

26 February 2021

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 2020 (**Period**) and Appendix 4D. The previous corresponding period is the six months ending 31 December 2019.

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

- A 45% increase in revenue from ordinary activities to \$17,787,098 compared to the corresponding prior period of \$12,250,027, an increase of \$5,537,071;
- An EBITDA of \$1,010,137 compared to an EBITDA of \$62,408 during the prior corresponding period, an increase of \$947,729;
- A net profit from ordinary activities after tax attributable to members of \$765,847 compared to a \$45,922 net loss during the prior corresponding period, an improvement of \$811,769;
- Net Tangible Assets per ordinary share on issue at 31 December 2020 of \$0.008 (\$0.004 at 30 June 2020, \$0.004 at 31 December 2019)
- No dividends were paid or declared during the Period. The Company is not proposing to pay a dividend in relation to the Period;
- The Company did not gain or lose control over any entities during the Period;
- The Company has no associates or joint ventures.

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



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

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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Interim Consolidated Financial Statements

For the half-year ended 31 December 2020

Registered Office & Principal Place of Business	3/108, Winton Road, Joondalup, WA, 6027	Ph: (08) 9301 2420 Fax: (08) 9301 2421
Postal Address	PO Box 3399, Joondalup, WA, 6919	
Company website	www.mcssecurity.com.au	
Share Registry	Automic Registry Services, 7 Ventnor Ave, West Perth, WA, 6005	www.Automic.com.au (08) 9 324 2099 1300 288 664 (61) 2 9698 5414
Securities Exchange	Australian Securities Exchange	Ticker 'MSG'
Investor Queries	investors@mcssecurity.com.au	
Bankers	National Australia Bank, 197 St Georges Terrace, Perth,WA, 6000	
Legal	HWLE Ebsworth, Level 20, 240 St Georges Terrace, Perth, WA, 6000	
Auditors	Stantons International Audit & Consulting Pty Ltd, Level 2, 1 Walker Avenue, West Perth, WA, 6005	
Board of Directors	The Hon Robert Charles Kucera APM JP Mr Paul Simmons Mr Matthew Ward Mr Geoff Martin	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director
Senior Management	Mr Paul Simmons Mr Mark Englebert	Chief Executive Officer (CEO) Chief Financial Officer (CFO)
Company Secretary	Mr Jonathan Asquith	

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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 2020 ("*Period*" or "*half-year*").

Directors

The names of Directors who held office during or since the end of the Period 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
Mr Paul Simmons	Managing Director

Company Secretary

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

Operating Results

The Company recorded:

- earnings before interest, tax, depreciation and amortisation (EBITDA) of \$1,022,887 (\$75,158 in the prior corresponding period) before significant items such as share-based payment costs;
- a net profit after tax of \$765,847 (net loss after tax of \$45,922 in the prior corresponding period);

Operational Overview

The Company specialises in asset security at retail shopping centres, government offices and facilities, major commercial offices, sports stadiums 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:

- successfully attained ISO 14001 (Environment) certification following an independent audit, adding to the Company's existing ISO 9001 (Quality) and AS4801 / OHSAS 18001 (Health & Safety) certification. The Company's certifications cover the Company's core safety and quality systems including environmental management, recruitment, training, operating procedures, risk assessments, hazard identifications, safe working, toolbox meetings, incident investigations, internal auditing, data reporting and continuous improvement processes;
- applied relevant CPI increases to its customer charge-out rates, and provided a pay rise to all Guards effective 1 November 2020 having regard to the relevant Award rates;
- commenced the application process to obtain a security licence in Queensland, to add to existing licences in Western Australia, Victoria, South Australia, ACT and New South Wales. The Queensland licence process is ongoing;

- obtained initial Australian Defence Force security clearance;
- signed an agreement with Karlayura Group, a 100% aboriginal owned business specialising in servicing the mining sector in the Pilbara region of WA. The Company and Karlayura Group have commenced jointly tendering for work opportunities.

