

Millennium Services Group Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Millennium Services Group Ltd
ABN:	11 607 926 787
Reporting period:	For the year ended 30 June 2017
Previous period:	For the 8 months ended 30 June 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	115.7% to	227,312
Profit from ordinary activities after tax attributable to the owners of Millennium Services Group Ltd	up	779.3% to	6,217
Profit for the period attributable to the owners of Millennium Services Group Ltd	up	779.3% to	6,217

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for 2016 financial year	4.4	4.4
Interim dividend for 2017 financial year	3.5	3.5
Final dividend for the 2017 financial year	5.4	5.4

Comments

The profit for the consolidated entity after providing for income tax amounted to \$6,217,000 (30 June 2016: \$707,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(55.10)	(6.76)

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 (where material), excluding financing costs, amortisation and national headquarter costs (not allocated to Airlite).	4,662

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for 2017 financial year	5.4	5.4
Interim dividend for 2017 financial year	3.5	3.5

Previous period

Final dividend for 2016 financial year	4.4	4.4
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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:

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Consolidated Financial Statements of Millennium Services Group Ltd for the year ended 30 June 2017 are attached.

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12. Signed

Signed  _____

Craig Hanley
Director

Date: 25 August 2017

Millennium Services Group Ltd

ABN 11 607 926 787

Consolidated Financial Statements - 30 June 2017

Millennium Services Group Ltd
Corporate directory
30 June 2017

Directors	Peter Anderson – Independent, Non-Executive Chairman Craig Hanley – Executive Director and Chief Executive Officer Stephen Williams – Independent, Non-Executive Director Greg McCormack – Independent, Non-Executive Director Stephen Lidbury – Executive Director & Organisational Excellence Leader - Security Ross Gavranich - Executive Director & Organisational Excellence Leader - Airlite
Company secretary	Damien Gray
Registered office	Millennium Services Group Limited Level 1, 205-211 Forster Road Mount Waverley, Victoria 3149
Principal place of business	Millennium Services Group Limited Level 1, 205-211 Forster Road Mount Waverley, Victoria 3149
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Australia
Auditor	Moore Stephens Audit (Vic) Level 18, 530 Collins Street Melbourne, VIC, 3000
Stock exchange listing	Millennium Service Group Ltd shares are listed on the Australian Securities Exchange (ASX code: MIL)
Website	http://www.millenniumsg.com
Corporate Governance Statement	Refer to http://www.millenniumsg.com

Millennium Services Group Ltd
Directors' report
30 June 2017

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 year ended 30 June 2017.

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 – Independent, Non-Executive Chairman
Mark Baldwin – Executive Director and Chief Executive Officer (resigned 26 June 2017)
Stephen Williams – Independent, Non-Executive Director
Greg McCormack – Independent, Non-Executive Director
Stephen Lidbury – Executive Director
Ross Gavranich - Executive Director (appointed 25 October 2016)
Craig Hanley – Executive Director and Chief Executive Officer (appointed 26 June 2017)

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.

Dividends

Dividends paid during the financial period were as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
Final dividend of \$0.044 per share (fully franked) is was paid in respect of the reporting period ended 30 June 2016.	2,021	-
Interim dividend of \$0.035 per share (fully franked) is was paid in respect of the reporting year ended 30 June 2017.	1,607	-
	<u>3,628</u>	<u>-</u>

On 25 August 2017, the Directors declared a fully franked final dividend of \$2,480,000 (\$0.054 per share) to be paid on 5 October 2017.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$6,217,000 (30 June 2016: \$707,000).

Cleaning

The cleaning business has been through a period of growth supported by the acquisition of the Airlite business. The Group's statutory revenue from cleaning increased by 122% compared to the prior financial year. The prior financial year's statutory performance was based on eight months of operations from November 2015 when the Group restructured for ASX listing. A number of important cleaning contracts were won across the states, expanding on the national image, as well as continued expansion into New Zealand. The Group has also been able to successfully renew the larger contracts and maintain gross margins in line with the prior year.

Security

While developing the cleaning business, the Group has realised expansion into the security industry with statutory revenue from security increasing by 81% compared to the prior year; with similar gross margins across the two financial periods. The Group is pursuing opportunities nationally to create a national security brand.

Significant changes in the state of affairs

During the current period the consolidated entity acquired the Airlite Group. Refer to Note 34 of the financial report for further details.

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

Matters subsequent to the end of the financial period

On 25 August 2017, the Directors declared a fully franked final dividend of \$2,480,000 (\$0.054 per share) to be paid on 5 October 2017.

Contingent consideration of \$1,250,000 in relation to the ACS acquisition was settled on 4 August 2017 (note 34).

No other matter or circumstance has arisen since 30 June 2017 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Peter Anderson
Title:	Chairman Independent Non-Executive Director
Qualifications:	Peter holds a Post Graduate Diploma of Finance and a Bachelor of Commerce from the University of Melbourne.
Experience and expertise:	Peter currently serves as Executive Chairman of advisory firm McGrathNicol and brings to Millennium over 25 years of experience as a chartered accountant specialising in corporate restructuring. Publicly listed projects Peter has worked on include Slater & Gordon, Billabong, McAleese, Babcock & Brown and Centro Properties Group. Peter is an Official Liquidator and a member of the Institute of Chartered Accountants in Australia, the Australian Restructuring, Insolvency and Turnaround Association and the Australian Institute of Company Directors.

Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	2,290,000 fully paid ordinary shares
Interests in options:	1,200,000 options

Name:	Mark Baldwin
Title:	Chief Executive Officer (resigned 26 June 2017)
Qualifications:	Mark is a Fellow of The Royal Institution of Chartered Surveyors (FRICS).
Experience and expertise:	Mark is a property and facilities services leader with 30 years experience. Mark has served as Chief Executive Officer and Chief Operating Officer in the integrated service industry for the past seven years and brings a disciplined approach to Millennium's strategic focus and profitability. As a chartered surveyor, he specialised in valuation and property management for Knight Frank and Savills in the UK. Mark's previous roles include National Property Operations Manager positions for both Lend Lease Retail and the GPT Group in Australia where he established key industry partnerships.

Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Interests in shares:	N/A

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Name:	Greg McCormack
Title:	Independent Non-Executive Director
Qualifications:	Greg holds a Bachelor of Business from Swinburne University.
Experience and expertise:	Greg brings to Millennium extensive expertise in finance and accounting. During his 37-year career, Greg previously held senior executive management positions in primary industry in Australia. Greg currently serves as the Non-Executive Chairman of Midway Ltd, Chairman of Directors for the Midway Group of Companies, Chairman of Queensland Commodity Exports and Chairman of the property and construction Crema Group of Companies. Greg is currently President of the Australian Forest Products Association and has served on government advisory panels including the Forest and Wood Products Council.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	480,000 fully paid ordinary shares
Interests in options:	600,000 options
Name:	Stephen Williams
Title:	Independent Non-Executive Director
Qualifications:	Stephen holds a Bachelor of Laws from Sydney University.
Experience and expertise:	Stephen joined Millennium as a Non-Executive Director with over 35 years legal practice experience in corporate, commercial and property law and as a retired partner of Kemp Strang Lawyers. Stephen served as a Non-Executive Director and Chairman of Coffey International Limited and Non-Executive Director of PrimeAg Australia Limited.
Other current directorships:	Nil
Former directorships (last 3 years):	Axiom Mining Limited (AVQ), Australian Career Network Limited (Administrators appointed) (ACO)
Interests in shares:	22,222 fully paid ordinary shares
Interests in options:	600,000 options
Name:	Stephen Lidbury
Title:	Executive Director & Organisational Excellence Leader – Security
Qualifications:	Stephen holds Millennium's Security Master Licence in all locations of the Company's operations.
Experience and expertise:	Stephen established Millennium in 2003 providing security guard and patrol services to the commercial and government sectors, subsequently expanding the scope of the business to include security and concierge services to retail shopping centres. Stephen has over 25 years' experience in the security industry and as a former Wallaby, has established key contacts across the finance and property industries in Australia and New Zealand. Stephen is a former board member of the Pacific Restaurant Group, former Forwards Coach to the NSW Waratahs and remains heavily involved in junior rugby in NSW.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	7,027,741 fully paid ordinary shares
Name:	Ross Gavranich
Title:	Executive Director & Organisational Excellence Leader – Airlite
Experience and expertise:	Mr. Gavranich is a veteran of the facility services industry with over 30 years of experience in the industry. Mr Gavranich has been Executive Chairman of the Airlite Group since 2012 and has been instrumental in the strategic direction of the business. Prior to that time, he has held various senior management roles at Airlite in operations and marketing. Mr. Gavranich has a strong reputation for his commitment to excellence.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil

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Name: Craig Hanley
Title: Chief Executive Officer (appointed 26 June 2017)
Qualifications: Craig holds a Graduate Diploma in Applied Science (Innovation & Service Management) R.M.I.T along with a Diploma of Management.
Experience and expertise: Mr. Hanley was appointed to the position of Chief Executive Officer in June 2017 having joined Millennium Services Group Ltd in February 2017 as Chief Operating Officer following a fifteen-year career within the Australian and New Zealand Integrated Services Industry. Craig has achieved an enviable reputation over that period leading triple digit strategic profitable growth during tenure as Chief Executive Office from 2011 and Managing Director in 2016 at SECUREcorp. Since joining Millennium, Craig has focused on strategy review and subsequent structural and systems positioning to lead Millennium into the future. Craig was previously principle of consulting firm, TKBMS Pty Ltd., which he established following a twenty-year career with Philip Morris Ltd, where he held management roles in Finance, Marketing and Manufacturing.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: Nil
Interests in options: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Damien Gray brings to Millennium more than 20 years' experience as a finance executive gained domestically and internationally. Damien has extensive corporate experience including strategic planning, M&A, business integration and commercial negotiation. Prior to joining Millennium Damien was General Manager of Financial Performance at Orica Limited, based in Melbourne. Damien holds a Bachelor of Commerce from the University of Tasmania and is a qualified Chartered Accountant. Damien is a Member of the Institute of Chartered Accountants in Australia (ICAA) and is a graduate of the Australian Institute of Company Directors (AICD).

