MCS Services Ltd

ABN: 66 119 641 986

Annual Report

For the year ended 30 June 2023

Corporate Directory

MCS Services Limited - ABN 66 119 641 986

Registered Office & Principal Place of Business	3/108, Winton Road, Joondalup, WA, 6027	Ph: (08) 9301 2420 Fax: (08) 9301 2421
Postal Address	PO Box 3399, Joondalup, WA, 6919	
Company website	www.mcssecurity.com.au	
Share Registry	Automic Registry Services, Level 5, 191 St Georges Terrace, Perth, WA, 6000	www.Automic.com.au (08) 9 324 2099 1300 288 664 (61) 2 9698 5414
Securities Exchange	Australian Securities Exchange	Ticker 'MSG'
Investor Queries	investors@mcssecurity.com.au	
Bankers	National Australia Bank, 197 St Georges Terrace, Perth,WA, 6000	
Legal	HWL Ebsworth, Level 20, 240 St Georges Terrace, Perth, WA, 6000	Verus Workplace Law, 63A Beamish Avenue, Brentwood, WA, 6153
Auditors	Stantons International Audit & Consulting Pty Ltd, Level 2, 40 Kings Park Road, West Perth, WA, 6005	
Board of Directors	The Hon Robert Charles Kucera APM JP	Non-Executive Chairman
	Mr Paul Simmons	Managing Director
	Mr Matthew Ward	Non-Executive Director
	Mr Geoff Martin	Non-Executive Director
Senior Management	Mr Paul Simmons	Chief Executive Officer (CEO)
	Mr Mark Englebert	Chief Financial Officer (CFO)
Company Secretary	Mr Jonathan Asquith	

Table of Contents

MCS

MCS

Highlights

During the Reporting Period the Group's achievements included:

Operational Achievements

Security Services:

- With the ending of its sizeable COVID-hotel quarantine work in June 2022, when Western Australia's quarantine requirements ceased, the Company redeployed sizeable numbers of security staff into other client sites – overcoming a previous COVID-related tight Guard recruitment situation. The Covid quarantine work, which had required high levels of management and supervisory effort, disciplined processes and OHS adherence, had generated a sizeable revenue stream over the years to June 2021 and June 2022,
- achieved 10% growth in other (non COVID quarantine) security revenue relative to the year ended June 2022;
- continued to expand the Alarm / CCTV, including engaging additional staff and vehicles;

Traffic Management

- acquired 100% of the share capital of Highways Traffic Pty Ltd in October 2022 and, over the remaining course of the Reporting Period, attended to integrating the traffic business' financial, payroll, HR Business and OHS processes;
- identified opportunities for efficiencies including in insurance costs and a gradual renewal of the operational vehicle fleet

Financial Achievements

- An operating EBITDA deficit of $0.65 million (2022: $1.52 million EBITDA surplus) before Significant Items, and
- An underlying net operating loss after tax of $1.88 million (2022: $1.06 million profit) before Significant Items

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 2023 (**"Financial Year"**).

Operational

(a) Strategy

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

- Maintained a high level of our existing core retail, events, commercial, health and covert security clients;
- Tendered for further retail and commercial opportunities;
- Expanded the Alarm & CCTV division, including leveraging the skills and reputation of the small specialist operator acquired in the previous reporting period;

(b) Acquisition Growth

During the Reporting Period the Group:

- completed the acquisition of Highways Traffic Pty Ltd, a Western-Australia based supplier of traffic management in the Perth metropolitan and regional WA areas, with particular focus on servicing major highway infrastructure construction
- materially integrated the Traffic Business' financial and payroll systems into the MCS head office
- identified opportunities for improved efficiencies and effectiveness in the Traffic business, including in insurance costs and a gradual renewal of the Traffic business' operational vehicle fleet
- reported Traffic Business revenue of $6.94 million for the 8.5 months since acquisition in October 2022

(c) Organic Growth

During the Reporting Period the Group:

- achieved a 10% net increase in non-COVID quarantine security revenue (but a 27% decrease in overall revenue, accounting for the loss of the COVID quarantine revenue stream in June 2022);
- secured new work in Government and Resource sectors;

(d) Management and Administration

During the Reporting Period the Group:

- successfully underwent and passed a scheduled audit of its management processes, then already certified under ISO 14001 (Environment), ISO 9001 (Quality) and AS4801 and OHSAS 18001 (Health & Safety). Certification covers the Company's core environmental, safety and quality systems including recruitment, training, operating procedures, risk assessments, hazard identification, safe working, toolbox meetings, incident investigations, internal auditing, data reporting, procurement, and continuous improvement;
- utilised its integrated risk, compliance, training, incident reporting and business optimisation IT system

The year has however brought challenges including:

- The Group's COVID quarantine control

revenue stream ceased during June 2022;

- the Traffic Business acquired in October 2022 has yet to provide the anticipated profitability levels, though with clear opportunities for improvement;
- the Group is awaiting results of further material security and traffic management tenders in long lead time processes;
- after investing in security licencing and business development for Queensland, South Australia, Victoria, NSW, ACT and Northern Territory, the Group continues to work on securing material levels of security work in those States

Corporate

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

The Board believes the Group is well positioned to leverage its security and traffic management expertise into wider markets and parallel sectors through organic and acquisition growth.

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 2023.

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:
Deputy Chair of Acacia Living Group,
Director of National Trust of Western Australia
Previous Directorships (last 3 years):
Deputy Chair Basketball Western Australia
Interests in shares of the Company: 512,409
Interests in options of the Company: 3,000,000

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.

Other current directorships	None
Previous Directorships (last 3 years)	None
Interests in shares of the Company:	860,000
Interests in options of the Company:	3,000,000

Mr Matthew Ward, ACA, GAICD
Independent Non-Executive Director
Appointed 28 November 2016

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.

Other current directorships	None
Previous Directorships (last 3 years)	None
Interests in shares of the Company:	1,047,875
Interests in options of the Company:	3,000,000

Mr Paul Robert Simmons

Managing Director
Appointed 1 July 2019

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.

Other current directorships:
MCS Security Group Pty Ltd

Previous Directorships (last 3 years)	None
Interests in shares of the Company:	38,046,812
Interests in options of the Company:	2,301,923
Performance Rights:	1,995,000

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.

Directors' Report

MCS

Principal Activities

The Group specialises 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 provides 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 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.

Following completion of the Traffic Business transaction the Group's security operations remain the largest activity by revenue.

Review of Operations and Financial Results

The Group has 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, and;
- pursuing strategic and value-enhancing acquisitions.

Operating Results

The statutory net loss after tax attributable to members of the Company for the Reporting Period of $1.88 million (2022: $1.07million profit) included:

- an underlying operating loss after tax before significant items of $0.60 million (2022: $1.09 million)
- individually significant items of $1.28m, including $1.22m expensing of Traffic Business contracts acquired.

Significant Changes in State of Affairs

There were no significant changes in the State of Affairs of the Group during the Reporting Period except for the acquisition of Highways Traffic in October 2022 **(Note 19)**.

During the previous reporting period a former subsidiary, John Boardman Pty Ltd, was deregistered with ASIC **(Note 28)**.

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 and / or enhance its growth strategy.

Events Arising since the End of the Reporting Period

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 except small scale share buybacks. **(Note 33)**

Potential Developments, Business Strategies and Prospects

The Group's core retail-security business is underpinned by existing contracts, the development and expansion of shopping centres, the security / insurance requirements of their operators, and the liberalisation of retail shopping hour legislation.

The Group utilises its experience, expertise and economies of scale to provide a quality security service to its security customers at competitive rates, typically through multi-year contracts. The Group differentiates itself from many other security operators through its ISO quality management processes, recruitment and training processes, OHS, operational management expertise and the long-standing reputation of its Senior Management and brand.

Following the October 2022 acquisition of the Highways Traffic company **(Note 19)**, the Company is now progressing to similarly utilise the Traffic Business' experience expertise ISO certified quality processes and fleet availability to provide a quality service to it's customers, including over long term multi-year contracts;

The security and traffic management markets in WA, and across Australia, are 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 in both organic growth and acquisitions.

The Company's Strategic Plan recognises growth opportunities including:

- expanding our reach further into regional WA and other States;
- acquisition of security and/or traffic management businesses in WA and other States;
- leveraging the Group's security (and traffic management) skills and reputation into other verticals in WA and other States; and
- utilising its ISO quality management / health & safety/environmental accreditations to demonstrate industry leading competencies to potential and existing clients and also to aid in the management of Workers' Compensation insurance costs.

Management are continually considering ways to more efficiently and effectively operate the business.

