



# Annual Report

For the year ended 30 June 2024

# Corporate Directory



MCS Services Limited – ABN 66 119 641 986

<b>Registered Office &amp; Principal Place of Business</b>	6, South Street, Fremantle, WA, 6160	Ph: (08) 9301 2420 Fax: (08) 9301 2421
<b>Postal Address</b>	PO Box 3399, Joondalup, WA, 6919	
<b>Company website</b>	www.mcsservices.com.au	
<b>Share Registry</b>	Automic Registry Services, Level 5, 191 St Georges Terrace, Perth, WA, 6000	www.Automic.com.au (08) 9 324 2099 1300 288 664 (61) 2 9698 5414
<b>Securities Exchange</b>	Australian Securities Exchange	Ticker 'MSG'
<b>Investor Queries</b>	investors@mcsservices.com.au	
<b>Bankers</b>	National Australia Bank, 197 St Georges Terrace, Perth, WA, 6000	
<b>Legal</b>	HWL Ebsworth, Level 20, 240 St Georges Terrace, Perth, WA, 6000	Verus Workplace Law, 63A Beamish Avenue, Brentwood, WA, 6153
<b>Auditors</b>	Stantons International Audit & Consulting Pty Ltd, Level 2, 40 Kings Park Road, West Perth, WA, 6005	
<b>Board of Directors</b>	The Hon Robert Charles Kucera APM JP Mr Paul Simmons Mr Geoff Martin Mr Mathew Ward Mr Adam Goulding	Non-Executive Chairman  Non-Executive Director Non-Executive Director (resigned 31 Oct 2023) (appointed 30 Nov 2023, resigned 29 May 2024)
<b>Senior Management</b>	Mr Mark Englebert	Chief Financial Officer (CFO)
<b>Company Secretary</b>	Mr Jonathan Asquith	

# Table of Contents



Highlights	5
Chairman's Report	6
Directors' Report	8
Auditor's Independence Declaration	28
Corporate Governance Statement	29
Consolidated Statement of Profit or Loss and Other Comprehensive Income	30
Consolidated Statement of Financial Position Consolidated	32
Statement of Changes in Equity Consolidated Statement of	34
Cash Flows	35
Notes to the Consolidated Financial Statements	37
Consolidated Entity Disclosure Statement Directors'	82
Declaration	83
Independent Auditor's Report	84
ASX Additional Information	89





# Highlights

During the Reporting Period the Group's issues included:

## Corporate

- After thorough consideration, the Company accepted an offer to sell its Security Business in June 2024 for a \$3m accounting gain / \$1.6million net proceeds, utilising \$0.9 million of the Security Business proceeds to repay in full the remaining balance on the corporate Business Acquisition bank loan;
- Undertaking preliminary non-binding discussions with parties interested in acquiring the Traffic Business
- Undertaking preliminary non-binding discussions with a party interested in a reverse takeover of the Company.

## Operational

### Security Services:

- a 8% decline in revenue, a result of the general win and expiry cycle of major contracts.
- a decline in gross profit to 12% (2023:14%), a result of increased Award linked wage rates.

## Traffic Management

- after acquiring 100% of the share capital of Highways Traffic Pty Ltd in October 2022, identified opportunities for efficiencies including in insurance costs and a gradual renewal of the operational vehicle fleet;
- maintained revenue at \$10.7m (2023: \$6.9m for 8 months since acquisition)
- Increased gross profit margin to 17% (2023:15.5%);
- saw a profitable second half of the financial year.

## Financial

- an operating EBITDA deficit of \$1.24 million (2023: \$0.65million EBITDA deficit) before Significant Items, and
- an underlying net operating loss after tax of \$0.8 million (2023: \$1.88m);
- as a result of cash flow forecasts, obtaining and complying with a ATO Repayment Plan in respect of certain PAYG and BAS obligations.

# Chairman's Report



On behalf of the Board of MCS Services Limited ("**the Company**") we present the Annual Report for the Company and related entities (collectively, "**the Group**") covering the financial performance, position and activities for the 12 months ended 30 June 2024 ("**Financial Year**").

## Operational

### (a) Strategy

During the Reporting Period the Group continued to execute on its strategic plan for the Security Business including:

- Maintain a high level of existing core retail, events, commercial, health and covert security clients;
- Tendered for further retail and commercial opportunities;
- however, the Security Business continued to be loss making and so, after extensive consideration as to maintaining value for shareholders, the decision was made to accept an offer to sell the Security Business with completion effective 19 June 2024

During the Reporting Period the Traffic Business:

- focused on servicing major highway infrastructure construction projects in Perth and regional WA.
- identified opportunities for improved efficiencies and effectiveness, including in insurance costs and a gradual renewal of the Traffic Business' operational vehicle fleet
- reported Traffic Business revenue of \$10.7m (2023: 6.94m for 8 months since acquisition in October 2022)

### (b) Management and Administration

During the Reporting Period the Group accepted the resignation of Paul Simmons as CEO and Managing Director, effective 19 June 2024, to take up a role with the buyer of the Security Business. Mr Simmons continues as a Non-Executive director of the Company.

## Corporate

There was no change to the Board of Directors during the Reporting Period except:

- Mr Mathew Ward resigned effective 31 October 2023;
- Mr Adam Goulding was appointed as a Non-Executive director effective 30 Nov 2023 and resigned effective 29 May 2024.
- Mr Paul Simmons resigned as CEO effective 19 June 2024, to take up a position with the buyer of the Security Business subsidiary. Mr Simmons continues in his role as a Non-Executive director of the Company.

As announced to shareholders on 2 February 2024, the Company entered into a conditional agreement to sell its 100% interest in the Security Business subsidiary for \$3m on a nil net asset basis. The Company's decision to undertake the sale was made after a thorough and diligent evaluation from the Board of Directors as to the merits of sale or retention of the business, with the Company's primary aim to preserve value for its shareholders. The Company entered into a Heads of Agreement with Vibrant Services Pty Ltd, subject to execution of a Share Sale Agreement to be negotiated in good faith and subject



to approval by Company shareholders. A General Meeting of the Company shareholders on 29 April 2024 voted to approve the sale and, as announced on 13 May 2024, a Share Sale Agreement was executed. Settlement occurred effective 19 June 2024. Net proceeds of \$1.68m were received, having regard to a draft net liability position of the Security Business of \$1.32m (subject to subsequent preparation of Completion Accounts effective 19 June 2024) and \$0.9m of these proceeds were utilized to repay in full the remaining balance on the NAB Business Acquisition loan utilised in October 2022 to part fund the acquisition of the Traffic Business.

The Company is currently in preliminary non-binding discussions with parties who have expressed an interest in acquiring the Traffic Business.

The company is also in preliminary non-binding discussions with NJ Ashton Group in regard to a potential restructure and re-compliance with Chapters 1 and 2 of the ASX Listing Rules, including an acquisition ('Reverse Takeover')

We encourage shareholders to contact the Company should they have queries in relation to the Annual Report or the past and future activities of the Company.



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

# Directors' Report



The Directors of MCS Services Limited (“the Company” or “Parent”) present their report together with the financial statements of the consolidated entity, being MCS Services Limited and its Controlled Entities (collectively, the Group), for the year ended 30 June 2024.

The following persons were Directors of the Company throughout the Reporting Period unless otherwise stated and continue to be so:

## **The Hon RC (Bob) Kucera APM JP**

Independent Non-Executive Chairman

*Appointed 20 January 2016*

The Honourable Bob Kucera, APM, JP achieved the rank of Assistant Commissioner in the WA Police before retiring in 2001 when elected to the WA State Parliament. Mr Kucera retired from Parliament in 2008, having served as a Cabinet Minister in a number of portfolios including Health, Small Business, Tourism and a number of other social service ministries. Whilst in Government he represented Western Australia nationally and internationally in various roles as a Cabinet Minister and Chair of various Governmental Committees and Delegations.

Mr Kucera has experience in every facet of operational and administrative policing and law enforcement at State, Federal and International level, with particular emphasis on security, crime prevention and international terrorism studies. He holds tertiary qualifications in Business Management and Diplomas of Policing and Criminal Investigation. He is a graduate of Charles Sturt University, the Australian Staff College of Police Management, the WA Police Academy, AIM and the Central Metropolitan College of TAFE and is a Winston Churchill Memorial Fellow. He currently chairs a number of Not for Profit voluntary and sporting organisations, with considerable experience in the Not for Profit, community, aged care and Local Government sectors.

During a previous reporting period Mr Kucera undertook a refresher course in Governance with the Australian Institute of Company Directors (AICD) to ensure his personal currency as Chair and contemporary knowledge of new legislative and compliance requirements.

### **Other current directorships:**

Chair and Director of National Trust of Western Australia

### **Previous Directorships (last 3 years):**

Deputy Chair of Acacia Living Group,

Deputy Chair Basketball Western Australia

**Interests in shares of the Company:** 512,909

**Interests in options of the Company:** 3,000,000



# Directors' Report



## **Mr Geoffrey Martin**

Independent Non-Executive Director

*Appointed 14 July 2017*

For many years Mr Martin was occupied with development of the family retailing business, Archie Martin & Sons, a major WA-based electrical retailer with stores in many shopping centres across Perth.

As a director and joint Managing Director of that business, Geoffrey oversaw the conversion of the business into a public company, its ASX listing and its eventual takeover. Geoffrey has served for seven years on the Board of Racing & Wagering WA and is presently a Board member of RSL Care WA.

<b>Other current directorships</b>	None
<b>Previous Directorships (last 3 years)</b>	None
<b>Interest in shares of the Company:</b>	860,000
<b>Interest in options of the Company:</b>	3,000,000

## **Mr Matthew Ward, ACA, GAICD**

Independent Non-Executive Director

*Appointed 28 November 2016, resigned 31 October 2023.*

Mr Ward is a Chartered Accountant who has worked in senior positions for domestic companies including Wesfarmers and internationally including KPMG in London. He has over 30 years of financial and commercial experience including involvement in a range of corporate activities such as acquisitions, divestments, capital raisings, strategic reviews, investment analysis and contract negotiations.

<b>Other current directorships</b>	None
<b>Previous Directorships (last 3 years)</b>	None
<b>Interest in shares of the Company at the date of resignation:</b>	1,047,875
<b>Interest in options of the Company:</b>	3,000,000

# Directors' Report



## Mr Paul Robert Simmons

Managing Director : 1 July 2019 to 19 June 2024

Non Executive director : 19 June 2024 onwards

Paul brings a wealth of experience in the security sector and a track record in business growth, management, and developing lasting client relationships. Paul has completed an AICD corporate governance course.

Paul's career commenced as a Police Officer in the UK. Paul was later the Western Australia state security manager for a major national retailer for 12 years, leading to him becoming the founder and driving force of MCS Security Group Pty Ltd since its inception in 2005. MCS Security Group Pty Ltd was acquired by MCS Services Limited in 2015, with Paul continuing in the role as CEO of MCS Security. Paul holds some 19% of the shares in MCS Services Ltd.

<b>Other current directorships:</b>	None
<b>Previous Directorships (last 3 years)</b>	None
<b>Interests in shares of the Company:</b>	38,046,812
<b>Interests in options of the Company:</b>	2,301,923
<b>Performance Rights:</b>	Nil

## Mr Adam Goulding

Independent Non-Executive Director

*Appointed 30 November 2023, resigned 29 May 2024*

<b>Interest in shares of the Company at the date of resignation:</b>	13,917,510
<b>Interests in options of the Company:</b>	Nil

## Mr Jonathan Asquith

Company Secretary

*Appointed 31 January 2017*

Mr Asquith was the Company Secretary throughout the Reporting Period and since the end of the year. Mr Asquith is a Chartered Accountant with a Masters of Business Administration and over 30 years' corporate experience in Australia and overseas. He has previously held the office of Company Secretary for several ASX listed entities.

## Principal Activities

Until the sale of its Security Business effective 19 June 2024 the Group specialised in providing uniformed security at retail shopping centres, government offices, health facilities, commercial office properties, sports stadia and major events throughout the Perth metropolitan area and in regional Western Australia. The Group also provided covert (store detective) security, mobile patrols and response vehicle services as well as the supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to retail, commercial, hotel, industrial and domestic sectors.

During the previous reporting period the Company completed the acquisition of a traffic management company specialising in servicing major road infrastructure projects in the Perth metropolitan area and regional WA.

The Traffic Business is now the Group's largest activity by revenue.

## Review of Operations and Financial Results

The Group had focused on:

- meeting existing client needs;
- leveraging its security and traffic management experience into organic growth in new geographies and sectors;
- expanding further into regional WA.

## Operating Results

The statutory net loss after tax attributable to members of the Company for the Reporting Period of \$0.8 million (2023: \$1.88million loss) included:

- an underlying operating loss after tax before

significant items of \$2.1 million (2023: \$0.6 million)

- individually significant items of \$1.35m gain (2023 \$1.22 million expense), including \$1.63m expensing of Traffic Business contracts acquired and a \$3m accounting gain on sale of the Security Business.

## Significant Changes in State of Affairs

During the Reporting Period the Company sold the MCS Security Group subsidiary ("Security Business") in June 2024 (**Note 28**).

During the previous reporting period the Group acquired Highway Traffic Pty Ltd ("Traffic Business") in October 2022 (**Note 19**).

## Dividends

The Board has elected not to pay a dividend for the current year. The Company will be deploying available funds to efficiently manage its capital structure.

## Events Arising since the End of the Reporting Period

Except for the matter of Note 34 there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the entity's operations in future years, the results of those operations in future financial years; or the entity's state of affairs in future financial periods.

As set out in Note 34, Management are currently in non-binding discussions;

- with a number of parties who have expressed an interest in acquiring the Traffic Business;
- with NJ Ashton Group in regard to a potential restructure and recompliance with Chapter 1 and 2 of the ASX Listing Rules, including an acquisition (Reverse Takeover).

# Directors' Report



## Potential Developments, Business Strategies and Prospects

Following the October 2022 acquisition of the Traffic Business (**Note 19**), the Company is continuing to utilise the Traffic Business

experience, expertise and ISO certified quality processes and fleet availability to provide a quality service to its customers. The traffic management market in WA, and across Australia, is fragmented. Many operators are privately-owned, employ significantly less staff than the Group, and have significantly lower revenues. As such, the Group's relative scale, efficiencies, systems and expertise will provide opportunities to the Group.

Management are continually considering ways to more efficiently and effectively operate the Traffic Business, whilst also making it available for sale.



# Directors' Report

## Directors Meetings

The number of Directors Meetings held during the Reporting Period, and the number of meetings attended by each of the Directors, is as follows:

Director's name	Board Meetings Entitled to Attend	Board Meetings Attended
Bob Kucera	8	8
Matthew Ward	3	3
Geoffrey Martin	8	7
Adam Goulding	4	4
Paul Simmons	8	8

As discussed in the Remuneration Report and in the Company's Corporate Governance statement (available on the Company's website [www.mcsservices.com.au](http://www.mcsservices.com.au)), the Group currently does not have a separate Audit & Risk Committee or Nomination & Remuneration Committee, with the full Board carrying out the duties that would otherwise be assigned to such Committees.

## Shares on Issue

As at 30 June 2024 the Company had 198,099,652 (30 June 2023: 198,417,939) ordinary shares on issue.

## Unissued Shares Under Option

During a previous Reporting Period 18 million unquoted 4 cent November 2022 options over unissued ordinary shares of the Company were issued to Directors and Senior Management (**Note 21**). During the 2023 reporting period 0.5million of the options were exercised and 17.5 million lapsed unexercised, such that none of the 4 cent November 2022 options remain as at the Reporting Date.

During the previous reporting period 3m unquoted 6 cent November 2025 options were issued to each of the three non executive directors and to the Company Secretary as incentives; None were exercised or lapsed during the previous reporting period or to the date of this Report. None of the unquoted options entitle the holder to participate in any share issue of the Company. Further during the previous reporting period 2,301,903 Long Term Premium Priced Options were issued to the CEO/Managing Director, Mr Paul Simmons, as an incentive. These lapsed unexercised during the Reporting Period.