Meetings of directors

The number of meetings (including meetings of committees of directors) of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Board		Audit Committee		Remuneration Committee	
	Meetings		Meetings		Meetings	
	Attended	Held*	Attended	Held*	Attended	Held*
Peter Anderson	16	16	3	3	3	3
Mark Baldwin	14	14	3	3	2	2
Stephen Williams	15	16	3	3	3	3
Greg McCormack	16	16	3	3	3	3
Stephen Lidbury	15	16	-	-	-	-
Ross Gavanich	10	10	-	-	-	-
Craig Hanley	1	1	1	1	1	1

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs AUS25.4 and AUS 25.7.2 of AASB 124 Related Party Disclosures which have been transferred to the Remuneration Report in accordance with the Corporations Regulation 2M 6.04.

This report outlines the remuneration arrangements in place for the Directors (both Executive and Non-Executive) and Executives of the Group.

This report is audited as the entity has transferred the disclosures from the financial statements.

For the purposes of this report the term 'Senior Executive' encompasses the Chief Executive Officer, Organisational Excellence Leader – Integrated Services, the Executive Director & Organisational Excellence Leader - Security, and the Chief Financial Officer and Company Secretary.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Executive employment agreements
- D Share based compensation
- E Additional disclosures relating to key management personnel

A Principles used to determine the nature and amount of remuneration

The Board has appointed a Remuneration and Nomination Committee consisting of three independent non-executive directors (NEDs). The responsibilities of the Remuneration and Nomination Committee include:

- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- reviewing and recommending remuneration arrangements for the Chairman, Managing Director and other members of senior executive and directors;
- reviewing and making recommendations in relation to the Group's remuneration practices; and
- evaluating the performance of senior executive of the Group.

Remuneration levels are set to attract or retain, as appropriate, qualified and experienced directors and senior executives. From time to time and as required, the Remuneration and Nomination Committee will seek independent professional advice on the appropriateness of remuneration packages.

Use of remuneration consultants

The Company did not make use of remuneration consultants during the 2017 financial year.

Short Term Incentive Scheme

The Remuneration and Nomination Committee will introduce a Short Term Incentive Scheme ("Scheme") for eligible employees for the 2018 financial year.

The Scheme will, subject to the achievement of Board approved performance metrics (including financial performance delivery against a Board approved 2018 Budget), deliver cash incentives ranging from 5% to 50% (inclusive of superannuation) of relevant employees' base salary. Approximately 55 employees will be eligible to participate in the Scheme.

Long Term Incentive Scheme

The Board has previously adopted an "Omnibus Equity Plan" ("Plan") through which it will determine appropriate long-term incentive mechanisms for employees, including directors and senior management of the Group. The Board now intends to develop the Plan into a formal Long Term Incentive Plan.

The Board considers that the Long Term Incentive Plan ("LTIP") is an integral part of the Group's overall approach to performance and reward.

The purpose of the LTIP is twofold (i.e. 2 phases). In the initial phase (i.e. Phase 1), the objective is to facilitate senior management executives building a meaningful shareholding position in the Group (subject to appropriate performance hurdles being met) so that they are aligned with the interests of shareholders generally. The longer-term objective (i.e. Phase 2) is to provide incentive for the sustainable and maintained long term financial performance and growth to enhance shareholder value in the Group.

Phase 1 of the LTIP is expected to run for approximately 3 - 5 years. LTIP allocations would be granted in overlapping annual cycles over Phase 1 allowing for the LTIP holding to be built up over time, retaining the retention value of the allocations which would vest progressively subject to the vesting hurdles being met.

Phase 2 will commence once the Board is of the view that a majority of eligible senior executives are holding shares of the Group equivalent to their respective base salaries. LTIP awards under Phase 2 would be granted annually in the form of Rights, with each yearly award grant ('LTI Award Grant') covering a three (3) year performance cycle. Each Right, subject to meeting the relevant performance hurdle to Vest, would on exercise convert to a number of shares in the Group once LTIP awards Vest at the end of each 3-year cycle (the number of shares vesting being subject to meeting relevant performance hurdles).

The following is a summary of the key terms of the LTIP:

- a) Awards will be granted under, and subject to, the rules of the LTIP, the Constitution and applicable Listing Rules.
- b) For the duration of Phase 1, each Award Target entitles eligible participants to shares, as determined in the Invitation, subject to the satisfaction of the Performance Hurdles and Vesting conditions determined by the Board in its discretion. Shares allocated on the Vesting of Award Targets will rank equally with all other Shares of the same class for the time being on issue.
- c) For the duration of Phase 2, each Right entitles eligible participants to shares, as determined in the Invitation, subject to the satisfaction of the Performance Hurdles and vesting conditions determined by the Board in its discretion. Shares allocated on the Vesting of Rights will rank equally with all other Shares of the same class for the time being on issue.
- d) Shares allocated on vesting of an Award Target or Right will be subject to restriction on sale or disposal during any relevant Restriction Period, determined by the Board.
- e) Subject to further Shareholder approval, the total number of Awards or Rights to be granted to all Participants in any year will not exceed 5% of the total issued Shares of the Company at the date of Invitation (including the potential results of offers under the LTIP made over any previous three years).
- f) The size of each individual Award Target or Right grant will be determined by the Board and will comply with the relevant ASX Listing Rules.
- g) On Vesting of the Award Target or Right, new Shares may be issued or existing Shares transferred by a third party to the Participant, or both. The Shares will be allocated and may be subject to a holding lock during any applicable Restriction Period.
- h) A Participant may only exercise an Award Target or Right on or after a date determined by the Board on completion of the applicable Performance Hurdle being satisfied, or any earlier date on which the Participant becomes entitled to exercise the Award Target or Right following death or other cessation of employment, or as a result of a takeover or scheme of arrangement.
- i) If a Participant ceases employment as a result of retirement, redundancy, total or permanent disablement, death or any other circumstances as determined by the Board, then the Awards will not automatically lapse and the Board will have discretion as to the date upon which Awards may be exercised.
- j) If, in the opinion of the Board, the employment of an Eligible Participant ceases because of termination for cause, any Awards granted to the Eligible Participant whether vested or not and remaining unexercised shall lapse as at the date of termination for cause.
- k) Participants will not be able to sell any vested shares until they hold Shares with a minimum value of 1 times their base salary within 5 years of the LTIP commencement date, and also agree to maintain a minimum holding of Shares equivalent at 1 times their base salary in each 5 year period, based on the value of the Shares at their respective grant dates. Participants will be restricted from selling Shares until they achieve this agreed level of shareholding and each tranche of Shares must be held by Participants for a minimum period of 2 years from the date of Vesting.

The following definitions apply in relation to the Plan:

Award	means an Award Target, a Right, or a Share, as applicable.
Award Target	means a right, subject to certain conditions, to be allocated one ordinary Share in the Company.
Eligible Participant	means an Employee of the Millennium Group who is declared by the Board to receive an invitation under the LTIP.
Employee	means any employee (including any director holding salaried office or employment) of a Group Company, or any other person so designated by the Board for the purposes of the LTIP.
Invitations	means the invitations provided to Eligible Participants to participate in the Plan subject to various conditions.
Participant	means an Employee to whom a Grant Letter has been sent and whose acceptance of the Award granted to him or her has been received by the Board.
Performance Hurdles	means the performance based criteria, which may include service conditions, set out in the Invitation where an Award becomes eligible to vest if those performance conditions are satisfied.
Share	means a Share subject to Performance Hurdles
Restriction Period	means the period set out in the Invitation during which Shares allocated on vesting of Awards cannot be sold or transferred.
Right	means a right, subject to certain conditions, to be allocated one ordinary Share in the Company.
Vest or Vesting	means a Participant becoming entitled to have the Shares underlying his or her Rights allocated to him or her subject to the Rules of the LTIP (and Vested or Vesting shall be construed accordingly).

As at the date of this Report, no Awards have been granted under the Plan.

Use of remuneration consultants

The Company did not make use of remuneration consultants during the 2017 financial period.