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	8	8
Geoffrey Martin	8	8
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.mcssecurity.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 by assigned to such Committees.

Shares on Issue

As at 30 June 2023 the Company had 198,417,939 (30 June 2022: 188,974,557) 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 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 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 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.

MCS

For personal use only

Unquoted 4 cent November 2022 options granted 19 December 2017					
	Number 2022	**Number 2021**	**Number 2020**	**Number 2019**	**Number 2018**
Opening Balance 1 July	18,000,000	18,000,000	18,000,000	18,000,000	–
Issued					
Bob Kucera, Chairman	–	–	–	–	3,000,000
Matthew Ward, Director	–	–	–	–	3,000,000
Geoffrey Martin, Director	–	–	–	–	3,000,000
Paul Simmons, CEO	–	–	–	–	3,000,000
Mark Englebert, CFO	–	–	–	–	3,000,000
Jonathan Asquith, Co Sec	–	–	–	–	3,000,000
	18,000,000	**18,000,000**	**18,000,000**	**18,000,000**	**18,000,000**
Exercised	(500,000)	–	–	–	–
Lapsed unexercised	(17,500,000)	–	–	–	–
Closing Balance 30 June	**-**	**18,000,000**	**18,000,000**	**18,000,000**	**18,000,000**

Unquoted 6 cent November 2025 Options granted 30 November 2022, $nil consideration:		
	Number 2023	**Number 2022**
Opening Balance 1 July	–	–
Granted during the year		
Paul Simmons	2,301,923	–
Bob Kucera, Chairman	3,000,000	–
Matthew Ward, Director	3,000,000	–
Geoff Martin, Director	3,000,000	–
Jonathan Asquith, Co Secretary	3,000,000	–
	14,301,293	**-**
Exercised	–	–
Lapsed	–	–
Closing Balance 30 June	**14,301,293**	**-**

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 entitled 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 the 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 Reporting Period following a satisfactory Board review of the CEO's/CFO's performance for the year to June 2022. During the FY 2023, 2,700,000 performance rights vested and shares were issued.

During the Reporting Period a further 1,995,000 Performance Rights and 2,301,923 Long term Premium Priced Options were issued to the CEO / Managing Director, Paul Simmons.None of the Performance Rights or Long Term Premium Priced Options issued to the CEO were exercised or lapsed during the Reporting Period or to the date of this Report.
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.

Unissued shares subject to Performance Rights	**Number 2023**	**Number 2022**	**Number 2021**
Paul Simmons, CEO	1,995,000	1,800,000	3,600,000
Mark Englebert, CFO	-	900,000	1,800,000
	1,995,000	**2,700,000**	**5,400,000**

MCS

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,
- 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.

During the Reporting Period the Board commenced a review of the CEO's and CFO's remuneration package going forward, including assessing future key performance targets and incentives.

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 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 previous reporting period and the remaining 2.7m vested and were converted to ordinary shares during the Reporting Period (**Note 21**);
- the Board, in conjuction with an external Remuneration Consultant, developed a Performance Rights Scheme for the CEO and CFO for future years; which included issuing 1,995,000 performance rights and 2,301,923 long term premium period options to the CEO/Managing Director, Paul Simmons in the Reporting Period;
- the value to holders of Options (as issued to Board members and key management personnel during a previous reporting period) is dependent on an increase in the Company share price. (**Note 21**).

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	2023	2022	2021	2020	2019	2018	2017
EPS (cents)	(0.961)	0.569	0.835	0.169	(0.090)	(0.350)	0.225
Dividends (cents per share)	–	–	–	–	–	0.100	0.322
Profit / (loss) ($'000)	(1,883)	1,066	1,555	316	(171)	(677)	459
Share Price at 30 June (cents)	2.6	4.1	6.0	2.6	1.4	1.5	2.4

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: 2022) 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 10.5% in the Reporting Period;
- **Term of Agreement:** All Directors are engaged on an ongoing basis, including the CEO / Managing Director, as are the CFO and Company Secretary;
- **Notice Period:** The CEO has a 3 month notice period, and the CFO has a one month notice period.

The remuneration is set out overleaf:

Directors' Report

Renumeration Report (Audited)

Remuneration	2023				2022			
	Salaries / Fees $	SBP $	Total $	SBP as % of total	Salaries / Fees $	SBP $	Total $	SBP as % of total
Non-Executive Directors								
Bob Kucera	40,000	42,709	82,709	52%	40,000	–	40,000	–
Matthew Ward	35,000	42,709	77,709	55%	35,000	–	35,000	–
Geoffrey Martin	35,000	42,709	77,709	55%	35,000	–	35,000	–
Sub total	**110,000**	**128,127**	**238,127**	**54%**	**110,000**	**-**	**110,000**	**-**
Executive Directors								
Paul Simmons,	196,430	–	196,430	–	199,500	10,200	209,700	**5%**
CEO[1]	35,000	–	35,000		35,000	–	35,000	
Superannuation	20,625	–	20,625		19,950	–	19,950	
Sub total	**252,055**	**-**	**252,055**	**-**	**254,450**	**10,200**	**264,650**	**4%**
Other Key Management Personnel								
Mark Englebert, CFO	208,952	–	208,952	–	189,000	14,700	203,700	**8%**
Superannuation	21,940	–	21,940	–	18,900	–	18,900	–
Sub total	**230,892**	**-**	**230,892**	**-**	**207,900**	**14,700**	**222,600**	**7%**
Company Secretary								
Jonathan Asquith	35,000	42,709	77,709	55%	35,000	–	35,000	–
Sub total	**35,000**	**42,709**	**77,709**	**55%**	**35,000**	**-**	**35,000**	
TOTAL	**627,947**	**170,836**	**798,783**	**22%**	**607,350**	**24,900**	**632,250**	**4%**

1 In addition to his salary of $199,500 as CEO, Paul Simmons is entitled to a Directors Fee of $35,000 as Managing Director.

5. Details of Remuneration including Service Agreements (continued)

In addition to fixed remuneration (salaries / fees):

- equity-settled share-based payments (SBP) in the form of 3.6 million Performance Rights had been issued to Paul Simmons, the CEO / Managing Director, in a previous reporting period for $nil consideration. The Performance Rights vested over the periods to 30 June 2021 and 30 June 2022 upon achieving earnings per share and strategic plan performance criteria, and had been valued at $61,200 using the Black Scholes model. $25,500 of the

MCS

valuation was expensed in the reporting period when issued, $25,500 was expensed in the subsequent reporting period, and the remaining $10,200 was expensed in the reporting period to 30 June 2022. During the previous reporting period, 1.8 million Performance Rights were deemed to have vested and were converted to ordinary shares and the remaining 1.8 million were deemed to have vested and were converted to ordinary shares in the Reporting Period.

- in the current year, 1,995,000 performing rights, and 2,301,923 options were granted to Paul Simmons. No expense was recognised in the year as the Board determined that the performance milestones are unlikely to be achieved.
- equity-settled share-based payments (SBP) in the form of 1.8 million Performance Rights were issued to Mark Englebert, the CFO, during a previous reporting period for $nil consideration. The Performance Rights vest over the periods to 30 June 2021 and 30 June 2022 subject to achieving earnings per share and strategic plan performance criteria. The Performance Rights were valued at $88,200 using the Black Scholes Model. $73,500 of the valuation was expensed in the reporting period when issued with the remaining $14,700 expensed in the previous reporting period to 30 June 2022. During the previous reporting period, 0.9 million Performance Rights were deemed to have vested and were converted to ordinary shares and the remaining 0.9million vested and were converted to ordinary shares in the Reporting Period.
- cash bonuses may be granted at the discretion of the Board. During the Reporting Period no bonuses were paid to the CEO (2022: $nil) or the CFO (2022: $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 2023 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	End of the Reporting Period
Directors			
Bob Kucera, Chairman	462,909	50,000	512,909
Matthew Ward	1,047,875	–	1,047,875
Geoffrey Martin	360,000	500,000	860,000
Paul Simmons, CEO / Managing Director	36,246,812	1,800,000	38,046,812
Other Key Management Personnel			
Mark Englebert, CFO	900,000	900,000	1,800,000
Company Secretary			
Jonathan Asquith	418,181	–	418,181
TOTAL	**39,435,777**	**3,250,000**	**42,685,777**

The above movement in the shareholdings of the CEO and CFO arose from vesting of the Performance Rights described in section 5 above.

Director's Report

Renumeration Report (Audited)

6. Other Information (continued)

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 except

- Mr.Geoff Martin exercised 500,000 of his 4 cent November 2022 options in the Period and
- the above mentioned 1.8m (CEO) and 0.9m (CFO) shares issued following the vesting of Performance Rights in the Reporting Period having regard to Performance hurdles achieved in the year to 30 June 2022.