Operationally, during the Period the Company:

- was only mildly affected by COVID restrictions on our clients' businesses, with retail and commercial clients returning to standard operational volumes prior to commencement of, or early in, the Period. There remains an effect to our Events-security segment as music and sports events were limited in number and / or customer-capacity over the Period;
- continued to provide security at one Perth hotel utilised for COVID isolation, utilising a specialist roster of staff operating 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;
- renewed contracts for security in two shopping centres in Perth and a major commercial office building / shopping centre in the Perth CBD;
- commenced additional work for an existing Events & Stadia customer, the owner and operator of multiple venues across Perth, providing security at a Perth motorsports venue;
- was advised of the extension of its existing contract with the operator of the iconic Perth Stadium, following the client taking up the two-year extension option period;
- commenced an ad-hoc volume contract for the North Metropolitan Health Service (a division of the WA State Government), providing security services when required across up to five major Perth hospitals. This work provides the Company the opportunity to further demonstrate its services to the Health sector;
- expanded its Alarms & CCTV division by hiring additional staff. The division continues to expand, primarily servicing the shopping centre and hotel sector;
- continues to actively review and enhance its marketing strategy.

The Company's organic growth strategy includes:

- pursuing pipeline opportunities in WA and other states, including lodging high quality tenders;
- leveraging its reputation with existing clients to obtain work at additional locations, and
- 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 inter-state through the identification and acquisition of suitable targets. The Company may progress these opportunities if they are value accretive to shareholders and consistent with the Company's strategy.

Corporate Overview

During the Period, on 31 August 2020, the Company repaid the final \$85,084 (incl accrued interest) of the Related Party vendor loan owing to P&M Simmons, the vendors of the MCS Security Group Pty Ltd business. **(Note 8)**

Capital

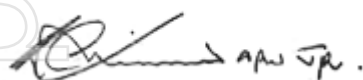
No shares or options were issued, bought back or expired during the Period.

During the Period the Company announced in November 2020 its intention to continue over the following 12 months with its on-market share buyback for up to 10 per cent of its issued share capital.

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

	Number
Ordinary Shares	186,274,557
Unlisted Options	18,000,000
Performance Rights	3,600,000

Signed in accordance with a resolution of the directors.



The Hon RC (Bob) Kucera APM JP
Non-Executive Chairman
Dated this 26th day of February 2021

Auditor's Independence Declaration

MCS

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International
Chartered Accountants and Consultants

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26 February 2021

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 2020, 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)



Samir Tirodkar
Director

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Consolidated Statement of Financial Position as at 31 December 2020



	Note	31 Dec 2020 \$	30 June 2020 \$
Assets			
Current Assets			
Cash and cash equivalents		3,017,236	2,081,305
Trade and other receivables	5	3,245,234	2,557,037
Prepayments		691,531	171,240
Inventory and Work in Progress		103,349	52,649
Total Current Assets		7,057,350	4,862,231
Non-Current Assets			
Plant and equipment	6	216,950	203,325
Restricted cash and bonds		3,005	2,200
Right of Use Asset	7	207,974	228,974
Total Non-Current Assets		427,929	434,499
Total Assets		7,485,279	5,296,730

(Continued overleaf)

Consolidated Statement of Financial Position as at 31 December 2020



	Note	31 Dec 2020 \$	30 June 2020 \$
Current Liabilities			
Trade and other payables		2,617,015	2,206,745
Employee leave entitlements		1,936,281	1,520,203
Related party loan	8	–	84,240
Lease liabilities	7,9	53,455	52,474
Borrowings	10	549,318	–
Other		227,386	70,793
Total Current Liabilities		5,383,455	3,934,455
Non-Current Liabilities			
Employee leave entitlements		82,180	94,486
Lease liabilities	7,9	202,134	228,876
Total Non-Current Liabilities		284,314	323,362
Total Liabilities		5,667,769	4,257,817
Net Assets		1,817,510	1,038,913
Equity			
Issued capital	11	17,980,625	17,980,625
Share option & Performance Right reserve	11	251,550	238,800
Accumulated losses		(16,414,665)	(17,180,512)
Total Equity		1,817,510	1,038,913

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 2020



	Note	31 December 2020 \$	31 December 2019 \$
Revenue		17,787,098	12,250,027
Cost of sales, incl operational staff expenses		(14,345,715)	(10,159,635)
Gross profit		3,441,383	2,090,392
Other income		15,627	9,506
Employee expenses and benefits (non-operational staff)		(1,284,801)	(977,573)
Directors fees and remuneration		(62,500)	(62,500)
Insurance		(532,762)	(495,205)
Other expenses		(554,060)	(489,462)
		(2,418,496)	(2,015,234)
		1,022,887	75,158
Share based payments expense	11	(12,750)	(12,750)
		(12,750)	(12,750)
		1,010,137	62,408
Finance expenses		(16,486)	(21,116)
Depreciation of Plant & Equipment	6	(50,211)	(55,924)
Depreciation of Right of Use Asset	7	(21,000)	(21,125)
		(87,697)	(98,165)

