millennium

Annual Report 2020

Unless otherwise stated, all dollar values in this Annual Report are Australian dollars ($AUD).

The Report contains forward-looking statements, including projections and opinions (Forward Statements).These are indicated where words such as 'expected', 'may', 'intend', 'likely', 'should', 'plan', 'forecast', 'estimate', 'consider', 'believe', 'anticipate', or similar words are used.

The Forward Statements are based on assumptions, statements of current intention and opinion and predictions as to possible future outcomes as at the date of this Annual Report. The actual outcomes may differ materially from the Forward Statements, based on changes in circumstances, events, risks and general economic conditions.

Statements about past performance do not represent a guide to future performance (and should not be relied upon as such) and are given for illustrative purposes only.

Trusted partner creating clean, safe and memorable experiences each, and every day.

Contents

Highlights	2
Report from the Chairman	5
Report from the CEO	11
Unsung Heroes	16
Our Business	18
COVID-19 Response	22
CSR	24
Corporate Directory	27
Directors' Report	29
Remuneration Report	36
Auditor's Independence Declaration	45
Financial Statements	47
Notes to the Financial Statements	53
Directors' Declaration	107
Independent Auditor's Report	108
Shareholder Information	113

2020 Highlights

Performance

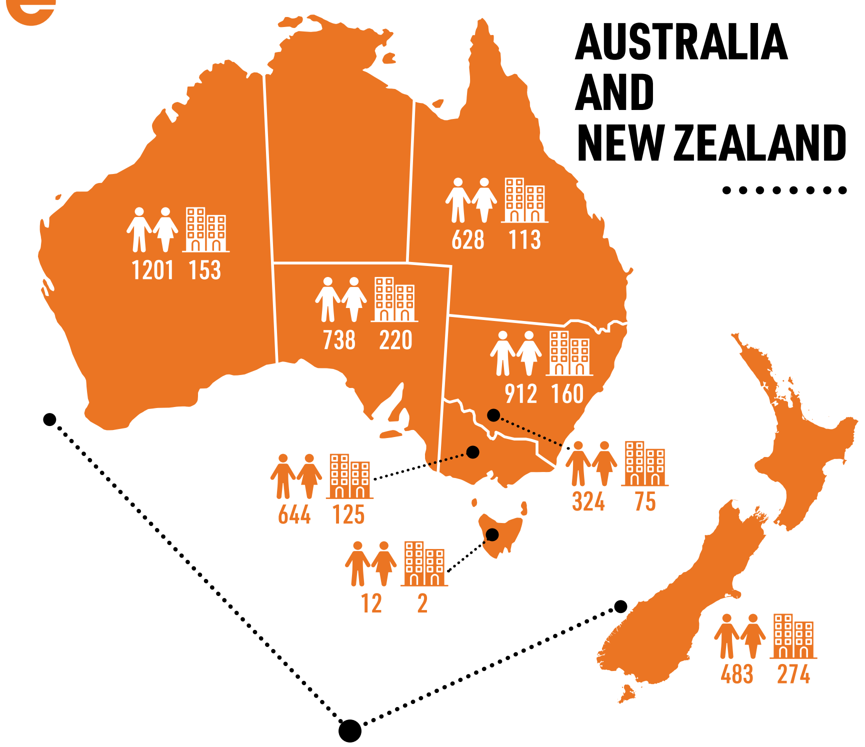
	REVENUE	EBITDA *Underlying	EBITDA *Statutory	NPAT *Net Profit After Tax
	13%	4,000%	572%	136%
2020	$257.3M	$4.1M	$20.3M	$16.6M
2019	$294.7M	$0.1M	-$4.3M	-$45.6M

Our People

FEMALE 47%
MALE 53%

FRONTLINE WORKERS IMPACTED BY COVID-19
1,500

AUSTRALIA AND NEW ZEALAND



TEAM MEMBERS
4,942

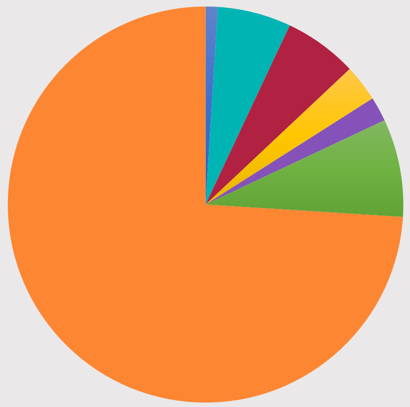
TOTAL SITES
1,122

As at 30 June 2020

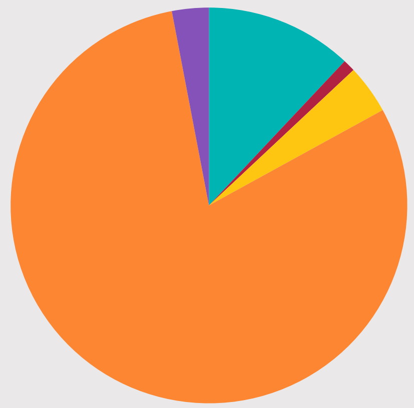
2020 Highlights

Business

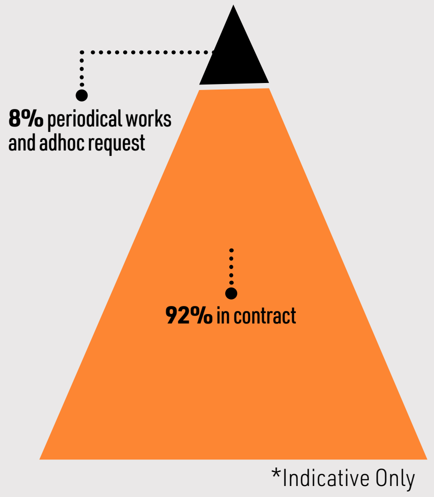
% Cleaning Revenue by Industry



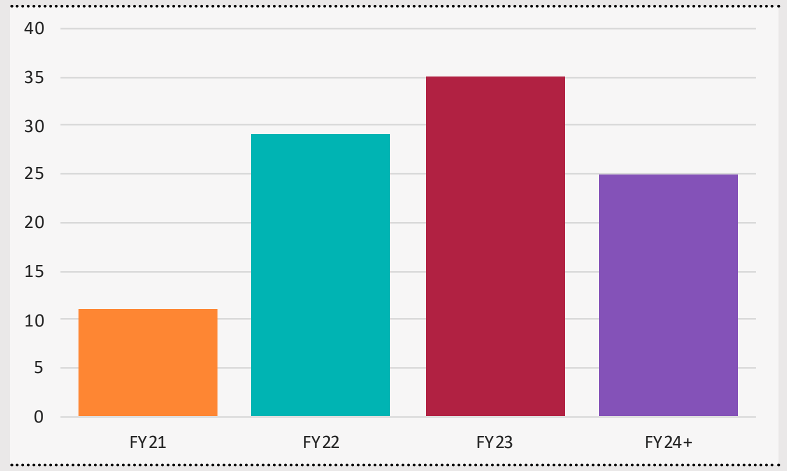
% Security Revenue by Industry



c850M Contract Book



% Contract Book Revenue Expiry Profile



Governance and CSR

27K
SAFETY TOOLBOX TALKS COMPLETED

100+
SUPPLIERS SIGNED UP TO SUPPLIER CODE OF CONDUCT

20M
ROTATION BEACONS PASSED

2M
LITRES OF DRINKING WATER DONATED TO DEVELOPING COUNTRIES VIA MadeBlue

As at 30 June 2020

Report from the Chairman

Report from the Chairman

The emergence of COVID-19 in the second half of FY20 created unprecedented challenges for Millennium, our people, our clients and the community. While the Millennium business was not immune to the impact of the pandemic, it has shown an ability to strongly and quickly recover. I am very proud of the Company and our extraordinary and dedicated team who, over the past 12 months, have shown their agility, resilience and ability to adapt to a rapidly changing marketplace.

OUR PERFORMANCE

The Board's decision to exit low margin or unprofitable contracts, the impact of COVID-19 and the full-year impact of not retaining a number of contracts in FY20, resulted in a revenue decline of 12.7% (FY20:$257.3M v FY19:$294.7M). However, margins and profitability improved.

Last quarter FY20 revenue was significantly impacted by COVID-19 related restrictions, but pleasingly pandemic related revenue impacts have only been temporary. The Company's business has ramped back up quickly as restrictions have eased. Additional adhoc sanitisation cleans, and non-hotel security assignments have both, positively contributed to our business rebound, and established strong relationships with new clients.

Continued implementation of the announced Profit Improvement Plan has driven substantial improvement in Company-wide business performance. An improved focus on customer service and an intense focus on the control of labour costs, continue to lift underlying gross margins from 10.5% in FY19 to 11.9% in FY20. Millennium's labour costs to revenue ratio continues to reduce, with benefits being driven by the continuing rollout of new time and attendance technology.

Underlying overheads reduced by $4.5M or 15% from FY19 levels as the business becomes better integrated and connected, via improved IT systems and capabilities.

Millennium's EBITDA results reflect the resilience and turnaround in our business, with statutory EBITDA improving from a loss of $4.3M in FY19 to a $20.3M profit in FY20. Underlying EBITDA increased from $0.1M to $4.1M in FY20.

OUR PEOPLE

The character and flexibility of Millennium's 5,000 strong directly employed team, has been challenged this year like no other. As frontline workers providing essential cleaning and security services in high traffic public areas, the professionalism of our team has exceeded every expectation. Their loyalty and dedication to delivering outstanding services for our clients and the community has been exceptional. At all times, the health and wellbeing our team, our clients and their customers has remained our highest priority. Driven by our Safety-First culture, which supports both the physical and mental health of the Millennium team,

the Company has remained connected to our staff while they are confidently and safely delivering a highly flexible range of hygiene, sanitisation and security services to current and new clients.

OUR BUSINESS

In FY19, Millennium commenced a two-year strategic Profit Improvement Plan. By March 2020 the Company has achieved 70% of its target of $11M of annualised savings. The COVID-19 restrictions have delayed the full implementation of our improvement initiatives, however the Board expects the full annualised benefits of the Plan to flow through into FY21 and FY22.

Millennium's increased market profile and our proven ability to work collaboratively with our clients to deliver quality solutions during this difficult time, has also allowed the Company to develop relationships with new clients and accelerate our growth strategy into new sectors. Millennium has secured new contracts and built strong connections in the Government sector (Australia and NZ), and critical infrastructure (telecommunications and transport), health and aged care, and the tertiary education sectors. A number of existing clients have also demonstrated their ongoing confidence in Millennium through the extension of current contracts without going to tender.

Significant work has been undertaken with our financiers to address the Company's debt structure and reset our general finances, further supporting Millennium's growth agenda.

