MCS Services Ltd



Activities Report & Cash Flow Statement

For the 3 months ending 31 March 2022



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 2022 (Period).

Cash and net receivables as at 31 March 2022 totaled $5.4 million ($5.0 million as at 31 December 2021) comprising cash of $3.6 million ($4.6 million as at 31 December 2021) and net receivables of $1.8 million ($0.4 million as at 31 December 2021).

During the Period the Company recorded a net cash outflow of $984,000, finishing the Period with a cash balance of $3,582,000 (31 December 2021: $4,566,000). The net outflow was primarily a function of a seventh (commonly, six) fortnightly payrun of $0.85m net falling due in the Period, the payment of $0.4m income tax for 2020/21 in the Period, and the timing of insurance premium instalments.

OPERATIONS UPDATE

During the Period the Company:

- Was successful with a tender for the provision of ad-hoc security to St John of God Healthcare Inc for their four hospitals in Perth. The full potential volume of work is not yet clear
- Benefitted from revenue from its work at one hotel in the WA hotel quarantine system. During the Period the client commenced a staged wind-back of work levels in the hotel quarantine system, including announcing a cessation of usage of some hotels altogether. The Company has been advised its site will be the last of the CBD-based quarantine hotels to close and will remain in use for some time. Notwithstanding some scaling back of work levels, during the Period the Company's revenue levels from the WA hotel quarantine system were some 87% of the previous Period.
- Benefitted from increasing levels of work in Health Service security, primarily from the North Metropolitan Health Service contract as announced on 29 January 2021.
- Has undertaken a number of community and sports-related event security roles in WA, though not yet to pre-COVID levels.

COVID - 19

The operational and commercial impacts on the Company remain materially as advised in the previous Period and the announcement to shareholders on 2 December 2020, including:

- Retail Security:

  There were no 'lockdowns' in the Company's geographical markets during the March Quarter or subsequently to the date of this Report.

- Quarantine Security:

  Commencing in April 2020 the Company has been providing security at one Perth hotel utilised for COVID isolation. The Company utilises a specialist roster of security staff, operating 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 the Company's work going forward is subject to a number of factors including Government policy, quarantine regulations and incoming flight levels.

- WA Border Restrictions:

  The WA State Government significantly eased existing state border controls towards the end of the Period.

CORPORATE

During the Period the Company announced the issue of 1.8 million ordinary shares to the CEO upon the vesting of Performance Shares.

GROWTH OPPORTUNITIES

- Acquisition Growth:

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.

During the Period the Company advised it had entered into an agreement for the acquisition of a traffic management company. The Company is progressing towards the finalisation of the acquisition.

The Company continues to actively review and enhance it's marketing strategy.

- Organic Growth:

The Company has security operating licenses for Western Australia, South Australia, Victoria, South Wales, ACT and, recently, Queensland.

The Company has continued to see increasing demand for it's health sector offerings.

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 continues to actively review and enhance it's marketing strategy.

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 31 March 2022.

Your's faithfully



Paul R. Simmons
Managing Director

ABOUT MCS SERVICE 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, 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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
MCS Services Limited	
ABN	**Quarter ended ("current quarter")**
66 119 641 986	31 March 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	12,969	36,049
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(21)	(120)
	(d) leased assets	-	-
	(e) staff costs	(11,121)	(29,744)
	(f) administration and corporate costs	(1,462)	(3,826)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	14
1.5	Interest and other costs of finance paid	(9)	(28)
1.6	Income taxes paid	(383)	(451)
1.7	Government grants and tax incentives	-	-
1.8	Other : GST to ATO	(878)	(2,522)
1.9	**Net cash from / (used in) operating activities**	**(900)**	**(628)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:	-	-
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(70)	(213)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
	(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	Payment for Security for Bank Guarantees*	-	(150)*
2.6	**Net cash from / (used in) investing activities**	**(70)**	**(363)**

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	(13)	(39)
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**	**(13)**	**(39)**

** Consistent with the accounting treatment in the Consolidated Financial Statements for the half year ending 31 Dec 2021, cash transferred to the Company's Term Deposits as security for Bank Guarantees provided to Company clients is treated as a cash outflow for cashflow reporting purposes. The (cumulative $0.2m, incl $0.15m transferred in the previous Period) Term Deposits are classed as 'restricted cash' Non-Current Assets in Statements of Financial Position.*

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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	4,566	4,613
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(900)	(628)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	(363)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(13)	(39)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**3,583**	**3,583**

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	3,433	4,416
5.2	Call deposits	150	150
5.3	Bank overdrafts	-	-
5.4	Other*	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**3,583**	**4,566**

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	104
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 $37,000 (30 Dec 2021: $36,000);
- salary paid to Paul Simmons as CEO and office rent paid to a related entity of Paul Simmons totalling $67,000 (31 Dec 2021: $59,000)

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(900)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,583
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,583
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.9

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

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: 29 April 2022

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.