

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

**1. Company details**

|                   |                                           |
|-------------------|-------------------------------------------|
| Name of entity:   | Millennium Services Group Ltd             |
| ABN:              | 11 607 926 787                            |
| Reporting period: | For the six months ended 31 December 2017 |
| Previous period:  | For the six months ended 31 December 2016 |

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

|                                                                                                       |      |            | \$'000  |
|-------------------------------------------------------------------------------------------------------|------|------------|---------|
| Revenues from ordinary activities                                                                     | up   | 34.9% to   | 136,284 |
| Profit from ordinary activities after tax attributable to the owners of Millennium Services Group Ltd | down | (58.8)% to | 944     |
| Profit for the period attributable to the owners of Millennium Services Group Ltd                     | down | (58.8)% to | 944     |

*Dividends*

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

No interim dividend has been declared for the period.

*Comments*

The profit for the consolidated entity after providing for income tax amounted to \$944,000 (31 December 2016: \$2,294,000).

For a brief explanation of the results for the period, please refer to the Directors' report and the notes to the attached half year Consolidated Financial Statements.

**3. Net tangible assets**

|                                           | Reporting period Cents | Previous period Cents |
|-------------------------------------------|------------------------|-----------------------|
| Net tangible assets per ordinary security | <u>(54.67)</u>         | <u>(57.75)</u>        |

**4. Control gained over entities**

Not applicable.

## 5. Loss of control over entities

Not applicable.

---

## 6. Dividends

### *Current period*

|                                                          | Amount per<br>security<br>Cents | Franked<br>amount per<br>security<br>Cents |
|----------------------------------------------------------|---------------------------------|--------------------------------------------|
| Final dividend for the financial year ended 30 June 2017 | 5.4                             | 5.4                                        |
| No interim dividend has been declared for the period.    |                                 |                                            |

### *Previous period*

|                                                           |     |     |
|-----------------------------------------------------------|-----|-----|
| Final dividend for the financial year ended 30 June 2016  | 4.4 | 4.4 |
| Interim dividend for the half year ended 31 December 2016 | 3.5 | 3.5 |

---

## 7. Dividend reinvestment plans

Not applicable.

---

## 8. Details of associates and joint venture entities

Not applicable.

---

## 9. Foreign entities

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

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

---

## 10. Audit qualification or review

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

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

---

## 11. Attachments

### *Details of attachments (if any):*

The half year Consolidated Financial Statements of Millennium Services Group Ltd for the period ended 31 December 2017 are attached.

---

12. Signed

Signed 

Craig Hanley  
Director

Date: 26 February 2018

# **Millennium Services Group Ltd**

**ABN 11 607 926 787**

## **Half Year Financial Report - 31 December 2017**

**Millennium Services Group Ltd**  
**Directors' report**  
**31 December 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 period ended 31 December 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  
 Craig Hanley – Executive Director and Chief Executive Officer  
 Stephen Williams – Independent, Non-Executive Director  
 Greg McCormack – Independent, Non-Executive Director  
 Sally McCutchan – Independent, Non-Executive Director (appointed 25 October 2017)  
 Stephen Lidbury – Executive Director (resigned 25 October 2017)  
 Ross Gavranich - Executive Director

**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 and previous corresponding period were as follows:

|                                                                                                                   | <b>Consolidated</b> |                 |
|-------------------------------------------------------------------------------------------------------------------|---------------------|-----------------|
|                                                                                                                   | <b>December</b>     | <b>December</b> |
|                                                                                                                   | <b>2017</b>         | <b>2016</b>     |
|                                                                                                                   | <b>\$'000</b>       | <b>\$'000</b>   |
| Final dividend of \$0.044 per share (fully franked) was paid in respect of the financial year ended 30 June 2016. | -                   | 2,021           |
| Final dividend of \$0.054 per share (fully franked) was paid in respect of the financial year ended 30 June 2017. | 2,480               | -               |
|                                                                                                                   | <u>2,480</u>        | <u>2,021</u>    |

Based on revised guidance and expected forward commitments of the company including in relation to investments for anticipated contract wins, the Board has determined not to pay an interim dividend during this period.