OUR GOVERNANCE

Millennium prides itself on having strong corporate values. Over the past twelve months the Board and Executive Leadership Team have extended their focus on environmental, social and corporate governance (ESG) initiatives.

Millennium has achieved this by: updating the Company's Corporate Social Responsibility Policy to align with the United Nations' Sustainability Development Goals; introducing a Supplier Code of Conduct; and continuing our ongoing labour management review to ensure that all employees and approved specialist subcontractors are remunerated fairly and in accordance with all appropriate Awards and employment requirements including the Modern Slavery Act.

THE WAY FORWARD

The Board and I are grateful for the support that our valued clients have shown to our Millennium and Airlite team members. We at Millennium look forward to continuing to help all to prosper, by providing exceptional experiences for our clients and their customers.

It has been my privilege to be a part of the Millennium team during what has been an extraordinary year. I am very proud of what the Millennium and Airlite teams have achieved, and the way that everyone has looked after each other, our clients, and the community along the way. My deepest thanks go to them all.

I extend my thanks to my Board and our advisors for their wise counsel, in particular our CEO, Darren Boyd and CFO, Michael Constable. They and their teams have excelled in bringing Millennium through these extraordinary times stronger than ever.

Finally, thank you to our Shareholders for your ongoing support. I am confident that Millennium will emerge from the challenges of the pandemic stronger than ever. The Millennium team are all ready and able to take advantage of the many opportunities for growth and profitability.

Roger Smeed
Chairman

"The The character and flexibility of Millennium's 5,000 strong directly employed team, has been challenged this year like no other. As frontline workers providing essential cleaning and security services in high traffic public areas, the professionalism of our team has exceeded every expectation. Their loyalty and dedication to delivering outstanding services for our clients and the community has been exceptional."

Roger Smeed
Chairman

Report from the CEO

Report from the CEO

At Millennium we partner with our clients to create environments that are clean, safe and inviting. Up till now, the results from our team's efforts have been experienced but the team itself has remained largely unseen. FY20 changed this... As a result of COVID-19, our services have never been more visible or valued, and I am extremely proud of the way that our team has stood up to this challenge.

A key focus this year has been on delivering our Profit Improvement Plan, and as the Chairman mentioned in his report, by March 2020 we were 70% there and on track to reach our goal of $11m annualised savings. Whilst COVID-19 has slowed progress on several initiatives, the Executive Leadership Team has remained dedicated to solidifying our foundations for future growth.

OUR PEOPLE

Our 5,000 directly employed team members are the lifeblood of our Company and their resilience has certainly been tested this year. I couldn't be more appreciative of the support they have given each other and the dedication they have shown to our clients and their customers. It really has been the year of the unsung heroes.

As always, the safety and wellbeing of our team members, clients and the community has continued to be a significant focus. Our Safety First culture is gaining traction with the rollout of a number of updated processes and procedures, and improved communication especially around mental wellness.

This has been especially important with many of our team members stood down or on reduced hours during the early stages of COVID-19.

As part of our commitment to ensuring all employees are paid correctly we completed a review of employment agreements and this resulted in a number of employees moved from outdated EBA arrangements to the relevant Modern Award. Whilst Millennium operates a direct employment model we do engage with a small number of trusted suppliers to provide specialist services. To ensure their compliance with all relevant Award, licence, insurance and legislative requirements, including the Modern Slavery Act, all suppliers have been asked to sign up to Millennium's Supplier Code of Conduct.

OUR SYSTEMS

Building on the work commenced in FY19, this year has seen significant progress in establishing a technology ecosystem that will support greater integration of our various business units, encourage a culture of collaboration and communication, as well as enabling us to explore opportunities for simplification and automation.

The transition to a predominantly cloud-based environment, including the introduction of the Office365 suite of products, has transformed the way our business operates allowing our office based team to easily transition to working from home during Government enforced COVID-19 restrictions.

Three of our four key operating systems (PPM, quality and beacon tracking systems) have been embedded across the business and are delivering material improvements in reporting transparency as well as health and safety, and public liability outcomes.

Full implementation of our fourth operating system, time and attendance, has been delayed as a result of COVID-19 however it is now in use across 53% of our workforce. This technology ensures that our team are efficiently rostered and paid in accordance with the appropriate Modern Award conditions. Rollout is expected to be completed by June 2021.

GROWTH AND EXPANSION

The COVID-19 pandemic has opened up new opportunities for Millennium.

The Company's rapid response capability, flexible and collaborative approach and recognised industry experience have delivered increased market confidence which has resulted in an expansion of services with a number of existing clients, and in some cases, the renewal of key contracts without the need to re-tender.

Supporting our growth agenda we have right sized our overhead structure throughout the year to accommodate new revenue opportunities without material overhead additions.

DIVERSIFICATION

The Australian and New Zealand commercial cleaning and security markets are estimated to be worth $13 billion, and $7 billion respectively, creating huge opportunity for potential growth.

COVID-19 has heightened community awareness and expectation around hygiene and security services. This focus is starting to materialise as an increase in business development opportunities across our target industry sectors of education, transport, commercial properties, Government and health/aged care, where clients value partnerships with companies with strong corporate governance, as well as an absolute dedication to customer service and transparency.

In line with our diversification strategy, pleasingly we have already welcomed new clients both within the traditional retail sector and in our expanded areas of focus.

FY20 has been an incredible year. There still remains work to be done in order to realise the full benefits of our Profit Improvement Plan but I am confident that our dedicated team are fully committed and capable of delivering for our clients and our shareholders what we have set out to achieve over the next twelve months.

I would like to personally thank all Millennium and Airlite team members for their hard work this year and I look forward to celebrating more successes together in F Y21.

Darren Boyd
Chief Executive Officer & Managing Director

> "In line with our diversification strategy, pleasingly we have already been able to welcome new clients both within the retail sector and in new areas of focus including Government, transport, tertiary education and health/aged care."

Darren Boyd
CEO & Managing Director

Unsung Heroes

Our people are our difference. Their leadership, dedication and commitment to helping our clients deliver something exceptional for their customers is extraordinary. They are our Unsung Heroes. There are too many heroes across our business to share them all so here is a small selection.

AHAMD KISHANI | Security Officer South Point | Shopping Centre Tuggernong

"Ahamd's selflessness is constantly on display. His concern for others means he always has his eyes open like the day he realised that an elderly shopper was trapped in her burning car. With little regard for his own safety he pulled her from the vehicle before it became fully engulfed, undoubtedly saving her life"

SARAH WATT | National Health and Safety Manager | National Support Office

"Sarah works tirelessly every day to improve the safety and wellbeing outcomes for our team members, clients and the community that we interact with. The impact she has had on the safety performance of our business has been outstanding."

SHANE HILL | Account Manager | NSW Cleaning

"Shane supports most of our NSW Central Coast sites. Over the past six months his region has significantly expanded and through his leadership of a dedicated team he has improved the overall presentation of all sites and gained client confidence. He is has been instrumental in the mobilisation of the new Glendale site."

SASH ATANASOV | Account Manager | Myer NSW Cleaning

"Sash is a generous and tireless Manager, dedicated to delivering exceptional outcomes at all times. He is hands-on and always happy to train team members on new machines and techniques to maximise efficiency and improve performance. He is well respected by clients and colleagues and alike!"

YUPHIN CHIANGKWAI | Cleaner | Westfield Miranda NSW

"Yupin's kindness, compassion and courage is an inspiration. Recently she saw a young girl sitting dangerously on a carpark ledge. She kept calm, coaxed the young person to safety then waited with her until help arrived. Her actions saved a life that day."

PHOENIX WITEHIRA | Security Officer | The Hub Hornby Shopping Centre

"Phoenix was a worthy finalist in the 2020 NZ Security Officer of the Year Awards. He was nominated for his willingness to always go that extra mile. His quick thinking and swift action during a fire at The Hub stopped it from spreading, minimising damage. He worked many extra hours to ensure any areas left unsecured by the fire were safe."

NIROSHAN DEDDUWAGE | Cleaning Supervisor | Westfield Carindale Queensland

"Although there are very few public liability claims at Carindale when any query does arise Niroshan is immediately on task, providing the legal team with all requested information. He is exceedingly thorough and has a comprehensive knowledge of his site."

RICARDO DONATH | State Manager Security Services | Queensland

"Ricardo has one of the largest territories in the country. His dedication to his clients and his team sees him regularly spend many hours on the road travelling the length of Queensland. His efforts are reflected by his impressive results."

NARTHA MORISIO & SOPHIE ELLIS | Regional Area Supervisors | SA Cleaning

Both Nartha and Sophie supervise a number of regional school sites where labour can be difficult to find. With COVID-19 as schools sought additional cleaning services, they experienced extreme difficulties in finding staff to fill shifts, and at times had to travel across the regions to fill the shifts themselves. Millennium definitely wouldn't be as successful as we are in these regions without them!"

SANDY HUCULAK | Cleaning Supervisor | Woodgrove Shopping Centre Victoria

"Sandy has been at the helm at Woodgrove for many years. Over that time she has fostered an excellent working relationship with both her team and Centre Management. She is exceedingly knowledgeable and her attention to detail, leadership and passion are what sets her apart."

SHERINE O'BRIEN | Account Manager | Victorian Cleaning

Sherine is often described as a 'Mother' to her team. She cares about her people and will do anything to help them, and the Company succeed. She proudly wears her dedication on her sleeve."

DANI DZEVAT | Cleaning Supervisor | Watergardens Shopping Centre Victoria

"Dani is a real team player. He is always willing to be called on to provide information and coordinate feedback from his cleaners. He has a brilliant knowledge of his site and his staff, and is an absolute pleasure to work with."

MICHAELA BRADLEY | Cleaner | Woodside & Yagan square WA

"Michaela works across our Woodside and Yagan Square sties. She epitomises Millennium's work ethic. Nothing is ever too hard. She is always willing to pitch in and help her team or the client. She is a great communicator and is a true asset to Millennium. Michaela is part of our indigenous employment program."