Options held by Directors and Key Management Personnel

The number of options held over ordinary shares in the Company during the 2023 Reporting Period by each of the Key Management Personnel of the Group, including their related parties, are set out below:

Unlisted 4 cent November 2022 Options granted on 19 Dec 2017, $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	38,100	–	–	(3,000,000)	–	–
Matthew Ward (Director)	3,000,000	38,100	–	–	(3,000,000)	–	–
Geoffrey Martin (Director)	3,000,000	38,100	(500,000)	(10,000)	(2,500,000)	–	–
Paul Simmons (CEO)	3,000,000	33,000	–	–	(3,000,000)	–	–
	12,000,000	**147,300**	**(500,000)**	**(10,000)**	**(11,500,000)**	–	**-**
Mark Englebert (CFO)	3,000,000	33,000	–	–	(3,000,000)	–	–
Jonathan Asquith (Co Sec)	3,000,000	33,000	–	–	(3,000,000)	–	–
	6,000,000	**66,000**	**-**	**-**	**(6,000,000)**	–	**-**
Total	**18,000,000**	**213,300**	**(500,000)**	**(10,000)**	**(17,500,000)**	–	**-**

The issue of the above 9 million options to Directors (and the issue of 3 million options to Paul Simmons, at a time prior to him becoming a Director of the Company) occurred in a previous reporting period and was approved by shareholders at the Annual General Meeting on 30 November 2017.

All of the above options were issued as cost effective incentives to attract and retain Directors and Senior Management of their particular skills and experience to form part of a reasonable and appropriate remuneration package.

The options were vested immediately on being granted in December 2017, and their value was calculated as $213,300 at the grant date using the Black Scholes model. The value of the options was expensed in the period of being granted. All of the above options were unlisted and had the following terms:

Unlisted 4 cent November 2022 Options: Key Terms	
Exercise Price	4 cents, being a premium to the Company’s share price at the time of issue
Expiry Date	On or before 30 November 2022
Issue price	$nil

During the Reporting Period a further tranche options was issued as follows

Unlisted 6 cent November 2025 Options granted on 30 November 2022, $nil consideration

	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
Bob Kucera (Chair)	–	3,000,000	42,709	–	–	3,000,000
Matthew Ward, Director	–	3,000,000	42,709	–	–	3,000,000
Geoff Martin, Director	–	3,000,000	42,709	–	–	3,000,000
	–	**9,000,000**	**128,127**	–	–	**9,000,000**
Jonathan Asquith Co Secretary	–	3,000,000	42,709	–	–	3,000,000
	-	**3,000,000**	**42,709**	**-**	**-**	**-**
Total	**-**	**12,000,000**	**170,836**	**-**	**-**	**12,000,000**

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.

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 Reporting Period. All of the above Options were unlisted and have the following terms

Unlisted 6 cent November 2025 Options:	
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 Reporting Period a further tranche options was issued as follows

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

The issue of the above 2.3 million options to 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 CEO of their particular skills and experience and form part of a reasonable and appropriate remuneration package.

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 are considered unlikely to vest, and no expense was recognised in relation to their fair value in the Reporting Period. All of the above Options were unlisted and have the following terms.

Unlisted 6 cent November 2026 Options:	
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

MCS

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 the 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:

Performance Rights Valuation Expense	**CEO $**	**CFO $**	**Total $**
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	–	–	–
	61,200	**88,200**	**149,400**

1.8 million of the CEO performance rights and 0.9 million of the CFO performance rights vested in the previous reporting period and the remaining vested in the Reporting Period

Performance Rights granted, $nil consideration						
	Balance at Start of Period	**Issued In Period**		**Vested and converted in Period**		**Balance at End of Period**
	No.	**No.**	**Expense in Period $**	**No.**	**Value $**	**No.**
Paul Simmons (CEO, Managing Director)	1,800,000	1,995,000	–	(1,800,000)	30,600	1,995,000
Mark Englebert, the CFO	900,000	–	–	(900,000)	44,000	–
	2,700,000	**1,995,000**	**-**	**(2,700,000)**	**74,600**	**1,995,000**

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
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
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	-
Total	**5,595,000**	**1,800,000**		

To disclose the 1,995,000 performance rights to Paul Simmons

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

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

The above valuations of the Unlisted Options and Performance Rights were recorded 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 transfered 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 2022 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 2022.

Except for the 2.7 million Performance Rights which vested in the Reporting Period, the 500,000 4 cent November 2022 options exercised by a Director, and the lapsing of the remaining 17.5 million 4 cent November 2022 options, 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.

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

Engagement of Remuneration Consultants

During this 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 Reporting Period.

Other Transactions with Key Management Personnel
Refer to **Note 25** regarding:

- the continuing rental at commercial rates by the Group of its operational and corporate head office premises in Joondalup, Perth, WA from a related entity of its CEO, Managing Director and significant shareholder, Paul Simmons;
- 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 $33,342 in the Reporting Period (2022: $25,674). The Board consider the service is provided at commercial rates.

END OF REMUNERATION REPORT

Material Business Risks

The Group's principal activity is providing Security Services and Traffic Management Services. Companies in these industries 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 credit-worthiness 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 contracts of the Group are for fixed periods and there can be no guarantees that contracts will be renewed on similar or more favourable terms.

Labour supply

The Group requires the use of skilled and semi-skilled labour to meet its 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 2023 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.mcssecurity.com.au.

b) Current Position

The Group has an aggregate of four Directors, two Key Management Personnel and approximately 450 operational (incl Administration) security staff and 70 traffic management staff. Of the above:

- 169 (2022: 111) are female, including 16 (2022: 8) in supervisory or middle-management positions;
- 80 (2022: 47) are of mature age, being at least 60 years old; and
- a significant proportion of employees are of diverse ethnic or cultural backgrounds.

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 management 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 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:

- 99% 'yes' votes on its Remuneration Report for the financial year ended 30 June 2021, 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.

Non Audit Services

During the Reporting Period Stantons, the Company's auditors, provided an options and performance rights valuation. A fee of $800.00 was paid to Stantons during the Reporting Period for this service.

During a previous reporting period Stantons performed a Black Scholes calculation of the 3.6 million Performance Rights issued to the CEO/Managing Director, Paul Simmons during that previous reporting period, for a fee of $656. in addition to their statutory audit duties.

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.

APM JP.

The Hon RC (Bob) Kucera APM JP,

Non-Executive Chairman
Dated 28 September 2023

Stantons

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

28 September 2023

Board of Directors
MCS Services Limited
3/108, Winton Road
Joondalup WA 6027

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 2023, 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
(An Authorised Audit Company)

Eliya Mwale

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 2023 is dated as at 30 June 2023 and was approved by the Board on 15 September 2023.

The Corporate Governance statement is available on MSG's website at www.mcssecurity.com.au.

Company Website

The Company's Corporate Governance Plan is available in the Investor section of the Company's website www.mcssecurity.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 is in the process of undertaking performance reviews for the senior executives.

Risk Management

The Board has reviewed the risk management framework during the Reporting Period.

Board Structure

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

MCS

For personal use only

	Note	30 June 2023 $'000	30 June 2022 $'000
Revenue	6	38,650	43,796
Cost of Sales, incl. operational staff expenses	8	(33,187)	(36,981)
Gross Profit		**5,463**	**6,815**
Other Income			
Interest	6	14	15
Other	6	7	12
		21	**27**
Overheads			
Overheads, administration and other expenses	7	(3,113)	(2,817)
Employee expenses and benefits (non-operational staff)	8	(3,015)	(2,508)
		(6,128)	(5,325)
		(644)	**1,517**
Finance expenses	9	(145)	(36)
Depreciation of property, plant and equipment	14	(387)	(139)
Depreciation of AASB 16 Right of Use assets	15	(77)	(44)
Depreciation : Other		–	(2)
Loss on sale of property plant and equipment		(11)	–
Amortisation of alarm contracts acquired		(26)	–
		(646)	(221)
		(1,290)	**1,296**
Significant Items			
Legal settlement		110	–
Expensing of value of traffic contracts acquired		(1,218)	–
Share-based payment expense	21	(171)	(25)
		(1,279)	(25)
Profit before tax		**(2,569)**	**1,271**
Income tax benefit (expense)	10	690	(205)
Profit for the year attributable to members		**(1,879)**	**1,066**
Other Comprehensive income		–	–
Total comprehensive profit for the year		**(1,879)**	**1,066**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	30 June 2023 Cents	30 June 2022 Cents
Earnings per share			
Basic earnings per share from continuing operations	22	(0.959)	0.569
Diluted earnings per share from continuing operations	22	(0.959)	0.559

