



Activities Report & Cash Flow Statement

For the 3 months ending 30 June 2024



MCS Services Limited (**MCS Services, Company**, ASX: **MSG**) is pleased to present its Activities Report and Appendix 4C for the three months ending 30 June 2024 (Period).

Cash and net receivables as at 30 June 2024 totalled \$1.6 million (31 March 2024 \$0.6 million) comprising cash of \$0.9 million (31 March 2024 \$0.7 million) and net receivables of \$0.7 million (31 March 2024 negative \$0.1 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	802	(144)	(150)	508
Cashflow from Investing Activities	38	(16)	1,682	1,704
Cashflow from Financing Activities	(983)	(26)	(959)	(1,969)
Net	(143)	(186)	572	243

CASH FLOW

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

- Operating cashflows included only a 2.5 month trading period for the Security business, prior to its sale effective 19 June 2024
- A net \$0.9m paydown (31 March 2024 : \$0.7m drawdown) of the Security Business' Nab Finance Facility during the Period, with a drawdown balance of \$nil at Period-end (the purchaser of MCS Security assumed the remaining balance of \$0.2m on acquisition);
- Making \$0.36m of ATO Repayment Plan instalments (as per below) as well as maintaining all other current tax payment obligations

ATO

		Security	Security	Traffic	Corporate	Total
Approved ATO Repayment Plans	<i>Ordinarily Due</i>	\$'000	\$'000	\$'000	\$'000	\$'000
BAS	<i>Nov-23</i>	575	-	-	-	575
PAYG	<i>Nov-23</i>	-	360	-	-	360
PAYG	<i>Dec-23</i>	-	366	127	-	493
PAYG	<i>Jan-23</i>	-	189	71	-	260
BAS	<i>Feb-24</i>	682	-	-	-	682
		1,257	915	198	-	2,370
Estimated Interest		37	52	13	-	102
		1,294	967	211	-	2,472
Repayments						
Instalments paid in previous periods		(319)	(310)	(65)	-	(694)
Instalments paid this Period		(186)	(126)	(45)	-	(357)
Income Tax Refund applied in prior Period		(272)	-	-	-	(272)
		(777)	(436)	(110)	0	(1,323)
Liability effectively assumed by purchaser of Security company		(517)	(531)	-	-	(1,048)
Future remaining total instalments		-	-	(90)	-	(90)
Future final instalment		-	-	(11)	-	(11)
		-	-	(101)	0	(101)
Note: Monthly instalments \$'000 pm				15	-	15
Note: Months remaining				6	-	

SALE OF SECURITY BUSINESS SUBSIDIARY

As announced on 2 February 2024, the Company entered into a conditional agreement to sell its 100% interest in the Security Business subsidiary for a cash consideration of \$3,000,000 on a nil net asset basis. The Company's decision to undertake the sale was made after thorough and diligent evaluation from the Board of Directors as to the merits of the sale or retention of the business, with the Company's primary aim being to preserve value for its shareholders.

During a previous period the Company entered into a Heads of Agreement with Vibrant Services Pty Ltd, subject to execution of a Share Sale Agreement to be negotiated in good faith and subject to approval by Company shareholders. A General Meeting of the Company shareholders on 29 April 2024 voted to approve the sale and, as announced on 13 May 2024, a Share Sale Agreement was executed during the Period. Settlement occurred effective 19th June 2024.

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

- the net proceeds of sale totalled \$1.68 million having regard to a draft net liability position of the Security company of \$1.32m (subject to subsequent preparation of Completion Accounts effective 19th June 2024); and
- the Company utilised \$0.9m of the above proceeds to repay in full the Nab corporate loan utilised to part-fund the October 2022 acquisition of the Highways Traffic business.

OPERATIONS UPDATE

During the Period the Company:

- Commenced a number of small new Traffic management contracts
- Lodged a number of 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. At the end of the previous period the net drawn-down position was \$1.1m. After a net reduction in the facility of \$0.9m during the Period the drawn-down balance was \$0.2m at the date of sale of the Security business effective 19th June 2024. This balance was effectively assumed by the purchaser of the Security company upon acquisition.