Directors will determine the appropriateness of the payment of a final dividend based on the full year results.

**Review of operations**

Revenue increased 34.9% to \$136,284,000 compared to the previously corresponding period. The statutory revenue for the period included a full six months of revenue from the Airlite business acquired in November 2016 compared to only two months of Airlite revenue in the prior period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$6,151,000 was 1.8% higher than the prior period.

EBITDA in the current period was impacted by a 31% increase in overhead expenditure of \$3,649,000. This included \$2,068,000 associated with a full 6 months of overhead from Airlite and \$1,581,000 related to investment for new contract revenue and information technologies to further improve forecasting and operational management capability.

**Millennium Services Group Ltd**  
**Directors' report**  
**31 December 2017**

Depreciation and amortisation expense of \$3,683,000 increased \$1,550,000 or 73% compared with the prior period partly due to amortisation and depreciation related to the intangibles and plant and equipment recognised on the acquisition of the Airlite Group in November 2016. Investment in capitalised equipment of robotics, and plant and equipment to service the growth in the cleaning segment also contributed to the increase.

Finance costs of \$1,108,000 were \$501,000 higher than the prior period due to a full six months of interest expense incurred in the current period in relation to the financing of the Airlite Group acquisition in November 2016.

Profit before income tax expense of \$1,373,000 was \$1,944,000 lower compared to the prior period mostly due to the higher amortisation, depreciation and finance costs noted above. This was partly offset by the higher EBITDA. Income tax expense of \$429,000 (effective income tax rate of 31.2%) was lower compared to \$1,023,000 (effective income tax rate of 30.8%) in the prior period, in line with the lower profit before income tax expense.

The profit for the consolidated entity after providing for income tax amounted to \$944,000 (31 December 2016: \$2,294,000).

**Significant changes in the state of affairs**

There were no 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 5 February 2018, the company announced the resignation of Mr Damien Gray from the position of Chief Financial Officer and Company Secretary and the appointment of Mr Paul Smith as Interim Chief Financial Officer and Company Secretary.

The Company has identified a potential tax liability which is yet to be quantified. MinterEllison has been appointed to advise the Company and if necessary, liaise with the ATO to resolve this matter. If any material impact on the Company comes to light, the Company will inform the ASX accordingly.

No other matter or circumstance has arisen since 31 December 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.

**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.

**Millennium Services Group Ltd**  
**Directors' report**  
**31 December 2017**

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

On behalf of the directors

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

Craig Hanley  
Director

26 February 2018

Moore Stephens Audit (Vic)

Level 18, 530 Collins Street  
Melbourne Victoria 3000

**T** +61 (0)3 9608 0100

**F** +61 (0)3 9608 0192

**E** [victoria@moorestephens.com.au](mailto:victoria@moorestephens.com.au)

[www.moorestephens.com.au](http://www.moorestephens.com.au)

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017, there have been:

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



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



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

Melbourne, Victoria

26 February 2018

## **Millennium Services Group Ltd**

### **Contents**

**31 December 2017**

|                                                                                     |    |
|-------------------------------------------------------------------------------------|----|
| Statement of profit or loss and other comprehensive income                          | 10 |
| Statement of financial position                                                     | 11 |
| Statement of changes in equity                                                      | 12 |
| Statement of cash flows                                                             | 13 |
| Notes to the financial statements                                                   | 14 |
| Directors' declaration                                                              | 21 |
| Independent auditor's review report to the members of Millennium Services Group Ltd | 22 |

### **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 26 February 2018. 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 period ended 31 December 2017**

