

7 September 2016

Australian Securities Exchange (ASX)
Level 40, Central Park
152-154 St George's Terrace
Perth WA 6000

CAPITAL RESTRUCTURE AND DIVIDEND GUIDANCE

Highlights:

- Cash profit, before impairments, for 8 months of FY16 of approximately \$577,000 (see page 2),
- Dividend to be declared late September 2016, and
- Adjustments to the original vendor consideration agreed (see page 3).

MCS Services Limited (**MCS Services** or, the **Company**) (ASX: **MSG**) has entered into agreements with the vendors of its operating subsidiaries, MCS Security Group Pty Limited (**MCS**) and John Boardman Pty Limited (**JBL**), to optimise the Company's capital structure and balance sheet.

Key terms of the agreements include:

- 18,000,000 fully paid ordinary shares held by the vendor of JBL to be cancelled (by way of a selective share buy-back) in consideration for the issue of 27,000,000 unlisted options exercisable at \$0.06 each, expiring 30 October 2020, and
- An additional \$700,000 will be made available to the Company, comprising a \$350,000 reduction in the post-closing payment to be made to the vendors of MCS (a capital injection) and the provision of a \$350,000 loan facility to the Company by those vendors.

The terms of the agreements are more fully described below on page 3 of this announcement.

The amended acquisition consideration agreed with the vendors, who are the Company's Chief Executive Officer and Chief Operating Officer, will strengthen the Company's balance sheet to aid the growth of the Company's operations and support a dividend payment within calendar year 2016.

Upon completion of the proposed restructure, the Company will have:

- \$2.34 million (approx.) in cash and net receivables (unaudited pro-forma estimate at 30 June 2016);
- 183,610,212 fully paid ordinary shares on issue (reduced from 201,610,212 shares currently on issue);
- 27,000,000 unlisted options exercisable at \$0.06 each, expiring 30 October 2020;
- 4,000,047 listed options exercisable at \$4.40 each, expiring 15 November 2017 (ASX: MSGOA); and
- 40,000,000 further shares that may be issued under the Executive Share Plan to the vendors should certain NPAT hurdles be satisfied (ranging between \$3.5 million and \$7.5 million).

FINANCIAL POSITION AND PERFORMANCE

The Company issued its Appendix 4E on 31 August 2016. The Company completed its listing on ASX via a reverse takeover and, as such, a number of non-cash items were written down and expensed. For the eight (8) months ending 30 June 2016, the Company produced the following unaudited figures (as per the Appendix 4E):

	\$
Revenue	11,829,040
Cost of Sales	(9,025,561)
Gross Profit	2,803,479
Overheads	(8,797,445)
Taxation	85,603
Net Profit/(Loss)	(5,908,363)

The non-cash items included in the above "Overheads" line item, are as follows:

	\$
Impairment (Goodwill, Contracts and Contingent Shares)	6,111,252
Depreciation	131,424
Provision for Annual Leave	174,341
Provision for Long Service Leave	68,420
Total	6,485,437

Considering the non-cash items that have reduced the above accounting profits, the cash profits for the 8 months of the year ending 30 June 2016 were approximately \$577,000.

With the benefit of the Company preparing its full year accounts and conducting its first consolidated audit and annual report as MCS Services, the Company has identified certain operating costs that have been higher than historically recorded and observed, such as employee costs at head office and operationally (being uniformed guards). The Company is taking steps to reduce these costs where possible to ensure future returns to shareholders are maximised.

DIVIDEND GUIDANCE

The Board intends to declare a dividend in the calendar year ending 2016; ideally before the end of September 2016. The quantum of the dividend will be subject to the further clarity of profitability, the review of franking credits, prudent business practices and prevailing market conditions.

The Board currently anticipates being in a position to declare a dividend late September; following further work on the Company's FY16 Audit and Annual Report to its Shareholders.

TERMS OF AGREEMENTS ENTERED INTO BY THE COMPANY

Share Buy-Back

Mr John Boardman, Chief Operations Officer and vendor of JBL, has agreed to a selective share buy-back of 18,000,000 fully paid ordinary shares in consideration for the issue of 27,000,000 options exercisable at \$0.06 each and expiring 30 October 2020 (**Buy-Back**). The agreement will become effective upon receipt of the requisite shareholder approvals and the Company declaring the payment of a dividend (and, as such, the 18,000,000 shares will be eligible for any such dividend payment).

Working Capital Facility and Capital Injection

Mr Paul Simmons (Chief Executive Officer) and Ms Maureen Simmons, vendors of MCS, have agreed to a \$350,000 reduction in the post-closing payment to be made to them. Furthermore, they have agreed to provide the Company with a \$350,000 loan facility (**Loan Facility**). The Loan Facility will be available to the Company for 3 years (the end of this period being maturity) and the Company will pay an interest rate of 6% p.a. on funds drawn down which will be capitalised monthly until maturity. The Loan Facility is unsecured and will be documented in full form loan agreement.

In partial consideration for the vendors of MCS and JBL agreeing to the transactions described above, the Company has agreed to release the vendors from any potential liabilities under their original share purchase agreements relating to the provision of information relating to employee costs. These commercial agreements were made by the Company in the best interests of its shareholders.

For, and on behalf of, the Board of the Company,



Bob Kucera

Non-Executive Chairman

7 September 2016

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 corporate activities and any, and all, statements that are not historical facts. When used in this document, words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should" and similar expressions are forward-looking statements. MCS Service Limited believes that its forward-looking statements are reasonable; however, forward-looking statements involve risks and uncertainties and no assurance can be given that actual future 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.