# Directors' Report



## Remuneration Report (Audited)

Unquoted 6 cent November 2025 Options granted November 2022, \$nil consideration:		
	Number 2024	Number 2023
Opening Balance 1 July	14,301,923	–
<b>Granted during the year</b>		
Paul Simmons	–	2,301,923
Bob Kucera, Chairman	–	3,000,000
Mathew Ward, Director	–	3,000,000
Geoff Martin, Director	–	3,000,000
Jonathan Asquith, Co Secretary	–	3,000,000
	14,301,923	<b>14,301,923</b>
Exercised in Period	–	–
Lapsed in Period	(2,301,923)	–
<b>Closing Balance 30 June</b>	<b>12,000,000</b>	<b>14,301,923</b>

### Unissued shares subject to Performance Rights

During previous reporting periods 3.6 million Performance Rights were issued to Paul Simmons, the CEO and Managing Director and 1.8 million Performance Rights were issued to Mark Englebert, the CFO. The Performance Rights vested upon meeting earnings per share and strategic plan performance hurdles over reporting periods to June 2021 and to June 2022 and would entitle the holder to an equivalent number of ordinary shares in the Company to rank equally with other ordinary shares upon vesting, but the Performance Rights carried no shareholder rights until then. During a previous reporting period, following a Board review of the performance of the CEO and CFO for the year ending 30 June 2021, half of the Performance Rights vested and 2.7m ordinary shares in the Company were issued. The remaining unissued shares subject to Performance Rights vested during the previous reporting period following a satisfactory Board review of the CEO's/CFO's performance for the year to June 2022. During the financial year to June 2022, 2,700,000 performance rights vested and shares were issued.

During the financial year to June 2023 a further 1,995,000 Performance Rights were issued to the CEO / Managing Director, Paul Simmons. Vesting of the 1,995,000 Performance Rights was subject to the Company achieving Earning per share targets in the year to June 2023 but, as those targets were not achieved, the 1,995,000 performance rights lapsed without issue of shares.

Unissued shares subject to Performance Rights	Number 2024	Number 2023	Number 2022	Number 2021
Paul Simmons	–	1,995,000	1,800,000	3,600,000
Mark Englebert	–	–	900,000	1,800,000
	<b>–</b>	<b>1,995,000</b>	<b>2,700,000</b>	<b>5,400,000</b>

# Directors' Report

## Remuneration Report (Audited)

The Directors of the Company present the Remuneration Report for non-Executive Directors, Executive Directors and other Key Management Personnel prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

### 1. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align awards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support attraction, motivation and retention of executive talent.

The Company has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

For the purpose of this Report the term **Key Management Personnel** encompasses:

- Mr Paul Simmons as Chief Executive Officer (CEO) and Managing Director of the Company (until 19 June 2024), now a non-executive Director
- Mr Mark Englebert as Chief Financial Officer (CFO), and
- Mr Jonathan Asquith, Company Secretary.

Due to the size of the Company's operations the Directors do not believe that the establishment of a Remuneration Committee was warranted during the Reporting Period. All matters that would normally be the responsibility of a

Remuneration Committee are dealt with by the full Board of Directors (in conjunction with an external Remuneration Consultant when considered necessary by the Board) who are responsible for determining and reviewing compensation arrangements for the Directors and Key Management Personnel. The Board will continue to monitor the appropriateness of forming such a Committee as further circumstances dictate.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration, being annual salary (refer Section 5 below); and
- Short-term incentives (such as cash bonuses);
- Long-term incentives, incl Performance Rights and Options (**Note 21**).

The full Board of Directors assess the appropriateness of the nature and amount of fixed remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality Board and Key Management Personnel.

The Group's short-term incentives (STI) and performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Group values.

The STI performance measures are able to be set annually after consultation with the Directors and Key Management Personnel and are specifically tailored to the areas where each person has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures. The Board

# Directors' Report

## Remuneration Report (Audited)



may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed key performance indicators (KPI).

In respect of the Group's long-term Performance Rights incentives:

- 3.6 million Performance Rights issued to Paul Simmons, the CEO / Managing Director and 1.8m Performance Rights Issued to Mark Englebert, the CFO, during previous reporting periods were linked to achieving earnings per share and strategic plan milestones over reporting periods to 30 June 2021 and to 30 June 2022. Of these, 2.7 million vested and were converted to ordinary shares during the financial year to June 2022 and the remaining 2.7m vested and were converted to ordinary shares during the financial year to June 2023 (**Note 21**);
- the Board, in conjunction with an external Remuneration Consultant, developed a Performance Rights Scheme for the CEO in the previous reporting period; which included issuing 1,995,000 performance rights and 2,301,923 long term premium priced options to the CEO/Managing Director, Paul Simmons in the previous reporting period. As the performance measures were not achieved, the Performance Rights and Premium Priced option lapsed unvested during the Reporting Period (**Note 21**)
- the value to holders of 12 million 6 cent November 2025. Options (as issued to Board members and key management personnel during the previous reporting period) is dependent on an increase in the Company share price. (**Note 21**).



# Directors' Report

## Remuneration Report (Audited)

The payment of any bonuses and other incentive payments, and the issue of options or Performance Rights, are reviewed by the full Board of Directors annually as part of the review of Key Management Personnel. All bonus, options, performance rights and other incentives must be linked to pre-determined performance criteria.

### 2. Consequences of performance on shareholder wealth

Item	2024	2023	2022	2021	2020	2019	2018
EPS (cents)	(0.409)	(0.961)	0.569	0.835	0.169	(0.090)	(0.350)
Dividends (cents per share)	–	–	–	–	–	–	0.100
Profit / (loss) (\$'000)	(811)	(1,879)	1,066	1,555	316	(171)	(677)
Share Price at 30 June (cents)	0.4	2.6	4.1	6.0	2.6	1.4	1.5

### 3. Share-based remuneration

Except for the Key Management Personnel incentives at Section 1 / Section 6, no share-based remuneration facilities existed or were implemented during the Reporting Period or up to the Reporting Date.

### 4. Bonuses included in remuneration

During the Reporting Period \$nil bonuses (\$nil: 2023) accrued to or were paid to Key Management Personnel as part of remuneration.

### 5. Details of Remuneration including Service Agreements

Remuneration and other terms of employment for the Directors and other Key Management Personnel are formalised in Service Agreements, which include:

- **Superannuation:** Superannuation does not accrue on Director or Company Secretary fees. The CEO and CFO salaries accrued superannuation at 11% in the Reporting Period;
- **Term of Agreement:** All Directors are engaged on an ongoing basis as are the CFO and Company Secretary;
- **Notice Period:** The CEO had a three month notice period, and the CFO has a one month notice period.

The remuneration is set out overleaf:

# Directors' Report



## Remuneration Report (Audited)

Remuneration	2024				2023			
	Salaries / Fees \$	SBP \$	Total \$	SBP as % of total	Salaries / Fees \$	SBP \$	Total \$	SBP as % of total
<b>Non-Executive Directors</b>								
Bob Kucera	40,000	-	40,000	-	40,000	42,709	82,709	52%
Matthew Ward <sup>2</sup>	11,667	-	11,667	-	35,000	42,709	77,709	55%
Geoffrey Martin	35,000	-	35,000	-	35,000	42,709	77,709	55%
Adam Goulding <sup>3</sup>	17,502	-	17,502	-	-	-	-	
<b>Sub total</b>	<b>104,169</b>	<b>-</b>	<b>104,169</b>	<b>-</b>	<b>110,000</b>	<b>128,127</b>	<b>238,127</b>	<b>54%</b>
<b>Executive Directors</b>								
Paul Simmons, CEO <sup>1</sup>	210,000	-	210,000	-	196,430	-	196,430	
	35,000	-	35,000		35,000	-	35,000	
Superannuation	23,100	-	23,100		20,625	-	20,625	
<b>Sub total</b>	<b>268,100</b>	<b>-</b>	<b>268,100</b>	<b>-</b>	<b>252,055</b>	<b>-</b>	<b>252,055</b>	<b>-</b>
<b>Other Key Management Personnel</b>								
Mark Englebert, CFO	200,000	-	200,000	-	208,952	-	208,952	-
Superannuation	22,000	-	22,000	-	21,940	-	21,940	-
<b>Sub total</b>	<b>222,000</b>	<b>-</b>	<b>222,000</b>	<b>-</b>	<b>230,892</b>	<b>-</b>	<b>230,892</b>	<b>-</b>
<b>Company Secretary</b>								
Jonathan Asquith	35,000	-	35,000	-	35,000	42,709	77,709	55%
<b>Sub total</b>	<b>35,000</b>	<b>-</b>	<b>35,000</b>		<b>35,000</b>	<b>42,709</b>	<b>77,709</b>	
<b>TOTAL</b>	<b>629,269</b>	<b>-</b>	<b>629,269</b>	<b>-</b>	<b>627,947</b>	<b>170,836</b>	<b>798,783</b>	<b>22%</b>

<sup>1</sup> In addition to his salary of \$210,000 (2023:\$196,430) as CEO, Paul Simmons is entitled to a Directors Fee of \$35,000 as Managing Director (2023:\$35,000).

<sup>2</sup> Mr Mathew Ward was a director in the Reporting Period until his resignation effective 31 October 2023.

<sup>3</sup> Mr Adam Goulding was a director from 30 November 2023 until his resignation effective 29 May 2024

# Directors' Report

## Remuneration Report (Audited)



### 5. Details of Remuneration including Service Agreements (continued)

In addition to fixed remuneration (salaries / fees):

- in the previous reporting period, 1,995,000 performance rights, and 2,301,923 premium priced options were granted to Paul Simmons the then CEO and Managing Director. No expense was recognised in that previous reporting period as the Board determined that the performance milestones were unlikely to be achieved. These are now considered expired.
- cash bonuses may be granted at the discretion of the Board. During the Reporting Period no bonuses were paid to the CEO (2023: \$nil) or the CFO (2023: \$nil);
- the Directors and Key Management Personnel may be also reimbursed for business-related expenses.

### 6. Other Information

#### Shares held by Key Management Personnel

The number of ordinary shares held in the Company during the 2024 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below:

	Start of the Reporting period	Movement	Resignation	End of the Reporting Period
<b>Directors</b>				
Bob Kucera, Chairman	512,909	-	-	512,909
Matthew Ward	1,047,875	-	(1,047,875)	-
Geoffrey Martin	860,000	-	-	860,000
Paul Simmons	38,046,812	-	-	38,046,812
Mr Adam Goulding	-	-	-	-
<b>Other Key Management Personnel</b>				
Mark Englebert, CFO	1,800,000	-		1,800,000
<b>Company Secretary</b>				
Jonathan Asquith	418,181	-		418,181
<b>TOTAL</b>	<b>42,685,777</b>	<b>-</b>	<b>(1,047,875)</b>	<b>41,637,502</b>

Director shareholdings are measured up until the date of their retirement / resignation.

No shares were issued to the Directors or Key Management Personnel during the Reporting Period as part of their remuneration or through the exercise of options.

#### Options held by Directors and Key Management Personnel

The number of options held over ordinary shares in the Company during the Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below:

# Directors' Report

## Remuneration Report (Audited)



### 6. Other Information (continued)

Unlisted 6 cent November 2025 Options granted on 30 Nov 2022, \$nil consideration							
	Balance at Start of Period		Exercised in Period		Lapsed in Period		Balance at End of Period
	Number	\$ Value at Grant Date	Number	Value \$	Number	Value \$	Number
Bob Kucera (Chairman)	3,000,000	42,709	-	-	-	-	3,000,000
Matthew Ward (Former Director)	3,000,000	42,709	-	-	-	-	3,000,000
Geoffrey Martin (Director)	3,000,000	42,709	-	-	-	-	3,000,000
	<b>9,000,000</b>	<b>128,127</b>	-	-	-	-	<b>9,000,000</b>
Jonathan Asquith (Co Sec)	3,000,000	42,709	-	-	-	-	3,000,000
	<b>3,000,000</b>	<b>42,709</b>	-	-	-	-	<b>3,000,000</b>
<b>Total</b>	<b>12,000,000</b>	<b>170,836</b>				-	<b>12,000,000</b>

The issue of the above 9 million Options to Directors was approved by Shareholders at the Annual General Meeting on 30 November 2022. The Options were issued as a cost effective incentive to attract and retain Directors and Senior Management of their particular skills and experience and form part of a reasonable and appropriate remuneration package.



# Directors' Report

## Remuneration Report (Audited)



The options vested immediately on being granted in November 2022, and their fair value was calculated at \$170,836 at the grant date using the Black Scholes model. The fair value of the options was expensed in full in the previous reporting period. All of the above Options were unlisted and have the following terms

<b>Unlisted 6 cent November 2025 Options:</b>	
Exercise Price	6 cents, being a premium to the Company's share price at the time of issue
Expiry Date	On or before 30 November 2025
Issue Price	\$nil

During the previous reporting period a further tranche of 2,301,923 long-dated premium priced options were issued:

<b>Unlisted 6 cent November 2026 Options granted on 30 November 2022, \$nil consideration</b>						
	Balance at Start of Period	Issued In Period	Value at Grant Date	Exercised in Period	Lapsed in Period	Balance at End of Period
	Number	Number	\$	Number	Number	Number
Paul Simmons	2,301,923	-	39,752	-	(2,301,923)	-
	<b>2,301,923</b>	<b>-</b>	<b>39,752</b>	<b>-</b>	<b>(2,301,923)</b>	<b>-</b>

The issue of the above 2.3 million Long Dated Premium Priced options to the CEO was approved by Shareholders at the Annual General Meeting on 30 November 2022. The Options were issued as a cost effective incentive to attract and retain a CEO of their particular skills and experience and formed part of a reasonable and appropriate remuneration package, but would vest based on Earnings per share targets to June 2023. The fair value of the options was calculated at \$39,752 at the grant date using the Black Scholes model. As at 30 June 2023, the options were considered unlikely to vest, and no expense was recognised in relation to their fair value in that reporting period. As at 30 June 2024, having regard to the Earnings per share to June 2023, the 2,301,923 options are considered as having lapsed unvested. All of the above Options were unlisted and had the following terms.

<b>Unlisted Long Dated Premium priced 6 cent November 2026 Options:</b>	
Exercise Price	6 cents, being a premium to the Company's share price at the time of issue
Expiry Date	On or before 30 November 2026
Issue Price	\$nil

# Director's Report

## Remuneration Report (Audited)



### Performance Rights held by Directors and Key Management Personnel

During a previous reporting period and effective 29 November 2019, 3.6 million Performance Rights were issued to Paul Simmons, the CEO and Managing Director, effective 29 November 2019, at \$nil consideration. Their value was calculated as \$61,200 at the grant date using the Black Scholes model. During a previous reporting period and effective 9 February 2021, 1.8 million Performance Rights were issued to Mark Englebert, the CFO. Their value was calculated at \$88,200 at the grant date using the Black Scholes model. The Performance Rights only vested (and then entitled the holder to an equivalent number of ordinary shares in the Company) upon earnings per share and strategic plan milestones being achieved over the 30 June 2021 and 30 June 2022 Reporting Periods. The valuations were expensed as follows:

<b>2021 - 2022 Performance Rights Valuation Expense</b>	<b>CEO \$</b>	<b>CFO \$</b>	<b>Total \$</b>
Year Ended 30 June 2020	25,500	-	25,500
Year Ended 30 June 2021	25,500	73,500	99,000
Year Ended 30 June 2022	10,200	14,700	24,900
Year Ended 30 June 2023	-	-	-
	<b>61,200</b>	<b>88,200</b>	<b>149,400</b>

Strategic milestones had been specified under each of the following categories:

- Business Succession Planning
- People & Culture
- Risk, and
- Investor relations

1.8 million of the above CEO performance rights and 0.9 million of the CFO performance rights vested in the 2022 reporting period and the remaining vested in the 2023 reporting period.

