.

Visit the Company's website (www.mcssecurity.com.au) and see the Company's latest announcements (www.asx.com.au/asx/research/company.do#!/MSG) for more details.

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.

-END-

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

MCS Services Limited

ABN

66 119 641 986

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from customers	4,801	6,128
1.2	Payments for (a) staff costs ¹	(3,344)	(5,398)
	(b) advertising and	-	-
	marketing		
	(c) research and	-	-
	development		
	(d) leased assets	(21)	(24)
	(e) other working capital	(537)	(1,181)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	5	15
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(85)	(85)
1.7	Other (provide details if material)		
	Transaction costs (payments) / refund	(466)	(624)
	Exploration and evaluation	(7)	(18)
	BAS	(364)	(364)
Net operating cash flows		(18)	(1,551)

¹ Includes payroll, PAYG, payroll tax, superannuation etc.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(18)	(1,551)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	(3,780)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	-	(3,780)
1.14 Total operating and investing cash flows	(18)	(5,331)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	4,500
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	-	4,500
Net increase (decrease) in cash held	(18)	(831)
1.21 Cash at beginning of quarter/year to date	404	1,217
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	386	386

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	\$23
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	Explanation necessary for an understanding of the transactions	
	Salary cash payment (net of taxes) paid to CEO and COO (\$75k) Cash office rent paid to related party of CEO (\$13k)	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	386	404
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		386	404

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	Nil	Nil
5.2	Place of incorporation or registration	Nil	Nil
5.3	Consideration for acquisition or disposal	Nil	Nil
5.4	Total net assets	Nil	Nil
5.5	Nature of business	Nil	Nil

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 29 April 2016
 Director

Print name: Melissa Chapman

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

ASX Listing Rule 5.3.3 tenement details

MCS Services Limited retains the following historic mining tenements:

Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
Chongos A Peru	See below a)	100%	100%
Chongos B Peru	See below a)	100%	100%
Chongos C Peru	See below a)	100%	100%
La Negra Chile	See below b)	100%	100%
Majada Chile	See below c)	See c)	See c)

Nature of Interest - Notes

- a) The Company through its wholly owned subsidiary, Red Gum Resources (Peru) Pty Ltd holds 100% beneficial interest in the shares in Central Peru Resources ("CPR"), which in turn holds 100% of the three remaining Peruvian Projects.
- b) In 2012 Red Gum exercised its option to acquire the 100% interest in the La Negra Project which was registered on a 100% basis on 19 July 2012.
- c) In March 2014 the Company notified each of the individual nine concession holders that it intended to give notice of its intention to withdraw from the Option Agreements entered into in March 2013. That agreement provided that by making staged, six monthly, optional payments totalling 679.5 million Chilean pesos (A\$ 1.44 million at the then exchange rate) to the owners over a 3 year period from the date of signature, the Company could earn a 100% interest. After withdrawing from those agreements the Company no longer has any financial obligations concerning the Project and in view of the announced anticipate change in fundamental business activities no longer seeks to pursue this project.

+ See chapter 19 for defined terms.