

**Millennium Services Group Ltd**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	Millennium Services Group Ltd
ABN:	11 607 926 787
Reporting period:	For the six months ended 31 December 2016
Previous period:	For the two months ended 31 December 2015

**2. Results for announcement to the market**

			\$'000
Revenues from ordinary activities	up	310.1% to	101,011
Profit from ordinary activities after tax attributable to the owners of Millennium Services Group Ltd	up	185.8% to	2,294
Profit for the period attributable to the owners of Millennium Services Group Ltd	up	185.8% to	2,294

*Dividends*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the reporting period ended 30 June 2016	0.044	0.044

An Interim Dividend of \$0.035 per share fully franked was declared on 27 February 2017, in respect of the half year ended 31 December 2016.

*Comments*

The profit for the consolidated entity after providing for income tax amounted to \$2,293,627 (For the period 1 November 2015 to 31 December 2015: loss of \$2,672,521).

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(57.75)	1.74

**4. Control gained over entities**

Name of entities (or group of entities)	Airlite Group
Date control gained	1 November 2016

**\$'000**

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period from 1 November 2016 to 31 December 2016.

1,124

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### *Current period*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the reporting period ended 30 June 2016	0.044	0.044
An Interim Dividend of \$0.035 per share fully franked was declared on 27 February 2017, in respect of the half year ended 31 December 2016.		

### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

## 7. Dividend reinvestment plans

Not applicable.

## 8. Details of associates and joint venture entities

Not applicable.

## 9. Foreign entities

### *Details of origin of accounting standards used in compiling the report:*

All foreign entities apply International Financial Reporting Standards (IFRS).

## 10. Audit qualification or review

### *Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

**11. Attachments**

*Details of attachments (if any):*

The Interim Financial Report of Millennium Services Group Ltd for the period ended 31 December 2016 is attached.

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**12. Signed**

Signed  \_\_\_\_\_

Mark Baldwin  
Director

Date: 27 February 2017

**Millennium Services Group Ltd**

**ABN 11 607 926 787**

**Interim Financial Report - 31 December 2016**

**Millennium Services Group Ltd**  
**Directors' report**  
**31 December 2016**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Millennium Services Group Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2016.

**Directors**

The following persons were directors of Millennium Services Group Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Peter Anderson  
Mark Baldwin  
Stephen Williams  
Greg McCormack  
Stephen Lidbury  
Ross Gavranich (appointed 25th October 2016)

**Principal activities**

Millennium Services Group is a cleaning, security and integrated service specialist in the retail shopping centre, commercial property and Commonwealth and state government sectors.

**Review of operations**

The profit for the consolidated entity after providing for income tax amounted to \$2,293,627 (For the period 1 November 2015 to 31 December 2015: loss of \$2,672,521).

Additional information regarding operations for the half year ended 31 December 2016 follows.

*NSW/ Australian Capital Territory*

Growth in this sector has been predominantly driven by the full period impact of the NCSA acquisition (all of which operates within this segment) and organic growth through predominantly cleaning contract wins and renewals in NSW.

*Victoria*

The Victorian segment was bolstered by cleaning and security contract wins in the retail division.

*South Australia*

South Australia has remained consistent. This segment should see some improvement in the second half of the 2017 financial year due to normal seasonality in the school cleaning sector.

*Queensland*

Growth in the Queensland segment has been predominantly driven by shopping centre growth and redevelopment in this segment as well as contract wins and major contract renewals.

*New Zealand*

The group continues to expand into the New Zealand market with contract wins from a major client on the North Island in the second quarter of the 2017 financial year.

*Western Australia*

The group successfully expanded into Western Australia with the acquisition of the Airlite Group (which operates predominantly within this segment).

**Millennium Services Group Ltd**  
**Directors' report**  
**31 December 2016**

**Significant changes in the state of affairs**

During the current period the consolidated entity acquired the Airlite Group. Refer to Note 10 of the financial report for further details.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



\_\_\_\_\_  
Mark Baldwin  
Director

27 February 2017

# MOORE STEPHENS

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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF MILLENNIUM SERVICES GROUP LTD & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**GEORGE S. DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

27 February 2017

**Millennium Services Group Ltd**  
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**General information**

The financial statements cover Millennium Services Group Ltd as a consolidated entity consisting of Millennium Services Group Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Millennium Services Group Ltd's functional and presentation currency.

