



Activities Report & Cash Flow Statement

For the 3 months ending 31 December 2023



MCS Services Limited (**MCS Services, Company, ASX: MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 31 December 2023 (**Period**).

Cash and net receivables as at 31 December totalled \$1.2 million (30 September 2023 \$1.7 million) comprising cash of \$1.2 million (30 September 2023 \$1.5 million) and net receivables of \$nil (30 September 2023 \$0.2 million).

The cashflow movements in the Company's Appendix 4c are summarised across the Company's activities as:

	Security Business	Traffic Business	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Cashflow from Operating Activities	672	178	(214)	636
Cashflow from Investing Activities	16	(1)	-	15
Cashflow from Financing Activities	(930)	(17)	(67)	(1,014)
Net	(242)	160	(281)	(363)

CASH FLOW

The Quarterly Cashflow reported in the attached Appendix 4c was affected by:

- The receipt of \$0.2m in the Period following the release of Company-provided cash-backed Bank Guarantees upon the cessation of a security client contract;
- The receipt of \$0.48m in the Period from a major Traffic client that would ordinarily have been received shortly after the Period-end;
- A net \$0.9m paydown of the security business Nab Finance Facility during the Period, with a drawdown balance of \$0.4m (facility limit \$1.5m) at Period-end;
- Having regard to forecast cashflows, the Company applied to the ATO during the Period for a repayment plan in relation to the following liabilities:

	Ordinarily Due	Security	Security	Traffic	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
BAS	Nov 2023	575	-	-	-	575
PAYG	Nov 2023	-	360			360
PAYG	Dec 2023	-	366	127	-	493
PAYG	Jan 2023	-	189	71	-	260
		575	915	198	-	1,688
Estimated Interest		34	52	13	-	99
		609	967	211	-	1,787
Initial Instalment, paid in period		57	91	20	-	168
Future 12 Monthly Instalments		46	73	15	-	134
Future Final Instalment		-	-	11	-	11
		609	967	211	-	1,787

The Company has proposed to repay the above in equal monthly instalments over 12 months, plus interest. As at the date of this Report the ATO has confirmed acceptance of the Traffic business payment plan, and the Company is awaiting confirmation in relation to the Security business payment plan. During the Period the Company paid the Initial Instalments.

OPERATIONS UPDATE

During the Period the Company:

- Commenced a number of small new security contracts
- Lodged a number of security and traffic management tenders, the results of which are due for release subsequent to the Period-end.

ACQUISITION AND WORKING CAPITAL FUNDING OF HIGHWAYS TRAFFIC

During a previous Period, and as announced on 20th October 2022, the Company completed the acquisition of Highways Traffic Pty Ltd ("Highways"), a traffic management company, effective midnight 16th October 2022.

The acquisition was structured such that working capital (including Cash and Accounts Receivable, net of Accounts Payable and other liabilities) as at completion accrued to the vendors. As such, the Company arranged an Invoice Finance facility (\$1.5m limit) with National Australia Bank to fund, where needed, the working capital requirements of Highways in the post-Completion period. As at the end of the Period the Company had drawn down net \$0.4m (\$1.3m 30 September 2023) on the Invoice Finance Facility. As at the end of the Period Highway Traffic had Accounts Receivable of \$0.9 million (\$1.3 million 30 September 2023)

GROWTH OPPORTUNITIES

■ Organic Growth:

The Company has security operating licenses for Western Australia, South Australia, Victoria, South Wales, ACT and Queensland.

The Company continues to seek further organic growth opportunities in its specialist security and traffic management segments, including but not limited to leveraging its reputation with existing clients to obtain work at additional locations.

CORPORATE

During the Period the Company:

- As disclosed in Section 6 of the Appendix 4c, during the Period the Company paid:
 - \$nil (\$37,000: September 2023) to Directors in fees,
 - and a total of \$62,700 (\$67,600: 30 September 2023) to Paul Simmons, CEO, as salary and office rent to a related entity of Paul Simmons
- held its 2023 Annual General meeting Thursday 30 November 2023
- Put into effect (pursuant to the Salary Sacrifice Share Plan agreed by shareholders at the Annual General Meeting on 30 November 2022 and detailed in the Explanatory Statement to the Notice of AGM issued on 31 October 2022) Directors fees being salary sacrificed for an equivalent value of ordinary shares in the Company effective from 1 October 2023. Director fees of \$33,000 were incurred during the period in total. As of the Period-End no shares in the Company had yet been issued to board members in this regard.

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 31 December 2023.

Your's faithfully



Paul R. Simmons

Managing Director

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ABOUT MCS SERVICE LIMITED

MCS Services Limited is a Company listed on the Australian Securities Exchange (ASX: MSG). The Company is one of the largest fully integrated security providers in Western Australia, employing over 500 operational staff and supervisors. MCS Services specialises in asset security at government offices and facilities, major commercial property sites, retail shopping centres, sports stadiums, ancillary sites and major outdoor events throughout Western Australia and also traffic management for large infrastructure projects.