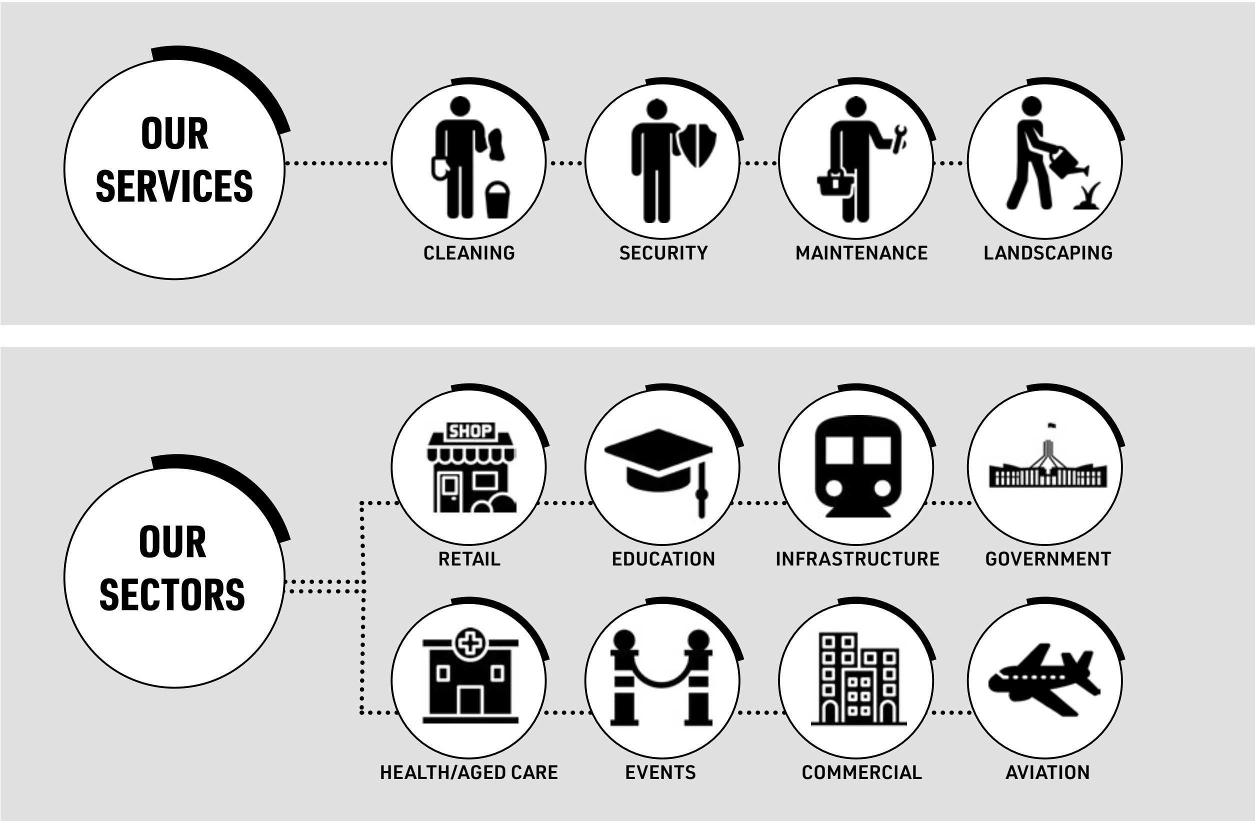
CHAMIKA WADU | Site Manager Cleaning | Crown Perth WA

"Chamika is a stand out performer, working through challenging and significant change as a result of COVID-19 at one of our largest single site contracts. Chamika consistently responds with a calm and professional approach to each challenge presented at this highly complex 24/7 asset. Chamika's efforts have contributed to our team's success in recently expanding this contract by over 25%."

AMAN SINGH | Key Account Manager Cleaning | Lower North Island New Zealand

"Aman brings a drive and passion for our business rarely seen. His unwavering commitment to customer service and immediate attention to any issues or additional work that arises is exceptional. Aman's entrepreneurial spirit has opened multiple opportunities through cold calls and working on self-created leads during his two years with Millennium. Always accurate and on time he has built a team around himself of like minded individuals that want to succeed and exceed our clients expectations."

Our Business



Millennium is a leading provider of cleaning, security and integrated services in Australia and New Zealand. Trusted by clients large and small, our 5000 passionate team members create lasting first impressions every day.

We deliver the assurance and peace of mind of working with a publicly listed company (ASX:MIL) with a strong adherence to corporate compliance and an unwavering commitment to producing tailored solutions and exceptional customer experiences for our clients.

We've been successfully doing this since 2003.

OUR PEOPLE ARE OUR DIFFERENCE

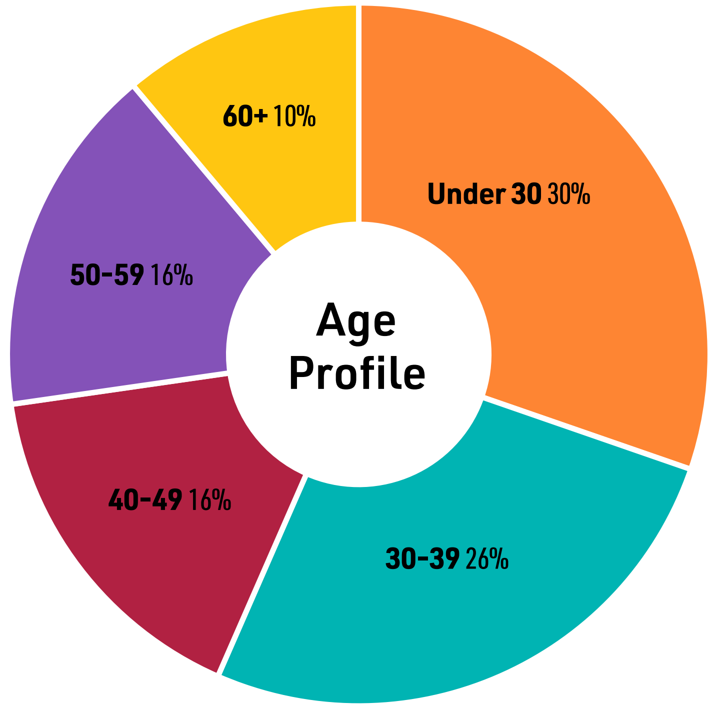
Our people are the frontline of our business.

They are loyal and dedicated. Over 275 team members celebrated 10 year plus milestones with Millennium this year.

They come from all walks of life and proudly represent over 35 different nationalities.

We formally celebrate the contribution that our team makes to the community on days like Thank Your Cleaner Day (October) and International Security Officer Day (July) each year, but we are equally proud to recognise their efforts each and every day.

Our team combines youth and experience with 30% of our workforce aged under 30 and another 10% aged over 60.



The can-do attitude and diversity in skills, experience, culture, gender and age of our team help create a strong, resilient and inclusive workforce that is ready to respond to challenges and opportunities when they arise.

WINNING HEARTS AND MINDS THROUGH SAFETY AND WELLBEING

Our Safety-First culture encompasses physical and mental wellness. It is fundamental to how we operate. We want everyone - our team, our clients and everyone we interact with - to go home, or work from home, safely every day.

This year we have concentrated on establishing a common safety system; reviewing key processes and procedures to ensure alignment with the Company's risk management framework, and harmonising our approach across all business units.

We have focused on encouraging communication and a sense of connection in an environment where many work sites were temporarily shut down due to COVID-19 Government restrictions and our office-based team members were forced to work from home.

None of this would have been easy without the Company-wide implementation of Office365 in early 2020. Through Microsoft Teams and Yammer, we have been able connect like never before.

Safety and wellbeing awareness programs like RUOK Day and our own Safety Sam and Healthy Hannah have helped draw attention to high risk areas and start critical conversations across the business.

Consultation and collaboration with clients and external subject matter experts has delivered a number of joint health and safety improvement initiatives, and at a local level, zone based safety committees are fostering grass roots continuous improvement with a focus on early intervention and prevention.

STRONG LEADERSHIP AND GOOD GOVERNANCE

Almost overnight the world changed this year. Government, businesses, individuals and community as a whole were faced with unprecedented uncertainty. It's times like this that knowing you can trust your service delivery partner is critical.

Millennium is proud of its emphasis on strong leadership and good governance.

We are accredited to ISO 9001:2015 (Quality), AS 4801:2001 (OH&S) and ISO 14001:2015 (Environment). These certifications form the basis of our Integrated Management System (IMS).

Our Board led governance program ensures that the business meets its legal, social and ethical obligations including compliance to Awards, Labour Hire and Modern Slavery legislation and promotes our role in Corporate Social Responsibility (CSR).

Millennium is a member of the Cleaning Accountability Framework (CAF) steering committee. CAF's mission is to improve labour practices throughout the cleaning industry and ensure sustainable, ethical procurement through the cleaning supply chain.

In FY20 we introduced a Supplier Code of Conduct which requires all suppliers to confirm that they comply with the Modern Slavery Act and are fulfilling all labour and other relevant legislative requirements.

We value open communication across multiple levels with clients, employees and supply chain partners maintaining engagement and building credibility.

Our robust compliance framework and customer service focus has enabled Millennium to build an enviable reputation as a company clients can trust.

COVID-19 Response

The COVID-19 pandemic, and associated rolling Government restrictions has highlighted the resilience and agility of Millennium's core business.

The way we operated changed almost overnight. While many of our clients, especially in the retail sector, were forced to scale back their operations and our commercial and education clients moved to working/studying from home, the community demand for more visible and more stringent cleaning practises increased. The role of our security officers also evolved to encompass social distancing ambassadors and additional asset protection.

Early on in the pandemic, our cleaners and security officers were identified as 'essential workers' delivering highly valued services throughout the community.

Our team took up to the challenge and adapted to the new environment with courage and pride.

Our initial challenge was to keep everyone safe, healthy, engaged and productive. We promoted good hygiene practises, reviewed our cleaning processes and products, ensured approprate personal protective equipment was available and accelerated our investment in technology like Office365 to keep us connected.

Initial Government restrictions resulted in approximately 1500 (30%) of our team members stood down, but with the support of our clients and the financial assistance available through the Australian and New Zealand Governments, we have been able to retain our experienced workforce and quickly remobilise as restrictions ease.

Throughout COVID-19 we have taken a collaborative approach that is responsive to clients' rapidly changing needs while continuing the profit improvement work. Without the impact of COVID-19 we would have expected annualised revenues of approximately $275m.

Gross Profit margins increased slightly during the second half of FY20 as costs were carefully managed, margins improved and cash flow remained stable. We also won new or renewed existing core business contracts as well as securing COVID-19 related ad hoc work in both cleaning and security.

We moved quickly to underpin the Company's cashflow position through the deferment of statutory payments where appropriate, reconfirming our bank's support, as well as applying for the NZ and Australian Government COVID-19 subsidies.

Our reputation as a trusted partner strengthened through collaboration and respect.

Our ability to leverage our strong supply chain relationships and national capability, and manage employee risks as frontline workers, enabled quick responses to changing market dynamics.

We have introduced new specialist services such as deep cleaning and sanitisation; and in some cases redefined existing roles to better align with customer expectations, including the introduction of social distancing and sanitisation ambassadors.

Our agile and professional response throughout this pandemic is opening opportunities for the future.

The professionalism, attitude and skill that our team has exhibited throughout the pandemic has clearly demonstrated the value of working with a well governed organisation with an engaged workforce.