|                                                                                                                   | <b>Consolidated</b>     |                         |
|-------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                                                                   | <b>31 December 2017</b> | <b>31 December 2016</b> |
|                                                                                                                   | <b>\$'000</b>           | <b>\$'000</b>           |
| <b>Revenue</b>                                                                                                    | 136,284                 | 100,997                 |
| Other income                                                                                                      | 17                      | 14                      |
| <b>Expenses</b>                                                                                                   |                         |                         |
| Raw materials and consumables used                                                                                | (19,895)                | (17,889)                |
| Employee benefits expense                                                                                         | (103,598)               | (70,530)                |
| Depreciation and amortisation expense                                                                             | (3,683)                 | (2,133)                 |
| Transaction expenses                                                                                              | (122)                   | (776)                   |
| Other expenses                                                                                                    | (6,522)                 | (5,759)                 |
| Finance costs                                                                                                     | (1,108)                 | (607)                   |
| <b>Profit before income tax expense</b>                                                                           | 1,373                   | 3,317                   |
| Income tax expense                                                                                                | (429)                   | (1,023)                 |
| <b>Profit after income tax expense for the period attributable to the owners of Millennium Services Group Ltd</b> | 944                     | 2,294                   |
| <b>Other comprehensive income/(loss)</b>                                                                          |                         |                         |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                              |                         |                         |
| Foreign currency translation                                                                                      | (33)                    | (4)                     |
| Other comprehensive loss for the period, net of tax                                                               | (33)                    | (4)                     |
| <b>Total comprehensive income for the period attributable to the owners of Millennium Services Group Ltd</b>      | <b>911</b>              | <b>2,290</b>            |
|                                                                                                                   | <b>Cents</b>            | <b>Cents</b>            |
| Basic earnings per share                                                                                          | 2.06                    | 4.99                    |
| Diluted earnings per share                                                                                        | 2.05                    | 4.99                    |

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

**Millennium Services Group Ltd**  
**Statement of financial position**  
**As at 31 December 2017**

|                                |             | <b>Consolidated</b> |                |
|--------------------------------|-------------|---------------------|----------------|
|                                | <b>Note</b> | <b>31 December</b>  | <b>30 June</b> |
|                                |             | <b>2017</b>         | <b>2017</b>    |
|                                |             | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Assets</b>                  |             |                     |                |
| <b>Current assets</b>          |             |                     |                |
| Cash and cash equivalents      |             | 3,049               | 8,064          |
| Trade and other receivables    |             | 20,661              | 17,057         |
| Inventories                    |             | 1,630               | 824            |
| Other                          |             | 1,372               | 1,623          |
| Total current assets           |             | <u>26,712</u>       | <u>27,568</u>  |
| <b>Non-current assets</b>      |             |                     |                |
| Property, plant and equipment  |             | 14,894              | 11,331         |
| Intangibles                    | 3           | 39,006              | 40,479         |
| Deferred tax                   |             | 6,859               | 5,933          |
| Other                          |             | 322                 | 126            |
| Total non-current assets       |             | <u>61,081</u>       | <u>57,869</u>  |
| <b>Total assets</b>            |             | <u>87,793</u>       | <u>85,437</u>  |
| <b>Liabilities</b>             |             |                     |                |
| <b>Current liabilities</b>     |             |                     |                |
| Trade and other payables       |             | 16,532              | 11,580         |
| Borrowings                     | 4           | 8,381               | 7,016          |
| Income tax                     |             | 389                 | 3,014          |
| Employee benefits              |             | 12,157              | 10,873         |
| Other                          |             | 5,121               | 5,469          |
| Total current liabilities      |             | <u>42,580</u>       | <u>37,952</u>  |
| <b>Non-current liabilities</b> |             |                     |                |
| Borrowings                     | 5           | 21,356              | 21,872         |
| Deferred tax                   |             | 6,673               | 7,251          |
| Employee benefits              |             | 3,253               | 3,190          |
| Other                          |             | 278                 | -              |
| Total non-current liabilities  |             | <u>31,560</u>       | <u>32,313</u>  |
| <b>Total liabilities</b>       |             | <u>74,140</u>       | <u>70,265</u>  |
| <b>Net assets</b>              |             | <u>13,653</u>       | <u>15,172</u>  |
| <b>Equity</b>                  |             |                     |                |
| Issued capital                 |             | 18,967              | 18,967         |
| Reserves                       |             | (7,074)             | (7,091)        |
| Retained profits               |             | 1,760               | 3,296          |
| <b>Total equity</b>            |             | <u>13,653</u>       | <u>15,172</u>  |