	Note	30 June 2023 Number	30 June 2022 Number
Weighted average of ordinary shares outstanding: Basic	22	195,849,641	187,302,776
Weighted average of ordinary shares outstanding: Diluted	22	195,849,641	190,493,581

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

Consolidated Statement of Financial Position

As at 30 June 2023

For personal use only

Assets	Note	30 June 2023 $'000	30 June 2022 $'000
Current			
Cash and cash equivalents	11	1,847	3,892
Trade and other receivables	12	4,997	3,888
Inventory	13	359	249
Total Current Assets		**7,203**	**8,029**
Non-Current			
Restricted cash	11	222	202
Plant and Equipment	14	1,653	372
Right of Use – leased office	15	103	145
Right of Use – Operating lease vehicles	15	90	45
Intangibles	16	1,994	101
Total Non-Current Assets		**4,062**	**865**
Total Assets		**11,265**	**8,894**

Liabilities	Note	30 June 2023 $'000	30 June 2022 $'000
Current			
Income Tax	10	251	(53)
Trade and other payables	17	(3,810)	(2,845)
Invoice Financing Facility	20	(1,369)	–
Financial liabilities : Vehicle Upgrade loan	20	(50)	–
Financial liabilities : Business Acquisition loan	20	(268)	–
Provisions	18	(2,154)	(1,774)
Lease Liabilities	15	(79)	(61)
Financial liabilities: Hire Purchase Borrowings	20	–	(5)
Total Current Liabilities		**(7,479)**	**(4,738)**

Consolidated Statement of Financial Position

As at 30 June 2023

Non-Current			
Provisions	18	(208)	(215)
Lease Liabilities	15	(139)	(158)
Financial liabilities: Business Acquisition loan	20	(892)	–
Financial liabilities : Vehicle Upgrade loan	20	(202)	–
Total Non-Current Liabilities		**(1,441)**	**(373)**
Total Liabilities		**(8,920)**	**(5,111)**
Net Assets		**2,345**	**3,783**
Equity			
Share Capital	21	18,400	18,055
Profit Reserve	21	2,621	2,621
Share Option/Performance Rights Reserve	21	384	288
Retained Earnings		(19,060)	(17,181)
Total Equity		**2,345**	**3,783**

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 2023

	Note	Share Capital	Share Option Reserve	Profit Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance 30 June 2021		17,980	338	1,555	(17,181)	2,692
Profit for the year	21	–	–	1,066	–	1,066
Other Comprehensive Income		–	–	–	–	–
Total Comprehensive Income		–	–	**1,066**	–	**1,066**
Performance Rights Expensed	21	–	25	–	–	25
Performance Rights Exercised	21	75	(75)	–	–	–
		75	(50)	–	–	25
Balance 30 June 2022		**18,055**	**288**	**2,621**	**(17,181)**	**3,783**
Loss for the year	–	–	–	–	(1,879)	(1,879)
Other Comprehensive Income	-	–	–	–	–	–
Total Comprehensive Income		–	–	**-**	**(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**
Balance 30 June 2023		**18,400**	**384**	**2,621**	**(19,060)**	**2,345**

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 2023

MCS

	Note	30 June 2023 $'000	30 June 2022 $'000
Cash flows from Operating activities			
Receipt from customers		41,787	47,188
Payments to employees, suppliers and directors		(39,839)	(43,389)
Payments for BAS		(2,857)	(3,422)
Income tax refunded / (paid)		(213)	(533)
Net Cash (used in) / provided by operating activities	23	**(1,122)**	**(156)**
Cash flows from Investing activities			
Interest received	6	14	15
Interest Paid	9	(145)	(36)
Payment for security for Bank Guarantee	11	(20)	(150)
Net payment for Plant & Equipment	14	(340)	(255)
Acquisition of business	16	(3,138)	(86)
Net Cash (used in) investing activities		**(3,629)**	**(512)**
Cash flows from financing activities			
Bank Loan : Vehicle fleet Upgrade (net)	20	252	-
Invoice financing	20	1,369	-
Bank loan : Business acquisition (net)	20	1,338	-
Repayment of borrowings	20	(178)	(10)
Repayment of Lease Liabilities	15/20	(85)	(43)
Payment for share buyback	21	(10)	-
Proceeds from exercise of options	21	20	-
Net Cash (used in) financing activities		**2,706**	**(53)**
Net increase (decrease) / increase in cash and cash equivalents		**(2,045)**	**(721)**
Cash and cash equivalents at beginning of the year		3,892	4,613
Cash and cash equivalents at end of the year	11	**1,847**	**3,892**

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


MCS Security
MCS Security
MCS Security
MCS Security

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1. Nature of operations

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.

From 16 October 2022 following the acquisition of Highways Traffic Pty Ltd, the Group now also provides traffic managemnt 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 2023 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 and Highways Traffic Pty Ltd, (collectively, **the Group**).

John Boardman Pty Ltd (**JBPL or Intiga**), a former subsidiary which has been in liquidation since 26 September 2017, was deregistered with ASIC in the previous period (**Note 28**).

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 3/108 Winton Road, Joondalup, WA, 6027. The Company was incorporated on 11 May 2006.

The consolidated financial statements for year ended 30 June 2023 (including the comparatives) were approved and authorised for issue by the Board of Directors on 15 September 2023.

3. New and Amended Standards 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 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments

The Entity adopted AASB 2020-3 which makes some small amendments to a number of standards including the following: AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141.

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

New and Amended Accounting Policies Not Yet Adopted by the Entity

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 2024 along with the adoption of AASB 2022-6. The amendment is not expected to have a material impact on the financial statements once adopted.

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

AASB 2022-6 amends AASB 101 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 12 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 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

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

The amendment amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. These amendments arise from the issuance by the IASB of the following International Financial Reporting Standards: Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8).

The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment amends the initial recognition exemption in AASB 112: Income Taxes such that it is not applicable to leases and decommissioning obligations – transactions for which companies recognise both an asset and liability and that give rise to equal taxable and deductible temporary differences.

The Group plans on adopting the amendment for the reporting period ending 30 June 2024. The impact of the initial application is not yet known.

AASB 2021-7b & c: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
AASB 2021-7b makes various editorial

corrections to AASB 17 Insurance Contracts which applies to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

AASB 2021-7c defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in 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 2024 and 30 June 2026. The impact of initial application is not yet known. AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards.

AASB 2022-7 makes editorial corrections to the following standards: AASB 7, AASB 116, AASB 124, AASB 128, AASB 134 and AASB as well as to AASB Practice Statement 2. It also formally repeals superseded and redundant Australian Account Standards as set out in Schedules 1 and 2 to the Standard.

The Group plans on adopting the amendments for the reporting period ending 30 June 2024. The amendment is not expected to have a material impact on the financial statements once adopted.

The amendment had no impact on the Group's financials statements.

4. Summary of 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 $0.6 million as part of a comprehensive loss of $1.88 million attributable to shareholders (2022: $1.07 million profit). The Group has net assets of $2.3 million (2022: $3.8 million) including Cash and Cash Equivalents of $1.84 million (2022: $3.89 million).

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

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 2023. 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.

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 has two segments, retail and event Security and Traffic Management.

The Group provides 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 also 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 accrual basis.

Operating Expenses

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

Borrowing Costs

During the 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.

Further, 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.

As for previous reporting periods, the Group:

- also arranged premium funding for its 2022/23 insurance for the Security business – and, for this Reporting Period, for the Traffic Business - with 10 monthly instalments payable to June each year;
- had a small number of vehicle leases

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 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 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 compromise 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.

Work in progress relates to alarm/cctv installation work underway but not complete as at the year end.

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

MCS

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

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

$0.1m of Intangibles arose upon the acquisition in the previous reporting period of certain business assets of two small alarm/cctv businesses and which have an assumed useful life of 2 years.

Intangibles are amortised by the Company ever 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

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 it's carrying amount.

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 56 employees entitled to Long Service Leave as at 30 June 2023 (2022: 38 employees) plus a further pro-rata provision (based on management experience as to employee departures and periods of service) for other long-serving employees yet to achieve the required length of service.

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.

Policy note 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.

Hire-Purchase Borrowings

The Group one vehicle under Hire-Purchase but which was paid off in full during the reporting period **(Note 20)**.

The economic ownership of a hire purchase asset is transferred to the borrower if the borrower bears substantially all the risk and rewards of ownership of the borrower asset.