CORPORATE

As disclosed in Section 6 of the Appendix 4c, during the Period the Company paid:

- \$72,245 (\$nil : March 2024) to Directors in fees, for the period October 2023 to June 2024
- and a total of \$64,346 (\$71,036 : 31 March 2024) to Paul Simmons, CEO, as salary and office rent to a related entity of Paul Simmons

During the Period Mr Adam Goulding resigned as a Director effective 29th May 2024.

Attached is the Appendix 4C Quarterly Cash Flow Statement for the three months ending 30 June 2024.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul R. Simmons', with a large circular flourish at the start.

Paul R. Simmons

Managing Director

ABOUT MCS SERVICE LIMITED

MCS Services Limited is a Company listed on the Australian Securities Exchange (ASX: MSG). Following the sale of its Security business in June 2024, MCS Services now solely specialises in traffic management for large infrastructure projects.

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")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	11,144	43,256
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(6)	(52)
(d) leased assets	-	-
(e) staff costs	(7,508)	(32,237)
(f) administration and corporate costs	(2,630)	(9,186)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	14
1.5 Interest and other costs of finance paid	(73)	(237)
1.6 Income taxes paid	-	(56)
1.7 Government grants and tax incentives	-	-
1.8 Other : GST to ATO	(418)	(1,756)
Other: Return of Bank Guarantee	-	200
1.9 Net cash from / (used in) operating activities	508	(55)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:	-	-
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(439)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	1,682	1,682
	(b) businesses	-	-
	(c) property, plant and equipment	-	15
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Security business cash position assumed by Purchaser	36	36
2.6	Net cash from / (used in) investing activities	1,704	1,295

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 (see Note)	(1,005)	(1,321)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other: Invoice Financing (see Note)	(963)	(1,158)
3.10	Net cash from / (used in) financing activities	(1,968)	(2,136)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	708	1,848
4.2	Net cash from / (used in) operating activities (item 1.9 above)	508	(55)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,704	1,295
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,968)	(2,136)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	952	952

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 December 2023 Period and is included above as part of Net Cash from Operating Activities Year to Date.

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	952	708
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)	952	708

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	137
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i> The amounts at 6.1 above include: - Director fees of \$72,245 (31 March 2024: \$nil); - salary paid to Paul Simmons as CEO and office rent paid to a related entity of Paul Simmons totalling \$64,346 (31 March 2024:62 \$71,036) The Directors fees paid in the Period related to the period October 2023 to June 2024. A remaining \$30,000 owed for the period October 2023 to June 2024 was paid subsequent to the Period end.	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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)	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Invoice Financing)	-	-
	Other (Vehicle Leases)	-	-
	Other (Vehicle Loan)	650	509
7.4	Total financing facilities	650	509
7.5	Unused financing facilities available at quarter end		-
7.6	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. 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. During the Period the remaining \$0.91m then owing as at June 2024 was repaid in full utilising an element of the proceeds of sale of the Security business. Nab invoice financing facility: Previously established to assist with funding the working capital ramp-up of the Highways Traffic subsidiary. Facility limit was \$1.5m, with any drawn-down balance secured over Accounts Receivables of MCS Security, interest of 6.62% on drawn-down balances. Facility drawn down at 31 March 2024 to \$1.17 million, and during the Period the balance was reduced by \$0.96 million and the remaining \$0.2m assumed by the purchaser of the MCS Security company. Vehicle leases: leases secured over three MCS Security company site patrol cars and one commercial light vehicle. Commenced over 2022 with interest at 4.85%, repayable in equal monthly instalments over four years from inception. Facility assumed by the purchaser of the MCS Security company during the Period. Nab Vehicle Loan: Finance facility secured over relevant Highways Traffic business 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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	508
8.2	Cash and cash equivalents at quarter end (item 4.6)	952
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	952

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:

N/A

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:

N/A

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:

N/A

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 July 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.