

CEO's Address

My name is Paul Simmons. I am the Chief Executive Officer of MCS and, recently, a Director of MCS Services.

I firstly thank our Chairman, The Hon Bob Kucera, for his guidance and encouragement over the past year. Unfortunately Bob cannot be present at today's meeting. I similarly thank my other Board members for their skills and valued contributions over the course of the year, including Matthew Ward who is chairing today's meeting.

I founded MCS Security back in 2005 to fill what I considered a major gap in the uniformed security market – for an authentic service-focussed operator who never failed to provide a quality service. I wanted to provide a service better than what was being provided in the market at that time. I wanted to exceed client’s expectations – and that it what MCS continues to do.

Sticking to that approach, MCS has grown continuously since that time – adding blue chip shopping centre clients and major stadiums along the way. We have been rewarded for our service levels by satisfied clients awarding us contracts at their wider portfolios of Centres, by adding more clients, by moving into Covert security for major stores, into Alarms & CCTV, school and college security, health, work for local and State governments, maritime facilities and so on - and we continue to expand.

Recognition:

As stated earlier, I have built the business around exceeding client expectations. I know we provide a quality service. But it is rewarding for the company, our management team and all our Guards to be formally recognised for it.

We were delighted recently when MCS was recognised by ASIAL, the security industry's national peak body, as the national '*Outstanding Guarding Company*' of the year at the annual awards night.

Looking back on the journey, I saw over a decade of hard work and unrelenting determination from the entire team in winning such an accolade. We have come a long way – to now be ahead of the pack – and we don't intend to stop.

Strategy:

Our Strategic Plan provides us with a roadmap for future years, and includes organic growth and seeking suitable acquisition targets

We continue to strive to develop the business in add-on markets that will benefit all shareholders – we are already expanding our Alarms and CCTV division with some success, and are considering other markets including traffic management, maintenance, fire systems, security consulting and others.

We will not pursue a business acquisition merely for the sake of development – we will only pursue an acquisition if it will enhance shareholder value and fits into our strategic plan.

Quality Standards:

Over recent years we have invested significant time and money in further improving our processes and systems towards ISO quality level. We have a highly credentialed and experienced HSEQ Manager, have recently launched a tailored training and incident reporting software system, and continuously learn from and develop our processes to become ever better.

And, after a period of such hard work and investment, we were delighted for our systems and processes to recently be certified for ISO 9001 (Quality), AS4801 and OHSAS 18001 (Health & Safety).

This evidences the quality-driven approach underpinning all of our business - where processes are continuously being tested, reviewed and enhanced in areas including recruitment, training, client feedback, incident reporting and learning, injury management and more.

This certification will provide additional assurance to existing and potential new clients in certain security sectors which require demonstrably quality-driven processes. We anticipate this will improve new business opportunities for us.

We understand this will also enhance our risk profile for insurance purposes, which should assist in our Workers Compensation premiums going forward.

Again, we aim to be at the front of the field – and to stay there.

Business Development:

From FY18 to FY19 we increased revenue by 23% through a combination of contract wins, additional contracts, and increasing work levels from existing clients.

We have recently obtained operating licences for Victoria and NSW, to add to our existing licences in WA and South Australia. And we now have certified quality and health & safety processes.

We have an experienced Business Development team, including the recent hiring of a very experienced General Manager based in Melbourne to grow our business in the Eastern States

We continue to lodge high quality tenders in a number of sectors, and have a number of key tenders awaiting results shortly

Opportunities

Opportunities for growth exist in the Retail sector – both in WA and the Eastern States.

Although a leader within retail security in WA, there are still further retail opportunities for us in WA.

Shopping centres in WA, whether by number or floorspace, make up only 10-15% of the national total, so there are clearly massive opportunities for the company in the rest of the country. We are in a good position to take that step by leveraging our proven capabilities and

client relationships, our ISO certifications, having obtained operating licences for Victoria, NSW and South Australia, and through the recent hiring of an experienced General Manager for the Eastern States.

There are also continuing opportunities in Events security – at stadiums and other venues – providing security at major sports, music and community events. Our strong presence and expertise in this field continues to provide further opportunities to us, including as evidenced by the recent expansion of our work for the largest venue operator in WA.

And we continue to pursue further work in other sectors including but not limited to commercial office buildings, aged care and retirement villages, education, government and tourism.

We are also mindful of currently untapped opportunities in three other main areas:

- oil and gas,
- mining and
- Ports and Harbours.

and are taking steps to access these markets.

As stated earlier, we have two focuses for such growth - organic and acquisition.

FUTURE

There is an exciting future ahead for our Company.

I retain absolute focus on our key aims:

- to maximise shareholder value;
- to service existing clients to the highest standards,
- to retain their work in the long term;
- to leverage proven capabilities and long-term trusted relationships with major Retail Centre owners into work in other geographies;
- to leverage into servicing new sectors;
- to maximise the utilisation of our Head Office team by driving a greater volume of work through our Company, and to maintain office numbers at efficient levels.

Looking at the immediate future:

- We are now moving into the 2nd half of the year which is always our highest generating period due to extended Christmas-holiday trading hours, Easter trading and summer Events and sports;
- We have progressed to the short-listing stage for Retail work across multiple centres across a number of States, and will be making a further presentation to the client next week.

CHALLENGES

There have been, and always will be, many challenges for our Company.

Sham contracting remains a major problem in the security sector, especially in the smaller end of the tender market. It involves Security companies having Guards subcontract to them via an ABN invoice arrangement – with the Guards often receiving an hourly rate below Award rates and, in some cases, with no superannuation, payroll-tax, leave or Workers Compensation coverage. Such practices allow those Security providers to submit very low-priced tenders which would be unsustainable without resorting to such practices. We, and other respected security providers, are addressing this through the Security Agents Institute of WA and the Police Licensing - Commercial Agents Division.

New Technology has the potential to change the way the Security sector operates. Rather than a challenge, I consider it an opportunity. We aim to be at the forefront of technological change and currently offer our clients the latest technology in vehicle and key trackers, body-cameras and Guard-performance Apps. We are also investigating other technologies, including the use of drones.

Efficiency of our overhead structure is under regular review. Workloads within the office, especially rostering, fluctuate on a regular basis. Our Head Office staff will become really stretched shortly – and will continue as such, over the next 3-4 months during our busiest period of the year. The cyclical nature of the industry and our determination to provide a quality 24/7 service to our clients makes it essential to provide a fully integrated head office structure.

ONWARDS

I thank all our Guards and office staff for their tireless work this year. And I thank my senior management team for driving the business forward for the benefit of shareholders, employees, clients and partners.

Finally, I take this final opportunity to thank you, our shareholders, for your support of MCS during this year and look forward to many profitable years to come.

Thank you.

Paul Simmons
Chief Executive Officer
MCS Services Limited