Corporate Social Responsibility (CSR)

Millennium operates in public spaces across Australia and New Zealand. Our team members interact with millions of people every year. We are an important member of the communities in which we operate, a responsibility that our Board and our team members take seriously.

Our Corporate Social Responsibility (CSR) strategy was revised in late 2019 to align its objectives with eight of the United Nations Sustainable Development Goals where we believe we can make a difference. It focuses on three key environmental, social and governance (ESG) areas:

1. Wellbeing and Engagement
2. Environmental Awareness
3. Business Sustainability

The Sustainable Development Goals most relevant to our business are:

1 NO POVERTY

SDG Goal 1 – End poverty in all its forms everywhere
Millennium team members come from all walks of life. We employ a significant number of migrants and overseas students working their way to a better life, supporting their families. In Australia, over 95% of our team members are employed in accordance with the relevant Modern Award and in NZ during FY20 we partnered with our client to transition our ANZ Bank cleaning team to the New Zealand Living Wage program. We have embraced the Modern Slavery Act and we set our supply chain expectations through the rollout of our Supplier Code of Conduct. During the COVID-19 restrictions we supported our affected team members by prioritising our rosters around those who were not eligible for Government support.

3 GOOD HEALTH AND WELL-BEING

SDG Goal 3 – Ensure healthy lives and promote well-being for all at all ages
Millennium's Safety-First culture underpins our commitment to the health and well being of our team and those around us. In addition to focusing on physical safety in the workplace we take a holistic approach to promoting physical and mental wellness. This is achieved by leveraging a number of recognised awareness campaigns such as RUOK Day and Men's Health Week in addition to our own communications program championed by animated characters Healthy Hannah and Safety Sam. A number of our team members also commenced regular blood donations through the Australian Red Cross' LifeBlood Program.

5 GENDER EQUALITY

SDG Goal 5 – Achieve gender equality and empower all women and girls
At Millennium we recognise the importance of gender diversity. This is embraced through the way the operate and the inclusive, supportive culture that we have fostered. It is acknowledged and highlighted each year on International Women's Day. We are committed to ensuring equal access to opportunities at work based on merit, a principal that is codefied in our Diversity Policy and reported annually through the Workplace Gender Equality Agency (WGEA). Cloud based technology is providing greater working from home flexibility for our office based team members, especially throughout the COVID-19 pandemic. Women make up nearly half of our workforce.

6 CLEAN WATER AND SANITATION

SDG Goal 6 – Ensure availability and sustainable management of water and sanitation for all
Millennium works closely with clients and suppliers to find innvovative products and processes that minimise water and chemical use. Where possible we source products that meet Good Environmental Choice Australia (GECA) standards and in Western Australia we hold Chemform's Clean and Green Environmental certification. On a number of sites we have introduced Tersano Lotus Pro, a system that transforms regular tap waters into stabilised aqueous ozone – a powerful cleaner, stain remover, deodoriser and germ killer without the use of chemicals. Millennium, in collaboration with i-Mop, is the largest ANZ contributor of clean drinking water to developing countries through the MadeBlue program. In FY20 we contributed over 2 million litres.

8 DECENT WORK AND ECONOMIC GROWTH

SDG Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Millennium is a respected and trusted partner to many blue chip organisations. We are constantly seeking to grow and diversify our business providing additional employment opportunities in communities across Australia and New Zealand, in metro and regional areas. Part of our ongoing strategic plan is the implementation of technology, such our our cloud based time and attendance system, that reduces the use of manual, paper based timesheets and enables higher levels of economic productivity.

10 REDUCED INEQUALITIES

SDG Goal 10 – Reduce inequality within and among countries
Millennium is a multi cultural organisation that celebrates diversity. Our team members come from over 35 difference countries. It is important to us that we encourage a culture that respects and appreciates the benefits that our different backgrounds and experiences contribute. We seek sustainable and mutually beneficial relationships with Indigenous and Torres Strait Islander organisations such as the Wirrapanda Foundation, who have provided cultural awareness training and also produce some of our cleaning supplies. Working with strategic partners to support Indigenous employment is also an ongoing focus for Millennium.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG Goal 12 Ensure sustainable consumption and production patterns
Millennium maintains ISO4001:2015 Environmental Management System certification. This provides the framework for aligning our people, business structure, systems and work practices to embrace the principals of reduce, reuse and recycle. Supported by our 'Go-Green' program, which all employees are inducted into when they commence employment with Millennium, we work closely with clients and suppliers to identify the best equipment and product solutions for their specific site. This may include the use of colour coded and/or centralisted bins, segregating waste at origin, diverting hand towels to paper recycling and organics recycling systems. Technology, such as weighing and reporting systems for transparency or robotic automated floor scrubbers that reduce the need for night time lighting, also contribute to minimising our environmental footprint.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SDG Goal 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Millennium's commitment to good governance starts with our Board. Their passion for ensuring that Millennium is a respected, ethical member of the community is reflected throughout the organisation. Our independently audited, and robust integrated management system provides the framework that we work to. Millennium is an ASX listed company and maintains ISO 9001:2015 Quality, ISO14001:2015 Environment and AS4801:2001 OH&S accreditations. We pride ourselves on ensuring that our team members are paid in accordance with the relevant Modern Award and our Supplier Code of Conduct ensures compliance to the Modern Slavey Act, Labour Hire and all other relevant legislation throughout our supply chain.

Corporate Directory

Directors

Roger Smeed	Independent, Non-Executive Chairman
Darren Boyd	Chief Executive Officer and Managing Director
Royce Galea	Executive Director

Company secretary
Jo-Anne Dal Santo

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
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067 Australia

Auditor
Moore Australia Audit (Vic)
Level 18, 530 Collins Street
Melbourne, VIC, 3000

Stock exchange listing
Millennium Service Group Limited shares are listed on the Australian Securities Exchange (ASX code: MIL)

Website
millenniumsg.com

Corporate Governance Statement
millenniumsg.com/investor/governance/

30 June 2020

Directors' Report

30 June 2020

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Millennium Services Group Limited (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 2020.

DIRECTORS

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

Roger Smeed
Independent, Non-Executive Chairman

Darren Boyd
Chief Executive Officer and Managing Director

Royce Galea
Executive Director

PRINCIPAL ACTIVITIES

Millennium Services Group is a cleaning, security and integrated services 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	
	2020 $'000	2019 $'000
No dividend declared or payable in respect of the year ended 30 June 2019	-	-
No dividend declared or payable in respect of the year ended 30 June 2020	-	-
	-	-

No interim dividend was declared for the current period.

'During the year, the Group focused on its diversification growth strategy and winning new contracts at market competitive margins.'

REVIEW OF OPERATIONS

Results

Revenue for the year ending 30 June 2020 declined 12.7% to $257.3 million (2019: $294.7m) substantially due to the impact of COVID-19 Government restrictions, the decision to exit low margin or unprofitable contracts and the full year impact of the Group not retaining a number of contracts within the Cleaning segment as announced in the prior financial year.

Revenue for the second half of the 2020 financial year was 13.3% lower than the revenue at the same time last year.

The impact on revenue from the COVID-19 Government restrictions is temporary and is expected to return as we ramp service back up as restrictions are eased. The Group experienced a 30% reduction in revenue in the month of April however this had rebounded to a less than 10% reduction by June.

During the year, the Group focused on its diversification growth strategy and winning new contracts at market competitive margins. It was pleasing to see wins in both the current retail sector and in new target sectors including Government, Transport and Health/Aged care.

The Group's profit after income tax expense for the current year amounted to $16. 6m; which included:

- $24.6m of COVID-19 government grants and wage subsidies in Australia (Job Keeper) and New Zealand; less ($8.4m) of incremental wage top ups associated with the government grants; and
- recognition of $8.7m of deferred tax assets and tax losses not previously recognised.

The current year profit after tax represents a $62.1m improvement compared to the prior year's loss of $45.6m. Losses in the prior year included $26.8m of non-cash impairments, $12.7m of deferred tax assets not recognised and $4.4m of non-recurring expenses.

Earnings/(losses) before interest, tax, depreciation and amortisation (EBITDA) improved by $24.7m to $20.3m in earnings compared to a loss of $4.3m in the prior year. EBITDA improvements in the current year were driven by:

- an increase in gross margin of $0.7m (impacted in the second half by the COVID-19 Government restrictions);
- 22.6% decrease in overhead expenditure amounting to $7.8m;
- $24.6m of Government grant revenue recognised by the Group as part of Australian and New Zealand government COVID-19 measures, this revenue being recorded within Other Income in the Head Office segment; less
- ($8.4m) of incremental wage top ups associated with the COVID-19 government grants paid to eligible employees, recognised as overheads in the Head Office segment.

The Company completed its review of the application of its employment instruments and is satisfied that it is now compliant with those instruments. Payments totalling $4.6m were made during the year which was less than previously provisioned for. The excess of $1.1m was returned to the profit and loss. Non-recurring expenses for year totalled $1.1m, comprising $0.8m of COVID-19 once-off labour related costs and $0.3m of advisory fees.

The Cleaning segment's revenue decreased by 11.6% over the prior year to $213.3m from $241.3m, however there was an improvement in gross margin from $25.1m to $26.0m; the gross margin percentage improved from 10.4% to 12.2%. The Security segment revenue declined by 17.7% over the prior year to $44.0m from $53.4m, with gross margin declining marginally from $5.0m to $4.8m; however, the gross margin percentage improved from 9.4% to 10.9%. The Group's gross margins were affected by the COVID-19 Government restrictions in the last quarter of financial year, reducing the Group's gross margin for the second half of the current financial year by 90 basis points compared to the same time last year.

Directors' Report

As previously announced, the new Board, appointed in October 2018, became aware of a significant reduction in the Group's profitability in FY19 and promptly commenced a strategic review of the business with the assistance of external advisors. As a result of the review, a comprehensive Profit Improvement Plan was approved, and a range of initiatives immediately commenced in order to return the Group to sustainable profitable growth. The positive impact of these initiatives started to flow through in the second half of FY19 and crystallised into significant gross margin improvements and overhead reductions until March 2020 when the impact of the COVID-19 Government restrictions took effect. The Plan will resume as business ramps-up again as restrictions are eased or lifted.

The gross margin growth in the current financial year, despite the decline in revenue and COVID-19 Government restrictions, stems from the Group's renewed focus on winning quality new contracts and retaining contracts at a market competitive gross margin. There have already been a number of new contract wins using these criteria noted below.

The Board and Executives will continue to focus on continuing with the Profit Improvement Plan, targeting contract performance, improved labour controls through the introduction of the automated time and attendance system, continued overhead consolidation and retaining contracts at market competitive rates. The Company is also focused on a growth strategy that includes diversification into new sectors. Millennium is well positioned to maximise on opportunities presented by the COVID-19 crisis driven by factors such as higher levels of hygiene standards, and also social distancing measures which will provide increased security opportunities. These opportunities present an excellent opportunity to accelerate the diversified growth strategy.

