

28 February 2023

MCS Services Ltd

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF YEAR FINANCIAL REPORT & APPENDIX 4D

MCS Services Limited (**MCS Services** or the **Company**) (**ASX: MSG**) is pleased to present its auditor reviewed half-year report (**Report**) for the six (6) months ending 31 December 2022 (**Period**) and Appendix 4D. Highlights from the Period, as detailed in the Report and compared to the corresponding prior period, are as follows:

	December 2022 \$	December 2021 \$	Change \$	Change %
Revenue from ordinary activities	17,907,262	22,298,995	(4,391,733)	(20%)
EBITDA before Significant Items	(412,772)	879,934		
Significant Items (see below)	(1,279,268)	(15,562)		
EBITDA after Significant Items	(1,692,040)	864,372		
Net profit/(loss) from ordinary activities after tax	(1,326,430)	676,043	(2,002,473)	(296%)
Net profit/(loss) attributable to members	(1,326,430)	676,043	(2,002,473)	(296%)
Net Tangible Assets per ordinary share	0.0049	0.017		

Significant Items in the Period to 31 December 2022 includes a \$1.2 million expensing of the Value of Contracts Acquired on the acquisition of Highways Traffic Pty Ltd during the Period.

No dividends were paid or declared during the Period. The Company is not proposing to pay a dividend in relation to the Period.

The Company acquired 100% of the share capital of Highways Traffic Pty Ltd during the Period, effective 17th October 2022. Highways Traffic contributed \$1.81m revenue and an operating loss before tax of \$87,631 during the Period. The Company has no associates or joint ventures.

The Board and senior management are focussed on meeting the needs of its key stakeholders by providing excellent customer service, attracting and retaining quality staff, and delivering sustainable profitability and growth for its valued shareholders.

Yours faithfully



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

3/108 Winton Road, Joondalup WA 6027 | T: (08) 9301 2420
investors@mcsservices.com.au | www.mcssecurity.com.au

About MCS Services

MCS Services provides:

- through its MCS Security Group Pty Ltd subsidiary, security services at major commercial property sites and retail shopping centres throughout the Perth metropolitan area and regional country areas of Western Australia. These security services include mobile patrols and response vehicle services. In addition, MCS provides electronic security services including the design, supply, installation and commissioning of security alarms, CCTV, biometric and access control systems to commercial, industrial and domestic sectors;
- through its Highways Traffic Pty Ltd subsidiary, traffic management services (including manpower and mobile assets) primarily to major highway construction projects in Western Australia.

For further information, please visit the MCS website www.mcssecurity.com.au

Forward-Looking Statements

This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning MCS Services Limited's planned activities, operations, expectations and other statements that are not historical facts. When used in this announcement, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and any other similar expressions are forward-looking statements. Although MCS Services Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. All figures presented in this document are unaudited and this document does not contain any forecasts of profitability or loss.

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Interim Consolidated Financial Statements

For the half-year ended 31 December 2022

Registered Office & Principal Place of Business	3/108, Winton Road, Joondalup, WA, 6027	Ph: (08) 9301 2420 Fax: (08) 9301 2421
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Postal Address	PO Box 3399, Joondalup, WA, 6919
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Company website	www.mcssecurity.com.au
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Share Registry	Automatic Registry Services, Level 5, 191 St George's Terrace, Perth, WA, 6000	www.Automic.com.au (08) 9 324 2099 1300 288 664 (61) 2 9698 5414
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Securities Exchange	Australian Securities Exchange	Ticker 'MSG'
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Investor Queries	investors@mcssecurity.com.au
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Bankers	National Australia Bank, 197 St Georges Terrace, Perth,WA, 6000
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Legal	Verus Workplace Law, 63A Beamish Avenue, Brentwood, WA, 6153	Verus Workplace Law, 63A Beamish Avenue, Brentwood, WA, 6153
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Auditors	Stantons International Audit & Consulting Pty Ltd, Level 2, 40 Kings Park Road, West Perth, WA, 6005
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Board of Directors	The Hon Robert Charles Kucera APM JP Mr Paul Simmons Mr Matthew Ward Mr Geoff Martin	Non-Executive Chairman Managing Director Non-Executive Director Non-Executive Director
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Senior Management	Mr Paul Simmons Mr Mark Englebert	Chief Executive Officer (CEO) Chief Financial Officer (CFO)
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Company Secretary	Mr Jonathan Asquith
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Your directors present their report, together with the financial report on MCS Services Limited (Company) and its subsidiaries ("the Group" or "Consolidated Entity") for the half-year ended 31 December 2022 ("*Period*" or "*half-year*").