Where the Group is a borrower in this type of arrangement, the related asset is recognised at the inception of the hire purchase arrangement at the fair value of the asset or, if lower, the present value of the payments plus incidental payments, if any. See above for the depreciation rates and useful lives for motor vehicle assets.

A corresponding amount is recognised as a Hire-Purchase Borrowing liability (**Note 20**). The corresponding hire purchase liability is reduced by payments net of finance charges. The interest element of payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs, over the period of the hire purchase arrangement. (**Note 9**)

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 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. The Group currently leases it's Head office premises, the terms of which are at **Note 25 (a)** and has 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 transfered 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; 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 many not exceed the amount of the related provision.

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 purchases 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

MCS

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.

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.

Derecognisation

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.

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.

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 last annual financial statements for the year ended 30 June 2022 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 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.

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 from continuing operations 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 2023

MCS

30 June 2023	**Corporate** $'000	**Security Services** $'000	**Traffic Mangement** $'000	**Total** $'000
Revenue	–	31,710	6,940	38,650
Gross Profit	**–**	**4,372**	**1,091**	**5,463**
Other Income	–	21	–	21
Overheads				
Other Costs	(510)	(4,569)	(1,049)	(6,128)
EBITDA	**(510)**	**(176)**	**42**	**(644)**
Depreciation **(Note 14)**	–	(130)	(257)	(387)
Depreciation – AASB 16 **(Note 15)**	–	(42)	–	(42)
Depreciation : Operating Leases **(Note 15)**	–	(35)	–	(35)
Other	–	7	(18)	(11)
Amortisation	–	(26)	–	(26)
Finance Costs (**Note 9**)	(56)	(77)	(12)	(145)
	(566)	**(479)**	**(245)**	**(1,290)**
Significant Items:				
Legal settlement	110	–	–	110
Performance Rights	(171)	–	–	(171)
Expensing of Contracts Acquired	(1,218)	–	–	(1,218)
Profit / (Loss) before income tax	**(1,845)**	**(479)**	**(245)**	**(2,569)**
Income tax benefit (**Note 10**)	690	–	–	690
Profit / (Loss) attributable to Members	**(1,155)**	**(479)**	**(245)**	**(1,879)**
Segment assets	1,930	5,830	3,505	11,265
Segment liabilities	(1,531)	(5,686)	(1,702)	(8,919)
Segment Net Assets	**399**	**144**	**1,803**	**2,346**

MCS

30 June 2022	Corporate $'000	Security Services $'000	Total $'000
Revenue	–	43,796	43,796
Gross Profit	**–**	**6,815**	**6,815**
Other Income	–	27	27
Overheads			
Other Costs	(468)	(4,857)	(5,325)
EBITDA	**(468)**	**1,985**	**1,517**
Depreciation	–	(185)	(185)
Finance costs – AASB 16 (**Note 15**)	–	(10)	(10)
Finance costs - Other (**Note 9**)	–	(26)	(26)
	–	(221)	(221)
Significant Items – Performance Rights (**Note 21**)	(25)	–	(25)
Profit / (Loss) before income tax	**(493)**	**1,764**	**1,271**
Income tax (expense) (**Note 10**)	(205)	–	(205)
Profit / (Loss) attributable to members	**(698)**	**1,764**	**1,066**
Segment assets	156	8,738	8,894
Segment liabilities	(148)	(4,963)	(5,111)
Segment Net Assets	**8**	**3,775**	**3,783**

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.

During the Reporting Period $5.4m or 14% (2022: $15.2m or 35%) of the Group's total revenues depended on a single customer (across a number of contracts / locations).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

MCS

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 by the Parent entity.

Intersegment Transfers
For the periods ended 30 June 2023 and 30 June 2022 there were no material intersegment transfers.

6. Revenue & Other Income

Revenue	**2023** $'000	**2022** $'000
Guard security	29,650	42,534
Other security	2,060	1,262
Traffic Management	6,677	-
Traffic Planning	263	-
Total	**38,650**	**43,796**
Other Income		
Interest Revenue: Bank	14	15
Other	7	12
Total	**21**	**27**

The Company was not eligible for COVID - related Government subsidies during the Reporting Period or previous reporting period.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

MCS

7. Expenses

Overhead expenses include the following:

	2023 $'000	2022 $'000
Professional Fees	355	350
Directors Fees (excl CEO salary)	145	145
Administration & Occupancy	660	740
Insurance	1,494	1,124
Bad Debt Impairment (**Note 12**)	22	30
Other	437	428
Total	**3,113**	**2,817**

8. Employee Remuneration

Expenses recognised for employee benefits are analysed below:

	2023 $'000	2022 $'000
Employee expenses within Cost of Sales		
Gross wages and salaries	25,334	25,771
Movement in leave provisions	(67)	(173)
Superannuation	2,256	2,187
Payroll Tax	1,690	1,671
	29,213	**29,456**
Other Costs of Sales	3,974	7,525
	33,187	**36,981**
Employee expenses within Overheads		
Gross wages and salaries (including CEO salary)	2,636	2,138
Superannuation	314	246
Other	65	124
	3,015	**2,508**

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.

9. Finance Expenses

Finance expenses for the reporting periods consist of the following:

	Note	2023 $'000	2022 $'000
Interest expense: Lease Liabilities	15	14	10
Interest expense : Acquisition loan	20	56	–
Interest expense : Invoice Financing	20	28	–
Interest expense: Hire Purchase Borrowings	20	–	1
Interest expense: Other		47	25
		145	**36**

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% (2022: 25%):

	2023 $'000	2022 $'000
a) Recognised in the Income Statement		
Current tax		
Current Year	(150)	201
Under / (Over) provision for Prior Year	(3)	4
Deferred Tax		
Origination & Reversal of temporary differences	(537)	–
Under / (Over) Provision for Prior Periods	–	–
Income tax (benefit)/ expense	**(690)**	**205**
Numerical reconciliation between Tax Expense and Pre-Tax Net Profit / Loss		
Profit (loss) before tax from continuing operations	(2,569)	1,271
Domestic tax rate for the Group	25%	25%
Income Tax expense / (benefit)	**(642)**	**318**
Increase in Income tax due to tax effect of:		
Non-deductible expenses	70	33
Under (over) Provision in Prior Year	(3)	4

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Current year tax losses not recognised	–	–
Decrease in Income Tax expense due to:		
Movement in unrecognised temporary tax losses	(115)	(50)
Utilisation of previously unrecognised tax losses	–	(100)
Deductible equity raising costs	–	-
Non-assessable income	–	–
Income tax expense	**(690)**	**205**
b) Deferred Tax Recognised Directly in Equity		
Using a corporate tax rate of	**25%**	**25%**
Relating to equity raising costs	-	-
Deferred tax expense attributable to equity recognised in equity	–	–
c) Recognised Deferred Tax Assets and Liabilities		
Opening balance	–	–
Charged to Income	–	–
Charged to Equity	–	–
Acquisitions / disposals	-	-
Deferred Tax Assets		
Accruals and Provisions	407	40
Right of Use Assets		
Other	–	7
Gross Deferred tax assets	**407**	**47**
Set off of deferred tax liabilities	(407)	(47)
Net deferred tax assets	**-**	**-**
Deferred Tax Liabilities		
Prepayments	(57)	(26)
Plant & Equipment	(350)	(21)
Intangibles	–	–
Other DTLs	–	–
Gross Deferred Tax Liabilities	**(407)**	**(47)**
Set off of deferred tax assets	407	47
Net Deferred tax liabilities	–	–

d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 25% (2022: 25%)		
Deductible temporary differences	432	531
Tax revenue losses	984	982
Tax capital losses	158	158
Total	**1,574**	**1,672**
e) Current tax assets / (liabilities)		
Income tax refundable / (payable)	**251**	**(53)**

11. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2023 $'000	**2022** $'000
Current Assets		
Cash at Bank	1,847	3,742
Cash at call	–	150
	1,847	**3,892**
Non-Current Assets		
Restricted Cash	2	2
Cash as Security for bank guarantee provided to Client	200	200
Cash as security for bank guarantee provided to operational depot landlord	20	–
	222	**202**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

12. Trade and Other Receivables

Trade and other receivables consist of the following:

	2023 $'000	2022 $'000
Trade Debtors	4,413	3,728
Prepayments	229	146
Other Receivables	355	14
	4,997	**3,888**

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 2023 Other Receivables included Employee Loans of $15,159 (30 June 2022: $13,409). All are considered recoverable. The loans to employees are provided at the discretion of senior management to meet urgent personal issues of staff, are typically for a period of no more than 2 -3 months and are typically repayable in fortnightly instalments. These loans are 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 2023 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 $41,880 (2022: $53,978) have been identified as past-due and impaired, and $22,282 (2022: $30,443) has been expensed to Profit & Loss in relation to the impairment provision and bad debt.