During the previous 2023 reporting period 1,995,000 Performance Rights were issued to the CEO. They expired unvested during the Reporting Period :-

<b>2023 Performance Rights granted, \$nil consideration</b>						
	<b>Balance at Start of Period</b>	<b>Issued In Period</b>		<b>Expired unvested in Period</b>		<b>Balance at End of Period</b>
	<b>No.</b>	<b>No.</b>	<b>Expense in Period \$</b>	<b>No.</b>	<b>Value \$</b>	<b>No.</b>
Paul Simmons (Former CEO, Managing Director)	1,995,000	-	-	(1,995,000)	-	-
	<b>1,995,000</b>	<b>-</b>	<b>-</b>	<b>(1,995,000)</b>	<b>-</b>	<b>-</b>

# Directors' Report

## Remuneration Report (Audited)

The Performance Rights had the following key trigger terms:

Performance Rights: Key Terms				
Period	CEO Number	CFO Number	Earnings per share	Strategic Milestones
1 July 2019 to 30 June 2021	1,350,000	675,000	\$0.002-\$0.0045	–
1 July 2019 to 30 June 2021	450,000	225,000	–	At least 3 of the below
	<b>1,800,000</b>	<b>900,000</b>		
1 July 2021 to 30 June 2022	1,350,000	675,000	\$0.002-\$0.0045	–
1 July 2021 to 30 June 2022	450,000	225,000	–	At least 3 of the below
	<b>1,800,000</b>	<b>900,000</b>		
1 July 2022 to 30 June 2023	1,396,500	–	\$0.005-\$0.01	–
1 July 2022 to 30 June 2023	598,500	–	>\$0.005	At least 3 of the below
	<b>1,995,000</b>	<b>–</b>		
<b>Total</b>	<b>5,595,000</b>	<b>1,800,000</b>		

The above valuations of the Unlisted Options and Performance Rights were recorded where applicable in the Share Option Reserve (**Note 21**) in the relevant reporting periods. When Performance Rights vested and converted into the equivalent number of ordinary shares in the Company the applicable value was transferred from the Share Option Performance Right Reserve into Share Capital (**Note 21**)

Except for the above, no other Options or Performance Rights to acquire shares in the Company;

- were held by any of the Directors or Key Management personnel of the Group, or their related parties, during the 2023 or 2024 reporting periods;
- were issued to the Directors or Key Management Personnel as part of their remuneration in the year ended 30 June 2023 or year ended 30 June 2024.

Except for the 1.99 million Performance Rights which lapsed in the Reporting Period and the 2.3 million Long-Dated options which expired unvested, none of the above Options or remaining Performance Rights were exercised, lapsed or forfeited during the Reporting Period or until the date of this Report.

Director option and performance rights holdings are measured up until the date of their retirement / resignation.

### Engagement of Remuneration Consultants

During the previous reporting period the Company engaged a Remuneration Consultant to prepare a future long-term incentive plan for the CEO and CFO. A fee of \$5,000 was paid to the Remuneration consultant during the previous reporting period.

No Remuneration Consultants were engaged during the current financial year.

# Director's Report

## Remuneration Report (Audited)



### Other Transactions with Key Management Personnel

Refer to **Note 25** regarding:

- the rental (until the sale of Security Business effective 19 June 2024) at commercial rates by the Group of its operational and corporate head office premises in Joondalup, Perth, WA from a related entity of its former CEO, and continuing Director and significant shareholder, Paul Simmons, totalling \$62,002 in the Reporting Period (2023: \$54,453);
- the use of a corporate travel agency owned by a relation of Mr Geoff Martin, a director of the Company, to arrange domestic flight and hotel bookings for the Group totalling \$24,255 in the Reporting Period (2023: \$33,342). The Board consider the service is provided at commercial rates.

### END OF REMUNERATION REPORT

### Material Business Risks

Following the sale of the Group's Security Business in June 2024 the Group's principal activity is providing Traffic Management services. Companies in this industry are subject to many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the material business risks which the Company believes are the most important in the context of the Group's business.

#### Contractual risk

The Group's revenue is derived mainly from contractual arrangements with third parties. Consequently the Group is exposed to the possibilities of failures by the third parties to fulfill their contractual commitments or to seek to vary the terms of those commitments.

#### Credit risk

The Company is exposed to the creditworthiness of third parties, a failure of which could result in the non-payment of accounts receivable or delays in collections of accounts receivable.

#### Contracts duration

Many of the Traffic Business contracts of the Group are for relatively short periods and there can be no guarantees that contracts will be renewed or replaced on similar or more favourable terms.

#### Labour supply

The Group requires the use of skilled and semi-skilled labour to meet its Traffic Business contractual commitments. Whilst such labour is often the subject of employment contracts, the Group may be subject to pressures from shortages of available labour and increased costs of such labour.





## Diversity Report

### a) Policy

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. The following is the Diversity Report for the financial year end 30 June 2024 for the Company prepared for the purposes of the Company's Annual Report. The diversity policy is outlined in Schedule 10 of the Company's Corporate Governance Plan as available on the Company's website, [www.mcsservices.com.au](http://www.mcsservices.com.au).

### b) Current Position

The Group had an aggregate of four Directors, two Key Management Personnel and approximately 560 operational (incl Administration) Security Business staff (until sale of that business effective 19 June 2024) and 82 Traffic Business staff. Of the above:

- 71 (2023: 169) are female, including 13 (2023: 16) in supervisory or middle-management positions;
- 59 (2023: 80) are of mature age, being at least 60 years old; and
- a significant proportion of employees are of diverse ethnic or cultural backgrounds.

# Directors' Report



## c) Compliance

Having regard to the size of the Group and the nature of its enterprise, it is considered that the Group complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Principles and Recommendations in respect of diversity.

## Environmental Legislation

The Security Business and the Traffic Business operated by the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia. There have been no breach of regulations in relation to any activity notified during the Reporting Period or to the date of this report.

The Security Business had its ISO-certified environmental processes independently audited during the previous FY23 reporting period and re-confirmed for a further 3 years.

## Remuneration Report Voting and Comments made at the last Annual General Meetings

The Company received:

- 95% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2023, and
- 98% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2022

The Company received no specific feedback on its Remuneration Report at any of the above Annual Meetings.

## Indemnities given to, and insurance premiums paid for, auditors and officers

### Indemnity of Directors

The Group is required to indemnify the Directors and Officers of the Company and related entities against any liabilities incurred by the Directors & Officers that may arise from their position as a Director or Officer. During the year, the Company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors of the Company and subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group companies, and any other payment arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or to cause detriment to the Group. Details of the amounts of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract. The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as an officer.

### Indemnity of Auditors

No indemnity has been provided to the auditors.

# Directors' Report

## Non Audit Services

No non-audit services were provided to the Company by Stantons, the Company auditors, during the Reporting Period.

During the previous reporting period Stantons provided an options and performance rights valuation. A fee of \$800.00 was paid to Stantons during the previous reporting period for this service.

The Board has considered the non-audit services provided during the above periods and is satisfied that the provision is compatible with, and did not compromise, the auditor independence requirement of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact upon the impartiality and objectivity of the auditor, and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Stantons, and its related practices for audit and non-audit services provided during the Reporting Period are set out in **Note 24** to the financial statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 28 of this financial report and forms part of this Directors' Report.

## Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## Rounding of amounts

The Company is a type of company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191 and therefore the amounts contained in the report and in the financial report have been rounded to the nearest \$1,000, or in certain cases to the nearest dollar.

Signed in accordance with a resolution of the directors.



**The Hon RC (Bob) Kucera APM JP,**

Non-Executive Chairman  
Dated October 1 2024



PO Box 1908  
West Perth WA 6872  
Australia  
Level 2, 40 Kings Park Road  
West Perth WA 6005  
Australia  
Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204  
ABN: 84 144 581 519  
[www.stantons.com.au](http://www.stantons.com.au)

1 October 2024

Board of Directors  
MCS Services Limited  
6 South Street  
FREMANTLE W 6160

Dear Directors

**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 audit of the financial statements of MCS Services Limited for the year ended 30 June 2024, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

**Eliya Mwale**  
Director

# Corporate Governance Statement

## Introduction

The Board of the Company is committed to achieving and demonstrating the highest standards of corporate governance consistent with the size and nature of the Company.

The Group's Corporate Governance Statement for the financial year ended 30 June 2024 is dated as at 30 June 2024 and was approved by the Board on 15 September 2024.

The Corporate Governance statement is available on MSG's website at [www.mcsservices.com.au](http://www.mcsservices.com.au).

## Company Website

The Company's Corporate Governance Plan is available in the Investor section of the Company's website [www.mcsservices.com.au](http://www.mcsservices.com.au)

## Governance and Policy Reviews

The Corporate Governance policies and practices of the Company are reviewed annually in accordance with the standards required of the Company by the Directors, the ASX, ASIC and other relevant stakeholders, to ensure that the highest appropriate governance standards are maintained, commensurate with the size and operations of the Company.

## Performance Evaluations

The Board undertook performance reviews for the senior executives in the previous reporting period.

## Risk Management

The Board reviewed the risk management framework during the previous reporting period.

## Board Structure

Having regard to the size and nature of the Company, the current Board structure of three Directors is considered sufficient at this stage.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income



For the year ended 30 June 2024

	Note	30 June 2024 \$'000	30 June 2023 \$'000
Revenue	6	-	-
Cost of Sales, incl. operational staff expenses	8	-	-
<b>Gross Profit</b>		<b>-</b>	<b>-</b>
<b>Other Income</b>			
Interest	6	4	-
Other	6	-	-
		<b>4</b>	<b>-</b>
<b>Overheads</b>			
Overheads, administration and other expenses	7	(565)	(499)
Employee expenses and benefits (non-operational staff)	8	(15)	(8)
		(580)	(507)
		<b>(576)</b>	<b>(507)</b>
Finance expenses	9	(78)	(56)
Depreciation of property, plant and equipment	14	-	-
Depreciation of AASB 16 Right of Use assets	15	-	-
		(78)	(56)
		<b>(654)</b>	<b>(563)</b>
<b>Significant Items</b>			
Legal settlement		-	110
Expensing of value of Traffic Business contracts acquired	19	(1,677)	(1,218)
Share-based payment expense	21	-	(171)
Gain on Sale of Security Business	28	3,026	-
		1,349	(1,279)
<b>Profit before tax</b>		<b>695</b>	<b>(1,842)</b>
Income tax benefit (expense)	10	18	690
		<b>713</b>	<b>(1,152)</b>
Loss on Discontinued Security Business	5	(1,019)	(479)
Loss on Traffic Business Available for Sale	5	(505)	(248)
<b>Total comprehensive loss for the year</b>		<b>(811)</b>	<b>(1,879)</b>



# Consolidated Statement of Profit or Loss and Other Comprehensive Income



For the year ended 30 June 2024

	Note	30 June 2024 Cents	30 June 2023 Cents
<b>Earnings per share</b>			
Basic earnings per share from continuing operations	22	0.36	(0.59)
Basic earnings per share from Discontinuing operations	22	(0.76)	(0.37)
Diluted earnings per share from continuing operations	22	0.36	(0.59)
Diluted earnings per share from discontinuing operations	22	(0.76)	(0.37)

	Note	30 June 2024 Number	30 June 2023 Number
Weighted average of ordinary shares outstanding: Basic	22	198,691,100	195,849,641
Weighted average of ordinary shares outstanding: Diluted	22	198,691,100	195,849,641

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

# Consolidated Statement of Financial Position

As at 30 June 2024



	Note	30 June 2024 \$'000	30 June 2023 \$'000
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	11	711	1,847
Trade and other receivables	12	–	4,997
Inventory	13	–	359
Assets held for Sale – Traffic Business	33	3,978	–
<b>Total Current Assets</b>		<b>4,689</b>	<b>7,203</b>
<b>Non-Current</b>			
Restricted cash	11	–	222
Plant and Equipment	14	1	1,653
Right of Use – leased office	15	–	103
Right of Use – Operating lease vehicles	15	–	90
Intangibles	16	242	1,994
<b>Total Non-Current Assets</b>		<b>243</b>	<b>4,062</b>
<b>Total Assets</b>		<b>4,932</b>	<b>11,265</b>
<b>Liabilities</b>			
<b>Current</b>			
Income Tax	10	60	251
Lease Liabilities	15	–	(79)
Trade and other payables	17	(1,156)	(3,810)
Provisions	18	(97)	(2,154)
Invoice Financing Facility	20	–	(1,369)
Financial liabilities : Vehicle Upgrade	20	–	(50)
Financial liabilities : Acquisition	20	–	(268)
Liabilities held for sale – Traffic Business	33	(2,211)	–
<b>Total Current Liabilities</b>		<b>(3,404)</b>	<b>(7,479)</b>

# Consolidated Statement of Financial Position

As at 30 June 2024



<b>Non-Current</b>			
Lease Liabilities	15	–	(139)
Provisions	18	–	(208)
Financial liabilities: Business Acquisition loan	20	–	(892)
Financial liabilities : Asset Finance Facility	20	–	(202)
<b>Total Non-Current Liabilities</b>		–	<b>(1,441)</b>
<b>Total Liabilities</b>		<b>(3,404)</b>	<b>(8,920)</b>
<b>Net Assets</b>		<b>1,528</b>	<b>2,345</b>
<b>Equity</b>			
Share Capital	21	18,394	18,400
Profit Reserve	21	2,621	2,621
Share Option/Performance Rights Reserve	21	384	384
Retained Earnings		(19,871)	(19,060)
<b>Total Equity</b>		<b>1,528</b>	<b>2,345</b>

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2024



	Note	Share Capital	Share Option Reserve	Profit Reserve	Retained Earnings	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance 30 June 2022</b>		<b>18,055</b>	<b>288</b>	<b>2,621</b>	<b>(17,181)</b>	<b>3,783</b>
Loss for the year	-	-	-	-	(1,879)	(1,879)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>		-	-	-	(1,879)	(1,879)
Performance Rights Expensed	21	-	171	-	-	171
Performance Rights Exercised	21	75	(75)	-	-	-
Shares Issued : Acquisition	21	260	-	-	-	260
Shares Issued : options exercised	21	20	-	-	-	20
Shares Buyback	21	(10)	-	-	-	(10)
		345	96	-	-	441
<b>Balance 30 June 2023</b>		<b>18,400</b>	<b>384</b>	<b>2,621</b>	<b>(19,060)</b>	<b>2,345</b>
Loss for the year	-	-	-	-	(811)	(811)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income</b>		-	-	-	(811)	(811)
Share Buyback	<b>21</b>	(6)	-	-	-	(6)
<b>Balance 30 June 2024</b>		<b>18,394</b>	<b>384</b>	<b>2,621</b>	<b>(19,871)</b>	<b>1,528</b>

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

# Consolidated Statement of Cash Flows



For the year ended 30 June 2024

	Note	30 June 2024 \$'000	30 June 2023 \$'000
<b>Cash flows from Operating activities</b>			
Receipts: from customers		43,254	41,787
Payments to employees, suppliers and directors		(41,430)	(39,839)
Payments for BAS		(1,756)	(2,857)
Income tax refunded / (paid)		(89)	(213)
Net Cash (used in) / provided by operating activities	23	<b>(21)</b>	<b>(1,122)</b>
<b>Cash flows from Investing activities</b>			
Interest received	6	16	14
Interest Paid	9	(242)	(145)
Security for Bank Guarantees	11	200	(20)
Payment for Plant & Equipment	14	(447)	(340)
Proceed on sale of Plant & Equipment		32	-
Cash position assumed by buyer of Security Business		24	-
Acquisition (sale) of business	16/28	1,682	(3,138)
Net Cash from (used in) investing activities		<b>1,265</b>	<b>(3,629)</b>
<b>Cash flows from financing activities</b>			
Bank Loan : Vehicle fleet Upgrade (net)	20	336	252
Invoice financing	20	(1,159)	1,369
Bank loan : Business acquisition (net)	20	-	1,338
Repayment of borrowings	20	(1,238)	(178)
Repayment of Motor Vehicle Lease Liabilities	20	(29)	(43)
Repayment of AASB 16 leases	15	(43)	(42)
Payment for share buyback	21	(6)	(10)
Proceeds from exercise of options	21	-	20
Net Cash (used in) financing activities		<b>(2,139)</b>	<b>2,706</b>
<b>Net increase (decrease) / increase in cash and cash equivalents</b>		<b>(895)</b>	<b>(2,045)</b>
Cash and cash equivalents at beginning of the year		1,847	3,892
<b>Cash and cash equivalents at end of the year</b>	11	<b>952</b>	<b>1,847</b>

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.







# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 1. New and Amended Standards Adopted by the Group

The principal activity of MCS Services Limited and its subsidiaries (**Group or Consolidated Entity**) during the Reporting Period and previous reporting period was providing guard security and related activities for major commercial retail and event venues in Western Australia together with covert security, alarm installation and CCTV monitoring (until sale of the Security Business effective 19 June 2024)

From 16 October 2022, following the acquisition of Highways Traffic Pty Ltd, the Group provides traffic management services in WA.

## 2. General Information and statement of compliance

These consolidated general purpose financial statements of the Group for the year ended 30 June 2024 are presented in Australian dollars (**\$ or A\$**), which is the functional currency of the parent company and have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards Board (**AASB**), and on an accruals basis and under the historic cost convention.

Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

MCS Services Limited is a for-profit entity for the purpose of preparing financial statements.

The financial report covers MCS Services Limited (**Company**) and its 100% owned subsidiaries MCS Security Group Pty Ltd, (until 19 June 2024) and Highways Traffic Pty Ltd, (acquired 22 October 2022).

MCS Services Limited is the Group's ultimate parent company. It is a public company, incorporated and domiciled in Australia. The registered office and principal place of business is 6 South Street, Fremantle, WA, 6160. The Company was incorporated on 11 May 2006.

The consolidated financial statements for year ended 30 June 2024 (including the comparatives) were approved and authorised for issue by the Board of Directors on 30 September 2024.

## 3. New and Amended Accounting Policies Adopted by the Group

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

*AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.*

The Group adopted AASB 2021-2 which amends AASB 7, AASB 101, AASB 108 and AASB 134 to require disclosure of 'material accounting policy information' rather than significant accounting policies' in an entity's financial statements. It also updates AASB Practice Statement 2 to provide guidance on the application of the concept of materiality to accounting policy disclosures.

The adoption of the amendment did not have a material impact on the financial statements.

*AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.*

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

The Group adopted AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction for the financial year ending 30 June 2024. Previously, the Group applied the exemption in AASB 112 and did not recognise deferred taxes on its lease transactions where the right of use asset and lease liability were equal on initial recognition. However, the amendment subsequently clarified that this exemption does not apply to transactions for which entities recognise both an asset and a liability that give rise to equal taxable and deductible temporary differences, as may be the case for lease transactions. The amendment has been applied retrospectively to the beginning of the earliest comparative period presented – i.e. 1 July 2022, with the impact disclosed in the table below.

*AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*

AASB 2022-7 makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2. It also formally repeals the superseded and redundant Australian Accounting Standards set out in Schedules 1 and 2 of this standard.

The adoption of the amendment did not have a material impact on the financial statements.

## **New and Amended Accounting Policies Not Yet Adopted by the Group**

*AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current.*

The amendment amends AASB 101 to clarify whether a liability should be presented as current or non-current.

The Group plans on adopting the amendment for the reporting period ending 30 June 2025. The amendment is not expected to have a material impact on the financial statements once adopted.

*AASB 2021-7c: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.*

AASB 2021-7c defers the application of AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2025 instead of 1 January 2018.

The Group plans on adopting the amendments for the reporting periods ending 30 June 2026. The impact of initial application is not yet known.

*AASB 2022-6: Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants.*

AASB 2022-6 amends AASB 101 *Presentation of Financial Statements* to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. It also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure.

The Group plans on adopting the amendment for the reporting period ending 30 June 2025.

# Notes to the Financial Statements

For the year ended 30 June 2024

The amendment is not expected to have a material impact on the financial statements once adopted.

## 4. Summary of Material Accounting Policies

### Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

### Going Concern

The Group has reported an EBITDA deficit of \$1.24 million as part of a comprehensive loss of \$0.8 million attributable to shareholders (2023: \$1.88 million loss). The Group has net assets of \$1.5 million (2023: \$2.3 million) including Cash and Cash Equivalents of \$0.95 million (2023: \$1.84 million).

The Directors believe that the Going Concern basis of accounting is appropriate.

- Corporate level cost minimisation to preserve available cash reserves;
- The profitability of the Traffic Business since January 2024;
- Ongoing initiatives to improve profitability and cash-positive operations of the Traffic Business, and
- The intention (currently in preliminary non-binding discussions) to recapitalise the Company through a proposed transaction with NJ Ashton that would include re-compliance with Chapters 1 and 2 of the ASX Listing Rules, including an acquisition.

No adjustments have been made relating to the recoverability, amount and classification of recorded assets and liabilities that might be necessary should the consolidated Group not continue as a Going Concern.

### Basis of Consolidation

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2024. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with accounting policies adopted by the Group.

Profit or Loss of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### Business Combination

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred or assumed, and the equity interest issued by the Group. The consideration includes the fair value of any asset or liability arising from a contingent consideration arrangement.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Acquisition-related costs are recognised in Profit or Loss as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

## Investments in associates and joint arrangements

The Group does not have interests in Associates (being entities over which a company is able to exert significant influence but which are not subsidiaries) or Joint Ventures (being arrangements where a company controls jointly with one or more other investors, and over which the company has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities).

## Segment Reporting

The Group had two segments, retail and event Security (until sale of its Security Business effective 19 June 2024) and Traffic Management.

Until the sale of the Security Business the Group provided uniformed unarmed guards to shopping centres, sporting events, entertainment events, hospitals, government building, corporate offices and community

facilities together with covert security, alarm installation and CCTV monitoring, primarily in Western Australia.

Following the Group's acquisition of Highways Traffic Pty Ltd in October 2022, the Group provides traffic planning and accredited traffic controllers (typically with vehicles and associated signage) to major infrastructure construction companies, government bodies, the Resource sector and other clients, in Western Australia.

The measurement policies that the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

## Revenue

The Group's revenues are primarily charged to clients for hours of work undertaken at agreed contractual rates recognised when the work has been undertaken.

Revenues are measured in accordance with AASB 15 *Revenue from Contracts with Customers*, recognising an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring services or goods to a customer. It excludes sales taxes, rebates and discounts. Interest income and expenses are reported on an actual basis.

## Operating Expenses

Operating expenses are recognised in Profit or Loss upon utilisation of the service or at the date of their origin.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## Borrowing Costs

During the previous reporting period, as part of its acquisition of Highways Traffic, the Company obtained Bank finance (to supplement the \$1.8 million cash paid to the Vendors from the Group's existing cash reserves) of \$1.338m on a 5 year term loan from National Australia Bank to fund the acquisition of the vehicle fleet, with principal repayments of \$22,300 pm. The remaining balance of this Business Acquisition loan was repaid in full in June 2024 utilising part of the proceeds of sale of the Security Business (**Note 20**)

Further, during the previous reporting period the Group obtained a National Australia Bank Invoice Finance facility (limit of \$1.5 million) to assist with the working capital ramp up of Highways Traffic. secured over the Accounts Receivable of the Security Business. The balance owing on this facility passed to the purchaser of the Security Business upon its sale on 19 June 2024. (**Note 20**)

As for previous reporting period, the Group:

- also arranged premium funding for its insurance for the Security Business and Traffic Business – with 10 monthly instalments payable to June each year;
- had a small number of vehicle leases
- has an Asset Finance loan Facility with Nab for its Traffic Business vehicle fleet renewal needs

## Income Taxes

Tax expense or benefit recognised in Profit or Loss comprises the sum of deferred tax and current tax not recognised in Other Comprehensive Income or directly in equity.

Current income tax assets / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the

Reporting Date. Income tax is calculated on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the Reporting Period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities at reporting date and their tax bases. Deferred tax is not provided on the initial recognition of Goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax assets and liabilities. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or



# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Company and its wholly-owned Australian controlled entities at the time implemented the tax consolidation legislation during the 2017 financial year. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax expenses. In addition to its own current and deferred tax assets or liabilities, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

## Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

## Inventories and Work In Progress

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

## Trade Receivables

Trade Receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30–45 days of being invoiced and are therefore all classified as

current. Trade Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the Trade Receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate.

An allowance for doubtful debts is made when there is objective evidence that the Group might not be able to collect a debt. Bad debts are written off when identified.

## Plant and Equipment

The Group does not own any freehold land or buildings.

Motor vehicles, IT and other equipment (including office fittings and furniture) are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Motor vehicles, IT and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment tests.

Depreciation is recognised on a straight-line basis to write down the costs less estimated residual value. The following useful lives are applied:

Item	Assumed Useful Life
IT / software	3 years
Office equipment	4 years
Motor vehicles	4 years



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

Material residual value estimates and estimates of useful lives are updated as required, but at least annually.

Gains or losses arising on the disposal or Property, Plant & Equipment are determined as the difference between disposal proceeds and the carrying amount of assets and are recognised in Profit & Loss within Other Income or Other Expenses.

## Goodwill

Goodwill represents future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is calculated after separate recognition of identifiable intangible assets – including Customer Contracts Acquired.

## Intangibles

Intangibles are amortised by the Company over the estimated period over which benefits will occur and the carrying value is assessed for impairment at the end of each reporting period and written down where applicable.

## Impairment testing of Goodwill, other intangible assets and plant & equipment

For impairment assessment purposes, assets would be grouped at the lowest levels for which there are largely independent cash inflows (cash generating units).

As a result, some assets would be tested individually for impairment and some would be tested at cash-generating unit level. Goodwill would be allocated to those cash-generating units that were expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill;

Cash-generating units to which Goodwill may be allocated (determined by the Group's management as equivalent to its operating segments) would be tested for impairment at least annually. All other individual assets or cash-generating units would be tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss would be recognised for the amount by which the asset's or cash-generating unit's carrying amounts exceed its recoverable amount, which is the higher of fair value less costs to sell and value-in-use.

To determine the value-in-use, management would estimate expected future cashflows from each cash-generating unit and determine a suitable interest rate in order to calculate the present value of those cashflows. The data used for impairment testing procedures would be directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisation and asset enhancements. Discount factors would be determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units would reduce first the carrying amount of any Goodwill allocated to that cash-generating unit. Any remaining impairment loss would be charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets would be subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## Employee Benefits

Short term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

Examples of such benefits include wages and salaries, non-monetary benefits and accumulating Annual Leave and certain Long Service Leave. Short-term benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

The Group presents its Long Service Leave employee benefits obligations in the Statement of Financial Position as:

- Current Liabilities where the employee has an unconditional right to Long Service Leave, having reached the relevant service-period threshold such that the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, irrespective of when the actual settlement is expected to take place;
- Non Current Liabilities where the employee has not yet earned an unconditional right to Long Service Leave.

The Long Service Leave provision relates to 3 employee entitled to Long Service Leave as at 30 June 2024 (2023: 56 employees).

As the amounts owing are not considered material, they are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Accordingly, full allowance has not been made for the present value of the expected future payment to be made to employees which might have allowed for:

- the expected future payments incorporating anticipated future wage and salary levels,
- experience of employee departures and periods of service, and / or
- discounting at rates determined by reference to market yields at the end of the reporting date.

## Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

## Right of Use AASB 16

AASB 16 applies to annual reporting periods commencing on or after 1 January 2019. As such, it had been applied for the first time during a previous reporting period. It superseded the previous accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations.

AASB 16 introduced a single lessee accounting model that eliminated the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remained materially unchanged. The key

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

features of AASB 16 are:

- Lessees are required to recognise assets and liabilities for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- A lessee measures the right-of-use assets similar to other non-financial assets and lease liabilities similarly to other financial liabilities;
- Assets and liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease;
- additional disclosure requirements.

The Group has reviewed all the Group's arrangements to identify leases:

- until the sale of its Security Business effective 19 June 2024 the Group leased its Head office premises, the terms of which are at **Note 25**
- and had four vehicle operating leases (**Note 15**)

The Group does not act as a lessor.

The impact of AASB 16 on the Group's financial statements in the Reporting Period is disclosed at **Note 15**.

## Equity, reserves and dividend payments

Share Capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. Other components of equity include the:

- Share Option & Performance Right Reserve which records items recognised on the valuation of share options and Performance

Rights over the vesting period until such instruments are converted to ordinary shares at which point the value is transferred to Share Capital; (**Note 21**)

- The Profit Reserve, which includes the net profit of the Company if applicable for the reporting period. These profits are not otherwise made unavailable for distribution as a dividend; (**Note 21**) and
- Retained earnings, which includes all prior period profits / losses.

## Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims would be recognised when:

- the Group has a present legal or constructive obligation as a result of a past event,
- it is probable that an outflow of economic resources will be required from the Group, and
- amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risk and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation would be recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

No liability is recognised if an outflow of economic resources as a result of a present obligation is not probable. Such situations would be disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability would be recognised or disclosed.

## **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of any item of the expense.

Receivables and Payables in the Statement of Financial Position are shown inclusive of GST.

Cashflows are presented in the statement of cashflows on a gross basis, except for the GST components of investing and financing activities which are disclosed as operating cash flows.

## **Foreign currency translation**

### ***Functional and presentation currency***

The consolidated financial statements are presented in Australian dollars (A\$), which is also the functional currency of the Parent Company and its key subsidiaries.

### ***Foreign currency transactions and balances***

The Group occasionally purchased Security Business supplies in a foreign currency, typically paying at the time of ordering.

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates

prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in Profit or Loss. Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rate at the date of transaction), except for non-monetary items measured at fair value which are transacted using the exchange rates at the date when fair value was determined.

### ***Foreign Operations***

The Group did not have any foreign operations during the Reporting Period.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than A\$ are translated into A\$ upon consolidation. The functional currency of the entities in the Group have remained unchanged during the Reporting Period. On consolidation, assets and liabilities have been translated into A\$ at the closing rate at the reporting date.

Income and expenses have been translated into A\$ at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

## **Financial Instruments**

### ***Financial Assets at Amortised Cost***

The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. After initial recognition, financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## ***Financial Assets at Fair Value Through Other Comprehensive Income (Equity Instruments)***

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cashflows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or renewals are recognised in the statement of profit or loss and computed in the same manner as for financial asset measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments – Presentation and are not held for trading.

During the Reporting Period the Group did not hold any financial assets of this nature.

## ***Financial Assets at Fair Value Through Profit or Loss (FVPL)***

Financial assets at fair value through Profit or Loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

During the Reporting Period the Group did not hold any financial assets of this nature.

## ***Derecognition***

Financial assets are derecognised when the contractual rights to the cashflows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

## ***Impairment***

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For Trade Receivables, the Group applies the simplified approach permitted by AASB, which requires expected timeline losses to be recognised from initial recognition of the Receivables.

## ***Financial Liabilities***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are initially recognised at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.



# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or

loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to Other Comprehensive Income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income

## Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and, accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest \$1,000 or, in certain cases, the nearest dollar.

## Significant management judgement in applying accounting policies

When preparing the 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 financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024



last annual financial statements for the year ended 30 June 2023 except where stated.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

## ***Recognition of deferred tax assets***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future tax income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

## ***Impairment***

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cashflows and uses an interest rate to discount them. Estimation

uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate.

## ***Useful lives of depreciable assets***

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to practical and technical obsolescence.

## ***Business combinations***

Management uses valuation techniques in determining the fair values of the various elements of a business combination.

## ***Fair value of financial instruments***

Management uses valuation techniques to determine the fair value of financial instruments and non-financial assets. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## ***Recoverability of Trade Debtors***

Management regularly assesses Trade Receivables throughout the year for indicators of impairment including having regard to timeliness of payments, past default experience and analysis of the debtor's financial position and credit-worthiness, and makes provision for impairment as applicable. Management bases its assumptions on the best available observable data

## **5. Segmental Information**

Management currently identifies the Group as having two operating segments, security services and traffic management, both within Australia.