(Continued overleaf)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 31 December 2020



	Note	31 December 2020 \$	31 December 2019 \$
Profit / (loss) before tax		922,440	(35,757)
Income tax expense		(156,593)	(10,165)
Profit / (loss) for the period attributable to members of MCS Services Limited		765,847	(45,922)
Other Comprehensive income			
Exchange gain / (loss) arising on the translating foreign operations		-	-
Total comprehensive Profit / (Loss) for the period attributable to members of MCS Services Limited		765,847	(45,922)
Earnings per share		Cents	Cents
Basic profit (loss) per share from continuing operations	12	0.411	(0.024)
Diluted profit (loss) per share from continuing operations	12	0.403	(0.024)

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 2020



	Ordinary shares \$	Share option Reserve \$	Accumulated losses \$	Total \$
Balance 30 June 2020	17,980,625	238,800	(17,180,512)	1,038,913
Profit for the period	-	-	765,847	765,847
Total comprehensive Income	-	-	765,847	765,847
Issue of Performance Rights	-	12,750	-	12,750
Balance 31 December 2020	17,980,625	251,550	(16,414,665)	1,817,510
Balance 30 June 2019	17,995,324	213,300	(17,471,869)	736,755
Loss for the period	-	-	(45,922)	(45,922)
Application of AASB 16 Leases (Note 7)	-	-	(25,141)	(25,141)
Total comprehensive (loss)	-	-	(71,063)	(71,063)
Issue of Performance Rights	-	12,750	-	12,750
Balance 31 December 2019	17,995,324	226,050	(17,542,932)	678,442

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 2020



	Note	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities			
Receipts from customers		18,880,626	12,910,369
Payments to employees, suppliers and directors		(17,758,977)	(13,675,361)
Income tax paid		-	(18,809)
Net cash from / (used in) operating activities		1,121,649	(783,801)
Cash flows from investing activities			
Interest received		5,960	3,744
Interest paid		(10,482)	(11,187)
Payment for fixed assets	6	(66,491)	(126,148)
Proceeds on sale of fixed assets		1,305	-
Net cash (used in) investing activities		(69,708)	(133,591)
Cash flows from financing activities			
Repayment of related party vendor loan	8	(85,084)	(100,000)
Vehicle Finance	9	(5,114)	30,690
AASB 16 Office Lease	7, 9	(25,812)	(25,443)
Net cash (used in) financing activities		(116,010)	(94,753)
Net increase / (decrease) in cash and cash equivalents		935,931	(1,012,145)
Cash and cash equivalents at the beginning of the financial period		2,081,305	2,097,866
Cash and cash equivalents at the end of the financial period		3,017,236	1,085,721

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 2020



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 2020 and are presented in Australian dollars (\$), which is the functional currency of the Group.

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 2020 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements under the Australian Securities 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 and John Boardman Pty Ltd (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 2020 (including the comparatives) were approved by the board of directors on 26 February 2021.

2. Summary of 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.

The Company has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



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 2020.

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.

The Group earned a profit after tax for the Period of \$765,847 and had a cash balance of \$3,017,236, a working capital surplus of \$1,673,895 and net assets of \$1,817,510 as at 31 December 2020.

The Board are satisfied that the Company will be able to pay liabilities as and when they fall due.

5. Trade and other receivables

	31 December 2020 \$	30 June 2020 \$
Trade debtors	3,266,475	2,561,615
Provision for Doubtful Debts	(27,065)	(8,699)
	3,239,410	2,552,916
Other receivables	5,824	4,121
	3,245,234	2,557,037

All of the Group's Trade Receivables and Other Receivables as at 31 December 2020 have been reviewed for indicators of impairment. The Group applies the simplified approach in assessing for expected credit losses, with expected credit losses on trade receivables estimated using a provision matrix by reference to past default experience and analysis of the debtor's current financial position. In addition, a specific review for individual impaired accounts is undertaken. The above impairment provision of \$27,065 as at 31 December 2020 includes \$5,245 of provision remaining from prior periods and an additional provision for impairment of \$21,820 based on an analysis of specific balances identified as past due and impaired and expensed to Profit & Loss during the Period.