The current debt facilities are due to be refinanced in October 2020 and the Company is currently in discussions with its existing debt provider and exploring a number of alternative funding strategies.

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

COVID-19 and its impact on the Company has created unprecedented uncertainty in the economic environment that the Group operates within. The Company experienced a 30% revenue reduction in April 2020 due to Government COVID-19 related regulatory changes. However, the Company also experienced a faster than expected revenue rebound in May and June 2020 as regulations were relaxed. Actual economic events and conditions in future may be materially different from those realised in the 2020 financial year and expected for the 2021 financial year. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further effects on the financial position and performance of the Company. As at the date of this financial report, an estimate of the future effects of the COVID-19 pandemic on the Company's financial performance and/or financial position cannot be made, as the impact will depend on the magnitude and duration of the economic downturn with the full range of monetary impacts unknown.

Except for the above, no other matter or circumstance has arisen since 30 June 2020 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:
Roger Smeed

Title:
Chairman, Independent Non-Executive Director

Qualifications:
Roger is a Fellow of the Australian Institute of Company Directors (FAICD) and a Fellow of the Australian Institute of Management (FAIM). He has been a Justice of the Peace for over 25 years.

Experience and expertise:
Roger has extensive experience at Board level, including with companies that specialise in large scale retail and commercial cleaning, security and facilities management.

Roger was previously Chair of Millennium Hi-Tech Group Pty Limited, which merged into the listed Millennium Services Group company at the Initial Public Offering (IPO). He is an experienced director with both ASX listed and private companies. He is Chairman of a successful consultancy practice that provides corporate and commercial advice.

Other current directorships:
Nil

Former directorships (last 3 years):
Nil

Interests in shares:
911,728 fully paid ordinary shares

Interests in options:
Nil

Directors' Report

INFORMATION ON DIRECTORS

Name:
Darren Boyd

Title:
Chief Executive Officer and Managing Director

Qualifications:
Darren holds an MBA (Deakin University), a Degree in Accounting (Charles Sturt University), is a CPA and a Graduate of the Australian Institute of Company Directors (GAICD).

Experience and expertise:
Darren is a results driven senior executive who brings broad commercial experience acquired through a number of leadership positions with respected services businesses across Australia and the Asia Pacific region.

Previous roles have included positions as Managing Director - ANZ and PNG of the UK based, LSE listed services conglomerate G4S (formerly Group 4 Securicor) directly overseeing 5000+ staff; Divisional General Manager, Spotless Group; Chief Operating Officer, Regis Health Care; and recently providing strategic planning advice to the national services and facilities management group OCS.

Darren has proven strengths in finance, marketing, business development and strategic planning. In his previous roles he has developed a strong understanding of efficiently managing, and significantly improving the profitability of large-scale service-based businesses. Darren's track record of being an effective leader in managing people and guiding businesses through significant change speaks for itself.

Other current directorships:
Nil

Former directorships (last 3 years):
Nil

Interests in shares:
Nil

Interests in options:
Nil

INFORMATION ON DIRECTORS

Name:
Royce Galea

Title:
Executive Director

Qualifications:
Royce holds Diplomas in Frontline Management and Cleaning Services Supervision from Sydney Technical College.

Experience and expertise:
Royce has over 30 years' experience in the cleaning industry, in particular major retail cleaning. He is a major shareholder in the Company.

Royce was the joint founder of Millennium Hi-Tech Group Pty Limited, prior to it becoming part of the Millennium Services Group Limited IPO. Established in 2003, Millennium Hi-Tech Group operated a highly successful and profitable business focussing on providing cleaning, security and facilities management services to major shopping centres, commercial and state and government buildings in NSW, the ACT and South Australia.

Other current directorships:
Nil

Former directorships (last 3 years):
Nil

Interests in shares:
6,820,362 fully paid ordinary shares

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

Ms Jo-Anne Dal Santo
Ms Dal Santo is a Fellow of the Governance Institute of Australia and of the Institute of Company Secretaries and Administrators and has served as Company Secretary to a number of ASX listed companies providing company secretarial and corporate advisory services to boards and companies across a variety of industries both in Australia and internationally.

Directors' Report

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 2020, and the number of meetings attended by each director were:

	Board Meetings		Audit & Risk Committee Meetings		Nominations & Remuneration Committee Meetings	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Roger Smeed	18	18	5	5	5	5
Darren Boyd	17	18	5	5	5	5
Royce Galea	17	18	4	5	4*	5

*Excused from one meeting due to a conflict of interest.

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, the Executive Director and the Chief Financial Officer.

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

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 Board will seek independent professional advice on the appropriateness of remuneration packages.

Use of remuneration consultants

The Company did not engage a remuneration consultant during the current and previous financial years.

SHORT-TERM INCENTIVE SCHEME

The Short-Term Incentive Scheme ("Scheme") for eligible employees commenced from the 2018 financial year.

The Scheme, subject to the achievement of Board approved performance metrics (including financial performance delivery against a Board approved Budget), is designed to deliver cash incentives ranging from 5% to 50% (inclusive of superannuation) of relevant employees' fixed annual remuneration. No short-term incentives were accrued under the scheme for the 2020 financial year (2019: $109,534).

LONG-TERM INCENTIVE SCHEME

The Board has adopted a Long-Term Incentive Plan ("LTIP") through which it will determine appropriate long-term incentive mechanisms for employees, including directors and senior management of the Group. There were no awards under this plan for the 2020 and 2019 financial years.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2019 ANNUAL GENERAL MEETING ('AGM')

At the 27 November 2019 AGM, 91.43% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Directors' Report

B. DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

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

	Short-term benefits		Post-employment benefits	Long -term employment benefits	Share-based payments	
	Cash salary & fees	Other	Super-annuation	LSL	Equity settled	Total
2020	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:						
Roger Smeed (1)	144,000	100,000*	-	-	-	244,000
Executive Directors:						
Darren Boyd	375,000	-	25,000	1,014	-	401,014
Royce Galea	250,000	48,000	21,003	4,167	-	323,170
Other Key Management Personnel:						
Michael Constable	352,750	-	30,500	1,124	-	384,374
	1,121,750	148,000	76,503	6,305	-	1,352,558

*Fees for additional services.

(1) Fees were paid to Roger Smeed & Associates Pty Limited, a company associated with Mr. Smeed.

	Short-term benefits		Post-employment benefits	Long -term employment benefits	Share-based payments	
	Cash salary & fees	Other	Super-annuation	LSL	Equity settled	Total
2019	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors:						
Roger Smeed (1)	90,849	-	-	-	-	90,849
Neil Cathie (2)	36,666	-	-	-	-	36,666
Peter Anderson (3)	30,000	-	-	-	-	30,000
Gregory McCormack (4)	18,264	-	1,735	-	-	19,999
Stephen Williams (5)	18,264	-	1,735	-	-	19,999
Sally McCutchan (6)	20,645	-	-	-	-	20,645
Executive Directors:						
Royce Galea (7)	250,000	110,718	22,511	4,168	-	387,397
Darren Boyd (8)	149,013	38,052*	15,115	125	-	202,305
Craig Hanley (9)	172,204	212,765	12,507	-	-	397,476
Ross Gavranich (10)	242,176	9,230	9,345	1,680	-	262,431
Other Key Management Personnel:						
Michael Constable (11)	250,833	61,979*	29,717	209	-	342,738
Paul Smith (12)	125,457	-	-	-	-	125,457
	1,404,371	432,744	92,665	6,182	-	1,935,962

* Short term incentives excluding superannuation.

(1) Mr. Smeed was appointed effective 27 September 2018. Fees were paid to Roger Smeed & Associates Pty Limited, a company associated with Mr. Smeed.

(2) Mr. Cathie was appointed 16 October 2018, resigned 7 March 2019.

(3) Mr. Anderson resigned 3 October 2018. Fees were paid to Strategic Vision Australia Pty Limited, a company associated with Mr. Anderson.

(4) Mr. McCormack resigned 26 September 2018.

(5) Mr. Williams resigned 3 October 2018.

(6) Ms. McCutchan resigned 3 October 2018. Fees were paid to G & S Strategic Consulting Pty Limited, a company associated with Ms. McCutchan.

(7) Mr. Galea was appointed as Executive Director effective 27 September 2018. Prior to that he was Organisational Excellence Leader – Integrated Services.

(8) Mr. Boyd was appointed 7 February 2019.

(9) Mr. Hanley resigned 21 November 2018.

(10) Mr. Gavranich resigned 26 September 2018.

(11) Mr. Constable commenced as Chief Financial Officer on 15 October 2018.

(12) Mr. Smith's interim role as Chief Financial Officer and Company Secretary ended in October 2018. Fees were paid to Backbone Management Services Pty Limited, a company associated with Mr. Smith.

Directors' Report

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. Individual executive employment terms may stipulate termination notice periods ranging between 3 to 12 months. Details of executives' employment terms are noted below.
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:

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

Name:
Darren Boyd

Title:
Chief Executive Officer and Managing Director

Agreement commenced:
7 February 2019

Details:
Mr Boyd is the Company's Managing Director and Chief Executive Officer under a contract of employment which commenced on 7 February 2019. Under the contract Mr Boyd is entitled to $400,000 per annum inclusive of superannuation, along with related minor benefits. The contract may be terminated initially with 3 months' notice within the first 12 months and then with 6 months' notice thereafter.

Name:
Michael Constable

Title:
Chief Financial Officer

Agreement commenced:
15 October 2018

Details:
Mr Constable is the Company's Chief Financial Officer under a contract of employment which commenced on 15 October 2018. Under the contract Mr Constable is entitled to $383,250 per annum inclusive of superannuation, along with related minor benefits. The contract may be terminated by the Company or Mr Constable with six months' notice. No payments or retirement benefits are payable on termination.

Name:
Royce Galea

Title:
Executive Director (previously Organisational Excellence Leader – Integrated Services)

Agreement commenced:
19 November 2015

Details:
Mr R Galea is the Company's Executive Director under a contract of employment which commenced on 19 November 2015. Under the contract Mr Galea is entitled to $250,000 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. There is a new contract in place effective 1 July 2020.

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 2020.

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 2020.