The Group's operating segments are monitored by the Group's chief operating decision-maker and strategic decisions are made on the basis of adjusted segment operating results. The Group's reportable segments under AASB 8 are therefore Security Services and Traffic Management.

The following is an analysis of the Group's revenue and results by reportable segment (the results of the parent entity, MCS Services Limited, which functions solely in fulfilling corporate responsibilities for the Group, are also shown):

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

30 June 2024	Note	Corporate \$'000	Security Business \$'000	Traffic Business \$'000	Total \$'000
Revenue	6	–	29,255	10,722	39,977
Gross Profit		–	3,573	1,860	5,433
Other Income		4	11	1	16
Overheads					
Other Costs	7,8	(580)	(4,283)	(1,828)	(6,691)
EBITDA		(576)	(699)	33	(1,242)
Depreciation	14	–	(132)	(477)	(609)
Amortisation		–	(95)	–	(95)
Profit on sale of Fixed Assets		–	10	–	10
Finance costs – AASB 16	15	–	(27)	–	(27)
Finance costs – Other	9	(78)	(76)	(61)	(215)
		(654)	(1,019)	(505)	(2,178)
Significant Items – Expensing of Traffic Business Contracts Acquired	19	(1,677)	–	–	(1,677)
Gain on sale of Security Business	28	3,026	–	–	3,026
Profit / (Loss) before income tax		695	(1,019)	(505)	(829)
Income tax (expense) (Note 10)		18	–	–	18
Profit / (Loss) attributable to members		713	(1,019)	(505)	(811)
Segment assets		954	–	3,978	4,932
Segment liabilities		(1,193)	–	(2,211)	(3,404)
Segment Net Assets		(239)	–	1,767	1,528

All of the Security Services and Traffic Management segmental income and results were incurred in Australia, being where all their customers, assets and liabilities are situated. All of the Parent Entity income and results were incurred in Australia.

The loss of the Security Business segment for the period amounting to \$1.019 million (2023: \$0.479 million) have been separately disclosed as loss on discontinued operations on the face of the consolidated statement of profit or loss and other comprehensive income during the current year and prior year results.

The loss of the Traffic Business segment the year of \$0.505 million (2023: \$0.245 million) have been separately disclosed as loss on traffic business available for sale on the face of the consolidated statement of profit or loss and other comprehensive income during the current year and prior year results.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

Similarly, the assets and liabilities of the Traffic Business segment were reclassified as held for sale on the face of the statement of financial position at 30 June 2024, amount to \$3.98 million and \$2.21 million respectively.

<b>30 June 2023</b>	<b>Note</b>	<b>Corporate</b> \$'000	<b>Security Business</b> \$'000	<b>Traffic Business</b> \$'000	<b>Total</b> \$'000
Revenue	<b>6</b>	–	31,710	6,940	38,650
<b>Gross Profit</b>		<b>–</b>	<b>4,372</b>	<b>1,091</b>	<b>5,463</b>
Other Income		–	21	–	21
<b>Overheads</b>					
Other Costs	<b>7,8</b>	(507)	(4,569)	(1,052)	(6,128)
<b>EBITDA</b>		<b>(507)</b>	<b>(176)</b>	<b>39</b>	<b>(644)</b>
Depreciation	<b>14</b>	–	(130)	(257)	(387)
Depreciation – AASB 16	<b>15</b>	–	(42)	–	(42)
Depreciation : Operating Leases	<b>15</b>	–	(35)	–	(35)
Other		–	7	(18)	(11)
Amortisation		–	(26)	–	(26)
Finance Costs	<b>9</b>	(56)	(77)	(12)	(145)
		<b>(563)</b>	<b>(479)</b>	<b>(248)</b>	<b>(1,290)</b>
<b>Significant Items:</b>					
Legal settlement		110	–	–	110
Performance Rights	<b>21</b>	(171)	–	–	(171)
Expensing of Contracts Acquired		(1,218)	–	–	(1,218)
<b>Profit / (Loss) before income tax</b>		<b>(1,842)</b>	<b>(479)</b>	<b>(248)</b>	<b>(2,569)</b>
Income tax benefit	<b>10</b>	690	–	–	690
<b>Profit / (Loss) attributable to Members</b>		<b>(1,152)</b>	<b>(479)</b>	<b>(248)</b>	<b>(1,879)</b>
Segment assets		1,930	5,830	3,505	11,265
Segment liabilities		(1,531)	(5,686)	(1,703)	(8,920)
<b>Segment Net Assets</b>		<b>399</b>	<b>144</b>	<b>1,802</b>	<b>2,345</b>

# Notes to the Financial Statements

For the year ended 30 June 2024

## *Accounting Policies*

Segment revenues and expenses are those directly attributable to the segments. Revenues have been identified based on the customer's business segment.

Non-current assets are allocated based on their physical location. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangible assets and plant & equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of any assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Other operating income and expense mainly consists of Sundry Income and bank interest earned.

## *Intersegment Transfers*

For the periods ended 30 June 2023 and 30 June 2024 there were no material intersegment transfers.

## **6. Revenue & Other Income**

	<b>2024</b>	<b>2023</b>
<b>Revenue</b>	<b>\$'000</b>	<b>\$'000</b>
Guard security	27,156	29,650
Other security	2,098	2,060
Traffic Management	10,246	6,677
Traffic Planning	477	263
	<b>39,977</b>	<b>38,650</b>
<b>Other Income</b>		
Interest	16	14
Other	–	7
	<b>16</b>	<b>21</b>

Revenue from the Security Business and the Traffic Business are included in Discontinuing or Discontinued operations.

Included in other income is interest related to the parent company (continuing operation) totaling \$4,000 (2023: \$nil).

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 7. Expenses

Overhead expenses include the following:

	<b>2024</b> \$'000	<b>2023</b> \$'000
Professional Fees	623	355
Directors Fees (excl CEO salary)	147	145
Administration & Occupancy	947	660
Insurance	1611	1,494
Bad Debt Impairment ( <b>Note 12</b> )	37	22
Other	384	437
<b>Total</b>	<b>3,749</b>	<b>3,113</b>

Included in these Overhead Expenses are costs related to the parent company (Continuing Operations) totaling \$565,000 (2023: \$499,000)

## 8. Employee Remuneration

Expenses recognised for employee benefits are analysed below:

	<b>2024</b> \$'000	<b>2023</b> \$'000
<b>Employee expenses within Cost of Sales</b>		
Gross wages and salaries	25,870	25,334
Movement in leave provisions	(103)	(67)
Superannuation	2,389	2,256
Payroll Tax	1,796	1,690
	<b>29,952</b>	<b>29,213</b>
Other Costs of Sales	4,591	3,974
	<b>34,543</b>	<b>33,187</b>
<b>Employee expenses within Overheads</b>		
Gross wages and salaries (including CEO salary)	2,477	2,636
Superannuation	322	314
Other	144	65
	<b>2,943</b>	<b>3,015</b>

Costs of sales relates to Discontinued and Discontinuing operations.

Employee Expenses within overheads includes \$15,000 (2023: \$8,000) relating to non-operational staff, included in continuing operations.

Except for the incentive scheme for Key Management Personnel discussed at Section 1 of the Remuneration Report and at **Note 21**, the Group does not currently have any share-based payment schemes for employee remuneration.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 9. Finance Expenses

Finance expenses for the reporting periods consist of the following:

	Note	2024 \$'000	2023 \$'000
Interest expense: AASB 16 Lease Liabilities	15	27	14
Interest expense : Business Acquisition loan	20	78	56
Interest expense : Invoice Financing	20	63	28
Interest expense: Asset Finance Facility	20	38	–
Interest expense: Other	20	36	47
		<b>242</b>	<b>145</b>

The interest expense relating to the Business Acquisition loan of \$78,000 (2023: \$56,000) is involved in Continuing operations.

## 10. Income Tax Expense

The major components of tax expense and reconciliation of the expected tax expense based on the domestic effective tax rate of the Company at 25% (2023: 25%):

	2024 \$'000	2023 \$'000
<b>a) Recognised in the Income Statement</b>		
<b>Current tax</b>		
Current Year	–	(150)
Under / (Over) provision for Prior Year	(18)	(3)
<b>Deferred Tax</b>		
Origination & Reversal of temporary differences	–	(537)
Under / (Over) Provision for Prior Periods	–	–
Income tax (benefit)/ expense	<b>(18)</b>	<b>(690)</b>
<b>Numerical reconciliation between Tax Expense and Pre-Tax Net Profit / Loss</b>		
Profit (loss) before tax	(830)	(2,569)
Domestic tax rate for the Group	25%	25%
Income Tax expense / (benefit)	<b>(208)</b>	<b>(642)</b>
<b>Increase in Income tax due to tax effect of:</b>		
Non-deductible expenses	105	70
Under (over) Provision in Prior Year	(18)	(3)

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

	2024 \$'000	2023 \$'000
Current year tax losses not recognised	-	-
<b>Decrease in Income Tax expense due to:</b>		
Current year Tax losses not recognised	50	-
Movement in unrecognised temporary tax losses	390	(115)
Utilisation of previously unrecognised tax losses	-	-
Impairment of goodwill	419	-
Non-assessable income	(756)	-
<b>Income tax expense</b>	<b>(18)</b>	<b>(690)</b>
<b>b) Deferred Tax Recognised Directly in Equity</b>		
<b>Using a corporate tax rate of</b>	<b>25%</b>	<b>25%</b>
Relating to equity raising costs	-	-
Deferred tax expense attributable to equity recognised in equity	-	-
<b>c) Recognised Deferred Tax Assets and Liabilities</b>		
Opening balance	-	-
Charged to Income	-	-
Charged to Equity	-	-
Acquisitions / disposals	-	-
<b>Deferred Tax Assets</b>		
Accruals and Provisions	230	407
Other	-	-
<b>Gross Deferred tax assets</b>	<b>230</b>	<b>407</b>
Set off of deferred tax liabilities	(230)	(407)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Liabilities</b>		
Prepayments		(57)
Plant & Equipment	(230)	(350)
Intangibles	-	-

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 10. Income Tax Expense

<b>Gross Deferred Tax Liabilities</b>	<b>(230)</b>	<b>(407)</b>
Set off of deferred tax assets	230	407
<b>Net Deferred tax liabilities</b>	<b>-</b>	<b>-</b>
<b>d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 25% (2023: 25%)</b>		
Deductible temporary differences	32	432
Tax revenue losses	1,034	984
Tax capital losses	158	158
<b>Total</b>	<b>1,224</b>	<b>1,574</b>
<b>e) Current tax assets / (liabilities)</b>		
Income tax refundable / (payable)	<b>60</b>	<b>251</b>

## 11. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	<b>Note</b>	<b>2024</b> \$'000	<b>2023</b> \$'000
<b>Current Assets</b>			
Cash at Bank		711	1,847
Cash at Bank: Traffic Business available for sale	33	239	-
		<b>950</b>	<b>1,847</b>
<b>Non-Current Assets</b>			
Restricted Cash		-	2
Cash as Security for bank guarantee provided to Client		-	200
Cash as security for bank guarantee provided to Traffic Business depot landlord	33	20	20
		<b>20</b>	<b>222</b>

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 12. Trade and Other Receivables

Trade and other receivables consist of the following:

	2024 \$'000	2023 \$'000
Trade Debtors	1,992	4,413
Prepayments	115	229
Other Receivables	372	355
	<b>2,479</b>	<b>4,997</b>

The above balances at 30 June 2024 relate to amounts owed to the Traffic Business and are disclosed as part of Assets available for sale (**Note 33**). The Receivables of the Security Business transferred to the purchaser upon its sale effective 19 June 2024.

All amounts are short-term and interest free. The carrying value of Trade and Other Receivables is considered a reasonable approximation of fair value.

As at 30 June 2024 Other Receivables included Employee Loans of \$nil (30 June 2023: \$15,159). The loans to employees were provided at the discretion of senior management to meet urgent personal issues of staff, were typically for a period of no more than 2 –3 months and are typically repayable in fortnightly instalments. These loans were unsecured and typically interest free. Any interest that might have been charged is not considered material.

All of the Group's Trade Receivables and Other Receivables as at 30 June 2024 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. Specific balances of \$10,570 (2023:\$41,880) have been identified as past-due and impaired, and \$37,000 (2023: \$22,282) has been expensed to Profit & Loss in relation to the impairment provision and bad debt.

## 13. Inventory and Work In Progress

Inventories at 30 June 2023 consisted of security-related items including stocks of Guard uniforms, radio equipment, alarm and CCTV products, and similar operating items: Work in Progress related to Alarm/CCTV Installation projects underway but unbilled at the Reporting Date.

Inventory and WIP of the Security Business was transferred to the purchaser of the Security Business upon its sale effective 19 June 2024

	2024 \$'000	2023 \$'000
Inventories & WIP	–	359

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 14. Plant and Equipment

<b>30 June 2023</b>	<b>Furniture &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Software</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation</b>				
Balance at 1 July 2022	743	386	177	1,306
Additions	61	305	7	373
Acquisition of Highways Traffic Fleet	-	1,338	-	1,338
Disposals	-	(168)	-	(168)
<b>Balance at 30 June 2023</b>	<b>804</b>	<b>1,861</b>	<b>184</b>	<b>2,849</b>
<b>Depreciation</b>				
Balance at 1 July 2022	(506)	(256)	(172)	(934)
Depreciation	(89)	(293)	(5)	(387)
Transfers and other movements	-	125	-	125
<b>Balance at 30 June 2023</b>	<b>(595)</b>	<b>(424)</b>	<b>(177)</b>	<b>(1,196)</b>
<b>Carrying amount at 30 June 2023</b>	<b>209</b>	<b>1,437</b>	<b>7</b>	<b>1,653</b>

<b>30 June 2024</b>	<b>Furniture &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Software</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation</b>				
Balance at 1 July 2023	804	1,861	184	2,849
Additions	54	383	10	447
Transfers and other movements	(5)	-	5	-
Transfer on sale of Security Business	(820)	(256)	(194)	(1,270)
Disposals	-	(71)	-	(71)
<b>Balance at 30 June 2024</b>	<b>33</b>	<b>1,917</b>	<b>5</b>	<b>1,955</b>
<b>Depreciation</b>				
Balance at 1 July 2023	(595)	(424)	(177)	(1,196)
Disposals	-	50	-	50
Transfer on sale of Security Business	679	182	181	1,042
Depreciation	(94)	(510)	(5)	(609)
<b>Balance at 30 June 2024</b>	<b>(10)</b>	<b>(702)</b>	<b>(1)</b>	<b>(713)</b>
<b>Carrying amount at 30 June 2024</b>	<b>23</b>	<b>1,215</b>	<b>4</b>	<b>1,242</b>

Except for \$1,300 of corporate office equipment, all the above remaining Plant and Equipment as at 30 June 2024 related to the Traffic Business and is disclosed at part of Assets available for sale (Note33)

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 15. Right of Use asset and lease liabilities – Leased Office & Vehicles

The Group has reviewed all the Group's arrangements to identify leases:

- The Group leased, via its Security Business subsidiary, its Head Office from a party related to Mr Paul Simmons, the CEO and vendor of MCS Security Pty Ltd **Note 25(a)**. The lease had been accounted for in accordance with AASB 16 Leases effective from 1 July 2019. The sale of the Security Business subsidiary effective 19 June 2024 resulted in the premises no longer being utilised by the Group.
- During a previous reporting period the Group obtained two site vehicles on operating leases over 4 years to April 2026 at an effective interest rate of 4.85%. The sale of the Security Business subsidiary effective 19 June 2024 resulted in the leases no longer being a liability of the Group.