Voting and comments made at the company's 28 November 2016 Annual General Meeting ('AGM')

At the 28 November 2016 AGM, 99.25% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

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	Short-term benefits		Post-employment benefits	Long-term employment benefits	Share-based payments	Total
	Cash salary and fees	Other	Super-annuation	LSL	Equity-settled	
2017	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Peter Anderson (1)	120,000	-	-	-	52,156	172,156
Gregory McCormack	73,059	-	6,941	-	26,078	106,078
Stephen Williams	73,059	-	6,941	-	26,078	106,078
<i>Executive Directors:</i>						
Mark Baldwin (3)	306,875	12,000	29,153	5,887	-	353,915
Stephen Lidbury	197,999	48,000	23,370	6,600	-	275,969
Craig Hanley (2)	133,333	12,500	10,446	2,431	-	158,710
Ross Gavranich (4)	148,077	13,461	14,067	2,049	-	177,654
<i>Other Key Management Personnel:</i>						
Royce Galea	197,999	48,000	23,370	6,600	-	275,969
Damien Gray	319,634	-	30,208	5,329	-	355,171
	1,570,035	133,961	144,496	28,896	104,312	1,981,700

- (1) Fees were paid to Strategic Vision Australia Pty Ltd, a company associated with Mr. Anderson.
(2) Mr. Hanley was appointed as COO on 1 February 2017 and appointed as CEO and a Director on 26 June 2017.
(3) Mr. Baldwin resigned as a Director effective 26 June 2017.
(4) Mr. Gavranich was appointed as a Director on 25 October 2016.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors: (1)</i>							
Peter Anderson (2)	80,000	-	-	-	-	34,771	114,771
Gregory McCormack	50,228	-	-	4,772	-	17,385	72,385
Stephen Williams	50,228	-	-	4,772	-	17,385	72,385
<i>Executive Directors:(3)</i>							
Mark Baldwin	200,000	8,000	-	19,000	2,959	225,000	454,959
Stephen Lidbury (7)	56,019	12,923	-	5,101	-	-	74,043
<i>Other Key Management Personnel:</i>							
Royce Galea (4) & (7)	90,011	3,692	-	6,820	8,481	-	109,004
Richard Forster (4) & (5)	151,378	9,600	-	15,970	-	45,000	221,948
Damien Gray (6)	26,636	-	-	2,530	-	-	29,166
	704,500	34,215	-	58,965	11,440	339,541	1,148,661

- (1) Non executive directors were appointed 27 October 2015.
- (2) Fees were paid to Strategic Vision Australia Pty Ltd, an entity associated with Mr Anderson.
- (3) & (4) Remuneration for the period ended 1 November 2015 to 30 June 2016 and includes long service leave provisions.
- (5) Mr Forster resigned with effect from 15 July 2016.
- (6) Mr Gray was appointed with effect from 30 May 2016.
- (7) Mr Galea and Mr Lidbury sacrificed a portion of their 2016 earnings and at 30 June 2016 each owed the company \$31,358 in respect of forgone salary and fees to be repaid.

C Executive Employment Agreements

The Executive Directors and the senior management of the Group noted above have entered into independent executive employment agreements with the Company.

There are variations between each of the respective executive employment agreements in relation to, for example, remuneration and leave entitlements. However, the following terms below are uniform between each of the executive agreements:

- 1) The executive employee must perform their duties to the best of their ability and knowledge; during ordinary business hours and at other times reasonably necessary to fulfil their duties.
- 2) The executive employee is eligible to participate in a 'Short Term Incentive Plan' and the 'Long Term Incentive Plan', on terms to be determined by the Company from time to time.
- 3) The Company may terminate the employment of the executive employee by providing, in general, 3 months written notice, except in the case of Stephen Lidbury (Executive Director & Organisational Excellence Leader - Security) and Royce Galea (Organisational Excellence Leader – Integrated Services), which each require a notice period of 1 year.
- 4) The executive employee is subject to a 12 month restraint period in acting for a competitor, on standard terms, from the point in time their employment with the Company ceases.

Remuneration and other terms of employment for key management personnel are formalised in executive employment agreements. Details of these agreements are as follows:

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Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Craig Hanley
 Title: Chief Executive Officer (formerly Chief Operating Officer)
 Agreement commenced: 26 June 2017 (as Chief Executive Officer), 1 February 2017 (as Chief Operating Officer)
 Details: Mr C Hanley is the Company's Chief Executive Officer (formerly Chief Operating Officer) under a contract of employment which commenced on 1 February 2017. Under the contract Mr Hanley is entitled to \$350,000 per annum plus statutory superannuation and a \$30,000 car allowance, along with related minor benefits. No payments or retirement benefits are payable on termination.

Name: Ross Gavranich
 Title: Executive Director & Organisational Excellence Leader - Airlite
 Agreement commenced: 11 October 2016
 Details: Mr R Gavranich is the Company's Executive Director & Organisational Excellence Leader - Airlite under a contract of employment which commenced on 11 October 2016. Under the contract Mr Gavranich is entitled to \$220,000 per annum plus statutory superannuation and a \$20,000 car allowance, along with related minor benefits. The contract has an initial term of 5 years from the commencement date and may be terminated by the Company or Mr Gavranich with 6 months' notice during the initial term. No payments or retirement benefits are payable on termination.

Name: Mark Baldwin
 Title: Managing Director (resigned 26 June 2017)
 Agreement commenced: 28 August 2016
 Details: Mr M Baldwin is the Company's Executive Managing Director under a contract of employment which commenced on 28 August 2015. Under the contract Mr Baldwin is entitled to \$300,000 per annum plus statutory superannuation and a \$12,000 car allowance, along with related minor benefits. Mr Baldwin resigned effective 26 June 2017. No payments or retirement benefits are payable on termination.

Name: Stephen Lidbury
 Title: Executive Director & Organisational Excellence Leader - Security
 Agreement commenced: 19 November 2015
 Details: Mr S Lidbury is the Company's Executive Director & Organisational Excellence Leader - Security under a contract of employment which commenced on 19 November 2015. Under the contract Mr Lidbury is entitled to \$202,000 per annum plus statutory superannuation and a \$48,000 car allowance, along with related minor benefits. The contract has a fixed term of 3 years from the commencement date and may be terminated by the Company or Mr Lidbury with one year's notice. No payments or retirement benefits are payable on termination.

Name: Royce Galea
 Title: Organisational Excellence Leader – Integrated Services
 Agreement commenced: 19 November 2015
 Details: Mr R Galea is the Company's Organisational Excellence Leader – Integrated Services under a contract of employment which commenced on 19 November 2015. Under the contract Mr Galea is entitled to \$202,000 per annum plus statutory superannuation and a \$48,000 car allowance, along with related minor benefits. The contract has a fixed term of 3 years from the commencement date and may be terminated by the Company or Mr Galea with one year's notice. No payments or retirement benefits are payable on termination.

Millennium Services Group Ltd
Directors' report
30 June 2017

Name: Damien Gray
Title: Chief Financial Officer and Company Secretary
Agreement commenced: 30 May 2016
Details: Mr D Gray is the Company's Chief Financial Officer and Company Secretary under a contract of employment which commenced on 30 May 2016. Under the contract Mr Gray is entitled to \$319,000 per annum plus statutory superannuation, along with related minor benefits. The contract does not have any fixed term and may be terminated by the Company or Mr Gray on reasonable notice. No payments or retirement benefits are payable on termination.

Name: Richard Forster
Title: Chief Financial Officer and Company Director (resigned with effect 15 July 2016)
Agreement commenced: 28 August 2015
Details: Mr R Forster was the Company's Chief Financial Officer and Company Secretary under a contract of employment which commenced on 28 August 2015 and concluded on 15 July 2016. Under the contract Mr Forster was entitled to \$220,000 per annum plus statutory superannuation and a \$14,400 car allowance, along with related minor benefits. No payments or retirement benefits were payable on Mr Forster's resignation.

Key management personnel have no entitlement to termination payments, other than accrued leave balances, in the event of removal for misconduct.

D Share-based compensation

Issue of shares

There were no ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

Options

During the financial year, there were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

Additional information

The earnings of the consolidated entity for the year to 30 June 2017 and the prior period to 30 June 2016 are summarised below:

	2017 \$'000	2016 \$'000
Sales revenue	227,312	105,393
EBITDA	15,759	4,148
EBIT	10,122	2,397
Profit after income tax	6,217	707

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016
Share price at financial year end (\$)	1.65	1.06
Basic earnings per share (cents per share)	13.54	1.61
Diluted earnings per share (cents per share)	13.54	1.61

E Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Acquired	Disposals/ other	Balance at the end of the period
<i>Ordinary shares</i>					
Peter Anderson	200,000	-	2,090,000	-	2,290,000
Mark Baldwin *	100,000	-	-	(100,000)	-
Stephen Williams	22,222	-	-	-	22,222
Greg McCormack	200,000	-	280,000	-	480,000
Stephen Lidbury	6,892,837	-	134,904	-	7,027,741
Royce Galea	6,892,837	-	-	-	6,892,837
Richard Forster *	65,000	-	-	(65,000)	-
	<u>14,372,896</u>	<u>-</u>	<u>2,504,904</u>	<u>(165,000)</u>	<u>16,712,800</u>

* Resigned during the financial year.

Option holding

The number of options over ordinary shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the period
<i>Options over ordinary shares</i>					
Peter Anderson	1,200,000	-	-	-	1,200,000
Greg McCormack	600,000	-	-	-	600,000
Stephen Williams	600,000	-	-	-	600,000
	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Millennium Services Group Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19 November 2015	Upon ceasing employment	\$2.93	800,000
19 November 2015	Upon ceasing employment	\$3.38	800,000
19 November 2015	Upon ceasing employment	\$3.71	800,000
			<u>2,400,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Millennium Services Group Ltd issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

During the year, Moore Stephens Audit (Vic), the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. These non-audit services included taxation compliance and corporate transaction services. The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001.

Details of the amounts paid to the auditor of the Group, for audit and non-audit services provided during the year are set out at note 28.

Officers of the company who are former partners of Moore Stephens Audit (Vic)

There are no officers of the company who are former partners of Moore Stephens Audit (Vic).

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.

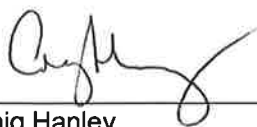
Auditor

Moore Stephens Audit (Vic) continues in office in accordance with section 327 of the Corporations Act 2001.

Millennium Services Group Ltd
Directors' report
30 June 2017

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Craig Hanley', is written over a horizontal line.