Directors

The names of Directors who held office during or since the end of the Period are set out below. Directors were in office for this entire period:

The Hon RC (Bob) Kucera APM JP	Non-Executive Chairman
Mr Geoffrey Martin	Non-Executive Director
Mr Matthew Ward	Non-Executive Director
Mr Paul Simmons	Managing Director

Company Secretary

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

Operating Results

The Group recorded:

- loss before interest, tax, depreciation and amortisation (EBITDA) of \$412,722 (earnings of \$879,934 in the prior corresponding period) before significant items;
- a net loss after tax of \$1,326,430 (net profit after tax of \$676,043 in the prior corresponding period);

Operational Overview

The Group specialises in asset security at retail shopping centres, government offices and facilities, major commercial offices, sports stadiums and other ancillary sites and major events throughout the Perth metropolitan area and regional country areas of Western Australia. Since October 2022, the Group now also operates in the traffic management sector in Western Australia.

During the Period the Company:

- Successfully renewed its ISO 14001 (Environment), ISO 9001 (Quality) and AS4801 / OHSAS 18001 (Health & Safety) certification. The Company's certifications cover the Company's core safety and quality systems including environmental management, recruitment, training, operating procedures, risk assessments, hazard identifications, safe working, toolbox meetings, incident investigations, internal auditing, data reporting and continuous improvement processes;
- Applied relevant CPI increases to its customer charge-out rates, and provided a pay rise to all Guards effective 1 July 2022 having regard to the relevant Award rates;
- Commenced new contracts including CBD-based office security;
- Following a review, made head-count cost efficiencies in its head office;
- Commenced integrating the systems of the newly acquired subsidiary Highways Traffic Pty Ltd.
- Ceased providing security at one Perth hotel utilised for COVID isolation,

- Identified profit improvement opportunities for its Highways Traffic subsidiary;
- Continued its ad-hoc volume contract for the North Metropolitan Health Service (a division of the WA State Government), providing security services when required across up to five major Perth hospitals. The work volume declined during the Period following the end of many COVID-related access-control requirements by hospitals.
- Saw its Alarms & CCTV division continue to expand, primarily servicing the shopping centre and hotel sector;
- Continues to actively review and enhance its marketing strategy.

Corporate Overview

The Company completed the acquisition of Highways Traffic Pty Ltd effective 17 October 2022.

The Company's organic growth strategy includes.

- pursuing pipeline opportunities in WA and other states, including lodging high quality tenders;
- leveraging its reputation with existing clients to obtain work at additional locations and
- assessing the addition of new verticals to its business.

The Company is constantly assessing the expansion of its operations in the Perth metropolitan area, regional Western Australia and inter-state through the identification and acquisition of suitable targets. The Company may progress these opportunities if they are value accretive to shareholders and consistent with the Company's strategy.

During the Period the Company;

- issued 6,643,382 ordinary shares on acquisition of Highways Traffic Pty Ltd;
- issued a total of 12 million 6 cent 2025 options to non-executive directors and the Company Secretary;
- issued 1,995,000 performance rights and 2,301,923 longterm premium priced options to the CEO/Managing Director
- adopted a new/modernised constitution;

Further :-

- in relation to the 18 million 4 cent November 2022 options previously issued to directors and senior management, 0.5 million were exercised (raising \$20,000 equity) and 17.5m lapsed;
- the remaining 2021/2022 1.8m Performance Rights held by the CEO, and 0.9m held by the CFO, were exercised, with the equivalent number of ordinary shares issued in the Period.