13. Inventory and Work In Progress

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

	2023 $'000	2022 $'000
Inventories & WIP	359	249

Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

MCS

14. Plant and Equipment

30 June 2023 **Cost or Valuation**	**Furniture & Equipment** $'000	**Motor Vehicles** $'000	**Software** $'000	**Total** $'000
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)
Balance at 30 June 2023	**804**	**1,861**	**184**	**2,849**
Depreciation				
Balance at 1 July 2022	(506)	(256)	(172)	(934)
Depreciation	(89)	(293)	(5)	(387)
Transfers and other movements	–	125	–	125
Balance at 30 June 2023	**(595)**	**(424)**	**(177)**	**(1,196)**
Carrying amount at 30 June 2023	**209**	**1,437**	**7**	**1,653**

30 June 2022 **Cost or Valuation**	**Furniture & Equipment** $'000	**Motor Vehicles** $'000	**Software** $'000	**Total** $'000
Balance at 1 July 2021	544	334	177	1,055
Additions	199	76	–	275
Transfers and other movements	–	–	–	–
Disposals	–	(24)	–	(24)
Balance at 30 June 2022	**743**	**386**	**177**	**1,306**
Depreciation				
Balance at 1 July 2021	(441)	(211)	(158)	(810)
Disposals	–	15	–	15
Transfers and other movements	–	–	–	–
Depreciation	(65)	(60)	(14)	(139)
Balance at 30 June 2022	**(506)**	**(256)**	**(172)**	**(934)**
Carrying amount at 30 June 2022	**237**	**130**	**5**	**372**

MCS

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 leases 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 has been accounted for in accordance with AASB 16 Leases effective from 1 July 2019.
- During the 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%.

	2023 $'000	**2022** $'000
(i) AASB 16 related amounts recognized in the balance sheet		
Right of use assets:		
At cost	547	470
Accumulated Depreciation	(354)	(280)
Net Carrying Amount	**193**	**190**
Movement in carrying amounts:		
Opening balance	190	187
Additional Right-of-Use Assets - Vehicle Leases	80	47
Depreciation expense	(77)	(44)
Net Carrying Amount	**193**	**190**
(ii) Lease Liabilities recognized is the balance sheet		
Opening balance	219	215
Additional vehicle leases during period	80	47
Interest expense	14	10
Repayments	(95)	(53)
Net Carrying Amount	**218**	**219**
Lease Liability is classified as follows:		
Current Liability	79	61
Non-Current Liability	139	158
Total Lease Liability	**218**	**219**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

16. Intangibles

	Note	2023 $'000	2022 $'000
Alarm Business		102	102
Accumulated amortisation		(27)	(1)
		75	**101**
Goodwill on Acquisition of Highways Traffic	19	1,382	–
Tax Effect	10(a)	537	–
		1,919	**–**
		1,994	**101**

During the 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 are being amortised on a straightline basis.

17. Trade & Other Payables

Trade and Other Payables consist of the following:

	2023 $'000	2022 $'000
Trade Payables	404	334
GST and Payroll Tax	984	920
Accruals	774	697
PAYG	507	850
Superannuation	668	49
Vendor Liability	540	–
Other Payables	(67)	(5)
	3,810	**2,845**

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.

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 2023, or are considered non-current liabilities where an employee does not yet have an unconditional right to the benefit.

All leave provisions relate to Annual Leave and Long Service Leave of the Security Business and Traffic Management business 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:

	2023 $'000	**2022** $'000
Current Liabilities		
Annual Leave	1,603	1,555
Long Service Leave	388	219
Other	163	-
	2,154	**1,774**
Non-Current Liabilities		
Long Service Leave	208	215
	2,362	**1,989**
Movement		
Balance 1 July	1,989	2,162
Movement in year	373	(173)
Balance 30 June	**2,362**	**1,989**

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.

19. Acquisition of Highways Traffic Pty Ltd

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. It provides traffic planning and onsite traffic management across metropolitan Perth and regional WA, working for major infrastructure construction companies, state and local

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

Description	**Fair value- AUD 000**
Cash consideration	1,800
Deferred consideration *	540
Issue of shares – *refer Note 21*	260
Bank loan – for vehicle purchases – *refer note 20*	1,338
Total fair value of the consideration	3,938
Less Total of Highway Traffic net assets acquired	1,944
Amount recognized as Goodwill upon acquisition	**1,944**

*Deferred consideration payable in 4 quarterly installments of upto $0.135 million each subject to post completion revenue tracking at achieving $7 million per annum in the 12 months after completion

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

Description	**Amount**
Motor vehicles	1,338
Intangibles –customer contracts **	1,218
Goodwill***	1,919
Deferred tax liability	(537)
Net identifiable assets acquired	**3,938**

** As at 30 June 2023, the group has written off the fair value of the customer contracts related intangibles.

***Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition. The fair value will be finalised within twelve months of the acquisition date in accordance with AASB3 Business Combinations

20. Financial Liabilities : Borrowings

Finance Leases

The terms and conditions of Hire Purchase finance agreements were as follows:

- the Group entered into a hire purchase agreement for one operations vehicle during a previous reporting period, with a balance payable of $nil as at 30 June 2023 ($5,519 : 30 June 2022). Instalments of some $900 per month were payable, including interest at 4.8%, to November 2022.

MCS

The Group has no other hire purchase borrowings.

	2023 $'000	2022 $'000
Current		
Hire Purchase Motor Vehicle;	–	5
Total current borrowings	**-**	**5**
Carrying value of non-current assets pledged as security		
Motor Vehicles	**-**	**17**

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 an Invoice Finance facility to fund the ramp up of working capital of that subsidiary

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

- lender: National Australia Bank
- security: over Accounts Receivable of MCS Security Group Pty Ltd
- interest: 6.62% on commencement
- Drawdown limit: $1.5m

	2023 $'000	2022 $'000
Current liability	1,369	–
Non Current liability	–	–
	1,369	**-**

Acquisition Loan

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

The terms and conditions of the Acquisition Loan are 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

Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

	2023 $'000	2022 $'000
Opening Balance	–	–
Finance in Period	1,338	–
Interest in Period	56	–
Repayments in Period	(234)	–
	1,160	**–**
Represented by		–
Current liability	268	–
Non Current Liability	892	–
	1,160	**–**

Vehicle Upgrade Loan

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 month of June 2023 utilising the facility

The terms and conditions of the Vehicle Upgrade Loan are as follows:

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

	2023 $'000	2022 $'000
Opening Balance	–	–
Finance in Period	252	–
Interest	–	–
Repayments	–	–
	252	–
Represented by		–
Current liability	50	–
Non Current Liability	202	–
	252	**–**

The company has various finance facilities with NAB. Details of facilities are as below

Facility type	Facility limit	Facility used at 30 June 2023	Facility unused at 30 June 2023
Bank guarantees	220,000	220,000	–
Invoice finance facility	1,500,000	1,369,000	131,000
NAB Business Market loan	1,159,600	1,159,600	–
Asset finance facility	650,000	251,698	398,302

Asset finance facility is secured against the present and future rights , property and undertaking of MCS Services Ltd .

Invoice finance facility is secured against the present and future rights , property and undertaking of MCS Security Group Pty Ltd.

NAB Business Market loan facility is secured against the present and future rights , property and undertaking of MCS Security Group Pty Ltd.

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

21. Equity

Share Capital

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

Ordinary shares	2023 $'000	2022 $'000	2023 Number	2022 Number
At the beginning of reporting period	18,055	17,980	188,974,559	186,274,557
Shares Issued on conversion of Performance Rights	75	75	2,700,000	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	(10)	–	(400,000)	–
At the end of reporting period	**18,400**	**18,055**	**198,417,939**	**188,974,557**

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

MCS

Profit Reserve

A meeting of the Board of directors of the Company 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:

	2023 $'000	**2022** $'000
At the beginning of reporting period	2,621	1,555
Profit	-	1,066
At the end of reporting period	**2,621**	**2,621**

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.

	2023 $'000	**2022** $'000
At the beginning of the year	288	338
Performance Rights expensed during the year - CEO	-	10
Performance Rights expensed during the year - CFO	-	15
Performance Rights Converted to shares in period : CEO	(31)	(31)
Performance Rights Converted to shares in period : CEO	(44)	(44)
Options expensed during the period	171	-
At the end of the year	**384**	**288**

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, 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 period of issue.