Craig Hanley
Director

25 August 2017

MOORE STEPHENS

Moore Stephens Audit (Vic)

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

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

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

25 August 2017

Millennium Services Group Ltd
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30 June 2017

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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, 205-211 Forster Road
Mount Waverley, Victoria 3149

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 25 August 2017. The directors have the power to amend and reissue the financial statements.

Millennium Services Group Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

			Consolidated Eight (8) months ended 30 June 2016 \$'000
	Note	2017 \$'000	
Revenue	5	227,312	105,393
Other income	6	1,166	28
Expenses			
Raw materials and consumables used		(37,119)	(20,512)
Employee benefits expense		(163,794)	(71,562)
Depreciation and amortisation expense	7	(5,637)	(1,751)
Transaction expenses		(1,010)	(4,550)
Other expenses		(10,775)	(4,641)
Finance costs		(1,595)	(412)
Profit before income tax expense		8,548	1,993
Income tax expense	8	(2,331)	(1,286)
Profit after income tax expense for the year attributable to the owners of Millennium Services Group Ltd		6,217	707
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(2)	13
Other comprehensive income/(loss) for the year, net of tax		(2)	13
Total comprehensive income for the year attributable to the owners of Millennium Services Group Ltd		6,215	720
		Cents	Cents
Basic earnings per share	38	13.54	1.61
Diluted earnings per share	38	13.54	1.61

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 30 June 2017

		Consolidated	
	Note	2017	Restated
		\$'000	2016
			\$'000
Assets			
Current assets			
Cash and cash equivalents	9	8,064	6,723
Trade and other receivables	10	17,057	8,178
Inventories	11	824	770
Other	12	1,623	885
Total current assets		<u>27,568</u>	<u>16,556</u>
Non-current assets			
Property, plant and equipment	13	11,331	8,273
Intangibles	14	40,479	15,578
Deferred tax	15	5,933	3,664
Other	16	126	59
Total non-current assets		<u>57,869</u>	<u>27,574</u>
Total assets		<u>85,437</u>	<u>44,130</u>
Liabilities			
Current liabilities			
Trade and other payables	17	11,580	7,679
Borrowings	18	7,016	1,807
Income tax	19	3,014	1,100
Employee benefits		10,873	6,315
Other	20	5,469	8,257
Total current liabilities		<u>37,952</u>	<u>25,158</u>
Non-current liabilities			
Borrowings	21	21,872	3,001
Deferred tax	22	7,251	2,182
Employee benefits		3,190	1,315
Total non-current liabilities		<u>32,313</u>	<u>6,498</u>
Total liabilities		<u>70,265</u>	<u>31,656</u>
Net assets		<u>15,172</u>	<u>12,474</u>
Equity			
Issued capital	23	18,967	18,967
Reserves	24	(7,091)	(7,200)
Retained profits		3,296	707
Total equity		<u>15,172</u>	<u>12,474</u>

Refer to note 3 for detailed information on Restatement of comparatives.

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 year ended 30 June 2017

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 November 2015	-	(7,283)	-	(7,283)
Profit after income tax expense for the period	-	-	707	707
Other comprehensive income for the period, net of tax	-	13	-	13
Total comprehensive income for the period	-	13	707	720
Share based payments	-	70	-	70
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	18,967	-	-	18,967
Balance at 30 June 2016	18,967	(7,200)	707	12,474
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	18,967	(7,200)	707	12,474
Profit after income tax expense for the period	-	-	6,217	6,217
Other comprehensive loss for the year, net of tax	-	(2)	-	(2)
Total comprehensive income/(loss) for the year	-	(2)	6,217	6,215
Share based payments	-	111	-	111
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 25)	-	-	(3,628)	(3,628)
Balance at 30 June 2017	18,967	(7,091)	3,296	15,172

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 year ended 30 June 2017

		Consolidated	Eight (8)
			months
			ended 30
	Note	2017	June 2016
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		248,657	116,379
Payments to suppliers and employees (inclusive of GST)		(233,603)	(111,188)
		15,054	5,191
Interest received		21	8
Interest and other finance costs paid		(1,461)	(412)
IPO transaction costs		-	(2,075)
Income taxes paid		(2,741)	(2,367)
Net cash from operating activities	37	10,873	345
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	34	(22,582)	(9,187)
Payments for property, plant and equipment	13	(3,682)	(2,455)
Proceeds from disposal of property, plant and equipment		8	92
Net cash used in investing activities		(26,256)	(11,550)
Cash flows from financing activities			
Proceeds from issue of shares	23	-	17,500
Proceeds from borrowings		25,086	2,000
Proceeds from equipment finance		2,108	803
Repayments of equipment finance		(1,704)	(1,603)
Share issue transaction costs		-	(730)
Dividends paid	25	(3,628)	-
Repayment of borrowings		(5,490)	(417)
Proceeds from the release of security deposits		-	731
Payment of vendor pre-acquisition loans		-	(1,400)
Proceeds from related parties		349	-
Net cash from financing activities		16,721	16,884
Net increase in cash and cash equivalents		1,338	5,679
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	18
Cash and cash equivalents at the end of the financial period	9	8,064	6,723

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, 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.

Reporting period

The company was incorporated on 1 November 2015, and the comparative information covers the period from that date to 30 June 2016.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Millennium Services Group Ltd ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Millennium Services Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Millennium Services Group Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Rendering of services

Revenue is recognised dependent on whether the outcome of services rendered can be measured reliably. If the outcome of services rendered can be measured reliably then the stage of completion of the services rendered is used to determine the appropriate level of revenue to be recognised in the period. If the outcome of services rendered cannot be measured reliably then revenue is recognised to the extent of expenses recognised that are recoverable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 1. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidation

Millennium Services Group Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it has formed an income tax consolidation group to apply from 1 November 2015.

The income tax consolidated group has entered a tax sharing and funding arrangement whereby each Company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution, to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Note 1. Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3 to 5 years
Plant and equipment	3 to 7 years
Motor vehicles	8 years
Computer equipment	3 to 4 years
Office equipment	8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Note 1. Significant accounting policies (continued)

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 1. Significant accounting policies (continued)

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 1. Significant accounting policies (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Millennium Services Group Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to be material.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to be material.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and the impact of its adoption is currently being assessed by management.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Accounting for restructuring

On 17 November 2015, the group restructured under the newly created entity Millennium Services Group Ltd ("MSG") and listed on the stock exchange on 19 November 2015. The parties who controlled the acquired entities pre-restructure, also now control MSG post restructure and listing. As a result, this transaction is scoped out of AASB 3: Business Combinations as a combination of entities or businesses under common control. Therefore, no goodwill has been recognised on MSG's acquisition of the Millennium entities.

While this situation is not covered specifically by Australian Accounting Standards, the directors have chosen to apply the pooling of interests method (rather than the acquisition method) as this provides the most relevant and reliable information to users of the financial statements. As such, these financial statements recognise the assets and liabilities of all the group entities immediately after the restructure on 17 November 2015 at existing book values.

Note 3. Restatement of comparatives

Correction of error

At the acquisition date of 19 November 2015, management estimated that the contingent consideration was \$4.7 million. However, this amount was reduced to \$1.0 million as at 30 June 2016. This should not have occurred as the next period of measurement was November 2016 being the date when the earn out and final settlement was to be reviewed and assessed.

Provisional Accounting Adjustments for Acquisitions

There have been a number of restatements made to the statement of the financial position as at 30 June 2016, as result of completing the provisional accounting of the ACS and NCSA business combinations. Refer to Note 34 for details.

Statement of profit or loss and other comprehensive income

When there is a restatement of comparatives, it is mandatory to provide an adjusted statement of profit or loss and other comprehensive income for the period ended 30 June 2016. However, as there were no adjustments made to the profit or loss, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 November 2015. However, as there were no adjustments made as at 1 November 2015, the consolidated entity has elected not to show the 1 November 2015 statement of financial position.

Statement of financial position at the end of the earliest comparative period

	2016 \$'000 Reported	Consolidated \$'000 Adjustment	2016 \$'000 Restated
<i>Extract of relevant balance sheet items impacted</i>			
Assets			
Non-current assets			
Intangibles	9,633	5,945	15,578
Total non-current assets	21,629	5,945	27,574
Total assets	38,185	5,945	44,130
Liabilities			
Current liabilities			
Other	4,250	4,007	8,257
Total current liabilities	21,151	4,007	25,158
Non-current liabilities			
Deferred tax	291	1,891	2,182
Employee benefits	1,268	47	1,315
Total non-current liabilities	4,560	1,938	6,498
Total liabilities	25,711	5,945	31,656
Net assets	12,474	-	12,474

Note 4. Operating segments

Identification of reportable operating segments

The Group has identified its operating segments to be the two major areas of services provided to customers; Cleaning and Security.

Cleaning segment: represents the provision of comprehensive cleaning services to large retail shopping centres, commercial properties, government buildings and education facilities. Included within the segment are ancillary services such as maintenance and gardening.

Security segment: the Group's security services are primarily provided to clients in the large retail shopping centre and commercial property sectors to help ensure and maintain a safe and secure environment for their clients, tenants and customers.

Head Office is not an operating segment, it represents Group overheads, corporate head office, Group tax balances, financing, payroll and treasury functions.

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.

In the prior financial year, the operating segments were based on the geographical location of services provided. The revised segment structure has no impact on the net profit or loss of the Group. To enable comparisons with prior period performance, the historical segment information for the period ended 30 June 2016 has been allocated to the Cleaning and Security segments.