Additional information

The earnings of the consolidated entity for the year to 30 June 2020 and the prior period to 30 June 2019 are summarised below:

	2020 $'000	2019 $'000
Sales revenue	257,308	294,737
EBITDA	20,336	(4,329)
EBIT	14,435	(39,900)
Profit / (loss) after income tax	16,586	(45,550)

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

	2020 $'000	2019 $'000
Share price at financial year end ($)	0.37	0.17
Basic earnings/(loss) per share (cents per share)	36.11	(99.18)
Diluted earnings/(loss) per share (cents per share)	36.11	(99.18)

Directors' Report

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
Ordinary shares					
Roger Smeed	453,258	-	458,470	-	911,728
Royce Galea	6,970,362	-	-	(150,000)	6,820,362
	7,423,620	-	458,470	(150,000)	7,732,090

OPTION HOLDING

There were no options held over ordinary shares in the company during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties.

	Balance at the start of the period	Received as part of remuneration	Acquired	Disposals/ other	Balance at the end of the period
Options over ordinary shares					
	n/a	-	-	-	n/a

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Due to the option holders ceasing employment in the previous financial year, there were no exercisable options at 30 June 2020 and 30 June 2019.

No person entitled to exercise 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 Limited issued on the exercise of options during the year ended 30 June 2020 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 Australia 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.

Directors' Report

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF MOORE AUSTRALIA AUDIT (VIC)

There are no officers of the Company who are former partners of Moore Australia 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 Australia Audit (Vic) continues in office in accordance with section 327 of the Corporations Act 2001.

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

Roger Smeed
Chairman

20 August 2020

Auditor's Independence Declaration

MOORE

Moore Australia Audit (VIC)
Level 18, 530 Collins Street
Melbourne Victoria 3000
T +61 3 9608 0100
Level 1, 219 Ryrie Street
Geelong Victoria 3220
T +61 3 5215 6800
victoria@moore-australia.com.au
www.moore-australia.com.au

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 2020, 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 Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

GEORGE S. DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

20 August 2020

Financial Statements

Statement of profit or loss and other comprehensive income	48
Statement of financial position	49
Statement of changes in equity	50
Statement of cash flows	51
Notes to the financial statements	53
Directors' declaration	107
Independent auditor's report to the members of Millennium Services Group Limited	108

GENERAL INFORMATION

The financial statements cover Millennium Services Group Limited as a consolidated entity consisting of Millennium Services Group Limited 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 Limited's functional and presentation currency.

Millennium Services Group Limited 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 20 August 2020. The directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Revenue	5	257,308	294,737
Other income / (expense)	6	24,594	(11)
Expenses			
Raw materials and consumables used		(34,239)	(44,014)
Employee benefits expense		(216,973)	(239,258)
Depreciation and amortisation expense	7	(5,901)	(8,752)
Impairment of goodwill and other intangibles	7	-	(26,819)
Other expenses		(10,346)	(15,773)
Finance costs	7	(3,180)	(2,472)
Profit / (loss) before income tax expense		11,263	(42,362)
Income tax benefit / (expense)	8	5,323	(3,188)
Profit / (loss) after income tax expense for the year attributable to the owners of Millennium Services Group Limited		16,586	(45,550)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss Foreign currency translation		(107)	22
Other comprehensive income/(loss) for the year, net of tax		(107)	22
Total comprehensive income / (loss) for the year attributable to the owners of Millennium Services Group Limited		16,479	(45,528)

	Note	Cents	Cents
Basic earnings / (loss) per share	37	36.11	(99.18)
Diluted earnings / (loss) per share	37	36.11	(99.18)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	Consolidated 30 June 2020 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	1,795	2,687
Trade and other receivables	10	29,844	19,528
Inventories	11	1,243	815
Income tax refundable	19	-	409
Other	12	2,465	810
Total current assets		35,347	24,249
Non-current assets			
Property, plant and equipment	13	8,594	11,355
Intangibles	14	7,470	7,470
Right-of-use assets	23	2,868	-
Deferred tax	15	7,439	232
Other	16	137	89
Total non-current assets		26,508	19,146
Total assets		61,855	43,395
LIABILITIES			
Current liabilities			
Trade and other payables	17	16,295	22,155
Borrowings*	18	36,406	29,766
Provisions	20	22,429	26,063
Lease liabilities	23	823	-
Total current liabilities		75,953	77,984
Non-current liabilities			
Borrowings	21	-	-
Deferred tax	22	2,116	232
Provisions	20	1,532	1,557
Lease liabilities	23	2,153	-
Total non-current liabilities		5,801	1,789
Total liabilities		81,754	79,773
Net assets / (deficiency)		(19,899)	(36,378)
EQUITY			
Issued capital	24	18,967	18,967
Reserves	24	(8,520)	(8,413)
Accumulated losses		(30,346)	(46,932)
Total equity / (deficiency)		(19,899)	(36,378)

*Refer to note 18 on the classification of borrowings as current liabilities as at 30 June 2020 and 30 June 2019.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	18,967	(8,252)	(1,382)	9,333
Loss after income tax expense for the year	-	-	(45,550)	(45,550)
Other comprehensive income for the year, net of tax	-	22	-	22
Total comprehensive income / (loss) for the year	-	22	(45,550)	(45,528)
Share based payments	-	(183)	-	(183)
Balance at 30 June 2019	18,967	(8,413)	(46,932)	(36,378)

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	18,967	(8,413)	(46,932)	(36,378)
Profit after income tax expense for the year	-	-	16,586	16,586
Other comprehensive loss for the year, net of tax	-	(107)	-	(107)
Total comprehensive income / (loss) for the year	-	(107)	16,586	16,479
Balance at 30 June 2020	18,967	(8,520)	(30,346)	(19,899)

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

STATEMENT OF CASH FLOWS

As at 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		280,452	326,473
Receipt of government grants	6	17,502	-
Payments to suppliers and employees (inclusive of GST)		(286,723)	(323,919)
Incremental wage top ups associated with the COVID-19 government grants		(8,383)	-
		2,848	2,554
Interest received		8	10
Interest and other finance costs paid		(3,230)	(2,458)
Income taxes refunded / (paid)		496	(890)
Net cash from / (used in) operating activities	36	122	(784)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(2,185)	(1,349)
Proceeds from disposal of property, plant and equipment		35	38
Net cash used in investing activities		(2,150)	(1,311)
Cash flows from financing activities			
Proceeds from trade finance facility	18	5,060	-
Proceeds from borrowings		-	931
Repayments of equipment finance	18	(1,737)	(2,737)
Repayments of principal on lease liabilities	23	(787)	-
Repayment of borrowings	18	(3,411)	(4,539)
Net cash used in financing activities		(875)	(6,345)
Net decrease in cash and cash equivalents		(2,903)	(8,440)
Cash and cash equivalents at the beginning of the financial year		(4,489)	3,948
Effects of exchange rate changes on cash and cash equivalents		(6)	3
Cash and cash equivalents at the end of the year, less overdraft facility utilised		(7,398)	(4,489)

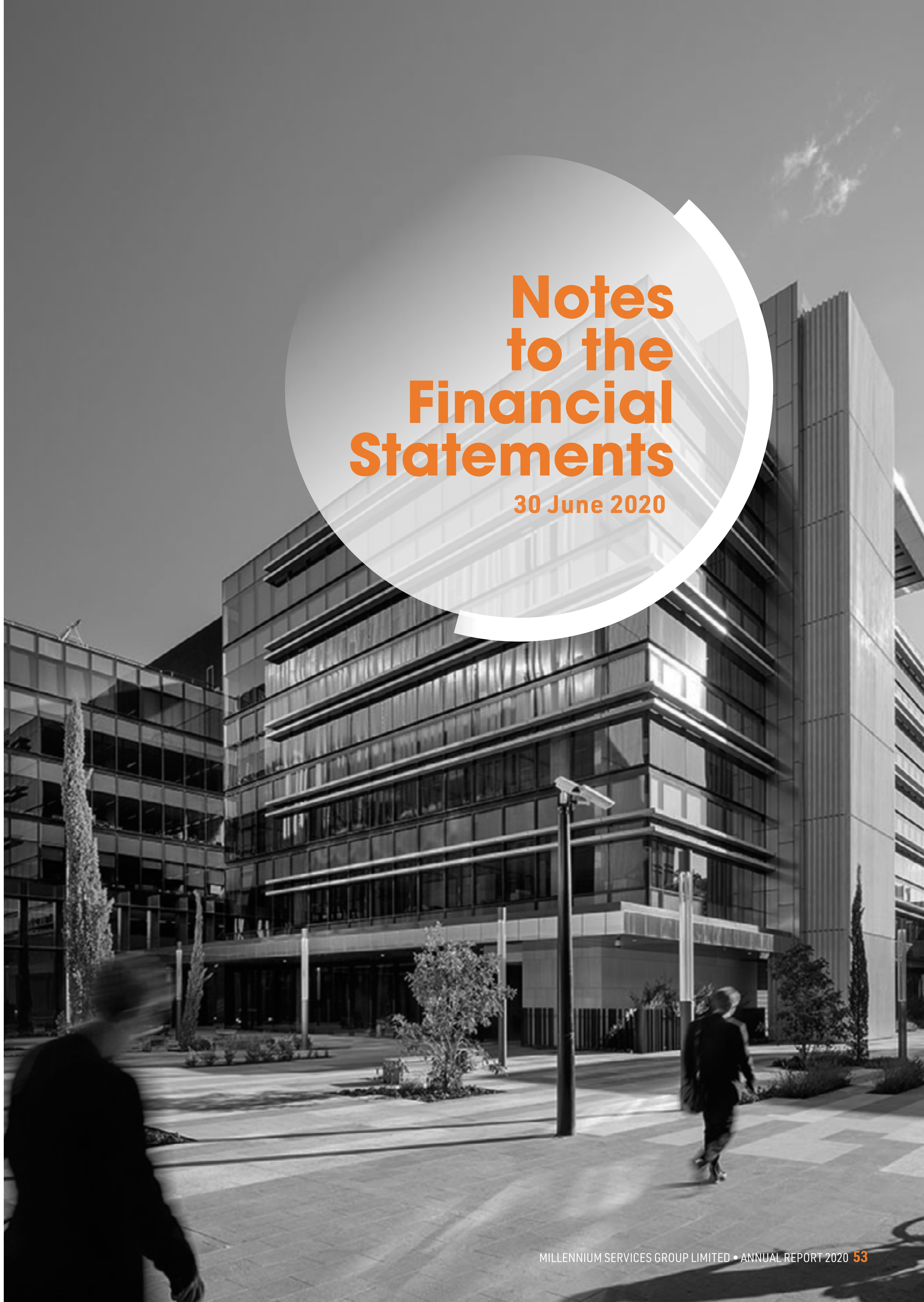
The above statement of cash flows should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS continued

For the year ended 30 June 2020

		Consolidated	
		2020	2019
Cash on hand and overdraft utilisation	Note	$'000	$'000
Cash and cash equivalents at the end of the financial year	9	1,795	2,687
Overdraft facility utilised at the end of the financial year	18	(9,193)	(7,176)
Cash and cash equivalents at the end of the financial year, less overdraft facility utilised		(7,398)	(4,489)

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



Notes to the Financial Statements

30 June 2020

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.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- AASB 16 Leases;
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation;
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle;
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement; and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group has adopted AASB 16 Leases with a date of initial application of 1 July 2019. The standard replaces AASB 117 Leases. The Group has applied the simplified transition approach when transitioning to the new standard. Under this approach, comparative reporting periods have not been restated prior to first adoption.