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

**Millennium Services Group Ltd**  
**Statement of changes in equity**  
**For the period ended 31 December 2017**

| <b>Consolidated</b>                                          | <b>Issued capital<br/>\$'000</b> | <b>Reserves<br/>\$'000</b> | <b>Retained profits<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--------------------------------------------------------------|----------------------------------|----------------------------|------------------------------------|--------------------------------|
| Balance at 1 July 2016                                       | 18,967                           | (7,200)                    | 707                                | 12,474                         |
| Profit after income tax expense for the period               | -                                | -                          | 2,294                              | 2,294                          |
| Other comprehensive income for the period, net of tax        | -                                | (4)                        | -                                  | (4)                            |
| Total comprehensive income for the period                    | -                                | (4)                        | 2,294                              | 2,290                          |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                            |                                    |                                |
| Dividends paid (note 6)                                      | -                                | -                          | (2,021)                            | (2,021)                        |
| Balance at 31 December 2016                                  | <u>18,967</u>                    | <u>(7,204)</u>             | <u>980</u>                         | <u>12,743</u>                  |
|                                                              |                                  |                            |                                    |                                |
| <b>Consolidated</b>                                          | <b>Issued capital<br/>\$'000</b> | <b>Reserves<br/>\$'000</b> | <b>Retained profits<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
| Balance at 1 July 2017                                       | 18,967                           | (7,091)                    | 3,296                              | 15,172                         |
| Profit after income tax expense for the period               | -                                | -                          | 944                                | 944                            |
| Other comprehensive loss for the period, net of tax          | -                                | (33)                       | -                                  | (33)                           |
| Total comprehensive income/(loss) for the period             | -                                | (33)                       | 944                                | 911                            |
| Share based payments                                         | -                                | 50                         | -                                  | 50                             |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                            |                                    |                                |
| Dividends paid (note 6)                                      | -                                | -                          | (2,480)                            | (2,480)                        |
| Balance at 31 December 2017                                  | <u>18,967</u>                    | <u>(7,074)</u>             | <u>1,760</u>                       | <u>13,653</u>                  |

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

**Millennium Services Group Ltd**  
**Statement of cash flows**  
**For the period ended 31 December 2017**

|                                                                    |             | <b>Consolidated</b> |                     |
|--------------------------------------------------------------------|-------------|---------------------|---------------------|
|                                                                    |             | <b>31 December</b>  | <b>31 December</b>  |
|                                                                    | <b>Note</b> | <b>2017</b>         | <b>2016</b>         |
|                                                                    |             | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Cash flows from operating activities</b>                        |             |                     |                     |
| Receipts from customers (inclusive of GST)                         |             | 146,309             | 108,171             |
| Payments to suppliers and employees (inclusive of GST)             |             | <u>(137,225)</u>    | <u>(100,673)</u>    |
|                                                                    |             | 9,084               | 7,498               |
| Interest received                                                  |             | 13                  | 14                  |
| Interest and other finance costs paid                              |             | (1,108)             | (607)               |
| Income taxes paid                                                  |             | <u>(4,433)</u>      | <u>(825)</u>        |
| Net cash from operating activities                                 |             | <u>3,556</u>        | <u>6,080</u>        |
| <b>Cash flows from investing activities</b>                        |             |                     |                     |
| Payment for purchase of business, net of cash acquired             |             | (1,450)             | (22,083)            |
| Payments for property, plant and equipment                         |             | (2,528)             | (570)               |
| Proceeds from disposal of property, plant and equipment            |             | <u>4</u>            | <u>8</u>            |
| Net cash used in investing activities                              |             | <u>(3,974)</u>      | <u>(22,645)</u>     |
| <b>Cash flows from financing activities</b>                        |             |                     |                     |
| Proceeds from borrowings                                           | 5           | 1,300               | 25,086              |
| Repayments of equipment finance                                    | 5           | (1,186)             | (714)               |
| Dividends paid                                                     | 6           | (2,480)             | (2,021)             |
| Repayment of borrowings                                            | 5           | (2,222)             | (3,333)             |
| Proceeds from related parties                                      |             | <u>-</u>            | <u>319</u>          |
| Net cash (used in) / from financing activities                     |             | <u>(4,588)</u>      | <u>19,337</u>       |
| Net increase / (decrease) in cash and cash equivalents             |             | (5,006)             | 2,772               |
| Cash and cash equivalents at the beginning of the financial period |             | 8,064               | 6,723               |
| Effects of exchange rate changes on cash and cash equivalents      |             | <u>(9)</u>          | <u>(3)</u>          |
| Cash and cash equivalents at the end of the financial period       |             | <u><u>3,049</u></u> | <u><u>9,492</u></u> |