Operating segment information

	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Consolidated - 2017				
Revenue				
Sales to external customers	197,420	29,892	-	227,312
Other income	-	-	1,145	1,145
Total revenue and other income	197,420	29,892	1,145	228,457
Gross margin	34,135	4,669	-	38,804
Other income	-	-	1,145	1,145
Overheads			(24,190)	(24,190)
EBITDA				15,759
Depreciation and amortisation				(5,637)
Interest revenue				21
Finance costs				(1,595)
Profit before income tax expense				8,548
Income tax expense				(2,331)
Profit after income tax expense				6,217
Segment assets	72,237	7,141	6,059	85,437
Segment liabilities	32,704	3,727	33,834	70,265

Note 4. Operating segments (continued)

	Cleaning	Security	Head Office	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated - 2016				
Revenue				
Sales to external customers	88,887	16,506	-	105,393
Other income	-	-	20	20
Total revenue and other income	88,887	16,506	20	105,413
Gross margin	15,942	2,612	-	18,554
Other income	-	-	20	20
Overheads			(14,426)	(14,426)
EBITDA				4,148
Depreciation and amortisation				(1,751)
Interest revenue				8
Finance costs				(412)
Profit before income tax expense				1,993
Income tax expense				(1,286)
Profit after income tax expense				707
Segment assets	33,234	7,172	3,724	44,130
Segment liabilities	16,696	3,059	11,901	31,656

Note 5. Revenue

	Consolidated	
	2017	2016
	\$'000	\$'000
Provision of services	227,312	105,393

Note 6. Other income

	Consolidated	
	2017	2016
	\$'000	\$'000
Net gain/(loss) on disposal of property, plant and equipment	(5)	20
Net gain on settlement of contingent consideration (note 34)	1,150	-
Interest	21	8
Other income	1,166	28

Note 7. Expenses

	Consolidated	
	2017	2016
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Impairment</i>		
Impairment of receivables	10	63
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	3,088	1,605
Amortisation	2,653	460
Depreciation	2,984	1,291
Total amortisation and depreciation	5,637	1,751

Note 8. Income tax expense

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	(1,406)	(385)
Current tax expense - Australia	3,839	1,745
Current tax expense /(revenue) - New Zealand	36	(36)
Deferred tax expense revenue relating to the over provision in the prior period	-	(38)
Deferred tax benefit – related to intangible amortisation in prior year	(138)	-
Aggregate income tax expense	2,331	1,286
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(846)	(628)
Increase/(decrease) in deferred tax liabilities (note 22)	(560)	243
Deferred tax - origination and reversal of temporary differences	(1,406)	(385)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	8,548	1,993
Tax at the statutory tax rate of 30%	2,564	598
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Step down in the value of PPE - Business acquisition	146	-
Deferred tax benefit – related to intangible amortisation in prior year	(138)	-
Other permanent differences	113	256
Tax effect of non-deductible gifts	-	48
Black hole deduction from equity	(39)	(39)
Deductible equity expenses	-	(17)
Employee share scheme	33	476
Deferred tax revenue relating to prior years	-	(38)
Difference in tax rate in New Zealand	(3)	2
Gain on deferred settlement - not taxable	(345)	-
Income tax expense	2,331	1,286
The applicable weighted average effective tax rates are as follows:	27.3%	64.5%

Note 8. Income tax expense (continued)

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 15)	39	(156)

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$'000	\$'000
Cash at bank	8,064	6,723

Note 10. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade receivables	16,455	7,355
Less: Provision for impairment of receivables	(149)	(159)
	16,306	7,196
Other receivables	751	633
Loans to related parties	-	349
	17,057	8,178

Impairment of receivables

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
1 to 30 days	-	18
31 to 60 days	-	8
61 to 90 days	-	4
Over 90 days	149	129
	149	159

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$5,694,000 as at 30 June 2017 (\$2,694,000 as at 30 June 2016).

Note 10. Current assets - trade and other receivables (continued)

The consolidated entity assessed there was consider no credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Of the total past due amount, \$1,840,000 related to the Airlite business that was acquired in November 2016. \$1,284,000 of the Airlite trade receivables were overdue between 1 to 30 days. The majority of Airlite's past due amounts, being \$1,638,000 were received by 15th August 2017.

The balance of the past due amounts excluding the Airlite business were \$3,854,000. \$2,033,000 of these past due amounts were received in July 2017, including payments from a single customer that had more than \$649,000 outstanding beyond 90 days as at 30 June 2017.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
1 to 30 days	2,514	857
31 to 60 days	1,391	801
61 to 90 days	292	319
Over 90 days	1,497	717
	<u>5,694</u>	<u>2,694</u>

Note 11. Current assets - inventories

	Consolidated	
	2017	2016
	\$'000	\$'000
Consumables - at cost	<u>824</u>	<u>770</u>

Note 12. Current assets - other

	Consolidated	
	2017	2016
	\$'000	\$'000
Prepayments	<u>1,623</u>	<u>885</u>

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2017	2016
	\$'000	\$'000
Leasehold improvements - at cost	134	109
Less: Accumulated depreciation	(7)	-
	<u>127</u>	<u>109</u>
Plant and equipment - at cost	16,307	11,669
Less: Accumulated depreciation	(7,372)	(4,954)
	<u>8,935</u>	<u>6,715</u>
Motor vehicles - at cost	2,323	1,686
Less: Accumulated depreciation	(813)	(518)
	<u>1,510</u>	<u>1,168</u>
Computer equipment - at cost	1,053	485
Less: Accumulated depreciation	(512)	(288)
	<u>541</u>	<u>197</u>
Office equipment - at cost	382	207
Less: Accumulated depreciation	(164)	(123)
	<u>218</u>	<u>84</u>
	<u>11,331</u>	<u>8,273</u>

Reconciliations

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

Consolidated	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Plant & equipment \$'000	Leasehold improvements \$'000	Total \$'000
Balance at 1 November 2015	762	64	119	3,634	109	4,688
Additions	51	9	104	2,291	-	2,455
Additions through business combinations (note 34)	395	25	50	1,240	-	1,710
Disposals	(1)	-	-	(91)	-	(92)
Additions through hire purchase	67	-	-	736	-	803
Depreciation expense	(106)	(14)	(76)	(1,095)	-	(1,291)
Balance at 30 June 2016	1,168	84	197	6,715	109	8,273
Additions	75	138	402	937	19	1,571
Additions through business combinations (note 34)	573	37	166	1,592	6	2,374
Disposals	(11)	-	-	-	-	(11)
Additions through hire purchase	-	-	-	2,109	-	2,109
Depreciation expense	(295)	(41)	(224)	(2,418)	(7)	(2,985)
Balance at 30 June 2017	<u>1,510</u>	<u>218</u>	<u>541</u>	<u>8,935</u>	<u>127</u>	<u>11,331</u>

During the 2017 financial year the Group acquired plant and equipment with a carrying amount of \$2,109,000 (2016: \$803,000) via finance leases.

The ANZ bank loan is secured over motor vehicles and equipment with a carrying value of \$11,204,000 (2016: \$3,081,000).

Note 14. Non-current assets - intangibles

	Consolidated	Restated
	2017	2016
	\$'000	\$'000
Goodwill - at cost	18,068	9,737
Patents and trademarks - at cost	2,734	-
Less: Accumulated amortisation	(182)	-
	<u>2,552</u>	<u>-</u>
Customer contracts - at cost	22,791	6,301
Less: Accumulated amortisation	(2,932)	(460)
	<u>19,859</u>	<u>5,841</u>
	<u><u>40,479</u></u>	<u><u>15,578</u></u>

Reconciliations

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

Consolidated	Customer contracts \$'000	Goodwill \$'000	Trademarks \$'000	Total \$'000
Balance at 1 November 2015	-	-	-	-
Additions through business combinations (note 34)	6,301	9,737	-	16,038
Amortisation expense	(460)	-	-	(460)
Balance at 30 June 2016 (restated)	5,841	9,737	-	15,578
Additions through business combinations (note 34)	16,490	10,631	2,734	29,855
Contingent consideration adjustment (Note 34)*	-	(2,300)	-	(2,300)
Amortisation expense	(2,472)	-	(182)	(2,654)
Balance at 30 June 2017	<u><u>19,859</u></u>	<u><u>18,068</u></u>	<u><u>2,552</u></u>	<u><u>40,479</u></u>

The carrying amount of goodwill at 30 June 2016 has been restated due to adjustments to contingent consideration and deferred taxes in relation to the ACS and NCSA business combinations in November 2015 and February 2016 respectively. Refer to Note 3 for further details.

* At November 2016, the probability of paying the earn-out and contingent consideration in relation to the ACS acquisition was assessed to be \$2.4 million instead of \$4.7million as assessed at acquisition date of 19 November 2015. The reassessment of the original contingent consideration that existed at acquisition has been applied against goodwill as a final adjustment to accounting for the business combination.

Impairment testing of Goodwill

Goodwill has been allocated to the consolidated entity's cash generating units ("CGUs") according to the Cleaning and Security business segments. A summary of goodwill allocated to CGUs at year end is presented below:

Note 14. Non-current assets - intangibles (continued)

	Consolidated 2017 \$'000
Goodwill allocation to CGUs	
Cleaning CGU	16,230
Security CGU	<u>1,838</u>
	<u><u>18,068</u></u>

As at 30 June 2016 the Group was accounting for business combinations on a provisional basis and there were no indicators of goodwill impairment as at June 2016; hence the 2016 goodwill allocation has not been presented.

Calculation Methodology

The recoverable amount of a CGU is determined based on value in use. Value in use is calculated using a discounted cash flow model covering a 5-year period with an appropriate terminal growth rate at the end of that period, for each business segment. The model utilises cash flow forecasts and extrapolations based on budgets that have been reviewed by management and the Board.