Millennium Services Group Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Millennium Services Group Limited  
Level 1, TOKH Corporate Centre  
459 Toorak Road  
Toorak, VIC, 3142

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2017.



**Millennium Services Group Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the period ended 31 December 2016**

		<b>Consolidated</b>	
		<b>Six Months</b>	<b>Two Months</b>
		<b>to December</b>	<b>to December</b>
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	3	101,011	24,632
<b>Expenses</b>			
Raw materials and consumables used		(17,889)	(2,957)
Employee benefits expense		(70,530)	(18,902)
Depreciation and amortisation expense		(2,133)	(393)
Transaction costs		(776)	(3,965)
Other expenses		(5,759)	(1,173)
Finance costs		(607)	(119)
<b>Profit/(loss) before income tax</b>		3,317	(2,863)
Income tax (expense)/benefit		(1,023)	190
<b>Profit/(loss) after income tax for the period attributable to the owners of Millennium Services Group Ltd</b>		2,294	(2,673)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(4)	9
Other comprehensive income for the period, net of tax		(4)	9
<b>Total comprehensive income for the period attributable to the owners of Millennium Services Group Ltd</b>		2,290	(2,664)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		4.99	(5.82)
Diluted earnings per share		4.99	(5.82)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Millennium Services Group Ltd**  
**Statement of financial position**  
**As at 31 December 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>December 2016</b>	<b>June 2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,492	6,723
Trade and other receivables		17,344	8,178
Inventories		745	770
Other		1,995	885
Total current assets		29,576	16,556
<b>Non-current assets</b>			
Property, plant and equipment		11,281	8,273
Intangibles	4	39,268	10,677
Deferred tax		5,465	3,664
Other		61	59
Total non-current assets		56,075	22,673
<b>Total assets</b>		<b>85,651</b>	<b>39,229</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		13,748	7,679
Borrowings	5	6,290	1,807
Income tax		2,622	1,100
Employee benefits		10,985	6,315
Other		4,571	3,357
Total current liabilities		38,216	20,258
<b>Non-current liabilities</b>			
Borrowings	6	24,960	3,001
Deferred tax		7,824	2,182
Employee benefits		1,908	1,314
Total non-current liabilities		34,692	6,497
<b>Total liabilities</b>		<b>72,908</b>	<b>26,755</b>
<b>Net assets</b>		<b>12,743</b>	<b>12,474</b>
<b>Equity</b>			
Issued capital		18,967	18,967
Reserves		(7,204)	(7,200)
Retained profits		980	707
<b>Total equity</b>		<b>12,743</b>	<b>12,474</b>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Millennium Services Group Ltd**  
**Statement of changes in equity**  
**For the period ended 31 December 2016**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 November 2015	-	(4,450)	-	(4,450)
Loss after income tax benefit for the period	-	-	(2,673)	(2,673)
Other comprehensive income for the period, net of tax	-	9	-	9
Total comprehensive income for the period	-	9	(2,673)	(2,664)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the period	19,541	-	-	19,541
Costs associated with capital raising and IPO	(551)	-	-	(551)
Pre IPO restructure	-	(2,633)	-	(2,633)
Balance at 31 December 2015	18,990	(7,074)	(2,673)	9,243

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016	18,967	(7,200)	707	12,474
Profit after income tax expense for the period	-	-	2,294	2,294
Other comprehensive income for the period, net of tax	-	(4)	-	(4)
Total comprehensive income for the period	-	(4)	2,294	2,290
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 7)	-	-	(2,021)	(2,021)
Balance at 31 December 2016	18,967	(7,204)	980	12,743

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Millennium Services Group Ltd**  
**Statement of cash flows**  
**For the period ended 31 December 2016**

		<b>Consolidated</b>	
		<b>Six Months</b>	<b>Two Months</b>
		<b>to December</b>	<b>to December</b>
	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		108,171	26,553
Payments to suppliers and employees (inclusive of GST)		(100,673)	(28,040)
		7,498	(1,487)
Interest received		14	1
Interest and other finance costs paid		(607)	(119)
IPO transaction costs		-	(3,965)
Income taxes paid		(825)	(1,452)
Net cash from/(used in) operating activities		6,080	(7,022)
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired		(22,083)	(7,364)
Payments for property, plant and equipment		(570)	(428)
Proceeds from disposal of property, plant and equipment		8	71
Net cash used in investing activities		(22,645)	(7,721)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	19,541
Proceeds from borrowings		25,086	-
Repayment of lease liabilities		(714)	-
Share issue transaction costs		-	(703)
Dividends paid	7	(2,021)	-
Repayment of borrowings		(3,333)	(2,848)
Proceeds from related party borrowings		319	478
Net cash from financing activities		19,337	16,468
Net increase in cash and cash equivalents		2,772	1,725
Cash and cash equivalents at the beginning of the financial period		6,723	1,026
Effects of exchange rate changes on cash and cash equivalents		(3)	22
Cash and cash equivalents at the end of the financial period		9,492	2,773