All the right-of-use assets are measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses). The impacts on the application of AASB 16 are disclosed at note 23.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

REPORTING PERIOD

The reporting period is for the year ended 30 June 2020, and the comparative information covers the year ended 30 June 2019.

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 3.

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities and the settlement of liabilities in the normal course of business. During the year ended 30 June 2020, the Group's profit after income tax expense amounted to $16,586,000 (2019: loss of $45,550,000) and at that date, the Group's current liabilities exceeded its current assets by $40,606,000. The Group's net deficiency amounted to $19,899,000 as at 30 June 2020 (30 June 2019: net deficiency $36,378,000).

The results for the current year included $16,173,000 of net government COVID-19 Job Keeper grants and wage subsidies in Australia and New Zealand, after taking into account the incremental wage top ups paid to employees; and the recognition of $8,675,000 of deferred tax assets and tax losses not previously recognised. The results for the prior year were impacted by $26,819,000 of intangible impairments, $12,675,000 of deferred tax assets not recognised and $4,442,000 of non-recurring expenses. The net cash generated from operating activities in the current year was $122,000 compared to $784,000 of net cash used in the prior year. There were once off cash outflows of $4,603,000 in the current year that related to wages owing to employees due to historical errors in the application of employee instruments (refer to note 20).

In determining that the going concern basis is appropriate, the Directors have had regard to:

- The current debt facilities are due to be refinanced in October 2020 and the Company is currently in discussions with the bank and exploring a number of alternative funding strategies;
- $13,350,000 of the Group's borrowings were reclassified from non-current liabilities to current liabilities due to refinancing occurring within twelve months of the reporting date (refer to Note 18);
- The Group's cash flow forecast, and budget for the next 12 months show positive operating cash flows and an improvement in profitability respectively. The Board developed and implemented a Profit Improvement Plan in FY19; the outcome of which can be noted in the improvements in the current year's profitability, gross margins and reduced overhead costs compared to the prior year. Further, the Group continues to be eligible for the Australian Government COVID-19 Job Keeper program up to September 2020;
- The considerable improvement in the Group's current operating results compared to the prior year, is primarily due to the strategic initiatives formulated and implemented by the new Board and the Senior Management team; and
- The Group suspending or adjusting the amount of dividends paid to shareholders.

The Groups ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the Group may not be able to pursue its business objectives and will have difficulty continuing to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements. Comments on the COVID-19 pandemic are included at note 35, events after the reporting period.

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 Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Millennium Services Group Limited 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.

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 Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into Australian dollars as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

REVENUE AND OTHER INCOME

The Group recognises revenue to depict the transfer of or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. For service or performance obligations satisfied over time, the Group measures the progress of its obligations over a contract service period to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers are 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 Group's performance and the customer's payment. In effect, the consolidated entity recognises revenue from the provision of services over the period the contractually agreed tasks or service obligations are completed.

Revenue generated by the Group is categorised into the following reportable segments:

- 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.

Revenue from the provision of cleaning and security services to customers is recognised when the performance obligations are delivered to customers over time. Once a contract has been entered into, the Group has an enforceable right to payment for work completed to date.

Therefore, revenue is recognised over time. Revenue from these services is based on the price stipulated in the enforceable contracts, and there are no discounts for services provided. Additional billings are recognized when the performance obligations are delivered over time and are included within the sales to external customers.

Trade receivables are recognised as cleaning and security services are provided over contractually stipulated time periods. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within normal credit terms of 30 days.

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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants that compensate the Group for expenses incurred are recognised in profit or loss; within 'Other income'; on a systematic basis in the periods in which the expenses are recognised. Note 6 provides further information on government grants. For the year ended 30 June 2020, the Group self-assessed its eligibility to access Australian and New Zealand government COVID-19 related grants. The Group continues to be eligible for the Australian Government COVID-19 Job Keeper program. There were no unfulfilled conditions or other contingencies attaching to these government grants.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

TAX CONSOLIDATION

Millennium Services Group Limited 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 formed an income tax consolidated group effective 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 10 for further information about the group's accounting for trade receivables and note 26 for a description of the group's impairment policies.

Other receivables are recognised at amortised cost, less loss allowance.

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.

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

Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 26 further details.

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	Shorter of 5 years and remaining lease term
Plant and equipment	3 to 7 years
Motor vehicles	5 to 7 years
Computer equipment	3 to 5 years
Office equipment	4 to 5 years

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

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 Group has adopted AASB 16 Leases with a date of initial application of 1 July 2019. The standard replaces AASB 117 Leases. The Group has applied the simplified transition approach when transitioning to the new standard. Under this approach, comparative reporting periods have not been restated prior to first adoption. All the right-of-use assets are measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).
The impacts on the application of AASB 16 are disclosed at note 23.

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

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

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.

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 Limited, 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.

NOTE 2. 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 2020. 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 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments provide updated definitions and explanatory paragraphs as there were concerns that the existing definition of materiality might encourage entities to disclose immaterial information in their financial statements. The concept of 'obscuring' information has been introduced to the definition, alongside the existing references to 'omitting' and 'misstating'.

The standard is not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 3. 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.

Impairment of receivables

For estimating the impairment of trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 26 further details.

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 the higher of their fair value less costs of disposal and their value-in-use. These calculations require the use of assumptions, including their fair values, 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 and tax losses 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.

Provision for public liability claims

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. As required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the Group recognises a provision for public liability claims based on the best estimate of the expenditure required to settle the claims at the end of the reporting period. The estimates of the amounts required to settle claims are determined by the judgement of the management of the Group, supplemented by experience of similar transactions. The evidence considered includes any additional evidence provided by events after the reporting period.

Accounting for restructuring

On 17 November 2015, the Group restructured under the newly created entity Millennium Services Group Limited ("MIL") and listed on the stock exchange on 19 November 2015.

The parties who controlled the acquired entities pre-restructure, also now control MIL 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 MIL'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 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. Government grants recognised and the application of those grants is disclosed under Head Office.

Revenue Categorisation

Revenue is generated by the Group and is categorised into the reportable segments disclosed below. Sales to external customers are recognised when the performance obligations are delivered over time. Once a contract has been entered into, the Group has an enforceable right to payment for work completed to date. Therefore, revenue is recognised over time. Additional billings are recognized when the performance obligations are delivered over time and are included within the sales to external customers.

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.

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

Operating segment information

Consolidated - 2020	Cleaning $'000	Security $'000	Head Office $'000	Total $'000
Revenue				
Sales to external customers	213,339	43,969	-	257,308
Other income	-	-	24,586	24,586
Total revenue and other income	213,339	43,969	24,586	281,894
Gross margin	26,021	4,779	-	30,800
Other income			24,586	24,586
Overheads			(35,050)	(35,050)
EBITDA				20,336
Depreciation				(5,901)
Interest revenue				8
Finance costs				(3,180)
Profit before income tax expense				11,263
Income tax benefit				5,323
Profit after income tax benefit				16,586
Segment assets	40,375	6,550	14,930	61,855
Segment liabilities	32,471	6,418	42,865	81,754
Net Deficiency	7,904	132	(27,935)	(19,899)

Consolidated - 2019	Cleaning $'000	Security $'000	Head Office $'000	Total $'000
Revenue				
Sales to external customers	241,312	53,425	-	294,737
Other income	-	-	(21)	(21)
Total revenue and other income	241,312	53,425	(21)	294,716
Gross margin	25,103	5,029	-	30,132
Other income	-	-	(21)	(21)
Overheads			(34,440)	(34,440)
EBITDA				(4,329)
Depreciation and amortisation				(8,752)
Impairment of goodwill and other intangibles				(26,819)
Interest revenue				10
Finance costs				(2,472)
Loss before income tax expense				(42,362)
Income tax benefit / expense				(3,188)
Loss after income tax expense				(45,550)
Segment assets	36,090	6,180	1,125	43,395
Segment liabilities	35,501	5,735	38,537	79,773
Net Assets / (Liabilities)	589	445	(37,412)	(36,378)

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

NOTE 5. REVENUE

	Consolidated 2020 $'000	2019 $'000
Provisions of services	257,308	294,737

NOTE 6. OTHER INCOME

	Consolidated 2020 $'000	2019 $'000
Government grants income (a)		
: Australian Federal Government	21,801	-
: Queensland State Government	234	-
: New Zealand Government	2,521	-
	24,556	
Net gain/(loss) on disposal of property, plant and equipment	30	(21)
Interest income	8	10
Other income / (expense)	24,594	(11)

(a) For the year ended 30 June 2020, the Group recognised government grant income of $24,556,000 as part of Australian and New Zealand government COVID-19 measures. As at 30 June 2020, $7,054,000 of government grants were receivable related to the Australian Government COVID-19 Job Keeper program for the month of June 2020. There were no unfulfilled conditions or other contingencies attaching to these grants. These June 2020 month grants were received in July 2020.