Management has conducted sensitivity analysis using the value in use model and is of the view that there are no reasonably possible changes in variables that would cause an impairment.

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are:

- Cash flow forecasts are based on each segment's budget for the 2018 financial year. Cash flows for a further four years have been extrapolated using consistent principles from the year one budget;
- The forecast compound annual growth rates (CAGR) of 1.0% for both the Cleaning and Security CGUs for years 1 to 5. The net cash inflow growth rate in the 2018 financial year budget compared to the 2017 financial year is greater than 1.0% for both the CGUs, however a conservative 1.0% growth rate was used for the value in use model;
- Conservative terminal growth rates of 1.0% for both CGUs; and
- Pre-tax discount rate of 13.5% which approximates the CGUs' weighted average cost of capital (pre-tax).

Note 15. Non-current assets - deferred tax

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Impairment of receivables	45	60
Employee benefits	4,166	2,231
Superannuation payable	884	585
Other accruals	76	72
Blackhole expenditure - profit and loss	509	424
Investments	136	136
Blackhole expenditure - equity	117	156
Deferred tax asset	<u>5,933</u>	<u>3,664</u>
<i>Movements:</i>		
Opening balance	3,664	2,795
Credited to profit or loss (note 8)	846	628
Credited/(charged) to equity (note 8)	(39)	156
Additions through business combinations (note 34)	1,462	68
Charge to retained earnings	-	(20)
Deferred tax under / over provisions	-	37
Closing balance	<u>5,933</u>	<u>3,664</u>

Note 16. Non-current assets - other

	Consolidated	
	2017	2016
	\$'000	\$'000
Security deposits	<u>126</u>	<u>59</u>

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$'000	\$'000
Trade payables	5,613	3,966
GST payable	1,609	1,138
Other payables	<u>4,358</u>	<u>2,575</u>
	<u>11,580</u>	<u>7,679</u>

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated	
	2017	2016
	\$'000	\$'000
ANZ interchangeable loan facility	4,941	667
Hire purchase	2,075	1,140
	<u>7,016</u>	<u>1,807</u>

Refer to note 26 for further information on financial instruments.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2017	2016
	\$'000	\$'000
Total facilities		
Interchangeable loan facility	30,000	15,000
Asset finance facility (hire purchase)	4,700	5,000
Overdraft facility	5,500	4,000
Standby letter of credit and guarantee facility	1,200	2,000
Electronic payway facility	500	500
Commercial card facility	325	100
	<u>42,225</u>	<u>26,600</u>
Used at the reporting date		
Interchangeable loan facility	24,429	1,833
Asset finance facility (hire purchase)	3,639	581
Overdraft facility	-	-
Standby letter of credit and guarantee facility	851	860
Electronic payway facility	-	-
Commercial card facility	78	-
	<u>28,997</u>	<u>3,274</u>
Unused at the reporting date		
Interchangeable loan facility	5,571	13,167
Asset finance facility (hire purchase)	1,061	4,419
Overdraft facility	5,500	4,000
Standby letter of credit and guarantee facility	349	1,140
Electronic payway facility	500	500
Commercial card facility	247	100
	<u>13,228</u>	<u>23,326</u>

Note 19. Current liabilities - income tax

	Consolidated	
	2017	2016
	\$'000	\$'000
Provision for income tax	<u>3,014</u>	<u>1,100</u>

Note 20. Current liabilities - other

	Consolidated	
	2017	Restated
	\$'000	2016
		\$'000
Deferred consideration	-	500
Contingent consideration	1,450	5,200
Accrued expenses	4,019	2,557
	<u>5,469</u>	<u>8,257</u>

As at 30 June 2017, contingent consideration comprised \$200,000 for the Airlite acquisition (note 34) and \$1,250,000 for the ACS acquisition which was settled on 4 August 2017.

As at 30 June 2016, contingent consideration comprised \$4,700,000 in relation to the ACS acquisition and \$500,000 in relation to NCSA business acquisition. There was a further amount of \$500,000 recognised as deferred consideration for NCSA as at 30 June 2016. Total consideration liabilities of \$1,000,000 as at June 2016 for the NCSA acquisition were settled via cash payments in the 2017 financial year.

The fair value of the contingent consideration is classified as a Level 3 input as the calculation is based on unobservable inputs being the EBITDA forecast.

Refer to note 3 for information on restatement of 30 June 2016 balances.

Note 21. Non-current liabilities - borrowings

	Consolidated	
	2017	2016
	\$'000	\$'000
ANZ interchangeable loan facility	19,488	1,164
Hire purchase	2,384	1,837
	<u>21,872</u>	<u>3,001</u>

Refer to note 26 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
ANZ interchangeable loan facility	24,429	1,831
Hire purchase	4,459	2,977
	<u>28,888</u>	<u>4,808</u>

Details of security

Note 21. Non-current liabilities - borrowings (continued)

Facilities are held through a corporate guarantee and indemnity, a general security agreement and a security sharing deed between each of the following entities and the ANZ.

- Millennium Hi-Tech Group Pty Ltd
- Millennium Cleaning (Qld) Pty Ltd
- Millennium Cleaning (Vic) Pty Ltd
- Millennium Group (NZ) Ltd
- Millennium Hi-Tech Holdings Pty Ltd
- Millennium Hi-Tech (SA) Pty Ltd
- Millennium Services Group Ltd
- Airlite Cleaning Pty Ltd
- Airlite Management Services Pty Ltd

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2017	2016
	\$'000	\$'000
Motor vehicles and equipment	11,204	3,081

Note 22. Non-current liabilities - deferred tax

	Consolidated	
	2017	Restated 2016
	\$'000	\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	449	243
Property, plant and equipment - prior under / over provision charged to retained earnings	-	48
Prepaid insurance	79	-
Intangibles	6,723	1,891
Deferred tax liability	7,251	2,182
<i>Movements:</i>		
Opening balance	2,182	-
Charged/(credited) to profit or loss (note 8)	(560)	243
Additions through business combinations (note 34)	5,767	1,891
Under / over provision relating to prior years - charged to retained earnings	-	48
Deferred tax benefit related to intangible amortisation in prior year	(138)	-
Closing balance	7,251	2,182

Refer to note 3 for information on restatement of 30 June 2016 balances.

Note 23. Equity - issued capital

	2017 Shares	Consolidated 2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares - fully paid	45,928,259	45,928,259	18,967	18,967

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 November 2015	17,382,825		-
Group restructure - shares issued to vendors	18 November 2015	12,252,538	\$0.00	-
Public issue of shares	18 November 2015	15,385,640	\$2.25	34,618
Group restructure - cash paid to vendors	18 November 2015	-	\$0.00	(17,118)
Employee share issue	18 November 2015	907,256	\$2.25	2,041
Cost of capital raising		-	\$0.00	(574)
Balance	30 June 2016	45,928,259		18,967
Balance	30 June 2017	45,928,259		18,967

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 24. Equity - reserves

	Consolidated	
	2017	2016
	\$'000	\$'000
Foreign currency reserve	11	13
Share-based payments reserve	181	70
Pre-restructure accumulated losses	(7,283)	(7,283)
	<u>(7,091)</u>	<u>(7,200)</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Pre-restructure accumulated losses

In November 2015, the group restructured under the newly created entity Millennium Services Group Ltd ("MSG"), and the pre-structure accumulated losses have been recognised in this reserve.

Movements in reserves

Movements in each class of reserve during the current and previous financial period are set out below:

Consolidated	Pre-restructure losses \$'000	Share based payments \$'000	Foreign currency \$'000	Total \$'000
Balance at 1 November 2015	(7,283)	-	-	(7,283)
Share based payments	-	70	-	70
Foreign currency translation	-	-	13	13
Balance at 30 June 2016	(7,283)	70	13	(7,200)
Share based payments	-	111	-	111
Foreign currency translation	-	-	(2)	(2)
Balance at 30 June 2017	<u>(7,283)</u>	<u>181</u>	<u>11</u>	<u>(7,091)</u>

Note 25. Equity - dividends

Dividends paid during the financial period were as follows:

	Consolidated	
	2017	2016
	\$'000	\$'000
Final dividend of \$0.044 per share (fully franked) was paid in respect of the reporting period ended 30 June 2016.	2,021	-
Interim dividend of \$0.035 per share (fully franked) was paid in respect of the reporting period ended 30 June 2017.	1,607	-
	<u>3,628</u>	<u>-</u>

Note 26. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity's exposure is limited to its operations in New Zealand.

The carrying amount of the consolidated entity's foreign currency denominated assets and liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Consolidated				
New Zealand dollars	1,165	934	602	484

The below table summarises the consolidated entity's exposure to fluctuations in exchange rates.

	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Consolidated - 2017						
New Zealand dollar	25%	-	(140)	25%	-	140
	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Consolidated - 2016						
New Zealand dollar	25%	-	(112)	25%	-	112

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

Note 26. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2017		2016	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
ANZ Facility	4.30%	24,429	3.47%	1,833
Net exposure to cash flow interest rate risk		24,429		1,833

An analysis by remaining contractual maturities in shown is 'liquidity and interest rate risk management' below.

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity, net of tax	Basis points change	Effect on profit before tax	Effect on equity, net of tax
Consolidated - 2017						
ANZ Facility	100	(244)	(171)	100	244	171
	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity, net of tax	Basis points change	Effect on profit before tax	Effect on equity, net of tax
Consolidated - 2016						
ANZ Facility	100	(18)	(13)	100	18	13

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits.

As at 30 June 2017, the consolidated entity recognised a provision for impairment of receivables of \$149,000 (2016:\$159,000).