Subsequent to the Period the Company issued 997,500 Performance Rights and 1,150,961 premium priced option to the CFO, on the same benchmark terms as those issued to the CEO during the Period;

Capital

During the Period the following shares and options were issued, bought back or expired.

	Numbers
Ordinary shares: Movement in Period:	
Part consideration for acquisition of Highways Traffic	6,643,382
Exercise of options	500,000
Exercise of Performance Rights	2,700,000
	9,843,382
Unlisted options: Movement in Period:	
Issued	12,000,000
Exercised	(500,000)
Expired	(17,500,000)
	(6,000,000)
Performance Rights: Movement in Period:	
Exercised	(2,700,000)
Issued	4,296,923
	(1,596,923)

During the Period the Company announced in November 2022 its intention to continue over the following 12 months with its on-market share buyback for up to 10 per cent of its issued share capital.

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

	Number
Ordinary Shares	198,817,939
Unlisted Options	12,000,000
Performance Rights & Premium Priced Options	6,445,384

Signed in accordance with a resolution of the directors



The Hon RC (Bob) Kucera APM JP
 Non-Executive Chairman
 Dated this 28th day of February 2023



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28 February 2023

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

Dear Sirs

RE: MCS SERVICES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of MCS Services Limited.

As Audit Director for the review of the financial statements of MCS Services Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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

A handwritten signature in blue ink that reads "Eliya Mwale".

Eliya Mwale
Director



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Consolidated Statement of Financial Position as at 31 December 2022



	Note	31 Dec 2022 \$	30 June 2022 \$
Assets			
Current Assets			
Cash and cash equivalents		1,774,250	3,891,835
Trade and other receivables	5	4,740,794	3,742,120
Prepayments		1,030,832	145,956
Inventory and Work in Progress		347,399	249,027
Other		411,235	-
Total Current Assets		8,304,510	8,028,938
Non-Current Assets'			
Plant and equipment	6	1,610,051	372,494
Restricted cash and bonds		222,325	202,325
Right of Use Asset - leased office	9	123,954	144,974
Right of Use - leased vehicles		105,672	45,455
Intangibles - Goodwill		1,773,784	100,705
Total Non-Current Assets		3,835,786	865,953
Total Assets		12,140,296	8,894,891

(Continued overleaf)

Consolidated Statement of Financial Position as at 31 December 2022



	Note	31 Dec 2022 \$	30 June 2022 \$
Current Liabilities			
Trade and other payables		(4,510,199)	(2,844,854)
Employee leave entitlements		(2,115,050)	(1,773,619)
Lease liabilities	7,9	(82,082)	(61,215)
Borrowings	10,13	(1,165,293)	(5,119)
Other		-	(52,629)
Total Current Liabilities		(7,872,624)	(4,737,436)
Non-Current Liabilities			
Employee leave entitlements		(157,197)	(215,110)
Lease liabilities	7,9	(175,522)	(157,607)
Borrowings	10,13	(1,025,800)	-
Total Non-Current Liabilities		(1,358,519)	(372,717)
Total Liabilities		(9,231,143)	(5,110,153)
Net Assets		2,909,153	3,784,738
Equity			
Issued capital	11	18,410,026	18,055,326
Share option & Performance Right reserve	11	384,134	287,998
Accumulated losses		(18,506,025)	(17,179,604)
Profit reserve		2,621,018	2,621,018
Total Equity		2,909,153	3,784,738