	2024 \$'000	2023 \$'000
<b>(i) AASB 16 related amounts recognized in the balance sheet</b>		
Right of use assets:		
At cost	547	547
Accumulated Depreciation	(425)	(354)
Transfer on the sale of Security Business	(122)	-
Net Carrying Amount	-	193
<b>Movement in carrying amounts:</b>		
Opening balance	193	190
Additional Right-of-Use Assets – Vehicle Leases	-	80
Depreciation expense	(71)	(77)
Transfer on sale of Security Business	(122)	-
Net Carrying Amount	-	193
<b>(ii) Lease Liabilities recognized in the balance sheet</b>		
Opening balance	218	219
Additional vehicle leases during period	-	80
Interest expense	27	14
Repayments	(146)	(95)
Transfer on sale of Security Business	(99)	-
Net Carrying Amount	-	218
<b>Lease Liability is classified as follows:</b>		
Current Liability	-	79
Non-Current Liability	-	139



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 16. Intangibles

	Note	2024 \$'000	2023 \$'000
Alarm division of Security Business		102	102
Accumulated amortisation		(52)	(27)
Transfer on sale of Security Business		(50)	-
		-	75
Goodwill on Acquisition of Highways Traffic	19	1,382	1,382
Tax Effect		537	537
Impaired in Period		(1,677)	-
		242	1,919
		242	1,994

During a previous reporting period the Company acquired certain business assets of two small specialist alarm/CCTV companies, including inventory and tooling. The total cash paid on settlement for the acquisition was \$96,000 (excl. GST), with a further \$16,000 payable during the Reporting Period 12 months post-acquisition with conditions being met. The \$0.1m excess of the consideration paid over the value of those tangible assets related to client list, intellectual property and other intangible items. They were classed as Intangibles and were amortised on a straightline basis. The sale of the Security Business subsidiary effective 19 June 2024 resulted in that Intangible asset exiting the Group.

## 17. Trade & Other Payables

Trade and Other Payables consist of the following:

	Note	2024 \$'000	2023 \$'000
Trade Payables		538	404
GST and Payroll Tax		-	984
Accruals		77	774
PAYG		-	507
Superannuation		-	668
Traffic Business Vendor Liability	19	540	540
Other Payables		1	(67)
		1,156	3,810
Liabilities available for sale; Traffic Business	33	1,164	-
		2,320	3,810

All amounts are short-term unless otherwise stated. The carrying values of are considered a reasonable approximation of fair value. The Trade Payables are payable within 30-60 days.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

During the Reporting Period and having regard to forecast cashflow, the Group applied to the ATO for a Repayment Plan in respect of the following.

Approved ATO Repayment Plans	Ordinarily Due	Corporate \$'000	Security Business \$'000	Security Business \$'000	Trafficity Business \$'000	Total \$'000
BAS	Nov 23	-	575	-	-	575
PAYG	Nov 23	-	-	360	-	360
PAYG	Dec 23	-	-	366	127	493
PAYG	Jan 23	-	-	189	71	260
BAS	Feb 24	-	682	-	-	682
		-	<b>1,257</b>	<b>915</b>	<b>198</b>	<b>2370</b>
Estimated Interest		-	37	52	13	102
		-	<b>1,294</b>	<b>967</b>	<b>211</b>	<b>2,472</b>
<b>Repayments</b>						
Monthly Instalments paid		-	(505)	(436)	(110)	(1,051)
Income Tax Refund Applied		-	(272)	-	-	(272)
Liability effectively assumed by Buyer of Security Business		-	(517)	(531)	-	(1,048)
		-	-	-	<b>101</b>	<b>101</b>

The above remaining \$0.1m owing to the Traffic Business ATO Repayment Plan has six remaining instalments of \$15,000 per month as at 30 June 2024.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 18. Provisions

All Annual Leave provisions are considered current liabilities.

Long Service Leave provisions are considered current liabilities where an employee had an unconditional right to the benefit (had reached the required length of continuous employment) as at 30 June 2024, or are considered non-current liabilities where an employee does not yet have an unconditional right to the benefit.

All leave provisions as at 30 June 2024 relate to Annual Leave and Long Service Leave of the Traffic Business staff and corporate staff. The directors of the Company do not accrue Annual or Long Service Leave in relation to their directorships.

The carrying amounts and movements in the provisions account are as follows:

	<b>2024</b> \$'000	<b>2023</b> \$'000
<b>Current Liabilities</b>		
Annual Leave	67	1,603
Long Service Leave	30	388
Other	–	163
	<b>97</b>	<b>2,154</b>
Liabilities Available for Sale (Note 33); Traffic Business	518	–
<b>Non-Current Liabilities</b>		
Long Service Leave	–	208
	<b>615</b>	<b>2,362</b>
<b>Movement</b>		
Balance 1 July	2,362	1,989
Transferred on sale of Security Business	(1,642)	–
Movement in year	(105)	373
Balance 30 June	<b>615</b>	<b>2,362</b>

No provision has been made for legal claims. Whilst the Group is dealing with a number of Workers' Compensation matters in the ordinary course of business, management are of the view such claims are individually immaterial to the Group and / or are adequately covered by the Group's insurance policies.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 19. Acquisition of Highways Traffic Pty Ltd

During the previous reporting period, effective 16th October 2022, the Company acquired 100% of the share capital of Highways Traffic Pty Ltd, a traffic management company based in Perth and operating across Western Australia ("Traffic Buisness"). It provides traffic planning and onsite traffic management across metropolitan Perth and regional WA, working for major infrastructure construction companies, state and local government and other clients.

Details of the purchase consideration and the provisionally determined fair value of the net assets acquired were as follows:

Description	Note	\$'000
Cash consideration		1,800
Deferred consideration *		540
Issue of shares	21	260
Asset Finance Facility loan – for vehicle purchases	20	1,338
<b>Total fair value of the consideration</b>		<b>3,938</b>
<b>Less Total of Highway Traffic net assets acquired</b>		<b>(2,019)</b>
Amount recognized as Goodwill upon acquisition**		<b>1,919</b>

The assets and liabilities recognised as a result of the acquisition are as follows:

Description	\$1000
Motor vehicles	1,338
Intangibles –customer contracts **	1,218
Goodwill***	1,919
Deferred tax liability	(537)
<b>Net identifiable assets acquired</b>	<b>3,938</b>

\*Deferred consideration payable in 4 quarterly installments of upto \$0.135 million each, totalling\$0.54 million, subject to post completion revenue tracking at achieving \$7 million per annum in the 12 months after completion. Notwithstanding such liability is recognised in the Report (**Note17**), as at the date of this Report the Group is in dispute with the Vendors as to the quantum of any net payable.

\*\* As at 30 June 2023, the Group expensed the fair value of the customer contracts intangibles. to Profit and Loss.

\*\*\*Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition. During the Reporting Period the Company expensed \$1.677m of the Goodwill to profit and loss.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 20. Financial Liabilities : Borrowings

The Group had various finance facilities with NAB, details of facilities as below

Facility type	Note	Facility limit at 30 June 2024 \$'000	Facility used at 30 June 2024 \$'000	Facility unused at 30 June 2024 \$'000
Bank guarantees		20,000	20,000	–
Invoice finance facility		–	–	–
Business Acquisition loan		–	–	–
Asset finance facility	33	650,000	509,263	140,737

The Invoice Finance facility was secured against the present and future rights , property and undertaking of MCS Security Group Pty Ltd.

The Business Acquisition facility was secured against the present and future rights , property and undertaking of MCS Services Limited and MCS Security Group Pty Ltd.

The Asset Finance facility is secured against the relevant Traffic Business vehicles and present and future rights , property and undertaking of MCS Services Ltd .

In addition, all remaining facilities above are secured by present and future rights, property and undertaking given by MCS Services Limited.

### Invoice Financing

The terms of the Company's acquisition of Highways Traffic Pty Ltd provided that all pre-settlement Accounts Receivable accrued to the vendors. Accordingly, upon the acquisition of Highways Traffic, the Group entered into a NAB Invoice Finance facility via its Security Business to fund the ramp up of working capital of the Traffic Business subsidiary

The terms and conditions of the Invoice Finance facility were as follows:

- lender: National Australia Bank
- security: over Accounts Receivable and present and future lights, property and undertakings of MCS Security Group Pty Ltd
- interest: 6.62% on commencement
- Drawdown limit: \$1.5m



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

The sale of the Security Business subsidiary effective 19 June 2024 resulting in that facility , with a balance of of \$0.2m at 19 June 2024, exiting the Group at that date.

	<b>2024 \$'000</b>	<b>2023 \$'000</b>
Current liability	-	1,369
Non Current liability	-	-
	<b>-</b>	<b>1,369</b>

## Business Acquisition Loan

As shown at Note 19, the acquisition of Highways Traffic in October 2022 was partially funded by a term loan of \$1.338 million.

The terms and conditions of the Business Acquisition Loan were as follows:

- Lender: National Australia Bank
- Security: Guaranteed by MCS Services and MCS Security Group Pty Ltd
- Interest: 6.05% on commencement
- Principal Repayments: \$22,300 per month over 60 months

The loan balance of \$0.89 million was paid out in full in June 2024 utilising part of the proceeds of sale of the Security Business

	<b>2024 \$'000</b>	<b>2023 \$'000</b>
Opening Balance	1,160	-
Finance in Period	-	1,338
Interest	78	56
Monthly Repayments in Period	(346)	(234)
Payout Repayment	(892)	-
	<b>-</b>	<b>1,160</b>
<b>Represented by</b>		-
Current liability	-	268
Non Current Liability	-	892
	<b>-</b>	<b>1,160</b>

## Asset Finance Facility

The Company's Traffic Business intends to undertake a rolling upgrade of its vehicle fleet over time to:

- add additional items to the fleet,
- replace some ageing vehicles and
- reduce the need for rented vehicles

A specialised work-truck and a number of utility vehicles totalling \$0.25m were acquired in the previous reporting period utilising the facility, and additional utility vehicles were acquired in the Reporting Period.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

The terms and conditions of the Asset Finance Facility Loan are as follows:

- Lender: National Australia Bank
- Security: Secured over relevant vehicles, guaranteed by MCS Services Ltd
- Interest: 7.41% on commencement
- Limit: \$650,000
- Principal Repayments: Drawn balance repaid in equal instalments over 60 months.

	Note	2024 \$'000	2023 \$'000
Opening Balance		252	–
New Drawdowns in Period		349	252
Interest		38	–
Repayments		(130)	–
		<b>509</b>	<b>252</b>
<b>Represented by</b>			
Current liability		–	50
Non Current Liability		–	202
Liabilities Available for Sale – Traffic Business	33	509	–
		<b>509</b>	<b>252</b>

## 21. Equity

### Share Capital

The share capital of the Company consists only of fully-paid ordinary shares as follows.

	2024 \$'000	2023 \$'000	2024 Number	2023 Number
<b>Ordinary shares</b>				
At the beginning of reporting period	18,400	18,055	198,417,939	188,974,559
Shares Issued on conversion of Performance Rights	–	75	–	2,700,000
Shares Issued on exercise of options	–	20	–	500,000
Shares Issued as part-consideration to vendors of Highways Traffic	–	260	–	6,643,382
Share Buyback	(6)	(10)	(318,287)	(400,000)
At the end of reporting period	<b>18,394</b>	<b>18,400</b>	<b>198,099,652</b>	<b>198,417,941</b>

All issued shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at shareholders meetings of the Company.

During the previous reporting period 6,643,382 escrowed shares were issued to the vendors of the Traffic Business (**Note 19**). The shares were released from escrow in the Reporting Period.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## Profit Reserve

A meeting of the Board of directors of the Company in a prior reporting period resolved that the 2022 net profit for that reporting period of \$1,065,708 was not to be offset against the Company's Accumulated Losses but appropriated to a 2022 Profit Reserve. These profits are not otherwise made unavailable for distribution as a dividend.

Movement in the Profit Reserve follows:

	2024 \$'000	2023 \$'000
At the beginning of reporting period	2,621	2,621
Profit	-	-
<b>At the end of reporting period</b>	<b>2,621</b>	<b>2,621</b>

## Share Option and Performance Rights Reserve

The Share Option & Performance Rights Reserve records items recognised on the valuation of Share Options and Performance Rights over the vesting period.

	2024 \$'000	2023 \$'000
At the beginning of the year	384	288
Performance Rights Converted to shares in period : CEO	-	(31)
Performance Rights Converted to shares in period : CEO	-	(44)
Options expensed during the period	-	171
<b>At the end of the year</b>	<b>384</b>	<b>384</b>

The Company has the following Share Options and Performance Rights outstanding:

	Quoted Options 2024 Number	Quoted Options 2023 Number	Unquoted Options 2024 Number	Unquoted Options 2023 Number	Weighted Average Exercise price	Performance Rights 2024 Number	Performance Rights 2023 Number
At 1 July	-	-	14,301,923	18,000,000	\$0.04	1,995,000	2,700,000
Expired	-	-	(2,301,923)	(17,500,000)	-	(1,995,000)	-
Exercised	-	-	-	(500,000)	-	-	(2,700,000)
Issued	-	-	-	14,301,923	\$0.06	-	1,995,000
<b>At 30 June</b>	<b>-</b>	<b>-</b>	<b>12,000,000</b>	<b>14,301,923</b>	<b>\$0.06</b>	<b>-</b>	<b>1,995,000</b>

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

During a previous reporting period, as approved by shareholders at the Annual General meeting on 30 November 2017, 3 million 4 cent November 2022 unlisted options were issued to each of the Directors of the Company at that time, being Messrs Kucera, Ward and Martin. 3 million unlisted options were also issued to each of the CEO Paul Simmons (now a Director), the CFO and the Company Secretary. All of the 18 million options vested immediately, had an exercise price of 4 cents, and could be exercised at any time up to 30 November 2022, were issued for \$nil consideration, and formed part of a remuneration package to provide a realistic and meaningful incentive to attract and retain Directors and Key Management Personnel of their particular skills and experience. The value of the unlisted options was calculated using the Black-Scholes Model at \$0.214 million and was expensed in the reporting period of issue.

500,000 of the November 2022 options were exercised in the previous reporting period. The remaining 17.5 million lapsed unexercised during the previous reporting period.

During a previous reporting period 3.6m Performance Rights were issued for \$nil consideration to the CEO / Managing Director, Paul Simmons, effective 29 November 2019 as a cost effective incentive and formed part of a reasonable and appropriate remuneration package. The value of these Performance Rights was calculated using the Black-Scholes Model at \$61,200, of which \$51,000 was expensed to Profit or Loss during the reporting period of issue, and the remaining \$10,200 was expensed in the year to June 2022. During a previous reporting Period 1.8 million Performance Rights were issued for \$nil consideration to the CFO, Mark Englebert, effective 9 February 2021 as a cost effective incentive and form part of a reasonable and appropriate remuneration package. The value of these Performance Rights was calculated using the Black Scholes model at \$88,200, of which \$73,500 was expensed to Profit or Loss in a previous reporting period and the remaining \$14,700 expensed in the year to June 2022. The above Performance Rights vested over the periods to 30 June 2021 and 30 June 2022 upon achievement of the earnings per share / strategic plan milestones, were issued for \$nil consideration, had an exercise price of nil cents and expired on or before 30 June 2022. Each Performance Right, subject to vesting, entitled the holder on exercise to one share in the Company. 1.8 million of the CEO Performance Rights and 0.9 million of the CFO's Performance Rights vested by 30 June 2022 in relation to the Board's assessment of the CEO's and CFO's performance for the year to 30 June 2021 and the remaining Performance Rights vested in the reporting period to June 2023 in relation to the boards assessment of the CEO's and CFO's performance for year to the 30 June 2022.