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

**Note 1. Significant accounting policies**

**Statement of compliance**

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. This interim financial report is intended to provide users with an update on the latest annual financial statements of the company and its controlled entities (referred to as “the Group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half year.

**Basis of preparation**

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

**Note 2. 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 half year financial report, 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 31 December 2016 has been allocated to the Cleaning and Security segments.

*Operating segment information*

|                                         | Cleaning<br>\$'000 | Security<br>\$'000 | Head<br>Office<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|--------------------|--------------------|--------------------------|-----------------|
| <b>Consolidated – 31 December 2017</b>  |                    |                    |                          |                 |
| <b>Revenue</b>                          |                    |                    |                          |                 |
| Sales to external customers             | 118,153            | 18,131             | -                        | 136,284         |
| Other income                            | -                  | -                  | 4                        | 4               |
| <b>Total revenue and other income</b>   | <b>118,153</b>     | <b>18,131</b>      | <b>4</b>                 | <b>136,288</b>  |
| <b>Gross margin</b>                     | <b>18,665</b>      | <b>2,772</b>       | <b>-</b>                 | <b>21,437</b>   |
| Other income                            | -                  | -                  | 4                        | 4               |
| Overheads                               |                    |                    | (15,290)                 | (15,290)        |
| <b>EBITDA</b>                           |                    |                    |                          | <b>6,151</b>    |
| Depreciation and amortisation           |                    |                    |                          | (3,683)         |
| Interest revenue                        |                    |                    |                          | 13              |
| Finance costs                           |                    |                    |                          | (1,108)         |
| <b>Profit before income tax expense</b> |                    |                    |                          | <b>1,373</b>    |
| Income tax expense                      |                    |                    |                          | (429)           |
| <b>Profit after income tax expense</b>  |                    |                    |                          | <b>944</b>      |
| <b>Segment assets</b>                   | <b>72,606</b>      | <b>7,761</b>       | <b>7,426</b>             | <b>87,793</b>   |
| <b>Segment liabilities</b>              | <b>38,082</b>      | <b>5,103</b>       | <b>30,955</b>            | <b>74,140</b>   |

Assets used jointly by reportable segments are allocated on the basis of revenues earned by individual reportable segments.

**Note 2. Operating segments (continued)**

| <b>Consolidated – 31 December 2016</b>  | <b>Cleaning<br/>\$'000</b> | <b>Security<br/>\$'000</b> | <b>Head<br/>Office<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|-----------------------------------------|----------------------------|----------------------------|-----------------------------------|-------------------------|
| <b>Revenue</b>                          |                            |                            |                                   |                         |
| Sales to external customers             | 84,021                     | 16,976                     | -                                 | 100,997                 |
| Other income                            | -                          | -                          | -                                 | -                       |
| <b>Total revenue and other income</b>   | <b>84,021</b>              | <b>16,976</b>              | <b>-</b>                          | <b>100,997</b>          |
| <b>Gross margin</b>                     | <b>15,019</b>              | <b>2,665</b>               | <b>-</b>                          | <b>17,684</b>           |
| Overheads                               |                            |                            | (11,641)                          | (11,641)                |
| <b>EBITDA</b>                           |                            |                            |                                   | <b>6,043</b>            |
| Depreciation and amortisation           |                            |                            |                                   | (2,133)                 |
| Interest revenue                        |                            |                            |                                   | 14                      |
| Finance costs                           |                            |                            |                                   | (607)                   |
| <b>Profit before income tax expense</b> |                            |                            |                                   | <b>3,317</b>            |
| Income tax expense                      |                            |                            |                                   | (1,023)                 |
| <b>Profit after income tax expense</b>  |                            |                            |                                   | <b>2,294</b>            |
| <b>Segment assets</b>                   | <b>70,815</b>              | <b>9,310</b>               | <b>5,526</b>                      | <b>85,651</b>           |
| <b>Segment liabilities</b>              | <b>31,792</b>              | <b>5,222</b>               | <b>35,894</b>                     | <b>72,908</b>           |

Assets used jointly by reportable segments are allocated on the basis of revenues earned by individual reportable segments.