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Comparatives**

The company was incorporated on 1 November 2015, and the comparative information covers the two month period from that date until 31 December 2015.

## Note 2. Operating segments

### Identification of reportable operating segments

The consolidated entity is organised into seven operating segments: Victoria, Queensland, South Australia, New South Wales, New Zealand, Western Australia and Head Office. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	New South Wales	Victoria	South Australia	Queens- land	New Zealand	WA	Head Office	Total
Consolidated 31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>								
Sales to external customers- cleaning	34,154	11,524	11,141	17,471	1,777	7,882	-	83,949
Sales to external customers- security and other services	10,686	1,771	-	3,609	160	750	-	16,976
Other revenue	72	-	-	-	-	-	-	72
<b>Total revenue</b>	<u>44,912</u>	<u>13,295</u>	<u>11,141</u>	<u>21,080</u>	<u>1,937</u>	<u>8,632</u>	<u>-</u>	<u>100,997</u>
<b>Gross Margin</b>	<u>6,684</u>	<u>2,388</u>	<u>1,504</u>	<u>4,715</u>	<u>335</u>	<u>2,058</u>	<u>-</u>	<u>17,684</u>
<b>EBITDA</b>							(11,641)	6,043
Depreciation and amortisation								(2,133)
Interest revenue								14
Finance costs								(607)
<b>Profit before income tax expense</b>								3,317
Income tax expense								(1,023)
<b>Profit after income tax expense</b>								<u>2,294</u>

  

	New South Wales	Victoria	South Australia	Queens- land	New Zealand	Head Office	Total
Consolidated for the period from 1 November 2015 to 31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>							
Sales to external customers- cleaning	8,934	3,330	3,423	4,613	285	-	20,585
Sales to external customers- security	2,906	283	-	724	26	-	3,939
Other revenue	107	-	-	-	-	13	120
<b>Total revenue</b>	<u>11,947</u>	<u>3,613</u>	<u>3,423</u>	<u>5,337</u>	<u>311</u>	<u>13</u>	<u>24,644</u>
<b>Gross Margin</b>	<u>2,558</u>	<u>580</u>	<u>410</u>	<u>651</u>	<u>1</u>	<u>13</u>	<u>4,213</u>
<b>EBITDA</b>						(6,565)	(2,352)
Depreciation and amortisation							(393)
Interest revenue							1
Finance costs							(119)
<b>Profit before income tax expense</b>							(2,863)
Income tax expense							190
<b>Profit after income tax expense</b>							<u>(2,673)</u>

**Millennium Services Group Ltd**  
**Notes to the financial statements**  
**31 December 2016**

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>Six Months</b>	<b>Two Months</b>
	<b>to December</b>	<b>to December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision of services	100,997	24,632
<i>Other revenue</i>		
Interest	14	-
Revenue	<u>101,011</u>	<u>24,632</u>

**Note 4. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>December</b>	<b>June</b>
	<b>2016</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	15,092	4,836
Trademarks - at cost	2,734	-
Less: Accumulated amortisation	(46)	-
	<u>2,688</u>	<u>-</u>
Customer contracts - at cost	22,790	6,301
Less: Accumulated amortisation	(1,302)	(460)
	<u>21,488</u>	<u>5,841</u>
	<u>39,268</u>	<u>10,677</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Goodwill	Trademarks	Customer contracts	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
Balance at 1 July 2016	4,836	-	5,841	10,677
Movements through business combinations (note 10)	10,256	2,734	16,489	29,479
Amortisation expense	-	(46)	(842)	(888)
Balance at 31 December 2016	<u>15,092</u>	<u>2,688</u>	<u>21,488</u>	<u>39,268</u>

**Millennium Services Group Ltd**  
**Notes to the financial statements**  
**31 December 2016**

**Note 5. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>December</b>	<b>June</b>
	<b>2016</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
ANZ interchangeable loan facility *	4,314	667
Hire purchase	1,976	1,140
	<u>6,290</u>	<u>1,807</u>

\* Drawdown for the purpose of acquiring the Airlite Group, detailed in Note 10.