None of the November 2022 options had been exercised by 30 June 2022 but 500,000 were exercised in the Reporting Period.The remaining 17.5 million lapsed unexercised during the 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 has been 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 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 in relation to the boards assessment of the CEO's and CFO's performance for year to the 30 June 2022.

During the 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 Reporting Period. None of the above Options had been exercised during the Reporting Period or to the date of this Report.

Further, during the 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 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

Note 21 – Disclosure of Strategic milestones

Strategic Milestone: Achievement of demonstrable improvements in at least three of the following broaf performance categories:

- **Business Success Planning:** demonstrated improvements measured through developement and maintenance of board approved Business Strategic Plan addressing acquisitions framework and target business areas, growth of existing business segments, financial forecasts and targeted growth in earnings and share price;
- **Financial Performance:** improving a range of key financial performance metrics including increasing organic growth, operating cash flow and the net profit margin of the company
- **Integration and operation of acquired businesses:** generation of integration synergies arising from common ownership of acquired businesses and their profitability improvements, and;
- **Investor Relations:** increasing effectiveness of investor communications through improvements including programmed updates and discussions with major shareholders, appropriate continuous disclosure to all shareholders and planning, and documenting and implementing strategies to introduce the company to new potential investors.

Satisfaction of the Strategic Milestones is to be determined at the dicretion of the Board.

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

	Quoted Options 2023 Number	Quoted Options 2022 Number	Unquoted Options 2023 Number	Unquoted Options 2022 Number	Weighted Average Exercise price	Performance Rights 2023 Number	Performance Rights 2022 Number
At 1 July	–	–	18,000,000	18,000,000	$0.04	2,700,000	5,400,000
Expired	–	–	(17,500,000)	–	–	–	–
Exercised	–	–	(500,000)	–	–	(2,700,000)	(2,700,000)
Issued	–	–	14,301,923	–	–	1,995,000	–
At 30 June	**–**	**–**	**14,301,923**	**18,000,000**	**$0.06**	**1,995,000**	**2,700,000**

These were valued using the Black Scholes model at $117,441 but have not been accounted for.

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:

	2023 '000 of shares	2022 '000 of shares
Number of Shares used in Calculation of Earnings per share:		
Weighted average number of shares used in basic earnings per share calculation	195,850	187,355
Weighted average number of shares used in diluted earnings per share calculation	195,850	190,494
Profit / (loss) used in calculation of Earnings per share:	**$'000**	**$'000**
From continuing operations	(1,879)	1,066

	2023 Cents	2022 Cents
Basic earnings per share		
From continuing operations	(0.959)	0.569
Diluted earnings per share		
From continuing operations	(0.959)	0.559

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 reduce debt, efficiently manage its capital structure and / or enhance its growth strategy.

	2023 $'000	2022 $'000
Dividends declared during the year	-	-
Being:		
Paid cash	-	-
Withholding tax paid to ATO	-	-
Shares issued under Dividend Reinvestment Plan	-	-
	-	-

23. Reconciliation of cashflows from operating activities

	Note	2023 $'000	2022 $'000
Profit / (Loss) for Year		(1,879)	1,066
Adjustments for:			
Interest received and receivable	**6**	(21)	(15)
Interest Paid: Other		117	25
Depreciation	**14**	387	139
AASB 16: Interest and Depreciation	**15**	92	55
Expensing of value of contracts acquired		1,218	–
Share based payment expense	**21**	171	25
Net (gain)/Loss on disposal of PPE		11	(10)
Net change in Working Capital:			
Change in Tax Asset / Liability	**10**	(304)	(327)
Change in Trade & Other Receivables	**12**	(1109)	(965)
Change in Inventories and Work In Progress	**13**	(110)	(126)
Change in other net assets		162	(2)
Change in Trade Creditors and Other Payables	**17**	965	152
Change in Provisions	**18**	372	(173)
Net Cash provided by Operating Activities		**(1,121)**	**(156)**

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.

	2023 $'000	2022 $'000
Audit & Review of financial statements	154	104
Other Services: Non-audit assistance: Performance Rights valuation	–	–
Total	**154**	**104**

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

MCS

25. Related Party Transactions

(a) Head Office Lease

On 1 October 2014 MCS Security Group Pty Ltd entered into a lease agreement with The Simmons Superannuation Fund, a related party to CEO and Managing Director (and primary vendor of MCS Security) Mr Paul Simmons, for the lease of a 231m² 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 $54,453 (2022: $52,909). The lease has been accounted for in accordance with AASB 16 Leases (**Note 15**) effective from 1 July 2019.

(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 $33,342 (2022: $25,674). The Board consider the service is provided at commercial rates.

(c) CEO Benefits

Mr Paul Simmons, the CEO/managing director and one of the vendors of MCS Security, received an annual salary of $199,500 pa (plus superannuation) in the Reporting Period (2022: $199,500).

Mr Simmons was also paid Director fees of $35,000 (2022: $35,000 pa).

(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 10.5%);
- equity-settled share-based payments (SBP) in the form of 3.6 million Performance Rights granted to Mr Paul Simmons, CEO / Managing Director in a previous reporting period, which vested over the period to 30 June 2021 and 30 June 2022 upon achieving earnings per share and strategic plan milestones. Their value was calculated as at the grant date as $61,200 using the Black Scholes model and the value was expensed to Profit or Loss in the reporting period of issue ($51,000) and in the reporting period to June 2022($10,200);
- equity-settled share-based payments (SBP) in the form of 1.8 million Performance Rights granted to the CFO, Mark Englebert, in a previous reporting period, which vested over the period to to 30 June 2021 and 30 June 2022 upon achieving earnings per share and strategic plan milestones. Their value was calculated as at the grant date as $88,200 using the Black Scholes model and the value expensed to Profit or Loss in the reporting period of issue ($73,500) and in the previous reporting period to June 2022 ($14,700).

	2023 $	**2022** $
Short term	585,382	568,500
Post Employment	29,863	38,850
Shared Based Payments	170,836	24,900
	786,081	**632,500**

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

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 a 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 formally committed to an additional $0.28m of capital expenditure as part of its Traffic Business motor vehicle upgrade, to occur subsequent to the Reporting Period

MCS

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 2023	Group ownership % 30 June 2022
MCS Security Pty Ltd	Australia	Security	100%	100%
Highways Traffic Pty Ltd	Australia	Traffic Management	100%	–

The winding up of a former subsidiary, John Boardman Pty Ltd (JBPL), commenced in September 2017, with JBPL de-registered with ASIC during the previous reporting period.

Interests in Unconsolidated Structured Entities
The Group has no interests in unconsolidated structured entities.

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 at its Head Office, 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.

The Groups financial instruments consist mainly of deposits with banks, Accounts Receivables, Accounts Payable, Lease liabilities, Invoice Financing and term Bank Loans.

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 Invoice Finance Facility and Bank Loans are with a major Australian lender **(Note20)**

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.

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	**2023** $'000	**2022** $'000
Current Assets: Cash and Cash Equivalents	11	1847	3,892
Current Assets: Trade Debtors	12	4413	3,728
Non-Current Assets: Restricted Cash	11	222	202

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 40% (73%: 2022) of the Trade Debtors amount owing as at 30 June 2023. 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.

At 30 June 2023 the Group had certain Trade Debtors that had not been settled by the contractual due date. A provision for doubtful debts was made if recoverability was considered to be impaired.

The overdue amounts at year end analysed by the length of time past due are:

	2023 $'000	**2022** $'000
More than 3 months but not more than 6 months	134	174

The Group's management considers that all of the above financial assets that are not impaired for each 30 June reporting date under review are of good credit quality.

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 an Invoice Finance Facility in place **(Note 20)**

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 all contractually due within 30 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

Financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into 3 levels of a fair value hierarchy. The 3 levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Unobservable inputs for the asset or liability

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 2023 and 30 June 2022:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000
30 June 2023				
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)	–
Acquisition Loan	20	–	(1,160)	–
Vehicle Upgrade Loan	20	–	(252)	–
30 June 2022				
Cash	11	–	3.892	–
Restricted Cash	11	–	202	–
Trade & Other Receivables	12	–	3,728	–
Trade & Other Payables	17	–	(2,845)	–
Hire Purchase Borrowings	20	–	(5)	–
Lease Liabilities	15	–	(219)	–

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 2023

MCS

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:

	2023 $'000	**2022** $'000
Statement of Financial Position		
Current Assets	(2,074)	1,327
Non-Current Assets	6,848	4,930
Total Assets	**4,774**	**6,257**
Current Liabilities	(639)	(148)
Non-Current Liabilities	(892)	-
Total Liabilities	**(1,531)**	**(148)**
Net Assets	**3,243**	**6,109**
Equity		
Issued Capital	18,400	18,055
Share Option & Performance Right Reserve	384	288
Accumulated Losses	(18,162)	(14,855)
Profit Reserve	2,621	2,621
Total Equity	**3,243**	**6,109**
Financial Performance		
Operating Loss for the Year	**(1,433)**	**(297)**

The above Profit Reserve is as follows:

	2023 $'000	2022 $'000
Balance of beginning of reporting period	2,621	1,555
Loss of Parent entity	–	(297)
Profit from subsidiary	–	1,363
Balance at end of reporting period	**2,621**	**2,621**

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

The Parent Entity has capital commitments of $nil.