During the previous FY23 reporting period, as approved by shareholders at the Annual General Meeting on 30th November 2022, 3 million November 2025 Unlisted Options were issued to each of the non-executive directors of the Company (being Messrs Kucera, Martin and Ward). 3 million Unlisted Options were also issued to the Company Secretary, Jonathan Asquith. All of the 12 million November 2025 Options were issued for \$nil consideration, have an exercise price of 6 cents, can be exercised at any time up to 30 November 2025, and were valued using the Black Scholes model at \$170.836 which was expensed in full in the previous reporting period. None of the above Options had been exercised during the previous FY23 reporting period or to the date of this Report.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

Further, during the previous reporting period, as approved by shareholders at the Annual General Meeting on 30th November 2022, 1,995,000 new Performance Rights and 2,301,923 long-dated Premium-priced Options were issued to the then CEO / Managing Director, Paul Simmons:

- for \$nil consideration;
- effective 30th November 2022,
- each exercisable into one ordinary share in the Company at any time between meeting the vesting condition and the expiry date – being 48 months after meeting the Performance Rights vesting condition and 30 November 2026 for the Premium-priced Options.
- the vesting conditions require the Company's Earnings per Share to exceed 0.5 cents per share in the year to 30 June 2023 and, for an element of the Performance Rights, achieving strategic milestones as per below
- During the Reporting Period the Board assessed that the vesting conditions would not be met. The Premium Priced options and Performance Rights have therefore have been treated as lapsed.

## 22. Earnings per share and dividends

### Earnings per share

Both basic and diluted earnings per share have been calculated using the profit (loss) attributable to shareholders of the Parent Company as the numerator. The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2024 '000 of shares	2023 '000 of shares
<b>Number of Shares used in Calculation of Earnings per share:</b>		
Weighted average number of shares used in basic earnings per share calculation	198,691	195,850
Weighted average number of shares used in diluted earnings per share calculation	198,691	195,850
<b>Profit / (loss) used in calculation of Earnings per share:</b>	<b>\$'000</b>	<b>\$'000</b>
From continuing operations	713	(1,152)
From Discontinuing Operations	(1,524)	(727)
	2024 Cents	2023 Cents
<b>Basic earnings per share</b>		
From continuing operations	0.36	(0.59)
From Discontinuing operations	(0.76)	(0.37)
<b>Diluted earnings per share</b>		
From continuing operations	0.36	(0.59)
From Discontinuing operations	(0.76)	(0.37)



# Notes to the Financial Statements

For the year ended 30 June 2024

## Dividends

The Board has elected not to pay a dividend for the current year to shareholders of the Company. The Company will be deploying funds to efficiently manage its capital structure.

	<b>2023</b> \$'000	<b>2023</b> \$'000
Dividends declared during the year	–	–
<b>Being:</b>		
Paid cash	–	–
Withholding tax paid to ATO	–	–
Shares issued under Dividend Reinvestment Plan	–	–
	–	–

## 23. Reconciliation of cashflows from operating activities

	<b>Note</b>	<b>2024</b> \$'000	<b>2023</b> \$'000
<b>Profit / (Loss) for Year</b>		(811)	(1,879)
<b>Adjustments for:</b>			
Interest received and receivable	<b>6</b>	(16)	(21)
Interest Paid: Other		215	117
Depreciation	<b>14</b>	538	387
AASB 16: Interest and Depreciation	<b>15</b>	98	92
Expensing of value of contracts acquired	<b>19</b>	1,677	1,218
Share based payment expense	<b>21</b>	–	171
Gain on sale of Security Business		(3,026)	
Net (gain)/Loss on disposal of PPE		–	11
<b>Net change in Working Capital:</b>			
Change in Tax Asset / Liability	<b>10</b>	210	(304)
Change in Trade & Other Receivables	<b>12</b>	2,518	(1,109)
Change in Inventories and Work In Progress	<b>13</b>	359	(110)
Change in other net assets		1,476	162
Change in Trade Creditors and Other Payables	<b>17</b>	(1,512)	965
Change in Provisions	<b>18</b>	(1,747)	372
<b>Net Cash provided by Operating Activities</b>		<b>(21)</b>	<b>(1,122)</b>

## 24. Auditor Remuneration

Stantons International Audit & Consulting Pty Ltd (“Stantons”) were appointed as auditors of the Company on 27 November 2014. The appointment was confirmed by shareholders at the 2014 Annual General Meeting. Stantons continues in that position.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

	<b>2024</b> \$'000	<b>2023</b> \$'000
Audit & Review of financial statements	148	154
Other Services: Non-audit assistance: Performance Rights valuation	–	–
<b>Total</b>	<b>148</b>	<b>154</b>

The Auditor's Independence Declaration is set out on page 28 of the Annual Report.

## 25. Related Party Transactions

### (a) Head Office Lease

On 1 October 2014 MCS Security Group Pty Ltd the Security Business subsidiary of the Group entered into a lease agreement with The Simmons Superannuation Fund, a related party to the then CEO and Managing Director (and primary vendor of MCS Security) Mr Paul Simmons, for the lease of a 231m<sup>2</sup> office premises at 3/108 Winton Road, Joondalup, WA, 6027.

The term of the original lease was 1 October 2014 to 30 September 2019, with a 5 year option period, an annual rent of \$49,123 (excluding GST per annum subject to an annual CPI increase, and with variable outgoings charged separately at market rates. The lease was assigned to the Group upon the acquisition of MCS Security in November 2015, and a variation was entered into in November 2015 with annual rent at \$47,924 (excl GST and a CPI indexed rent-rise mechanism with a cap of 2.5% pa. The varied lease has a five year term ending November 2020 with a further 5 year option. The rental agreement has previously been assessed by the Company as being at market rate.

During a previous reporting period the Company exercised the 5 year option from November 2020 to November 2025. The Simmons Superannuation Fund agreed to waive the contractual rent increase applicable for the year to November 2021.

The amount billed during the Reporting Period for rent was \$62,002 (2023: \$54,453. The lease has been accounted for in accordance with AASB 16 Leases (**Note 15** effective from 1 July 2019).

The Joondalup office lease transferred to the purchaser of the Security Business upon its sale effective 19 June 2024

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## (b) Related Party Transactions – Director

During the Reporting Period a corporate travel agency owned by a relation of Mr Geoff Martin, a director of the Company, arranged domestic flight and hotel bookings for the Group totalling \$24,255 (2023: \$33,342). The Board consider the service is provided at commercial rates.

## (c) CEO Benefits

Mr Paul Simmons, the CEO (until 19 June 2024)/managing director and one of the vendors of MCS Security, received an annual salary of \$210,000 pa (plus superannuation) in the Reporting Period (2023: \$196,430).

Mr Simmons was also paid Director fees of \$35,000 (2023: \$35,000 pa).

Mr Simmons resigned as CEO effective 19 June 2024 to take up a role with the purchaser of the Security Business.

## (d) Transactions with Key Management Personnel

Key management of the Group during the Reporting Period are the members of the Company's Board of Directors (incl the CEO / Managing Director), the CFO and the Company Secretary. In addition to the matters set out above, key management's remuneration includes the following:

- salaries / fees (incl superannuation on the CEO and CFO salaries at 11%);
- equity settled share based payments (SBP) in the form of a total of 12 million unlisted 6 cent November 2025 options issued in the previous reporting period to the Directors (being Mr Kucera, Ward and Martin) and the Company Secretary. The value was calculated at the grant date as \$170,836 which was expensed to Profit and Loss in the FY23 reporting period of issue.

	<b>2024</b>	<b>2023</b>
	\$	\$
Short term	584,259	585,382
Post Employment	45,000	42,565
Shared Based Payments	–	170,836
	<b>629,259</b>	<b>798,783</b>

The Directors and Key Management Personnel may be also reimbursed for business-related expenses.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 26. Contingent Liabilities

Commensurate with the size of its workforce and the nature of their work the Group is periodically subject to Workers Compensation and other employee-related claims. As at the Reporting Date the Group is subject to a number of such claims. The validity of such claims and the ultimate amount that might be payable is not certain. Further information on these contingencies is omitted so as to not prejudice the Group's position in the related disputes. The Board considers all claims pending as at the Reporting Date to be adequately covered by its insurance policies or otherwise financially immaterial to the Group.

## 27. Capital Commitments

As at the Reporting Date the Group had not formally committed to any future capital expenditure.

For clarity, we set out the below non-binding matter which potentially may lead to a capital commitment. As advised to shareholders in August 2024, on 19th July 2024 the Company entered into a non-binding (save for binding exclusivity and ancillary provisions) agreement with the owner of NJ Ashton Pty Ltd which set out the base terms with respect to a potential restructure, compliance with Chapters 1 and 2 of the ASX listing rules and the acquisition of 100% of the issued capital of NJ Ashton Pty Ltd and related entities by the Company. As at the Report date the pre-requisites in this matter are still being addressed, including communication with ASX and preparing a Notice of Meeting for shareholders of the Company. The exclusivity period has recently been extended to 19th November 2024, with a potential additional one month extension.

## 28. Interests in Subsidiaries

### Composition of the Group

Set out below are details of subsidiaries held directly by the Group:

Name of Subsidiary	Incorporation and Principal Place of Business	Principal Activity	Group ownership % 30 June 2024	Group ownership % 30 June 2023
MCS Security Group Pty Ltd	Australia	Security	–	100%
Highways Traffic Pty Ltd	Australia	Traffic Management	100%	100%

During the Reporting Period, effective 19 June 2024, the Group sold its 100% share interest in its Security Business, MCS Security Group Pty Ltd, to an unrelated party, Vibrant Services Pty Limited.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

As announced to shareholders on 2 February 2024, the Company entered into a conditional agreement to sell the Security Business subsidiary on the basis of \$3m for a nil \$ net asset position. The Company's decision to undertake the sale was made after thorough and diligent evaluation from the Board of Directors as to the merits of the sale or retention of the business, with the Company's primary aim being to preserve value for its shareholders. The Company subsequently entered into a Heads of Agreement with Vibrant Services Pty Limited, subject to execution of a Share Sale Agreement to be negotiated in good faith and subject to approval by Company shareholders. A General Meeting of the Company shareholders on 29 April 2024 voted to approve the sale and, as announced to shareholders on 13 May 2024, a Share Sale Agreement was executed. Settlement occurred effective 19 June 2024.

Consistent with the methodology outlined in the Schedule 2 Pro Forma Balance Sheet of the Notice of General Meeting issued on 28 March 2024:-

- the net proceeds of sale totaled \$1.68m having regard to a draft Net Liability position of the Security Business company of \$1.32m (subject to subsequent preparation of Completion Accounts effective 19 June 2024);
- the Company utilized \$0.9m of the above proceeds to repay in full the remaining balance of the Nab Business Acquisition Loan (**Note 20**) utilised to part-fund the October 2022 acquisition of the Traffic Business.

The sale of the Security Business was made after waiver of inter-group loans owing to / from that business, and resulted in the assets and liabilities of the Security Business exiting the Group.

Preparation of Completion Accounts of the Security Business as at 19th June 2024 is ongoing, and a conservative provision has been made for the estimated net owing in the Statement of Financial Position.

## Interests in Unconsolidated Structured Entities

The Group has no interests in unconsolidated structured entities.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

## 29. Financial Instrument Risk

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised below. The main types of risks are market risk, credit risk and liquidity risk. The Group's risk management is co-ordinated by senior management, in close co-operation with its Board of Directors, and focusses on actively securing the Group's short to medium term cashflows by obtaining, and renewing, long-term security contracts with credit-worthy customers.

The Group does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

### Market Risk Analysis:

#### a) Foreign Currency sensitivity

Materially all of the Group's transactions are carried out in Australian Dollars (A\$), all of its Cash Balances are held in A\$ (**Note 11**) and all of its Trade & Other Receivables (**Note 12**), Lease Liabilities (**Note 15**), Trade Payables (**Note 17**) and Borrowings (**Note 20**) are denominated in A\$.

The Group has no foreign currency loans or material liabilities in foreign currencies. The Group does not enter into forward exchange contracts or otherwise seek to hedge any such exposure.

As such, the Group has minimal exposure to foreign currency movements.

#### b) Interest Rate sensitivity

The Group has no material interest rate cash flow risk exposure as:

- the interest received on its bank account balances, being with a major Australian bank, are not material to the Group's financial performance (**Note 9**);
- the Group's Bank borrowings are with a major Australian lender (**Note 20**)

#### c) Credit Risk Analysis

Credit Risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, primarily in granting Trade Receivable facilities with customers and placing Cash deposits with its bank.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

The Group's maximum exposure to credit risk at the Reporting Date is limited to the carrying amount of financial assets as summarised below:

	Note	2024 \$'000	2023 \$'000
Current Assets: Cash and Cash Equivalents	11	950	1847
Current Assets: Trade Debtors	12	1,992	4413
Non-Current Assets: Restricted Cash	11	20	222

The credit risk for Cash and Cash Equivalents is considered by management to be negligible as the counterparties to materially all of the Group's bankings are with a reputable Australian bank, National Australia Bank.

In respect of Trade Debtors, the Group's largest 5 customers (either a single counterparty or a group of related counterparties) accounted for some 70% (2023:40%) of the Trade Debtors amount owing as at 30 June 2024. Management considers all the above counterparties to be well-known, well-regarded, prompt paying and financially stable entities. Other Trade Debtors consist of a large number of customers.

As such, management does not consider it to be exposed to any significant credit risk exposure to any single Trade Debtor counterparty or any group of counterparties having similar characteristics. Based on historical information about customer default, management consider the credit quality of Trade Debtors that are not past due or impaired to be good. The Group continuously monitors for signs of potential default of Trade Debtors – including through regular meetings with customers, monitoring of trade-account regularity and through external sources. The Group's policy is to deal only with creditworthy customers. Credit risk is managed on a Group basis and reviewed regularly by the Board.

## d) Price Risk

The Group is not exposed to price risk.

## e) Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations.

The Group manages its liquidity needs including by:

- monitoring forecast cash inflows and outflows in day-to-day business,
- managing working capital, especially the timely receipt of customer accounts, and
- preparing short-medium term forecasts.
- having had an Invoice Finance Facility in place (**Note 20**) until the sale of MCS Security Group Subsidiary effective 19 June 2024.

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its Cash resources and Trade Receivables.

The Group's cashflows from Trade Receivables are generally all contractually due within 30–60 days of invoice. The Group's primary cash outflows are for payroll, tax and superannuation obligations which can be estimated as to timing with reasonable certainty.

The Group's existing Cash resources and Trade Receivables exceed the current forecast cash outflow requirements.

## 30. Fair Value Assessment

### Fair value measurement of financial instruments

The following table shows the level within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2024 and 30 June 2023:

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>30 June 2024</b>				
Cash	11	–	950	–
Restricted Cash	11	–	20	–
Trade & Other Receivables	12	–	1,992	–
Trade & Other Payables	17	–	(2,321)	–
Asset Finance Facility	20	–	(509)	–
<b>30 June 2023</b>				
Cash	11	–	1,847	–
Restricted Cash	11	–	222	–
Trade & Other Receivables	12	–	4,413	–
Trade & Other Payables	17	–	(3,810)	–
Lease Liabilities	15		(218)	
Invoice Financing	20	–	(1,369)	–
Business Acquisition Loan	20	–	(1,160)	–
Asset Finance Facility	20	–	(252)	–

### Fair value measurement of non-financial instruments

The book value of the Group's Plant & Equipment and acquired Intangibles is based on depreciated acquisition cost and management's view on the ongoing usability of the assets by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 31. Capital management policies and procedures

The Company's objectives when managing capital are to ensure the Group can fund its operations and continue as a Going Concern and to provide shareholders with adequate returns by pricing its services commensurately with the level of risk.

The Group has no externally imposed capital requirements. The Company monitors capital on the basis of liquidity, funding requirements, and dividend return to shareholders. There have been no changes in this strategy since the prior year.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of its business operations. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group currently has no external debt covenants.