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 31 December 2022



	Note	31 Dec 2022 \$	31 Dec 2021 \$
Revenue		17,907,262	22,298,995
Cost of sales, incl operational staff expenses		(15,392,198)	(18,761,719)
Gross profit		2,515,064	3,537,276
Other income		15,902	20,492
Employee expenses and benefits (non-operational staff)		(1,510,630)	(1,206,884)
Directors fees and remuneration		(72,500)	(72,500)
Insurance		(676,561)	(576,849)
Other expenses		(684,047)	(821,601)
		(2,927,836)	(2,657,342)
		(412,772)	879,934
Significant Items			
Legal settlement	14	110,000	-
Share based payments expense	11/14	(170,836)	(15,562)
Expensing of Value of Contracts Acquired	13/14	(1,218,432)	-
		(1,279,268)	(15,562)
		(1,692,040)	864,372
Finance expenses		(41,952)	(32,074)
Depreciation of Plant & Equipment		(158,859)	(61,691)
Depreciation of Right of Use Asset		(40,373)	(21,000)
		(241,184)	(114,765)

(Continued overleaf)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 31 December 2022



	Note	31 Dec 2022 \$	31 Dec 2021 \$
Profit / (loss) before tax		(1,933,224)	749,607
Income tax benefit / (expense)		606,794	(73,564)
Profit / (loss) for the period attributable to members of MCS Services Limited		(1,326,430)	676,043
Other Comprehensive income		-	-
Total comprehensive Profit / (Loss) for the Period attributable to members of MCS Services Limited		(1,326,430)	676,043
Earnings per share		Cents	Cents
Basic profit (loss) per share from continuing operations	12	(0.69)	0.363
Diluted profit (loss) per share from continuing operations	12	(0.68)	0.341

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

Consolidated Statement of Change in Equity for the Half Year Ended 31 December 2022



	Profit Reserve \$	Ordinary shares \$	Share option Reserve \$	Accumulate losses \$	Total \$
Balance 30 June 2022	2,621,018	18,055,326	287,998	(17,179,595)	3,784,747
Loss for the Period	-	-	-	(1,326,430)	(1,326,430)
Total comprehensive income	-	-	-	-	(1,326,430)
Issue of Performance Rights and Options	-	-	170,836	-	170,836
Issue of Shares on acquisition	-	260,000	-	-	260,000
Exercise of Options	-	20,000	-	-	20,000
Exercise of Performance Rights	-	74,700	(74,700)	-	-
Balance 31 December 2022	2,621,018	18,410,026	384,134	(18,506,025)	2,909,153
Balance 30 June 2021	1,555,312	17,980,625	337,800	(17,179,600)	2,694,137
Profit for the period	676,043	-	-	-	676,043
Total comprehensive income	676,043	-	-	-	676,043
Issue of Performance Rights	-	-	15,562	-	15,562
Balance 31 December 2021	2,231,355	17,980,625	353,362	(17,179,600)	3,385,742

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

Consolidated Statement of Cashflows for the Half Year Ended 31 December 2022



	Note	31 Dec 2022 \$	31 Dec 2021 \$
Cash flows from operating activities			
Receipts from customers		19,115,460	23,080,937
Payment to employee, suppliers and directors		(19,360,968)	(22,732,472)
Income tax paid		(161,679)	(67,487)
Net cash (used in)/from operating activities		(407,187)	280,978
Cash flows from investing activities			
Interest received		10,010	8,941
Interest paid		(41,952)	(18,636)
Payment for security for bank guarantees		(20,000)	(150,000)
Payment for fixed assets		(45,319)	(163,520)
Payment for acquisition of business	13	(3,138,000)	-
Proceeds on sale of fixed assets		3,700	21,065
Net cash (used in) investing activities		(3,231,561)	(302,150)
Cash flows from financing activities			
Proceeds from exercise of options	11	20,000	-
Bank loan	10/13	1,293,400	-
Invoice Financing	10/13	253,669	-
Vehicle Finance	7	(5,128)	(5,114)
AASB 16 Office Lease	7.9	(23,109)	(20,646)
Vehicle leases		(17,669)	-
Net cash from / (used in) financing activities		1,521,163	(25,760)
Net (decrease) in cash and cash equivalents		(2,117,585)	(46,932)
Cash and cash equivalents at the beginning of the financial period		3,891,835	4,612,698
Cash and cash equivalents at the end of the financial period		1,774,250	4,565,766

Non-cash Investing Activities in the Period: 6,643,382 ordinary shares issued as consideration for Highways Traffic Pty Ltd, with a fair value of \$0.26m.