**Note 3. Non-current assets - intangibles**

|                                  | <b>Consolidated<br/>December<br/>2017<br/>\$'000</b> | <b>June<br/>2017<br/>\$'000</b> |
|----------------------------------|------------------------------------------------------|---------------------------------|
| Goodwill - at cost               | 18,359                                               | 18,068                          |
| Patents and trademarks - at cost | 2,734                                                | 2,734                           |
| Less: Accumulated amortisation   | (320)                                                | (182)                           |
|                                  | <b>2,414</b>                                         | <b>2,552</b>                    |
| Customer contracts - at cost     | 22,791                                               | 22,791                          |
| Less: Accumulated amortisation   | (4,558)                                              | (2,932)                         |
|                                  | <b>18,233</b>                                        | <b>19,859</b>                   |
|                                  | <b>39,006</b>                                        | <b>40,479</b>                   |

**Millennium Services Group Ltd**  
**Notes to the financial statements**  
**31 December 2017**

**Note 3. Non-current assets - intangibles (continued)**

*Reconciliations*

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

| <b>Consolidated</b>                              | Customer<br>contracts<br>\$'000 | Goodwill<br>\$'000 | Trademarks<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------|---------------------------------|--------------------|----------------------|-----------------|
| Balance at 1 July 2017                           | 19,859                          | 18,068             | 2,552                | 40,479          |
| Additions through business combinations (note 9) | -                               | 291                | -                    | 291             |
| Amortisation expense                             | (1,626)                         | -                  | (138)                | (1,764)         |
| Balance at 31 December 2017                      | <u>18,233</u>                   | <u>18,359</u>      | <u>2,414</u>         | <u>39,006</u>   |

**Note 4. Current liabilities - borrowings**

|                                   | <b>Consolidated</b>                 |                                 |
|-----------------------------------|-------------------------------------|---------------------------------|
|                                   | <b>December<br/>2017<br/>\$'000</b> | <b>June<br/>2017<br/>\$'000</b> |
| ANZ interchangeable loan facility | 5,828                               | 4,941                           |
| Hire purchase                     | <u>2,553</u>                        | <u>2,075</u>                    |
|                                   | <u>8,381</u>                        | <u>7,016</u>                    |

The loan facility drawdowns and repayments that occurred during the current financial period are summarised at Note 5.

*Financing arrangements*

The Group updated its financing arrangements with the ANZ Bank during the period to align the facilities with the Group's requirements for its continuing growth. Unrestricted access was available at the reporting date to the following lines of credit:

|                                                 | <b>Consolidated</b>                 |                                 |
|-------------------------------------------------|-------------------------------------|---------------------------------|
|                                                 | <b>December<br/>2017<br/>\$'000</b> | <b>June<br/>2017<br/>\$'000</b> |
| Total facilities:                               |                                     |                                 |
| Interchangeable loan facility                   | 30,000                              | 30,000                          |
| Asset finance facility (hire purchase)          | 8,500                               | 4,700                           |
| Overdraft facility                              | 10,000                              | 5,500                           |
| Standby letter of credit and guarantee facility | 1,200                               | 1,200                           |
| Electronic payway facility                      | 500                                 | 500                             |
| Commercial card facility                        | <u>325</u>                          | <u>325</u>                      |
|                                                 | <u>50,525</u>                       | <u>42,225</u>                   |
| Used at the reporting date:                     |                                     |                                 |
| Interchangeable loan facility                   | 23,507                              | 24,429                          |
| Asset finance facility (hire purchase)          | 4,812                               | 2,859                           |
| Overdraft facility                              | -                                   | -                               |
| Standby letter of credit and guarantee facility | 1,055                               | 851                             |
| Electronic payway facility                      | -                                   | -                               |
| Commercial card facility                        | <u>128</u>                          | <u>78</u>                       |
|                                                 | <u>29,502</u>                       | <u>28,217</u>                   |