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



6. Plant and equipment

	Furniture & equipment \$	Motor vehicles \$	Software \$	Total \$
31 December 2020				
Cost				
Balance at 1 July 2020	462,378	289,855	176,535	928,768
Additions	44,809	21,682	–	66,491
Disposals & other movements	(1,090)	(17,945)	–	(19,035)
Balance at 31 December 2020	506,097	293,592	176,535	976,224
Depreciation				
Balance at 1 July 2020	(405,445)	(183,929)	(136,070)	(725,444)
Disposals & other movements	418	15,963	–	16,381
Depreciation	(16,763)	(21,517)	(11,931)	(50,211)
Balance at 31 December 2020	(421,790)	(189,483)	(148,001)	(759,274)
Carrying amount at 31 December 2020	84,307	104,109	28,534	216,950
30 June 2020				
Cost				
Balance at 1 July 2019	414,728	238,331	142,529	795,588
Additions	47,651	72,557	34,006	154,214
Disposals & other movements	–	(21,033)	–	(21,033)
Balance at 30 June 2020	462,379	289,855	176,535	928,769
Depreciation				
Balance at 1 July 2019	(359,579)	(169,901)	(115,193)	(644,673)
Depreciation	(45,866)	(35,061)	(20,877)	(101,804)
Disposals	–	21,033	–	21,033
Balance at 30 June 2020	(405,445)	(183,929)	(136,070)	(725,444)
Carrying amount at 30 June 2020	56,934	105,926	40,465	203,325

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



7. Right of Use Asset and Lease Liability

AASB 16 Leases was issued in February 2016 by Australian Accounting Standards Board and became applicable to the Company for the first time in the prior corresponding Period, being the Company's first annual reporting period beginning on or after 1 January 2019.

The Standard resulted in relevant leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases has been removed by the Standard. Under the Standard, an asset (the right to use the leased item) and a financial liability (to pay future rentals) has been recognised. The Standard has been applied in relation to the Company's office lease in Joondalup, WA. The Standard allows exceptions for short-term and low-value leases.

	31 December 2020 \$	30 June 2020 \$
Right of Use Asset		
At the beginning of the Period	422,492	422,492
	422,492	422,492
Accumulated Depreciation		
At the beginning of the Period	(193,518)	(153,393)
Depreciation in Period	(21,000)	(40,125)
	(214,518)	(193,518)
Carrying value at end of the Period	207,974	228,974
Lease Liability		
At the beginning of the Period	(255,774)	(296,239)
Interest in Period	(5,165)	(11,124)
Lease Payments in Period	25,812	51,589
At the end of the Period	(235,127)	(255,774)
Classified as:		
Current Liability (Note 9)	(43,232)	(42,250)
Non-current Liability (Note 9)	(191,895)	(213,524)
	(235,127)	(255,774)

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



Amounts recognised in the Statement of Profit or Loss for the Period in relation to the above are:

Finance expenses: interest expense on lease liability	(5,165)	(11,124)
Depreciation of Right of Use Asset	(21,000)	(42,125)
	(26,165)	(53,249)

The lease payments totalling \$25,812 to the office landlord during the Period are recorded in the Statement of Cashflows as cashflows from financing activities.

8. Related Party Loan

There were no significant changes to the nature of related party relationships and transactions from those disclosed in 30 June 2020 annual report except:

- during the Period the Company notified the Simmons Superannuation Fund (an entity related to Paul Simmons, the Managing Director) of its intention to exercise the five year option on its office premises lease in Joondalup, WA for the period November 2020 to November 2025. The Simmons Superannuation Fund agreed to waive the contractual rent increase applicable for the year to November 2021;
- during the Period the Related Party loan owing to P&M Simmons, as vendors of MCS Security, was finalised by a payment of \$85,084 (incl accrued interest). The balance had been payable by no later than 31 October 2020.