Non-cash Financing Activities in the Period: 2.7m Performance Rights converted to shares, with a fair value of \$74,700.

The above cash at end of the Period excludes \$220,000 (\$200,000 at 31 Dec 2021) cash held by the Company's bank as security for guarantees provided to clients and landlord classified as Non Current in the Statement of Financial Position.

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

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



MCS Services Limited and its subsidiaries' (Group or Consolidated Entity) principal activity during the half-year was the provision of uniformed security and related services.

1. General information and basis of preparation

These condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2022 and are presented in Australian dollars (\$), which is the functional currency of the Group.

These general purpose interim financial statements have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards Board (AASB) 134.: Interim Financial Reporting. They do not include all of the information required in the annual financial statements in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2022 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements under the Australian Securities Exchange (ASX) Listing Rules and *Corporations Act 2001*.

The interim financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The interim financial report covers MCS Services Limited (Company) and its 100% subsidiaries MCS Security Group Pty Ltd and (since 17 October 2022), Highways Traffic Pty Ltd (collectively, Group).

MCS Services Limited is a public company, incorporated and domiciled in Australia. The registered office is 3/108 Winton Road, Joondalup, WA, 6027. The Company was incorporated on 11 May 2006.

The interim financial statements for the half-year ended 31 December 2022 (including the comparatives) were approved by the board of directors on 28th February 2023.

2. Summary of significant accounting policies

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. Adoption of the new amended Accounting Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies. Any new and revised Accounting Standards that are not mandatory have not been early-adopted.

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



3. Judgements, Estimates and Assumptions

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022 other than those in relation to the determination of the performance milestones in relation to the acquisition of Highways Traffic Pty Ltd in recognition of contingent consideration.

4. Going Concern

The financial statements of the Group have been prepared on a going concern basis which anticipates the ability of the entity to meet its obligations in the normal course of business.

The Group had a loss after tax for the Period of \$1,326,430 (Including \$1,279,268 of Significant Items) and had a cash balance of \$1,774,250 (excluding \$0.2 million ring-fenced to secure bank guarantees to a client and premises landlord), a working capital surplus of \$431,886 and net assets of \$2,909,153 as at 31 December 2022.

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

5. Trade and other receivables

	31 December 2022	30 June 2022
	\$	\$
Trade debtors	4,415,940	3,782,689
Provision for Doubtful Debts	(20,659)	(53,978)
	4,395,281	3,728,711
Other receivables	345,513	13,409
	4,740,794	3,742,120

All of the Group's Trade Receivables and Other Receivables as at 31 December 2022 have been reviewed for indicators of impairment. The Group applies the simplified approach in assessing for expected credit losses, with expected credit losses on trade receivables estimated using a provision matrix by reference to past default experience and analysis of the debtor's current financial position. In addition, a specific review for individual impaired accounts is undertaken. The above impairment provision of \$20,659 as at 31 December 2022 includes \$20,659 of provision remaining from prior periods based on an analysis of specific balances identified as past due.

