



Activities Report & Cash Flow Statement  
*For the 3 months ending 30 June 2020*

## Quarterly Activities and Cash Flow Statement

For the three months ending 30 June 2020

29 July 2020

MCS Services Limited (**MCS Services**) (**Company**) (ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 30 June 2020 (**Period**).

During the Period the Company recorded a net cash inflow of \$186,000, finishing the Period with a cash balance of \$2,081,000 (31 March 2020: \$1,895,000). The cash position was materially a function of:

- the timing of account payments to the Company by customers;
- the cashflow effect of financial precautions undertaken at the commencement of COVID restrictions:
  - o \$118,000 of Payroll Tax obligations falling due in the Period were, as agreed with the WA State Revenue Dept, paid in July 2020;
  - o \$380,000 of GST due to the ATO during the previous Period, which had been temporarily deferred with the agreement of the ATO, was paid during the Period;
- the \$150,000 commercial settlement of claims brought by the liquidator of John Boardman Pty Ltd, a non-trading subsidiary of the Company, as announced on 30 June 2020.

Cash and net receivables as at 30 June 2020 totaled \$2.6 million (\$2.1 million as at 31 March 2020) comprising cash of \$2.1 million (\$1.9 million as at 31 March 2020) and net receivables of \$0.5 million (\$0.2 million as at 31 March 2020). Net receivables as at 30 June 2020 and 31 March 2020 include the current liability of \$0.08 million owing on the Related Party loan as due for repayment no later than 31 October 2020.

### **COVID-19**

The operational and commercial impacts on the Company during the Period included:

#### Retail Security:

The Company saw a gradual return to, or near to, pre-COVID levels at most shopping centres.

#### COVID

Commencing in April 2020 the Company has been providing security at one Perth hotel utilised for COVID isolation. This work cushioned MCS Services' revenue from the reduced Retail Security work during the Period. The Company operates to protocols and PPE requirements developed in line with regulatory requirements and guidance. The continuation / volume of such work going forward is subject to a number of factors including Government policy, quarantine regulations and incoming flight levels.

#### Events Security:

The Company continued to liaise with its Events clients and plan for re-opening scenarios. Subsequent to the Period the Company has undertaken a number of music and sports-related security roles in WA, though not yet at pre-COVID levels.

#### Government Support:

The Company continues to monitor the availability of COVID subsidies and payment deferral options from Government bodies. Due to the limited impact of COVID issues on the Company's overall performance the Company is generally not eligible for many schemes – including that the Company was not eligible for the Jobkeeper subsidy for any of the Period.

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During the previous Period the Company considered it had a potential exposure to slower cash inflows resulting from, for example, major clients' finance staff working from home and so being less prompt in approving invoiced amounts for payment. As such, during the previous Period the Company requested:

- a staged payment deferral from the ATO for the quarterly BAS payment then falling due of some \$0.57m. The deferral request was granted, with a 1/3 payment made during the previous Period and the remaining \$0.38m paid in this Period;
- a payment deferral from WA State Revenue Dept for the \$0.118m monthly Payroll Tax falling due in this Period. The deferral request was granted and payment was made in full in July 2020.

No other payment deferrals, waivers or subsidies have been requested.

### OPERATIONS UPDATE

During the Period the Company maintained all major clients and:

#### Quality Management Systems

- continued developing its Environmental management processes ahead of a planned independent audit in the December 2020 quarter and, if successful, application for international environmental standard 14001;

#### Uniformed Security:

- announced the winning of a new security / concierge security contract at a commercial building in Perth CBD and a new security contract at a regional WA shopping centre. Combined annual revenues are estimated at \$0.255 million;

#### Alarm & CCTV:

- continued to seek expansion of its market for the installation, maintenance and monitoring of CCTV and alarm systems at shopping centres, aged-care facilities and hotel chains in WA and the Northern Territory;

#### Events and Stadia:

- continued providing 24/7 asset-management security, including gatehouse and precinct security, at the recently constructed major stadium in Perth;

### GROWTH OPPORTUNITIES

The Company has security operating licences for Western Australia, South Australia, Victoria and New South Wales. During the Period the Company was also granted an operating licence for ACT.

The Company continues to seek further organic growth opportunities in its specialist security segments, including but not limited to leveraging its reputation with existing clients to obtain work at additional

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locations. The Company is also assessing the addition of new verticals to its business. The Company is constantly assessing the expansion of its operations in the Perth metropolitan area, regional Western Australia and interstate through the identification and acquisition of suitable targets. It may progress these opportunities if they are value accretive to shareholders and consistent with the Company's strategy. The company continues to actively review and enhance its marketing strategy.

### CORPORATE

During the Period:

- the Company announced the appointment of Capital H Management as Corporate Advisor to assist with the next phase of growth for the Company. Capital H Management will assist with market engagement, strategic growth initiatives and identifying Merger & Acquisition opportunities, with a particular focus on the Eastern States of Australia;
- announced on 30 June 2020 that, for commercial reasons including having regard to likely future legal costs and uncertainties in defending the matter, the Company had reached a \$150,000 settlement with the liquidator of John Boardman Pty Ltd (JBPL), a non-operating subsidiary of the Company. The amount was paid in the Period. The Company has written back a net liability amount of \$320,000 as a result.

**Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 30 June 2020.**

Yours faithfully,



Paul R. Simmons

**Managing Director**

**About MCS Services Limited**

This announcement was authorised for release to the ASX by Mr Paul Simmons.  
For further information contact Mr Simmons on 0439 943 405

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](http://www.mcssecurity.com.au) or see the Company's latest announcements <https://www.asx.com.au/asx/share-price-research/company/MSG> for more details.

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### **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.

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