**Note 4. Current liabilities - borrowings (continued)**

|                                                 | Consolidated<br>December<br>2017<br>\$'000 | June<br>2017<br>\$'000 |
|-------------------------------------------------|--------------------------------------------|------------------------|
| Unused at the reporting date:                   |                                            |                        |
| Interchangeable loan facility                   | 6,493                                      | 5,571                  |
| Asset finance facility (hire purchase)          | 3,688                                      | 1,841                  |
| Overdraft facility                              | 10,000                                     | 5,500                  |
| Standby letter of credit and guarantee facility | 145                                        | 349                    |
| Electronic payway facility                      | 500                                        | 500                    |
| Commercial card facility                        | 197                                        | 247                    |
|                                                 | <u>21,023</u>                              | <u>14,008</u>          |

**Note 5. Non-current liabilities – borrowings**

|                                   | Consolidated<br>December<br>2017<br>\$'000 | June<br>2017<br>\$'000 |
|-----------------------------------|--------------------------------------------|------------------------|
| ANZ interchangeable loan facility | 17,679                                     | 19,488                 |
| Hire purchase                     | <u>3,677</u>                               | <u>2,384</u>           |
|                                   | <u>21,356</u>                              | <u>21,872</u>          |

The loan facility drawdowns and repayments that occurred during the current financial period are summarised below. The balances represent the total of the current and non-current liabilities. Loan repayments were made in line with previously disclosed repayment terms.

| Consolidated                                                      | ANZ<br>interchangeable<br>loan facility \$'000 | Hire<br>purchase<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------|------------------------------------------------|----------------------------|-----------------|
| Balance at 1 July 2017                                            | 24,429                                         | 4,459                      | 28,888          |
| Drawdown for contingent consideration<br>paid for ACS acquisition | 1,300                                          | -                          | 1,300           |
| Equipment financing                                               | -                                              | 2,957                      | 2,957           |
| Repayments of borrowings                                          | <u>(2,222)</u>                                 | <u>(1,186)</u>             | <u>(3,408)</u>  |
| Balance at 31 December 2017                                       | <u>23,507</u>                                  | <u>6,230</u>               | <u>29,737</u>   |

*Total secured liabilities*

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

|                                   | Consolidated<br>December<br>2017<br>\$'000 | June<br>2017<br>\$'000 |
|-----------------------------------|--------------------------------------------|------------------------|
| ANZ interchangeable loan facility | 23,507                                     | 24,429                 |
| Hire purchase                     | <u>6,230</u>                               | <u>4,459</u>           |
|                                   | <u>29,737</u>                              | <u>28,888</u>          |

**Note 6. Equity - dividends**

Dividends paid during the current half year and the previous corresponding period were as follows:

|                                                                                                                     | <b>Consolidated</b> |                 |
|---------------------------------------------------------------------------------------------------------------------|---------------------|-----------------|
|                                                                                                                     | <b>December</b>     | <b>December</b> |
|                                                                                                                     | <b>2017</b>         | <b>2016</b>     |
|                                                                                                                     | <b>\$'000</b>       | <b>\$'000</b>   |
| Final dividend of \$0.044 per share (fully franked) was paid in respect of the reporting period ended 30 June 2016. | -                   | 2,021           |
| Final dividend of \$0.054 per share (fully franked) was paid in respect of the reporting period ended 30 June 2017. | 2,480               | -               |
|                                                                                                                     | <u>2,480</u>        | <u>2,021</u>    |

**Note 7. 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. The indemnity, which is capped at \$1.95 million, 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 8 of these financial statements.

**Note 8. Contingent liabilities**

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

Should Millennium Hi-Tech Group Pty Ltd be ultimately unsuccessful in its objection, Millennium Services Group Ltd is entitled to an indemnity from certain vendor shareholder entities in excess of the assessments levied. As such a contingent asset of \$1.927 million has also been disclosed in these financial statements. Further, should Millennium Hi-Tech Group Pty Ltd be ultimately unsuccessful in its objection, it is likely that a further amount of payroll tax would be payable in respect of the period since listing to 31 December 2017. It is estimated that the impact of such additional tax would be between \$0.7 million - \$1.7 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.