Condensed Notes to the Financial State for the Half Year Ended 31 December 2022



6.Plant and Equipment

	Furniture & equipment \$	Motor vehicles \$	Software \$	Total \$
31 December 2022				
Cost				
Balance at 1 July 2022	743,757	385,686	176,535	1,305,978
Additions	20,669	26,240	-	46,909
On Acquisition	-	1,338,000	-	1,338,000
Disposals & other movements	-	(20,697)	-	(20,697)
Balance at 31 December 2022	764,426	1,729,229	176,535	2,670,190
Depreciation				
Balance at 1 July 2022	(506,305)	(255,065)	(172,114)	(933,484)
Disposals & other movements	-	32,204	-	32,204
Depreciation	(42,733)	(111,705)	(4,421)	(158,859)
Balance at 31 December 2022	(549,038)	(334,566)	(176,535)	(1,060,139)
Carrying amount at 31 December 2022	215,388	1,394,663	-	1,610,051
30 June 2022				
Cost				
Balance at 1 July 2021	544,193	334,689	176,535	1,055,417
Additions	199,564	76,447	-	276,011
Disposals & other movements	-	(25,450)	-	(25,450)
Balance at 30 June 2022	743,757	385,686	176,535	1,305,978
Depreciation				
Balance at 1 July 2021	(441,381)	(211,463)	(157,601)	(810,445)
Depreciation	(64,924)	(59,538)	(14,513)	(138,975)
Disposals	-	15,936	-	15,936
Balance at 30 June 2022	(506,305)	(255,065)	(172,114)	(933,484)
Carrying amount at 30 June 2022	237,452	130,621	4,421	372,494

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



7. Lease Liabilities

The Company has finance for a number of Operations Team motor vehicles and also applies AASB 16 Leases in relation to its office lease (Note 9)

	31 December 2022 \$	30 June 2022 \$
Current Liability		
Motor Vehicle Lease	(34,143)	(11,101)
Office Lease (Note 9)	(47,939)	(50,114)
At the end of the Period	(82,082)	(61,215)
Non Current Liability		
Motor Vehicle Lease	(73,401)	(34,532)
Office Lease (Note 9)	(102,121)	(123,075)
At the end of the Period	(175,522)	(157,607)

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

	31 December 2022 \$	31 December 2021 \$
Finance expenses: Interest on lease liability	(16,980)	(5,648)
Depreciation of Right of Use Asset	(40,373)	(21,000)
	(57,353)	(26,648)

The lease payments totaling \$23,109 to the office landlord during the Period are recorded in the Statement of Cashflows as cashflows from financing activities.

8. Related Party Loan

There were no significant changes to the nature of related party relationships and transactions from those disclosed in 30 June 2022 annual report.

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



9. Right of Use Asset and Lease Liability

The AASB 16 Leases Accounting Standard has been applied in relation to the Company's office lease in Joondalup, WA.

	31 December 2022 \$	30 June 2022 \$
Right of Use Asset		
At the beginning of the Period	422,492	422,492
	422,492	422,492
Accumulated Depreciation		
At the beginning of the Period	(277,518)	(235,518)
Depreciation in Period	(21,020)	(42,000)
	(298,538)	(277,518)
Carrying value at end of the Period	123,954	144,974
Lease Liability		
At the beginning of the Period	(173,189)	(214,481)
Interest in Period	(7,106)	(11,080)
Lease Payments in Period	30,235	52,372
At the end of the Period	(150,060)	(173,189)
Classified as:		
Current Liability (Note 7)	(47,939)	(50,114)
Non-current Liability (Note 7)	(102,121)	(123,075)
	(150,060)	(173,189)

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



10. Borrowings

During the Period the Company:

- arranged Premium Funding for its 2022/2023 insurance. Ten equal monthly instalments are payable to June 2023.
- obtained a 5 year National Australia Bank term bank loan of \$1.338m to part-fund the acquisition of Highways Traffic, with principal repayments of \$22,300 per month.
- obtained National Australia Bank Invoice Finance to assist with the working capital of Highways Traffic after acquisition, if needed.