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2017 \$'000	2016 \$'000
Interchangeable loan facility	5,571	13,167
Asset finance facility (hire purchase)	1,061	4,419
Overdraft facility	5,500	4,000
Standby letter of credit and guarantee facility	349	1,140
Electronic payway facility	500	500
Commercial card facility	247	100
	13,228	23,326

Note 26. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2017	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	11,580	-	-	-	11,580
Current tax payable	-	3,014	-	-	-	3,014
<i>Interest-bearing - variable</i>						
Hire purchase	5.98%	2,299	1,792	718	-	4,809
ANZ loan facility	4.30%	5,892	6,286	14,668	-	26,846
Total non-derivatives		22,785	8,078	15,386	-	46,249

Consolidated - 2016	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	7,679	-	-	-	7,679
Current tax payable	-	1,100	-	-	-	1,100
<i>Interest-bearing - variable</i>						
Hire purchase	5.01%	1,534	1,196	480	-	3,210
ANZ loan facility	3.47%	735	704	508	-	1,947
Total non-derivatives		11,048	1,900	988	-	13,936

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Key management personnel disclosures

Directors

The following persons were directors of Millennium Services Group Ltd during the financial period:

Peter Anderson
Gregory McCormack
Stephen Williams
Mark Baldwin
Ross Gavranich
Craig Hanley
Stephen Lidbury

Note 27. Key management personnel disclosures (continued)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial period:

Royce Galea
 Damien Gray

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	1,703,996	738,715
Post-employment benefits	144,495	58,965
Long-term benefits	28,896	11,440
Share-based payments	104,313	339,541
	<u>1,981,700</u>	<u>1,148,661</u>

Note 28. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by Moore Stephens Audit (Vic), the auditor of the company, and its network firms:

	Consolidated	
	2017	2016
	\$	\$
<i>Audit services - Moore Stephens Audit (Vic)</i>		
Audit or review of the financial statements	<u>158,250</u>	<u>166,500</u>
<i>Other services - Moore Stephens</i>		
Taxation services	26,000	34,000
Other services	<u>62,341</u>	<u>39,673</u>
	<u>88,341</u>	<u>73,673</u>

Note 29. 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 tax years ended 30 June 2011 to 30 June 2015 (inclusive). A corresponding contingent liability, in excess of this amount, has been disclosed in Note 30 of these financial statements.

Note 30. 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 processed 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 30 June 2017. It is estimated that the impact of such additional tax would be between \$0.7 million - \$1.4 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.

Note 31. Commitments

	Consolidated	
	2017	2016
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,243	2,435
One to five years	3,658	2,864
	<u>6,901</u>	<u>5,299</u>

Lease commitments are predominately related to storage agreements.

Note 31. Commitments (continued)

Finance leases

	Consolidated			
	2017 \$'000		2016 \$'000	
	Minimum payment	Present value	Minimum payment	Present value
Within one year	2,299	2,075	1,535	1,140
After one year but not more than five years	2,510	2,384	1,675	1,837
More than five years	-	-	-	-
Total minimum lease payments	4,809	4,459	3,210	2,977
Less amounts representing finance charges	(350)	-	(233)	-
Present value of minimum lease payments	4,459	4,459	2,977	2,977

The Group has finance leases and hire purchase contracts for various items of plant and equipment. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are disclosed above.

Note 32. Related party transactions

Parent entity

Millennium Services Group Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Key management personnel

Wages and other benefits paid to a close family member of Royce Galea in their capacity as an employee of the group amounted to \$15,809 for the year ended 30 June 2017 (2016: \$86,551).

All other disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the director's report.

Transactions with related parties

Office rent of \$31,627 was paid on normal commercial terms to an entity related to Stephen Lidbury (2016: \$20,276).

Consulting fees of \$205,119 were paid to an entity related to Tomi-Sasha Holdings Pty Ltd a shareholder of the company for the year ended 30 June 2017 (2016: \$128,611).

Wages and other benefits of \$118,870 were paid to close family members of the controller of Tomi-Sasha Holdings Pty Ltd, in their capacity as employees of the Group, for the year ended 30 June 2017 (2016: \$135,352).

Millennium Services Group Ltd
Notes to the financial statements
30 June 2017

Note 32. Related party transactions (continued)

Loans from related parties

The following were receivable at 30 June 2016:

Tomi-Sash Holdings Pty Ltd and related parties**	\$22,991
Stephen Crewes *	\$120,000
Jeffrey Crewes **	\$143,531
Stephen Lidbury***	\$31,358
Royce Galea***	\$31,358

* Paid in full 18 August 2016.

** Paid in full by 24 August 2016.

*** Paid in full by 26 August 2016.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 \$'000	2016 \$'000
Loss after income tax	(7,729)	(4,390)
Total comprehensive loss	(7,729)	(4,390)

Statement of financial position

	Parent	
	2017 \$'000	2016 \$'000
Total current assets	12,190	17,459
Total assets	35,585	18,272
Total current liabilities	6,546	2,067
Total liabilities	32,065	3,617
Equity		
Issued capital	18,967	18,967
Share-based payments reserve	189	78
Accumulated losses, net of dividends paid	(15,636)	(4,390)
Total equity	3,520	14,655

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

A deed of cross guarantee between Millennium Services Group Limited and its subsidiaries in Note 35 (except Millennium Group (NZ) Ltd) was enacted in the prior financial year and updated in the current year to include the Airlite Group. The Group is relieved from preparing financial statements for the subsidiaries under ASIC Class Order 98/1418. Under the deed, Millennium Services Group Ltd guarantees to support the liabilities and obligations of each entity listed in Note 35 Interest in Subsidiaries, other than Millennium Group (NZ) Ltd. As Millennium Group (NZ) Ltd is not material, the aggregate totals for each category, relieved under the deed for the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position approximate the level of support guaranteed.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Note 33. Parent entity information (continued)

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 34. 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.

Revenue of the Airlite Group included in the consolidated revenue of the Group since the acquisition date on 1 November 2016 amounted to \$47,657,000. Profit after tax of the Airlite Group included in consolidated profit of the Group since the acquisition date amounted to \$3,263,000. Had the results relating to Airlite Group been consolidated from 1 July 2016, consolidated revenue of the consolidated Group would have been \$250.0 million and consolidated profit would have been \$7.6 million for the year ended 30 June 2017.

The provisional fair values of the identifiable net assets acquired are detailed in the following table:

	Fair value \$'000
Cash and cash equivalents	3,505
Receivables and prepayments	8,088
Property plant and equipment	2,374
Trademarks	2,734
Customer contracts	16,490
Deferred tax asset	1,462
Payables and accruals	(5,000)
Provision for income tax	(860)
Deferred tax liability	(5,767)
Employee benefits	(4,290)
Borrowings	(4,081)
Net assets acquired	14,655
Goodwill	10,631
Acquisition-date fair value of the total consideration transferred	<u>25,286</u>
Representing:	
Cash paid or payable to vendor	25,086
Contingent consideration	200
	<u>25,286</u>

Note 34. 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 Fair value \$'000	Adjustments Fair value \$'000	Completed 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	1,000	3,000
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 \$975,000 adjustment to the acquisition fair value has been recognised as a restatement to the 30 June 2016 statement of financial position. Further details are at note 3.

\$1.0 million in total deferred and contingent consideration was paid in the current financial year.

Note 34. Business combinations (continued)

The ACS business was acquired in November 2015. The adjustments below have been made in relation to acquisition of ACS as a result of the completion of provisional accounting:

	Provisional	Adjustments (June 2016 restatement)	Adjustment* (contingent consideration)	Completed
	Fair value \$'000	Fair value \$'000	Fair value \$'000	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	4,970	(2,300)	6,462
Acquisition-date fair value of the total consideration transferred	<u>7,800</u>	<u>3,900</u>	<u>(2,300)</u>	<u>9,400</u>
Representing:				
Cash paid or payable to vendor	7,000	-	-	7,000
Contingent consideration	1,000	3,700	(2,300)	2,400
Receivable due from vendor with long service leave liabilities	(200)	200	-	-
	<u>7,800</u>	<u>3,900</u>	<u>(2,300)</u>	<u>9,400</u>

The \$3.7 million adjustment to the acquisition fair value has been recognised as a restatement to the 30 June 2016 statement of financial position. Further details are at note 3.

*At November 2016, the probability of paying the earn-out and contingent consideration in relation to the ACS acquisition was assessed to be \$2.4 million instead of \$4.7million as assessed at acquisition date of November 2015. The reassessment of the original contingent consideration that existed at acquisition has been applied against goodwill as a final adjustment to accounting for the business combination.

Subsequent to November 2016, the final consideration settled with the vendor was \$1.25 million, resulting in a gain on settlement of \$1.15 million. The contingent consideration of \$1.25 million was settled on 4 August 2017.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Millennium Group (NZ) Ltd	New Zealand	100.00%	100.00%
Millennium Hi-Tech Group Pty Ltd	Australia	100.00%	100.00%
Millennium Hi-Tech Holdings Pty Ltd	Australia	100.00%	100.00%
Millennium Hi-Tech (SA) Pty Ltd	Australia	100.00%	100.00%
Millennium Cleaning (Qld) Pty Ltd	Australia	100.00%	100.00%
Millennium Cleaning (Vic) Pty Ltd	Australia	100.00%	100.00%
Millennium Services Group Operations Pty Ltd	Australia	100.00%	100.00%
Airlite Cleaning Pty Ltd	Australia	100.00%	-
Airlite Management Services Pty Ltd	Australia	100.00%	-

The subsidiaries entered into a deed of cross guarantee on 30 May 2016, with the exception of the Airlite group which was included on 30 June 2017.

