MCS Services Ltd



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Activities Report & Cash Flow Statement

For the 3 months ending 30 September 2020

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

During the Period the Company recorded a net cash inflow of $679,000, finishing the Period with a cash balance of $2,760,000 (30 June 2020: $2,081,000). The cash position includes the effects of:

- the timing of account payments to the Company by customers;
- the cashflow effect of financial precautions undertaken at the commencement of COVID restrictions, including $118,000 of Payroll Tax obligations originally falling due in the June 2020 Period which were paid in July 2020;
- the $85,000 repayment during the Period of the remaining balance of the Related Party loan.

Cash and net receivables as at 30 September 2020 totaled $3.1 million ($2.6 million as at 30 June 2020) comprising cash of $2.8 million ($2.1 million as at 30 June 2020) and net receivables of $0.3 million ($0.5 million as at 30 June 2020). Net receivables as at 30 June 2020 included the then current liability of $0.08 million owing on the Related Party loan.

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COVID-19

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

Retail Security:
The Company saw a near complete return to pre-COVID work 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 primary period of COVID restrictions in WA, being primarily in the June 2020 Period.

The Company operates to protocols and PPE requirements developed in line with regulatory requirements and guidance.

As at the date of this Report the Company continues to provide services at the same hotel. 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:
During the Period the Company has undertaken a number of music and sports-related security roles in WA, though not yet to 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 has not been eligible for the Jobkeeper subsidy for any of the current or previous Periods.

During previous Periods the Company arranged short-term payment deferrals with the ATO (for BAS) and WA State Revenue (for Payroll Tax) out of an abundance of caution for possible cashflow impacts of COVID on the business. The deferred ATO payment obligations were brought up to date in the previous Period and the $0.118m monthly Payroll Tax originally falling due in the June Period was paid in full in July 2020.

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

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OPERATIONS UPDATE

During the Period the Company maintained all major clients and:

Quality Management Systems

- the Company's environmental management processes were subject to an independent audit in the September 2020 quarter. Subsequent to the Period the Company was advised it had been successful and can now apply for international environmental standard 14001;

Uniformed Security:

- announced successfully winning a tender process for security work at two shopping centres in Perth. Both centres were already serviced by the Company, are managed by CBRE, and the contract period is for two years to 2022 for a total value over the initial term of in excess of $.3 million. There is an option of two 12 month extensions

Alarm & CCTV:

- engaged additional staff as it continued to expand 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:

- successfully retained its Sports / Music Events security contract with a large WA State Government venue operator. Work levels from the contract will, in part, be subject to COVID-related limitations on crowd attendance levels at sport and music events in WA;
- continued providing 24/7 asset-management security, including gatehouse and precinct security, at the recently constructed major stadium in Perth;

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GROWTH OPPORTUNITIES

The Company has security operating licences for Western Australia, South Australia, Victoria, New South Wales and 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 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 it's marketing strategy.

CORPORATE

During the Period the Company utilised existing cash balances to make the final $85,000 repayment of the Related Party loan owing to P&M Simmons, the vendors in 2015 of the MCS Security business. The Related Party loan had been due for final repayment no later than 31 October 2020.

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

Yours faithfully,



Paul R. Simmons
Managing Director

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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 or see the Company's latest announcements https://www.asx.com.au/asx/share-price-research/company/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 cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
MCS Services Limited	
ABN	**Quarter ended ("current quarter")**
66 119 641 986	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	8,790	8,790
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(58)	(58)
	(d) leased assets	-	-
	(e) staff costs	(6,493)	(6,493)
	(f) administration and corporate costs	(812)	(812)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(4)	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other : GST to ATO	(619)	(619)
1.9	**Net cash from / (used in) operating activities**	**804**	**804**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:	-	
	(a) entities	-	
	(b) businesses	-	
	(c) property, plant and equipment	(25)	(25)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(25)**	**(25)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from (payments for) issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(100)	(100)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(100)**	**(100)**

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,081	2,081
4.2	Net cash from / (used in) operating activities (item 1.9 above)	804	804
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25)	(25)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(100)	(100)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,760**	**2,760**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	2,760	2,081
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,760**	**2,081**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	96
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

The amounts at 6.1 above include:

- Director fees of $32,000 (30 June 2020: $32,000);
- salary paid to Paul Simmons as CEO and office rent paid to a related entity of Paul Simmons totalling $64,000 (30 June 2020: $62,000)

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Company finalised the terms of an unsecured $0.35m loan from the Vendors of MCS Security pursuant to the Capital Restructure announced on 7 September 2016. Interest at 6% per annum since commencement was accrued. During the September 2018 Period the terms of the loan were varied such that the remaining amount was payable not later than 31 October 2020 and other terms remain unchanged. The remaining balance owing of $0.085m was repaid in full in the Period

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	804
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,760
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,760

8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

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8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2020

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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