	Note	31 December 2022 \$	30 June 2022 \$
Current Liability			
Premium Funding		(644,024)	-
Bank Loan	13	(267,600)	-
Invoice Financing	13	(253,669)	-
		(1,165,293)	-
Non Current Liability			
Bank Loan	13	(1,025,800)	-
		(1,025,800)	-

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



11. Issued capital

	Note	Half Year Ended 31 December 2022 \$	Year Ended 30 June 2022 \$
Ordinary Shares (\$)			
At the beginning of the Period		18,055,326	17,980,626
Options exercised		20,000	-
Performance Rights exercised		74,700	74,700
Acquisition of Highways Traffic	13	260,000	-
At the end of the Period		18,410,026	18,055,326
Ordinary Shares (Number)			
At the beginning of the Period		188,974,557	186,274,557
Options exercised		500,000	-
Performance Rights exercised		2,700,000	2,700,000
Acquisition of Highway Traffic	13	6,643,382	-
At the end of the Period		198,817,939	188,974,557

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	31 December 2022	30 June 2022
Share Option & Performance Right Reserve (\$)		
At the beginning of the Period	287,998	337,800
Movement	96,136	(49,802)
At the end of the Period	384,134	287,998
Share Option and Performance Rights (Number)		
At the beginning of the Period	20,700,000	23,400,000
Movement	(4,403,077)	(2,700,000)
At the end of the Period	16,296,923	20,700,000

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



Unlisted Options:

On 30 November 2017 the Company granted 9 million unlisted options as a Directors incentive, and on 19 December 2017 granted 9 million unlisted options as a staff incentive. The options were issued for \$nil consideration and exercisable at 4 cents on or before 30 November 2022. The options were valued at \$213,300

During the Period 0.5 million 2022 options were exercised and an equivalent number of ordinary shares issued. The remaining 17.5m 2022 options expired during the Period.

Also during the Period a total of 12million 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. The value was expensed in full in the Period.

Performance Rights:

Effective 29 November 2019 shareholders agreed at the Annual General Meeting for the granting of Performance Rights to Paul Simmons, the CEO, entitling him to being issued up to 3.6 million ordinary shares in the Company subject to achieving performance hurdles over reporting periods to June 2022. The Performance Rights were valued at \$61,200 with \$25,500 of this value expensed in the period to 30 June 2020, \$25,500 in the period to 30 June 2021, and \$10,200 expensed over the period to June 2022.

On 9 February 2021 the Company granted Performance Rights to the Chief Financial Officer. The Performance Rights entitled the holder to being issued up to 1.8 million ordinary shares in the Company subject to achieving performance hurdles over the period to 30 June 2022. The Performance Rights were valued at \$88,200, with \$73,500 of this value expensed in the period to 30 June 2021 and \$14,700 in period to 30 June 2022.

1,800,000 shares were issued to the CEO and 900,000 were issued to the CFO on 7 February 2022 in relation to the Performance Rights.

During the Period:

- the remaining 1.8m CEO and 0.9m CFO Performance Rights were exercised and an equivalent number of ordinary shares in the company issued;
- 1,995,000 new Performance Rights and 2,301,923 longterm Premium priced options were issued to the CEO, subject to performance hurdles.

12. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit / (loss) from continuing operations attributable to shareholders of MCS Services Limited as the numerator.

The weighted average number of shares for the purposes of calculating the basic and diluted earnings per share are as follows:

	31 December 2022	30 December 2021
	No.	No.
Weighted average number of shares: basic	192,970,479	186,274,557
Weighted average number of shares: dilutive	194,965,479	198,245,986

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



13. Acquisition of Highways Traffic Pty Ltd

Effective 17 October 2022 the Company completed the acquisition of 100% of the shares in Highways Traffic Pty Ltd, a traffic management company specializing in servicing major highway construction projects in Western Australia.