As at 31 December 2017, the payroll tax matter is before the Supreme Court of NSW. The Court has ordered the matter be listed for directions on 4 April 2018. Millennium Hi-Tech Group Pty Ltd and the OSR are currently engaged in settlement discussions.

**Note 9. 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.

The fair value adjustments below have been made in relation to acquisition of the Airlite Group as a result of the completion of acquisition accounting in the current period:

|                                                                    | <b>Provisional<br/>Fair value<br/>\$'000</b> | <b>Adjustments<br/>Fair value<br/>\$'000</b> | <b>Completed<br/>Fair value<br/>\$'000</b> |
|--------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|--------------------------------------------|
| Cash and cash equivalents                                          | 3,505                                        |                                              | 3,505                                      |
| Receivables and prepayments                                        | 8,088                                        |                                              | 8,088                                      |
| Property plant and equipment                                       | 2,374                                        |                                              | 2,374                                      |
| Trademarks                                                         | 2,734                                        |                                              | 2,734                                      |
| Customer contracts                                                 | 16,490                                       |                                              | 16,490                                     |
| Deferred tax asset                                                 | 1,462                                        | 125                                          | 1,587                                      |
| Payables and accruals                                              | (5,000)                                      | (350)                                        | (5,350)                                    |
| Provision for income tax                                           | (860)                                        |                                              | (860)                                      |
| Deferred tax liability                                             | (5,767)                                      |                                              | (5,767)                                    |
| Employee benefits                                                  | (4,290)                                      | (66)                                         | (4,356)                                    |
| Borrowings                                                         | (4,081)                                      |                                              | (4,081)                                    |
| Net assets/(liabilities) acquired                                  | 14,655                                       | (291)                                        | 14,364                                     |
| Goodwill                                                           | 10,631                                       | 291                                          | 10,922                                     |
| Acquisition-date fair value of the total consideration transferred | 25,286                                       | -                                            | 25,286                                     |
| Representing:                                                      |                                              |                                              |                                            |
| Cash paid or payable to vendor                                     | 25,086                                       | -                                            | 25,086                                     |
| Contingent consideration paid to vendor                            | 200                                          | -                                            | 200                                        |
|                                                                    | 25,286                                       | -                                            | 25,286                                     |

The \$291,000 adjustment to the fair value of net assets acquired has been recognised as an adjustment in the current period as it has been deemed to be immaterial to require a restatement of the 30 June 2017 statement of financial position. \$0.2 million in contingent consideration was paid in the current financial period.

**Note 10. Events after the reporting period**

On 5 February 2018, the company announced the resignation of Mr Damien Gray from the position of Chief Financial Officer and Company Secretary and the appointment of Mr Paul Smith as Interim Chief Financial Officer and Company Secretary.

The Company has identified a potential tax liability which is yet to be quantified. MinterEllison has been appointed to advise the Company and if necessary, liaise with the ATO to resolve this matter. If any material impact on the Company comes to light, the Company will inform the ASX accordingly.

No other matter or circumstance has arisen since 31 December 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.

**Millennium Services Group Ltd**  
**Directors' declaration**  
**31 December 2017**

In the opinion of the Directors of Millennium Services Group Limited:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial period ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



---

Craig Hanley  
Director

26 February 2018

Moore Stephens Audit (Vic)

Level 18, 530 Collins Street  
Melbourne Victoria 3000

T +61 (0)3 9608 0100

F +61 (0)3 9608 0192

E [victoria@moorestephens.com.au](mailto:victoria@moorestephens.com.au)

[www.moorestephens.com.au](http://www.moorestephens.com.au)

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

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

We have reviewed the accompanying half-year financial report of Millennium Services Group Ltd & Controlled Entities (**the company**), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

## *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

## *Conclusion*

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

- a. giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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



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

Melbourne, Victoria

26 February 2018