## 32. Parent entity information

Information relating to MCS Services Limited ("**Parent Entity**" or "**the Company**") is as follows:

	Note	2024 \$'000	2023 \$'000
<b>Statement of Financial Position</b>			
Current Assets	11	711	12
Non-Current Assets	16	243	6,848
Total Assets		<b>954</b>	<b>6,860</b>
Current Liabilities		(1,602)	(2,725)
Non-Current Liabilities		-	(892)
Total Liabilities		<b>(1,602)</b>	<b>(3,617)</b>
<b>Net Assets</b>		<b>(648)</b>	<b>3,243</b>
<b>Equity</b>			
Issued Capital	21	18,394	18,400
Share Option & Performance Right Reserve	21	384	384
Accumulated Losses		(22,047)	(18,162)
Profit Reserve	21	2,621	2,621
<b>Total Equity</b>		<b>(648)</b>	<b>3,243</b>
<b>Financial Performance</b>			
Operating Loss for the Year	5	<b>(3,885)</b>	<b>(1,433)</b>

# Notes to the Consolidated Financial Statements



For the year ended 30 June 2024

No dividend to shareholders of the Company was declared in the current or previous year.

The Parent Entity has capital commitments of \$nil. (refer Note 27)

The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

### 33. Assets and Liabilities available for Sale: Traffic Business

As at 30 June 2024, and to the date of this Report, the company has made its Traffic Business subsidiary Highway Traffic Pty Ltd available for sale Discussions with a number of parties are in progress but at a preliminary stage only.

The assets and liabilities of the Traffic Business as at 30 June 2024 are disclosed in the Consolidated Statement of Financial position as current assets and liabilities as follows.

	Note	30 June 2024 \$'000
Cash and Cash Equivalent	11	239
Trade and Other Receivables	12	2,479
Inventory	13	-
Restricted Cash	11	20
Plant and Equipment	14	1,240
<b>Assets Available For Sale</b>		<b>3,978</b>
Trade & Other payables	17	(1,164)
Asset Finance loan - Vehicles	20	(509)
Provisions - Leave	18	(518)
Bank Guarantee	20	(20)
<b>Liabilities Available for Sale</b>		<b>(2,211)</b>
		<b>1,767</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

## 34. Events Arising since the end of the Reporting Period

No adjusting or significant non-adjusting events have occurred between the Reporting Date and the date of authorisation of this Report except for:

- preliminary non-binding discussions with a number of parties who have expressed an interest in acquiring the Traffic Business **(Note 33)**;
- non-binding discussions with N.J Ashton Group in regard to a potential restructure and re-compliance with Chapters 1 and 2 of the ASX Listing Rules, including an acquisition ("Reverse Takeover"). **(Note 27)**

## Consolidated Entity Disclosure Statement

Section 295 (3A)(vi) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied for following interpretations:

- Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

- Foreign tax residency

Where necessary, the consolidated entity would use independent tax advisors in foreign jurisdictions to assist its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

MCS Services Limited provides the tax residency of its subsidiaries below:

Name of Entity	Type of Entity	Trustee, partner or participation in JV	% of share capital	Country of incorporation	Australia resident of foreign resident	Foreign jurisdiction(s) of foreign residents
MCS Security Group Pty Ltd	Body Corporate	N/A	0%*	Australia	Australia	N/A
Highways Traffic Pty Ltd	Body Corporate	N/A	100%	Australia	Australia	N/A

As disclosed in Note 28, MCS Services Limited disposed of its 100% interest in MCS Security Group Pty Ltd to an unrelated entity, Vibrant Services Pty Ltd. At the reporting date, the assets and liabilities of MCS Security Group are not owned by the Company.



## Directors' Declaration

In the opinion of the Directors of the Company:

- The consolidated financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
  - Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and other mandatory professional reporting requirements,
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- the consolidated entity disclosure Statement on page 82 is true and correct.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2024.

**Note 2** confirms that the consolidated financial statements also comply with International Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors



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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
MCS SERVICES LIMITED****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of MCS Services Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 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*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Relating to Going Concern**

We draw attention to Note 4 of the financial statements, which indicates that the Group incurred a loss after tax of \$0.81 million for the year ended 30 June 2024 and, had net assets \$1.53 million. The Group had cash and cash equivalents of \$0.95 million. As stated in Note 4, the events or conditions, along with other matters, as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be Key Audit Matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in the audit
<p><b>Revenue recognition</b> (refer to Notes 4 and 6 to the consolidated financial statements)</p> <p>The Group earns revenue primarily from the provision of security services and traffic management services in Western Australia. Revenue is generally recognised when the Group provides the services to its customers. During the year ended 30 June 2024, the Group recognised revenue of \$39.98 million. All of the Group's revenue is in relation to discontinued operations and held-foe sale operations.</p> <p>We determined revenue recognition to be a key audit matter due to the following:</p> <ul style="list-style-type: none"> <li>- the application of AASB 15 <i>Revenue from Contracts with Customers</i> (AASB 15) involves certain key judgements relating to identification of distinct performance obligations and determination of transaction price of the identified performance obligations; and</li> <li>- the significance of the Revenue to the Group.</li> </ul>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>obtaining an understanding of the revenue transaction cycles including identifying key controls over revenue transactions and carrying out walk-through tests;</li> <li>testing the operating effectiveness of the key controls over the revenue recognition process that ensure completeness, accuracy and timing of revenue recognised;</li> <li>analysing significant sales contracts to verify correct accounting treatment in accordance with the Group's accounting policy and AASB 15;</li> <li>performing cut-off testing, including checking material credit notes issued to ensure that revenue transactions around the year-end have been recorded in the correct period;</li> <li>performing substantive tests and analytical procedures on revenue and costs of sales; and</li> <li>assessing the appropriateness of the Group's revenue recognition accounting policies and the adequacy of the disclosures in the consolidated financial statements.</li> </ol>
<p><b>Completeness and accuracy of cost of sales</b> (refer to Note 8 to the consolidated financial statements)</p> <p>The Group's cost of sales for the year ended 30 June 2024 amounted to \$34.54 million. Cost of sales comprises mainly payroll costs relating to security guards and other frontline personnel. Payroll costs are a key component in revenue generation and recognition.</p> <p>We identified the completeness and accuracy of the recorded cost of sales as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- the impact of cost of sales on the revenue and profitability of the Group; and</li> <li>- the significance of the cost of sales to the Group.</li> </ul>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>obtaining an understanding of the cost of sales transaction cycles including identifying controls over the cost of sales transactions and carrying out a walk through tests;</li> <li>testing the operating effectiveness of the key controls over the payroll cycle, which included procedures for recording employees in the payroll system, processing of the payroll, record-keeping and tracing payroll costs to cost of sales;</li> <li>verifying employees' rates of pay in the payroll system to relevant supporting documentation;</li> <li>verifying, on a sample basis, employees' wages to timesheets and security rosters, and tracing the number of hours worked to the applicable revenue generating invoice;</li> </ol>

- v. performing tests for cut-off of employee benefits expense; and
- vii. assessing the appropriateness of the employee benefits and cost of sales disclosures in the consolidated financial statements.

#### **Discontinued operations and assets classified as held for sale**

##### *i) Disposal of the security business (refer to Note 28 to the consolidated financial statements)*

During the year, the Company sold its 100% interest in MCS Security Group Pty Ltd (MCS Security) to an unrelated third-party. The Company entered into a Share Sale Agreement, subject to approval by shareholders. The sale was completed on 19 June 2024 (completion date). The consideration for the sale was \$3.0 million, payable on completion, other than a non-refundable deposit of \$0.05 million. As MCS Security had net liabilities at the completion date, only the net amount was received by the Company.

The losses for the period incurred by MCS Security of \$1.02 million (2023: \$0.48 million) have been separately disclosed as *loss on discontinued operations* on the face of the consolidated statement of profit or loss and other comprehensive income for the current and prior year.

##### *ii) Assets classified as held for sale (refer to Note 33 to the consolidated financial statements)*

The Board has made the decision to dispose of the traffic management business, through the sale of 100% of the Company's interest in Highway Traffic Pty Ltd (Highway Traffic). At the reporting date, the Board is in discussions with potential buyers of Highway Traffic.

The loss for the period incurred by Highway Traffic of \$0.5 million (2023: \$0.24 million) have been separately disclosed as *loss on traffic business available for sale* (disposal group) on the face of the consolidated statement of profit or loss and other comprehensive income for the current and prior year.

The assets and liabilities relating to Highway Traffic amounting to \$3.98 million and \$2.21 million respectively, were reclassified as held for sale on the face of the consolidated statement of financial position at 30 June 2024.

We identified the discontinued operations and assets classified as held for sale as a key audit matter due to:

- the significance of the security and the traffic management businesses to the Group's

Inter alia, our audit procedures included the following:

#### *Discontinues Operations*

- i. inspecting of the relevant Share Sale Agreement between the Company and the acquiring party of the discontinued business;
- ii. assessing the deconsolidation, the determination of the result from the disposal of the security business as well as the classification of the discontinued operations in the consolidated financial statements; and
- iii. assessing the appropriateness of the disclosures in the consolidated financial statements.

#### *Assets classified as held for sale*

- i. evaluating management's assessment of the classification of the disposal group as held for sale under AASB 5 by reference to reviewing of minutes of Board of Directors' meetings and having discussions with management;
- ii. testing the completeness and accuracy of the financial results included in the disposal group;
- iii. performing audit procedures to ensure that the assets and liabilities of Highway Traffic were appropriately classified as held for sale in terms of AASB 5: and
- iv. assessing the appropriateness of the disclosures included in the financial statements.

---

operations and the consolidated financial statements;

- the size of the loss from discontinued operations and business held for sale that directly impact the consolidated statement of profit or loss and other comprehensive income; and
  - judgments involved in respect of the classification of assets and liabilities as held for sale under AABS 5 *Non-current Assets Held for Sale and Discontinued Operations* (AASB 5).
- 

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of:
  - i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
  - ii) the consolidated entity disclosure statement that is true and correct and is free from misstatement whether due to fraud and error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of MCS Services Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  
*Eliya Mwale*

**Eliya Mwale**  
Director  
West Perth, Western Australia  
1 October 2024



# ASX Additional Information

Additional information required by ASX listing rules and not disclosed elsewhere in this report is set out below. The information is effective as at 23 September 2024.

## Securities Exchange

The Company is listed on the Australian Securities Exchange.

## Substantial Shareholders

The number of substantial shareholders and their associates are set out below

Shareholder	Number of shares	%
PR & M Simmons	38,046,812	19.2
Mr Amarandhar Reddy Kotha	21,659,624	10.9%
Mr Richard Batrachenko & Mrs Jacqueline Batrachenko	15,230,665	7.7%
Mr Adam Leonard Goulding & Mrs Renee Louise Goulding	13,917,500	7.0%

## Distribution of Equity Security Holders as at 26 September 2024

Holding	Shareholders	Total Units
1-1000	20	4,941
1,001-5,000	10	24,031
5,001-10,000	12	99,893
10,001-100,000	139	7,016,584
100,000 and over	138	190,954,203
	319	198,099,652

# ASX Additional Information

<b>Top 20 Shareholders</b>	<b>Number of Ordinary Shares</b>	<b>% of Issued shares</b>
PR & M Simmons Pty Ltd (Simmons Super Fund a/c)	38,046,812	19.2
Mr Amarandhar Reddy Kotha	21,659,624	10.9
Mr Richard Batrachenko & Mrs Jacqueline Batrachenko (Batrachenko Superfund a/c)	15,230,665	7.7
Mr Adam Leonard Goulding & Mrs Renee Louise Goulding (Race Superfund a/c)	13,917,500	7
Dr David George Maxwell Welsh	8,000,000	4
Mr Giancesare Mora	5,000,000	2.5
Mr Salvatore Di Vincenzo	3,707,606	1.86
Merril Lynch (Australia) Nominees Pty Ltd	3,699,997	1.87
HSBC Custody Nominees (Australia) Limited	3,536,675	1.78
Carol Anne Capelli	3,321,691	1.67
Graziano Giacomo Capelli	3,321,691	1.67
BNP Paribas Nominees (IB Au Noms Retail Client DRP)	3,045,039	1.54
Mr John James Wiltshire Gilmour	2,250,000	1.13
GA & AM Leaver Investments Pty Ltd	3,106,001	1.57
Mr Marco de Santos	3,000,000	1.51
Mr Giancarlo Strangherlin & Mr Mark de Santos	3,000,000	1.51
Mr Basileus de Tenebrae	2,500,000	1.26
Baquer Pty Ltd (Baquer Family a/c)	2,000,000	1.01
Mrs Virginia Ferrantino	2,000,000	1.01
Mr Mark David Englebert	1,800,000	0.91
	<b>142,143,301</b>	<b>71.8</b>
<b>Total Remaining Holders (balance)</b>	55,956,351	28.2
<b>Total Ordinary Shares on issue</b>	<b>198,099,652</b>	<b>100%</b>

## Less than Marketable Parcel

There were 193 holders of less than a marketable parcel of ordinary shares.

## Escrowed Shares

There were 6,643,382 shares held in escrow until October 2023, being an element of the purchase consideration paid to James (Graziano) and Carol Capelli, vendors of Highways Traffic, in October 2022.

# ASX Additional Information

## Unissued Equity Securities

During a previous reporting period 3.6m Performance Rights were issued to the CEO / Managing Director, Paul Simmons, effective 29 November 2019. During the previous reporting period 1.8m Performance Rights were issued to the CFO, Mark Englebert, effective 9 February 2021. The Performance Rights are a cost effective incentive and form part of a reasonable and appropriate remuneration package. The Performance Rights vest over the periods to 30 June 2021 to 30 June 2022 upon achievement of the earnings per share / strategic plan milestones, were issued for \$nil consideration and have an exercise price of nil cents. Performance Rights not vested in relation to a relevant period duly lapse. Each Performance Right will, subject to vesting, entitle the holder on exercise to one share in the Company. 1.8m of the CEO's Performance Rights and 0.9m of the CFO's Performance Rights had been vested in the 2022 reporting period, in relation to the CEO's and CFO's performance against hurdles for the year end 30 June 2021. The Board of Directors reviewed the CEO's and CFO's performance for the year ending 30 June 2022 and assess the vesting of the remaining Performance Rights was appropriate during the 2023 reporting period.

During the previous 2023 reporting period:

- 1,995,000 new Performance Rights and 2,301,923 long-date Premium-priced Options were issued for \$nil consideration to the CEO / Managing Director, Paul Simmons, effective 30th November 2022, each exercisable into one ordinary share in the Company at any time between meeting the vesting condition and the expiry date – being 48 months after meeting the Performance Rights vesting condition and 30 November 2026 for the Premium-priced Options. The vesting conditions require the Company's Earnings per Share to exceed 0.5 cents per share in the year to 30 June 2023 and, for an element of the Performance Rights, achieving strategic milestones. As these hurdles were not achieved these Performance Rights and Premium -Priced options lapsed unvested;
- a total of 12 million 6 cent options exercisable up to November 2025 were issued to the three non-executive directors and the Company Secretary and valued at \$170,836 using the Black Scholes model. The value was expensed in full in the previous reporting period.

## On-Market Buy-Backs

During the previous reporting period 400,000 shares were bought back at 2.5 cents, for a total consideration of \$10,000. During the Reporting Period 318,287 shares were bought back at 2.0 cents for a total consideration of \$6,366.

Shareholders approved at the 30 November 2023 AGM for the Company to buy-back up to 10% of shares on issue over the 12 month period to November 2024. The Company has 198 million shares on issue as of 30 November 2023 such that the Company has remaining capacity to buyback some 19 million shares.

# ASX Additional Information

## Voting Rights

- **Ordinary Shares:** On a show of hands, every member present at a meeting, in person or by proxy, shall have one vote and upon a poll each share shall have one vote.
- **Escrow Shares:** Voting rights.
- **Options:** No voting rights.
- **Performance Rights:** No voting rights until vest

## Quoted Options

There are no quoted options.

## Unquoted Options

As at 26th September 2024 the Company had the following unquoted options on issue:

Holder	Role	Number
RC Kucera	Chairman	3,000,000
M Ward	Former Director	3,000,000
G Martin	Director	3,000,000
P Simmons	Director	–
J Asquith	Company Secretary	3,000,000
		<b>12,000,000</b>

As at 26th September 2024 the Company had the following Performance Rights on issue:

Holder	Role	Number
P Simmons	Director	–
		<b>–</b>

END OF REPORT