**Note 6. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>December</b>	<b>June</b>
	<b>2016</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
ANZ interchangeable loan facility *	22,272	1,164
Hire purchase	2,688	1,837
	<u>24,960</u>	<u>3,001</u>

\* Drawdown for the purpose of acquiring the Airlite Group, detailed in Note 10.

**Note 7. Equity - dividends**

Dividends paid during the financial period were as follows:

	<b>Consolidated</b>	
	<b>Six Months</b>	<b>Two Months</b>
	<b>to December</b>	<b>to December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend of \$0.044 per share (fully franked) is was paid in respect of the reporting period ended 30 June 2016.	<u>2,021</u>	<u>-</u>

**Note 8. Contingent assets**

Millennium Services Group Ltd is entitled to an indemnity from certain vendor shareholder entities if their objection, lodged with the NSW Office of State Revenue (OSR), is ultimately unsuccessful. This indemnity is in excess of the \$1.927 million levied to Millennium Hi-Tech Group Pty Ltd, a wholly owned subsidiary of Millennium Services Group Ltd, by the NSW Office of State Revenue for payroll tax assessments in respect of the payroll years ended 30 June 2011 to 30 June 2015 (inclusive). A corresponding contingent liability, in excess of this amount, has been disclosed in Note 9 of these financial statements.



**Note 9. Contingent liabilities**

Companies within the group had at the end of the reporting period a number of public liability claims made against it in relation to incidents occurring at facilities cleaned by the company. These claims are part of normal business activity for companies of this nature and are expensed as incurred due to the number of claims and the relative amounts of each claim settled. The group is presently undertaking an analysis of historical information and claims processes to determine if a change in the present accounting policy is warranted.

The NSW Office of State Revenue (OSR) on 23 November 2015 issued payroll tax assessments in respect of the payroll tax years ended 30 June 2011 to 30 June 2015 (inclusive) for wholly-owned subsidiary Millennium Hi-Tech Group Pty Ltd totalling \$1.927 million. These assessments were made on the basis that the employment agency provisions of the Payroll Tax Act 2007 (NSW) applied to Millennium Hi-Tech Group Pty Ltd. An objection was lodged with the OSR in early 2016 in respect of this matter.

Should Millennium Hi-Tech Group Pty Ltd be ultimately unsuccessful in its objection, Millennium Services Group Ltd is entitled to an indemnity from certain vendor shareholder entities in excess of the assessments levied. As such, a contingent asset of \$1.927 million has also been disclosed in these financial statements. Further, should Millennium Hi-Tech Group Pty Ltd be ultimately unsuccessful in its objection, it is likely that a further amount of payroll tax would be payable in respect of the period since listing to 31 December 2016. It is estimated that the impact of such additional tax would be between \$0.5 million - \$1 million (excluding any penalties of interest that may be levied). This additional contingent liability would not be covered under the vendor shareholders' indemnity.

During the period ended 31 December 2016 the OSR rejected the initial objection lodged by Millennium Hi-Tech Group Pty Ltd. Millennium Hi-Tech Group Pty Ltd is appealing this decision to the NSW Supreme Court. Millennium Hi-Tech Group Pty Ltd has received Senior Counsel's opinion that the employment agency provisions of the Payroll Tax Act 2007 (NSW) do not apply and the decision of Justice White in the NSW Supreme Court (UNSW Global Pty Ltd v Chief Commissioner of State Revenue [2016] NSWSC 1852) supports this position.

**Millennium Services Group Ltd**  
**Notes to the financial statements**  
**31 December 2016**

**Note 10. Business combinations**

*Acquisition of Airlite Group*

Millennium Services Group Ltd acquired the Airlite Group on 1 November 2016. Headquartered in Perth, Airlite provides the company with an established presence in Western Australia with a proven management team and a portfolio of quality contracts predominantly located on the west coast of Australia, primarily in the commercial cleaning and facility management sectors.

Had the results relating to Airlite Group been consolidated from 1 July 2016, consolidated revenue of the consolidated group would have been \$123.7 million (unaudited) and consolidated operating EBITDA of the consolidated group would have been \$8.2 million (unaudited) for the half year ended 31 December 2016.