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

33. Events Arising since the end of the Reporting Period

No adjustments or significant non-adjusting events have occurred between the Reporting Date and the date of authorisation of this Report.

Subsequesnt to the Reporting Date the Company undertook a share buyback of 318,287. Ordinary Shares for a total cash outflow of $6,366.

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 2023 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
- 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 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 2023.

Note 2 confirms that the consolidated financial statements also comply with International Reporting Standards.

Signed in accordance with a resolution of the directors

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

Stantons

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

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 2023, 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 a summary of significant accounting policies, 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 2023 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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 report.

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

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.

Key Audit Matters	How the matter was addressed in the audit

Recognition of revenue from Contracts with Customers
(Refer to Note 6 to the consolidated financial report)

There is an inherent risk around the completeness and accuracy of revenue recorded given the nature of the Group's activities.

The application of AASB 15 *Revenue from Contracts with Customers* ("AASB 15") involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognised over a period. The group's policy on revenue recognition is set out in Note 4 to the consolidated financial statements and revenue is analysed in Note 6.

Revenue recognition is a key audit matter as the application of revenue recognition involves the evaluation of the appropriateness of management's judgements and estimates, as well as the significance of the Group's Revenue to the Group (approximating $38.65 million).

Inter alia, our audit procedures included the following:

i. Obtaining an understanding of the revenue transaction cycle including identifying controls over revenue transaction and carrying out a walk through test;
ii. testing the operating effectiveness of the key controls over the revenue process that ensure completeness, accuracy and timing of revenue recognised;
iii. performing tests for accuracy, completeness and cut-off of customer invoicing on a sample basis;
iv. performing substantive tests and analytical procedures on revenue and costs of sales and performing test of detail on accounts receivable balances recognised in the consolidated statement of financial position at year-end; and
v. assessing the appropriateness of the Group's revenue recognition policies and the adequacy of the related disclosures in the notes to the consolidated financial statements.

Completeness of Cost of Sales
(Refer to Note 8 to the consolidated financial report)

Group's cost of sales for the year amounted to $33.18 million. Cost of sales comprises mainly payroll costs relating to security guards and other front-line personnel. Payroll records are a key component in revenue generation and recognition.

We identified the completeness and accuracy of the recorded cost of sales as a key audit matter due to its impact on the revenues and profitability.

Inter alia, our audit procedures included the following:

i. Obtaining an understanding of the cost of sales transaction cycle including identifying controls over the cost of sales transaction and carrying out a walk through test;
ii. 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 revenues;
iii. performing tests for cut-off of employee benefits expense;
iv. corroborating employees' rates of pay per the payroll system to relevant supporting documentation;
v. 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; and
vi. assessing the adequacy of the employee benefits and cost of sales disclosures contained in Note 8 and Note 18.

Stantons

Key Audit Matters	How the matter was addressed in the audit

Business Combination
(Refer to Note 19 to the consolidated financial report)

During the year, the Group completed the acquisition of Highways Traffic Pty Ltd for a total consideration of $3,93 million as disclosed in Note 19. The acquisition is accounted for as a business combination, AASB 3 *Business Combinations* ("AASB 3") and includes a number of significant and complex judgments in the determination of the fair value of the assets and liabilities acquired.

The accounting for the business combination was considered a key audit matter due to:

- The financial significance of the transactions to the Group; and
- The significant judgements, estimates and assumptions made by the Company in assessing whether the acquisition should be classed as an asset acquisition or a business combination, determining the fair values of assets and liabilities acquired and allocating the purchase price.

Inter alia, our audit procedures included the following:

i. gaining knowledge of the management process related to acquisition accounting. We reviewed the underlying documentation, terms and conditions of the transaction and assessed the accounting treatment of the consideration transferred and the assets and liabilities acquired in accordance with AASB 3 '*Business Combinations';*

ii. assessing the reasonableness of the acquisition date, being the date that the Company obtained control over Highways Traffic Pty Ltd;

iii. assessing the management's determination of the fair value of consideration paid and contingent consideration and agreeing to supporting documentation;

iv. considering the objectivity, competence, experience and scope of the external valuation experts who valued the assets acquired;

v. testing the mathematical accuracy of the calculations prepared by management; and

vi. assessing whether the disclosures in Note 19 are in accordance with AASB 3.

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 2023 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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or 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.

Stantons

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.

Stantons

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 27 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of MCS Services Limited for the year ended 30 June 2023 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
28 September 2023

ASX Additional Information

Additional information required by ASX listing rules and not disclosed elsewhere in this report is set our below. The information is effective as at 15 September 2023.

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	%
Capital H Management Pty Ltd	47,808,521	24.1
PR & M Simmons	38,046,812	19.2

Distribution of Equity Security Holders as at 15 September 2023

Holding	Shareholders	Total Units
1-1000	21	4,942
1,001-5,000	10	24,467
5,001-10,000	11	89,893
10,001-100,000	160	7,817,484
100,000 and over	124	190,162,866
	326	198,099,652

MCS

ASX Additional Information

Top 20 Shareholders	Number of Ordinary Shares	% of Issued shares
JP Morgan Nominees Australia Pty Limited	48,008,875	24.15
PR & M Simmons Pty Ltd (Simmons Super Fund a/c)	38,046,812	19.2
Mr Richard Batrachenko & Mrs Jacqueline Batrachenko (Batrachenko Superfund a/c)	15,281,865	7.69
Mr Adam Leonard Goulding & Mrs Renee Louise Goulding (Race Superfund a/c)	10,619,739	5.34
Dr David George Maxwell Welsh	4,000,000	2.01
Mr Salvatore Di Vincenzo	3,707,606	1.86
Savol Pty Ltd	3,650,000	1.84
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
Mr Adam Leonard Goulding (Race Investment a/c)	2,556,771	1.29
BNP Paribas Nominees (IB Au Noms Retail Client DRP)	2,430,703	1.22
Mr John James Wiltshire Gilmour	2,250,000	1.13
Mark David Englebert	1,800,000	0.91
Mr Johnathon Matthews	1,755,857	0.88
Mr Rowan Burckhardt	1,967,450	0.99
Whiley Close Holdings Pty Ltd	1,698,723	0.85
Multi Tech Systems Pty Ltd (Bhatia Super a/c)	1,600,000	0.80
Norman Colburn Mayne (NC Mayne Family Fund)	1,500,000	0.75
Mr Paul James Menary	1,500,000	0.75
Seed Capital Pty Ltd (Fitzroy Value Fund)	1,377,150	0.69
	153,931,608	**77.7**
Total Remaining Holders (balance)	44,168,004	22.3
Total Ordinary Shares on issue	**198,099,652**	**100%**

Less than Marketable Parcel

There were 79 holders of less than a marketable parcel of ordinary shares.

Escrowed Shares

There are 6,643,382 shares held in escrow, 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 previous reporting period, in relation to the CEO's end 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 appreciated during the reporting period.

During the 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;
- 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 Reporting Period.

On-Market Buy-Backs

During the reporting period 400,000 shares were bought back at 2.5 cents, for a total consideration of $10,000. Subsequent to the end of the period 318,287 shares were bought back at 2.0 cents for a total consideration of $6,366No shares were bought back in the Reporting Periods to 30 June 2022 or 30 June 2021.

Shareholders approved at the 30November 2022 AGM for the Company to buy-back up to 10% of shares on issue over the 12 month period to November 2023. The Company has 198 million shares on issue as of 15 September 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 15th September 2023 the Company had the following unquoted options on issue:

Holder	Role	Number
RC Kucera	Chairman	3,000,000
M Ward	Director	3,000,000
G Martin	Director	3,000,000
P Simmons	CEO / Managing Director	2,301,923
J Asquith	Company Secretary	3,000,000
		14,301,923

As at 15th September 2023 the Company had the following Performance Rights on issue:

Holder	Role	Number
P Simmons	CEO / Managing Director	1,995,000
		1,995,000

END OF REPORT