9. Lease Liabilities

During a prior period the Company obtained finance for an Operations Team motor vehicle and also applied AASB 16 Leases in relation to its office lease (**Note 7**)

	31 December 2020 \$	30 June 2020 \$
Current Liability		
Motor Vehicle Lease	10,223	10,224
Office Lease (Note 7)	43,232	42,250
At the end of the Period	53,455	52,474
Non Current Liability		
Motor Vehicle Lease	10,239	15,352
Office Lease (Note 7)	191,895	213,524
At the end of the Period	202,134	228,876

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



10. Borrowings

During the Period the Company arranged Premium Funding for its 2020/21 insurance. Ten equal monthly instalments are payable to June 2021.

11. Issued capital

	Half Year Ended 31 December 2020	Half Year Ended 30 June 2020
Ordinary Shares (\$)		
At the beginning of the Period	17,980,625	17,995,325
Shares cancelled: On-market Share Buy Back ¹	–	(14,700)
At the end of the Period	17,980,625	17,980,625
Ordinary Shares (Number)		
At the beginning of the Period	186,274,557	187,544,557
Shares cancelled: On-market Share Buy Back ¹	–	(1,270,000)
At the end of the Period	186,274,557	186,274,557

¹ In transactions on 9th and 17th March 2020, pursuant to the on-market share buyback approved by shareholders at the AGM on 29 November 2019, a total of 1,270,000 ordinary MCS shares were acquired and cancelled at an average buyback price of 1.1 cents totalling \$14,700

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.

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



	31 December 2020	30 June 2020
Share Option & Performance Right Reserve (\$)		
At the beginning of the Period ¹	238,800	213,300
Performance Rights issued during the Period ²	12,750	25,500
At the end of the Period	251,550	238,800
Share Option & Performance Rights (Number)		
At the beginning of the Period ¹	21,600,000	18,000,000
Performance Rights issued during the Period ²	–	3,600,000
At the end of the Period	21,600,000	21,600,000

¹ 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

² Effective 29 November 2019 shareholders agreed at the Annual General Meeting for the granting of Performance Rights to Paul Simmons, the CEO, entitling him to being issued up to 3.6 million ordinary shares in the Company subject to achieving performance hurdles over reporting periods to June 2022. The Performance Rights were valued at \$61,200, with \$25,500 of this value expensed in the period to 30 June 2020 and \$12,750 in the Period. The remaining value is to be expensed over future periods to June 2022. No shares in the Company were issued pursuant to the Performance Rights during the Period or to the date of this report.

12. 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 are as follows:

	31 December 2020 No.	31 December 2019 No.
Weighted average number of shares: basic	186,274,557	187,544,557
Weighted average number of shares: dilutive	189,874,557	187,544,557

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2020



13. Events subsequent to balance date

There has not been any matter or circumstance occurring subsequent to the end of the 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.

On 9 February 2021 the Company granted Performance Rights to the Chief Financial Officer. The Performance Rights entitle the holder to being issued up to 1.8m million ordinary shares in the Company subject to achieving performance hurdles (earnings per share and strategic plan milestones) over the period to 30 June 2022.

14. 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 Security Services and, as such, the financial information presented in the Statement of Financial Position and Statement of Profit or Loss represent the Security Services segment. There were no inter-segment revenues and expenses.

15. 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. Subsequently 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 balance were made.

During the Period the remaining balance of \$85,084 (incl accrued interest), payable by no later than 31 October 2020, was paid in full on 31 August 2020.

16. Winding up of JBPL

During the half-year to 31 December 2017 the winding up of John Boardman Pty Ltd (JBPL), a 100% owned subsidiary of the Company, was commenced. JBPL had no material assets, did not trade, and its main liabilities were tax amounts of some \$0.32m arising prior to JBPL's acquisition by the Company and as warranted by the vendor.

During a previous period the Company settled a legal claim from the liquidator of JBPL relating to the pre-acquisition vendor-warranted tax liabilities. The settlement released the Company from all existing and possible claims. As a result, the net liabilities of JBPL – as previously consolidated into the Group's reported financial position – were no longer a liability of the Group.

The Company anticipates JBPL will be deregistered by the liquidator in due course. The Company does not anticipate any remaining winding up / deregistration process will have any adverse effect on the Company.

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 2020 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

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

Dated this 26th day of February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MCS SERVICES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MCS Services Limited, which comprises the consolidated statement of financial position as at 31 December 2020, 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.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of MCS Services Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the MCS Services Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 26 February 2021.

Responsibility of the Directors for the 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 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 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*.

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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd
Samir

Samir Tirodkar
Director

West Perth, Western Australia
26 February 2021