Details of the acquisition are as follows:

	<b>Fair value \$'000</b>
Cash and cash equivalents	3,505
Receivables and prepayments	8,088
Property, plant and equipment	2,374
Customer contracts	16,489
Trademarks	2,734
Deferred tax	1,462
Payables and accruals	(5,000)
Provision for income tax	(860)
Employee benefits	(4,114)
Borrowings	(4,081)
Deferred tax	(5,767)
	<hr/>
Net assets acquired	14,830
Goodwill	10,256
	<hr/>
Acquisition-date fair value of the total consideration transferred	25,086
	<hr/> <hr/>
Representing:	
Cash paid or payable to vendor	25,086
	<hr/> <hr/>

**Note 10. Business combinations (continued)**

The below adjustments have been made in relation to acquisition of ACS as a result of the completion of provisional accounting:-

	Provisional as at 30 June 2016 Fair value \$'000	Adjustment Fair value \$'000	As at 31 December Fair value \$'000
Cash and cash equivalents	110	-	110
Property, plant and equipment	1,637	-	1,637
Customer contracts	3,052	-	3,052
Deferred tax asset	68	-	68
Deferred tax liability	-	(916)	(916)
Employee benefits	(288)	(47)	(335)
Borrowings	(571)	-	(571)
Other liabilities	-	(107)	(107)
Net assets/(liabilities) acquired	4,008	(1,070)	2,938
Goodwill	3,792	70	3,862
Acquisition-date fair value of the total consideration transferred	<u>7,800</u>	<u>(1,000)</u>	<u>6,800</u>
Representing:			
Cash paid or payable to vendor	7,000	-	7,000
Contingent consideration	1,000	(1,000)	-
Receivable due from vendor with long service leave liabilities	(200)	-	(200)
	<u>7,800</u>	<u>(1,000)</u>	<u>6,800</u>

The above adjustments include the elimination of the Contingent Consideration provision of \$1 million that was provided for in the 30 June 2016 accounts as part of the provisional fair value accounting. The Directors note that the ACS Vendors have issued Millennium with a Notice of Dispute claiming various adjustments to the relevant contractual earn-out provision ("Claims"). The Notice of Dispute and the related Claims are in the process of being referred to an Independent Accountant for review and determination. The Directors note that they have received written advice regarding the Claims raised by the Vendors. That advice has concluded that the majority of the items compromising the Claims are without appropriate foundation, and on any objective analysis would most likely be rejected by the Independent Accountant. As such, the Directors have concluded that there is no basis to maintain the Contingent Consideration provision of \$1 million.

The adjustments have been restated in the 30 June 2016 comparatives.

**Note 10. Business combinations (continued)**

The below adjustments have been made in relation to acquisition of NCSA as a result of the completion of provisional accounting:-

	Provisional as at 30 June 2016 Fair value \$'000	Adjustments Fair value \$'000	As at 31 December Fair value \$'000
Cash and cash equivalents	38	-	38
Property plant and equipment	73	-	73
Customer contracts	3,248	-	3,248
Deferred tax liability	-	(975)	(975)
Employee benefits	(336)	-	(336)
Net assets/(liabilities) acquired	3,023	(975)	2,048
Goodwill	-	975	975
Acquisition-date fair value of the total consideration transferred	<u>3,023</u>	<u>-</u>	<u>3,023</u>
Representing:			
Cash paid or payable to vendor	2,000	500	2,500
Contingent consideration	500	-	500
Deferred consideration	500	(500)	-
Receivable due from vendor with regard to long service leave liabilities	23	-	23
	<u>3,023</u>	<u>-</u>	<u>3,023</u>

The adjustments have been restated in the 30 June 2016 comparatives.

**Note 11. Events after the reporting period**

An Interim Dividend of \$0.035 per share fully franked was declared on 27 February 2017, in respect of the half year ended 31 December 2016.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Millennium Services Group Ltd**  
**Directors' declaration**  
**31 December 2016**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Mark Baldwin  
Director

27 February 2017

Moore Stephens Audit (Vic)

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MILLENNIUM SERVICES GROUP & CONTROLLED ENTITIES**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Millennium Services Group Ltd & Controlled Entities (**the company**), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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:

- a. giving a true and fair view of the company's financial position as at 31 December 2016 and 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*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

## *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 provided to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**GEORGE S. DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

27 February 2017