Visit the Company's website

www.mcssecurity.com.au or see the Company's latest announcements

<https://www.asx.com.au/asx/share-price-research/company/MSG> for more details.

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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

MCS Services Limited

ABN

66 119 641 986

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,644	21,300
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(25)	(38)
(d) leased assets	-	-
(e) staff costs	(7,763)	(15,793)
(f) administration and corporate costs	(2,272)	(4,060)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	13
1.5 Interest and other costs of finance paid	(57)	(111)
1.6 Income taxes paid	(42)	(56)
1.7 Government grants and tax incentives	-	-
1.8 Other : GST to ATO	(57)	(920)
Other: Return of Bank Guarantee	200	200
1.9 Net cash from / (used in) operating activities	636	535

2. Cash flows from investing activities

2.1 Payments to acquire or for:	-	-
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(410)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	15	15
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Payment for Security for Bank Guarantees*	-	-
2.6	Net cash from / (used in) investing activities	15	(394)

3.	Cash flows from financing activities		
3.1	Proceeds from (payments for) issues of equity securities (excluding convertible debt securities)	-	(6)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	349
3.6	Repayment of borrowings	(1,014)	(1,152)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(1,014)	(810)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,541	1,848
4.2	Net cash from / (used in) operating activities (item 1.9 above)	636	535
4.3	Net cash from / (used in) investing activities (item 2.6 above)	15	(394)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,014)	(810)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,179	1,179

Consistent with the accounting treatment in the Consolidated Financial Statements for the year ending 30 June 2023, \$0.2m cash transferred to the Company's Term Deposits during previous periods as security for Bank Guarantees provided to Company clients was treated as a cash outflow for cashflow reporting purposes in the relevant Period and classed as 'restricted cash' Non-Current Assets in Statements of Financial Position.

The \$0.2m backing the client Bank Guarantees was released to the Company during the Period and is included above as part of Net Cash from Operating Activities.

A separate \$20,000 was provided as a Landlord guarantee in a previous Period and was accounted for in the same manner on inception. As the landlord cash-backed guarantee remains in effect the Term Deposit totalling \$20,000 is not included in the above.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,179	1,541
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other*	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,179	1,541

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	63
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

The amounts at 6.1 above include:

- Director fees of \$nil (30 Sept 2023: \$37,000);
- salary paid to Paul Simmons as CEO and office rent paid to a related entity of Paul Simmons totalling \$62,700 (30 Sept 2023: \$67,600)

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities (Term loan)	1,026	1,026
7.2	Credit standby arrangements	-	-
7.3	Other (Invoice Financing)	1,500	421
	Other (Vehicle Leases)	58	58
	Other (Vehicle Loan)	650	561
7.4	Total financing facilities	3,234	2,066
7.5	Unused financing facilities available at quarter end	\$1.08m (Invoice Financing facility)	
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Nab Term Loan: \$1.338m loan to part-fund Highways Traffic acquisition. Commenced October 2022, straight-line principal repayment over 5 years, interest rate of 6.05% on commencement.</p> <p>Nab invoice financing facility: Facility limit of \$1.5m, any drawn-down balance secured over Accounts Receivables of MCS Security, interest of 6.62% on drawn-down balances on commencement. Drawn down at Period-end to \$0.42 million (30 Sept 2023: \$1.33 million) to assist with funding the working capital ramp-up of the Highways Traffic subsidiary. As at Period-end MCS Security had Accounts Receivable of \$3.8 million (30 Sept 2023: \$3.2 million) and Highways Traffic \$0.87 million (30 Sept 2023: \$1.30 million)</p> <p>Vehicle leases: leases secured over three site patrol cars and one commercial light vehicle used in Security operations. Commenced over 2022 with interest at 4.85%, repayable in equal monthly instalments over four years from inception</p> <p>Nab Vehicle Loan: Finance facility secured over relevant vehicles (and guaranteed by the Company) to a maximum of \$0.65m. Interest rate of 7.41% on inception. Entered into in a previous period and utilised to acquire, for a total of \$0.6m, one specialist truck (delivered and funded in period to 30 June 2023) and a total of ten (three delivered / funded in the period to 30 June 2023, remainder in period to 30 Sept 2023) commercial light vehicles as a rolling improvement / replacement of elements of Highways Traffic's operational fleet vehicles. Repayable in equal monthly instalments over 5 years for each vehicle.</p>		
8.	Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (item 1.9)	636	
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,179	
8.3	Unused finance facilities available at quarter end (item 7.5)	1,079	
8.4	Total available funding (item 8.2 + item 8.3)	2,258	

8.5 **Estimated quarters of funding available (item 8.4 divided by item 8.1)**

N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2024

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial

records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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