Note 36. Events after the reporting period

On 25 August 2017, the Directors declared a fully franked final dividend of \$2,480,000 (\$0.054 per share) to be paid on 5 October 2017.

Contingent consideration of \$1,250,000 in relation to the ACS acquisition was settled on 4 August 2017.

No other matter or circumstance has arisen since 30 June 2017 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.

Note 37. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2017	2016
	\$'000	\$'000
Profit after income tax expense for the period	6,217	707
Adjustments for:		
Depreciation and amortisation	5,637	1,751
Net loss/(gain) on disposal of property, plant and equipment	5	(20)
Share-based payments	111	70
Acquisition related expenses	-	364
Tax on IPO black hole costs	-	155
Provision for doubtful debtors	-	63
Net foreign exchange differences	-	4
Employee share issue	-	2,041
Gain on contingent consideration	(1,150)	-
Change in operating assets and liabilities:		
Increase in inventories	(55)	(414)
Increase in deferred tax assets	(1,463)	(570)
Increase/(decrease) in trade and other payables	313	(3,115)
Increase/(decrease) in provision for income tax	1,053	(671)
Increase in employee benefits	2,144	327
Increase in receivables and prepayments	(1,939)	(347)
Net cash from operating activities	<u>10,873</u>	<u>345</u>

Note 38. Earnings per share

	Consolidated	
	2017	2016
	\$'000	\$'000
Profit after income tax attributable to the owners of Millennium Services Group Ltd	<u>6,217</u>	<u>707</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>45,928,529</u>	<u>43,931,253</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>45,928,529</u>	<u>43,931,253</u>
	Cents	Cents
Basic earnings per share	13.54	1.61
Diluted earnings per share	13.54	1.61

The options have not been included in calculation of diluted earnings per share because the exercise price of the options materially exceeds the market price at 30 June 2017.

Note 39. Share-based payments

The Board has adopted an "Omnibus Equity Plan" ("Plan") through which it will determine appropriate long-term incentive mechanisms for employees, including directors and senior management of the consolidated entity.

Note 39. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2017							
Grant date	Vesting date (lapse if leaves office)	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
19/11/2015	18/11/2017	\$2.93	800,000	-	-	-	800,000
19/11/2015	18/11/2018	\$3.38	800,000	-	-	-	800,000
19/11/2015	19/11/2019	\$3.71	800,000	-	-	-	800,000
			<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>

2016							
Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
19/11/2015	18/11/2017	\$2.93	-	800,000	-	-	800,000
19/11/2015	18/11/2018	\$3.38	-	800,000	-	-	800,000
19/11/2015	19/11/2019	\$3.71	-	800,000	-	-	800,000
			<u>-</u>	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.38 years (2016: 2.38 years.)

For the options granted during the prior financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/11/2015	18/11/2017	\$2.25	\$2.93	30.00%	5.00%	1.88%	\$0.128
19/11/2015	18/11/2018	\$2.25	\$3.38	30.00%	5.00%	1.88%	\$0.113
19/11/2015	18/11/2019	\$2.25	\$3.71	30.00%	5.00%	1.99%	\$0.114

Millennium Services Group Ltd
Directors' declaration
30 June 2017

In accordance with a resolution of the Directors of Millennium Services Group Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 59, and the remuneration report on pages 6 to 13 in the Directors' report are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated Group;
2. 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
3. The Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

The Company and its wholly owned Group subsidiaries, identified in Note 35 (excluding Millennium Group (NZ) Ltd), have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

On behalf of the Directors



Craig Hanley
Director

25 August 2017

Moore Stephens Audit (Vic)

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM SERVICES GROUP LIMITED & CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Millennium Services Group Limited and Controlled Entities (**the Company**), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER 1 – Acquisition Accounting

Refer to Note 34 “Business Combinations”

During the financial year ended 30 June 2017, the Company acquired 100% of the Airlite Group, as disclosed in Note 34.

The accounting for the acquisition of Airlite Group has been identified as a key audit matter due to the size of the acquisition and the significant judgement involved, including the purchase price allocation, the identification and measurement of the fair value of assets (including intangible assets) and liabilities acquired and of the contingent consideration.

Our procedures included, amongst others:

- Reviewing the sale and purchase agreement to understand the key terms and conditions of the transaction.
- Assessing the competence, independence and experience of the external valuation expert engaged by the Company to value the identifiable intangible assets.
- Reviewing the external valuation report on the identification and valuation of intangible assets. Specifically we assessed the key assumptions in the calculation of identifiable intangible assets and tested the methodology and mathematical accuracy of the calculation.
- Assessing management’s estimation of the contingent consideration, by challenging the key assumptions and probability of achievement of future EBITDA targets.
- Assessing the adequacy of the Company’s disclosures of the acquisitions in the financial report.

KEY AUDIT MATTER 2 – Payroll Tax Dispute

Refer to Note 30 “Contingent Liabilities” and Note 29 “Contingent Assets”

On 23 November 2015 the NSW Office of State Revenue (OSR) issued payroll tax assessments totalling \$1.927m in respect of the payroll tax years ended 30 June 2011 to 30 June 2015 (inclusive) for the wholly owned subsidiary Millennium Hi-tech Group Pty Ltd. An objection was lodged with the OSR in early 2016 in respect of this matter. A contingent liability has been disclosed in Note 30 to the financial statements.

The Company is entitled to an indemnity from certain vendor shareholder entities in excess of the assessments levied. This has been disclosed as a contingent asset in Note 29 to the Financial Report.

We focused on this area as a key audit matter due to the estimation and judgement involved and its potential material impact on the financial report.

Our procedures included, amongst others:

- Evaluation of the supporting documentation used by management to support the position of the item as a contingent liability rather than a liability.
- Assessment of the documentation to support the existence and nature of the indemnity which forms the basis of the Contingent Asset disclosed.
- Consultation with the Company’s legal representatives and review of written representation in relation to the tax claim.
- Assessing the adequacy of the Company’s disclosures in respect of the Contingent Asset and Contingent Liability.

KEY AUDIT MATTER 3 – Goodwill and Intangible Assets

Refer to Note 14 “Non-current assets - Intangibles”

As at 30 June 2017 the Company has total Intangible Assets of \$40.5m.

Goodwill and other intangible assets that have an indefinite useful life are required to be tested at least annually for impairment.

We focused on this area due to the size of the intangible assets balance and because the directors’ assessment of the ‘value in use’ of the Company’s CGUs involves judgements about the future results of the business and the discount rates applied to the future cash flows which are inherently uncertain.

Our procedures included, amongst others:

- Evaluating management’s cash flow forecasts covering a 5 year period including testing the integrity and mathematical accuracy of the underlying calculations and ensuring they were consistent with the latest board approved budgets.
- We challenged:
 1. Management’s key assumptions for growth rates in the forecasts by comparing them to historical results.
 2. The discount rate used in the model by assessing the cost of capital for the Group by comparing it to market data and industry research.
- We tested the assumptions used by management, analysing the impact on the value in use calculation by performing sensitivity analysis on the EBITDA growth rate, WACC and terminal value growth rate used within a reasonably foreseeable range.
- Assessed the appropriateness of the amortisation rates.
- Finally we assessed the adequacy of the Company’s disclosure of the assumptions used in respect to the value in use calculations.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company’s annual report for the year ended 30 June 2017, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors;
- conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Millennium Services Group Limited & Controlled Entities, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

25 August 2017

Millennium Services Group Ltd
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 31 July 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	47
1,001 to 5,000	801
5,001 to 10,000	312
10,001 to 100,000	180
100,001 and over	27
	<u>1,367</u>
Holding less than a marketable parcel	<u>466</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued
Number held	
TOMI-SASHA HOLDINGS PTY LTD	6,893,557 15.01
ROYCE GALEA PTY LTD	6,892,837 15.01
STEPHEN LIDBURY PTY LTD	6,892,837 15.01
CITICORP NOMINEES PTY LIMITED	3,713,520 8.09
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,072,980 4.51
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,808,935 3.94
MR PETER MCKENZIE ANDERSON + MRS LAURA CASTEEL ANDERSON	1,788,000 3.89
NATIONAL NOMINEES LIMITED	1,464,760 3.19
AUST EXECUTOR TRUSTEES LTD	1,243,284 2.71
D J G ENTERPRISES PTY LTD	1,148,664 2.50
TRYGELA PTY LTD	1,148,664 2.50
BNP PARIBAS NOMS PTY LTD	831,044 1.81
STRATEGIC VISION EQUITIES PTY LTD	502,000 1.09
MR GREGORY HENRY MCCORMACK + MRS JOCELYN LORNA DELAFIELD MCCORMACK	480,000 1.05
NGE CAPITAL LTD	460,000 1.00
STRAUSTRAL CAPITAL PTY LTD	250,000 0.54
MR JOHN DAVID WHEELER + MR GLEN ROBERT WHEELER	250,000 0.54
MRS SUSAN HADDEN + MRS ABBY FALLA	250,000 0.54
DALLMOUNT PTY LTD	217,486 0.47
MRS JENNY ELIZABETH GAUDRY	200,000 0.44
	<u>38,508,568 83.84</u>

Unquoted equity securities

There are no unquoted equity securities.

Millennium Services Group Ltd
Shareholder information
30 June 2017

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	% of total	
	shares	
	Number held	issued
TOMI-SASHA HOLDINGS PTY LTD	6,893,557	15.01
ROYCE GALEA PTY LTD	6,892,837	15.01
STEPHEN LIDBURY PTY LTD	6,832,837	15.01
CITICORP NOMINEES PTY LIMITED	3,713,520	8.09

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.