Consideration for the acquisition was as follows;

- \$1.338m cash funded by a National Australia Bank 5 year term loan (Note 10)
- \$1.8m cash paid from existing cash reserves;
- \$0.26m (6,643,382 shares) in ordinary shares in the Company subject to an escrow period;

Further amounts upto \$0.89m may be payable, subject to future revenue and profitability hurdles being achieved.

The acquisition was structured such that working capital (including cash and accounts renewable, net of amounts payable and other liabilities as at completion) accrued to the vendors. As such, the Company arranged an Invoice Finance facility with National Australia Bank to fund, where needed, the working capital requirements of Highways Traffic in the post completion period. As at the end of the Period the Company had drawn down a net \$253,000 on the Invoice Finance facility.

The consideration for the acquisition has been accounted for as follows:

Acquisition Cost:	\$
Shares issued to vendors	260,000
Cash paid on settlement	1,800,000
Bank loan	1,338,000
Future contingent instalments	540,000
	3,938,000

Represented by:	\$
Fixed Assets: Motor Vehicles	1,338,000
Intangibles: Goodwill	1,381,568
Profit or Loss: Value of Contracts Acquired	1,218,432
	3,938,000

Condensed Notes to the Financial Statements for the Half Year Ended 31 December 2022



14. Significant Items

During the Period;

- the Company received a combined total of \$0.11m from settlements with a past director (without admission of liability) and the Company's past solicitors (without admission of liability) in relation to the re-listing of the Company in October 2015. The Deeds of Settlement and Release prohibit the parties from disclosing the settlement sums.
- the Company issued a total of 12 million 6 cent 2025 options to non-executive Directors and Company Secretary and 1,995,000 Performance Rights and 2,301,923 longterm premium priced options were issued to the CEO/Managing Director as part of an incentive plan. They were valued in accordance with AASB 2 Share Based payments and an amount of \$170,836 has been expensed to Profit or Loss.
- in relation to the acquisition of Highways Traffic, the company has assessed the value of assets acquired including Motor Vehicles, Client Contracts Acquired, and Goodwill (see Note 13). The Company has elected to expense the value of contracts Acquired assesses at \$1,218,432 immediately to Profit or Loss.

15. Events subsequent to balance date

Except for the below, there has not been any matter or circumstance occurring subsequent to the end of the Period that has significantly affected or may significantly affect the operations of the Company, the results of operations or the state of affairs of the Company in future financial periods.

- 997,500 Performance Rights and 1,150,961 premium priced options were issued to the CFO on the same benchmark terms as those issued to the CEO during the Period;

16. Segmental information

Information reported to the chief operating decision maker for the purposes of resource allocation, and assessment of segment performance focuses on operating sector. The Group's reportable segments under AASB 8 are Security Services and (From 17 October 2022) traffic management as follows. There were no material -segment revenues and expenses.

	Security \$	Traffic \$	Corporate \$	Total \$
Revenue	16,095,629	1,811,633	-	17,907,262
Gross Profit	2,222,552	292,512	-	2,515,064
Other Income	15,902	-	-	15,902
Other Overheads	(2,358,696)	(306,661)	(278,381)	(2,943,738)
Significant Items	-	-	(1,279,268)	(1,279,268)
Depreciation	(129,372)	(69,860)	-	(199,232)
Finance Expenses	(24,086)	(3,622)	(14,244)	(41,952)
Profit/(loss) before tax	(273,698)	(87,633)	(1,571,893)	(1,933,224)

The directors of the Company declare that:

1. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
2. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
 - b) Complying with Accounting Standards AASB 134 Interim Financial Reporting.

This declaration is made in accordance with a resolution of the directors made pursuant to s303(5) of the Corporation Act 2001.

On behalf of the Directors



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

Dated this 28th day of February 2023



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of MCS Services Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of MCS Services Limited's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 28 February 2023.

Responsibility of the Directors for the Financial Report

The directors of MCS Services Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Stantons International Audit and Consulting Pty Ltd

Eliya Mwale

Eliya Mwale
Director

West Perth, Western Australia
28 February 2023