NOTE 7. EXPENSES

	Consolidated 2020 $'000	2019 $'000
Profit before income tax includes the following specific expenses:		
Impairment		
Impairment of receivables	313	804
Impairment of goodwill (note14)	-	11,014
Impairment of customer contracts and trademarks (note 14)	-	15,805
Impairment of goodwill and other intangibles	**-**	**26,819**
Finance costs		
Interest expense – borrowings	2,961	2,472
Interest expense – lease liabilities	219	-
	3,180	**2,472**
Rental expense relating to operating leases		
Minimum lease payments	3,058	4,010
Incremental wage top ups associated with COVID-19 government grants	8,383	-
Depreciation and amortisation		
Amortisation (note 14)	-	3,078
Depreciation – property, plant and equipment (note 13)	5,006	5,674
Depreciation – right-of-use assets (note 23)	895	-
Total depreciation	5,901	5,674
Total amortisation and depreciation	**5,901**	**8,752**

NOTE 8. INCOME TAX EXPENSE

	Consolidated 2020 $'000	2019 $'000
Income tax expense		
Deferred tax - origination and reversal of temporary differences	(5,362)	3,430
Current tax expense /(benefit) - Australia	18	(2,532)
Deferred tax asset not recognised in relation to unused tax losses	-	2,532
Tax losses not recognised in prior year, recognised at beginning of current year	(2,532)	-
Tax losses not utilised in current year	2,033	-
Current tax expense /(revenue) - New Zealand	435	5
Under / (over) provision in prior year – current tax	85	(247)
Aggregate income tax expense / (benefit)	(5,323)	3,188
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(7,246)	9,297
Increase/(decrease) in deferred tax liabilities (note 22)	1,884	(5,867)
Deferred tax - origination and reversal of temporary differences	(5,362)	3,430
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit / (loss) before income tax expense	11,263	(42,362)
Income tax expense / (benefit) at the statutory tax rate of 30%	3,379	(12,709)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	43	24
Deferred tax asset not recognised / (recognised) in relation to unused tax losses	(2,532)	2,532
Deferred tax asset not recognised / (recognised) in relation to temporary differences	(6,143)	10,143
Impairment - goodwill	-	3,304
Black hole deduction from equity	(39)	(39)
Employee share scheme	-	(55)
Difference in tax rate in New Zealand	(31)	(12)
Income tax expense / (benefit)	(5,323)	3,188
The applicable weighted average effective tax rates are as follows:	(47.3%)	(7.5%)

	Consolidated 2020 $'000	2019 $'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 15)	39	39

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated 2020 $'000	2019 $'000
Cash at bank	1,795	2,687

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2020 $'000	2019 $'000
Trade receivables	22,678	19,787
Less: loss allowance (note 26)	(822)	(674)
	21,856	19,113
Other receivables	934	415
Government grants receivable (a)	7,054	-
	29,844	19,528

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Details about the group's impairment policies and the calculation of the loss allowance are provided in note 26. The expected loss rates used in the current financial year have been adjusted to consider the potential impact of COVID-19 on Australian GDP and unemployment rates that may affect the Group's large retail shopping centre customers' ability to settle the receivables.

Trade receivables from related parties amounted to nil as at 30 June 2020 (30 June 2019: nil).

There were no related party receivables as at 30 June 2020 and 30 June 2019.

(a) For the year ended 30 June 2020, the Group recognised government grant income of $24,556,000 as part of COVID-19 government measures. As at 30 June 2020, $7,054,000 of government grants were receivable related to the Australian Government COVID-19 Job Keeper program for the month of June 2020. There were no unfulfilled conditions or other contingencies attaching to these grants. These June 2020 month grants were received in July 2020.

NOTE 11. CURRENT ASSETS - INVENTORIES

	Consolidated 2020 $'000	2019 $'000
Consumables and sanitisers - at cost	1,243	815

NOTE 12. CURRENT ASSETS - OTHER

	Consolidated 2020 $'000	2019 $'000
Prepayments	2,465	810

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2020 $'000	2019 $'000
Leasehold improvements - at cost	298	397
Less: Accumulated depreciation	(271)	(311)
	27	86
Plant and equipment - at cost	25,621	24,428
Less: Accumulated depreciation	(18,953)	(15,313)
	6,668	9,115
Motor vehicles - at cost	2,852	2,857
Less: Accumulated depreciation	(1,723)	(1,449)
	1,129	1,408
Computer equipment - at cost	2,086	1,681
Less: Accumulated depreciation	(1,391)	(1,157)
	695	524
Office equipment - at cost	686	531
Less: Accumulated depreciation	(611)	(309)
	75	222
	8,594	11,355

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 improve-ments $'000	Total $'000
Balance at 1 July 2018	1,600	181	592	12,347	278	14,998
Additions	27	5	258	1,059	-	1,349
Effect of movement in exchange rates	-	-	-	49	-	49
Disposals	(59)	-	-	-	-	(59)
Additions through hire purchase	355	127	-	210	-	692
Depreciation expense	(515)	(91)	(326)	(4,550)	(192)	(5,674)
Balance at 30 June 2019	1,408	222	524	9,115	86	11,355
Additions	202	86	540	1,357	-	2,185
Effect of movement in exchange rates	-	-	-	(18)	-	(18)
Disposals	(5)	-	-	-	-	(5)
Additions through hire purchase	71	-	-	12	-	83
Depreciation expense	(547)	(233)	(369)	(3,798)	(59)	(5,006)
Balance at 30 June 2020	1,129	75	695	6,668	27	8,594

During the 2020 financial year the Group acquired motor vehicles, plant and equipment with a carrying amount of $83,000 (2019: $692,000) via finance leases. The equipment financing transactions are non-cash transactions and excluded from the payments for property, plant and equipment within the Statement of Cash Flows.

The ANZ bank loan is secured over motor vehicles and equipment with a carrying value of $8,567,000 (2019: $11,269,000).

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

NOTE 14. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated 2020 $'000	2019 $'000
Goodwill - at cost, less impairments	7,470	7,470
Patents and trademarks - at cost, less impairments	734	734
Less: Accumulated amortisation	(734)	(734)
	-	-
Customer contracts - at cost, less impairments	6,274	6,274
Less: Accumulated amortisation	(6,274)	(6,274)
	-	-
	7,470	7,470

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 July 2018	16,607	18,484	2,276	37,367
Impairment – Goodwill, Cleaning CGU	-	(9,176)	-	(9,176)
Impairment – Goodwill, Security CGU	-	(1,838)	-	(1,838)
Impairment – other intangibles	(13,805)	-	(2,000)	(15,805)
Amortisation expense	(2,802)	-	(276)	(3,078)
Balance at 30 June 2019	-	7,470	-	7,470
Amortisation expense	-	-	-	-
Balance at 30 June 2020	-	7,470	-	7,470

CUSTOMER CONTRACTS AND TRADEMARKS

During the previous financial year, the carrying value of certain intangible assets (customer contracts and trademarks) were assessed to be impaired by $15,805,000 and written down accordingly. The assessment considered, among other variables, the declining gross profit margins from the relevant customer groups and the level of competition in the industry impacting acquired trademarks.

IMPAIRMENT TESTING OF GOODWILL

Goodwill is not amortised and is tested at least annually for impairment. 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 the end of the of the current and previous financial period is presented below:

	Consolidated 2020 $'000	2019 $'000
Goodwill allocation to CGUs		
Cleaning CGU	7,470	7,470
Security CGU	-	-
	7,470	7,470

CALCULATION METHODOLOGY

The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use. Impairment testing is undertaken at least annually, to assess if the carrying amounts of the CGUs are supported by their recoverable amounts.

Security CGU

All goodwill and intangibles within the Security CGU were impaired within the financial year ending 30 June 2019.

Cleaning CGU

Impairment testing was undertaken on the Cleaning CGU by comparing its recoverable amount to its carrying amount as at 30 June 2020. Management conducted sensitivity analysis using the value in use model and is of the view that there are no reasonable possible changes in variables that would indicate impairment of goodwill as at 30 June 2020. 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. The model utilised cash flow forecasts and extrapolations based on the EBITDA budget for the 2021 financial year that has been reviewed by management and the Board.

Management has based its cash flow projections on the following key assumptions as at 30 June 2020:

- Cash flow forecasts are based on the Cleaning segment's EBITDA budget for the 2021 financial year. An assumption in the 2021 budget was the gradual and phased easing of COVID-19 restrictions in Australia between July 2020 and December 2020, allowing for a return to pre COVID-19 trading conditions at conservative levels by January 2021. Cash flows for a further four years have been extrapolated such that the forecast compound annual growth rates (CAGR) are between 0.8% to 1.0% (June 2019: 0.8% to 1.0%) for years 1 to 5. The value in use model CAGR assumption was stress tested to a (0.5%) decline; no impairment of goodwill was evident from the test.
- Conservative terminal growth rates of 0.5% (30 June 2019: 1.0%), stress tested to 0.0% with no indication of any impairment of goodwill; and
- Pre-tax discount rate of 17.7% (30 June 2019: 17.0%) which approximates the CGUs' weighted average cost of capital (pre-tax). The value in use model discount rate assumption was stress tested to a 19.7%; no impairment of goodwill was evident from the test.

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

NOTE 15. NON-CURRENT ASSETS - DEFERRED TAX

	Consolidated 2020 $'000	2019 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	247	202
Property, plant and equipment	362	-
Employee benefits	6,944	7,639
Superannuation payable	1,059	1,112
Other accruals	177	251
Provisions	399	797
AASB 16 Leases	33	-
Blackhole expenditure - profit and loss	49	199
Investments	136	136
Blackhole expenditure - equity	-	39
Deferred tax asset not recognised	(4,000)	(10,143)
Unused tax losses	2,033	-
Deferred tax asset	7,439	232
Movements:		
Opening balance	232	9,568
Credited to profit or loss (note 8)	7,246	(9,297)
Credited/(charged) to equity (note 8)	(39)	(39)
Closing balance	7,439	232

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets of $7,439,000 were recognised by the Group as at 30 June 2020 due to the probability of future taxable income being generated to utilise the temporary differences. Total deferred tax assets of $12,675,000; comprising $2,532,000 and $10,143,000 in relation to unused tax losses and temporary differences respectively; were not recognised as at 30 June 2019.

NOTE 16. NON-CURRENT ASSETS - OTHER

	Consolidated 2020 $'000	2019 $'000
Security deposits	137	89

NOTE 17. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 2020 $'000	2019 $'000
Trade payables	3,236	4,856
GST payable	1,709	1,789
Accrued expenses	6,098	8,430
Other payables	5,252	7,080
	16,295	22,155

Refer to note 26 for further information on financial instruments.

NOTE 18. CURRENT LIABILITIES - BORROWINGS

	Consolidated 2020 $'000	2019 $'000
ANZ interchangeable loan facility	18,137	18,137
Trade finance facility	5,060	-
Hire purchase	2,291	3,945
Bank overdraft utilised	9,193	7,176
Other borrowings	1,725	508
	36,406	29,766

BORROWINGS HAVE BEEN CLASSIFIED AS CURRENT LIABILITIES AS AT 30 JUNE 2020

The consolidated entity is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. As at 30 June 2020, the Group had total debt obligations of $30,678,000 (30 June 2019: 30,123,000) owing to the ANZ Bank (the 'Lender'). The Group's obligations with respect to financing covenants for the September 2019 quarter were waived by the lender. The Lender streamlined the financing covenants commencing from the December 2019 quarter and the Group met the required covenants for the December 2019, March 2020 and June 2020 quarters.

The Lender waived the scheduled quarterly principal repayments due in January 2020 and April 2020; and deferred the scheduled quarterly principal repayment due in July 2020 to 31 August 2020.

The current debt facilities are due to be refinanced in October 2020 and the consolidated entity is currently in discussions with its existing debt provider and exploring a number of alternative funding strategies; and as a consequence, the Group does not have an unconditional right to defer settlement of its loans for at least 12 months after the 30 June 2020 reporting date. Hence borrowings have been classified as current liabilities as at 30 June 2020.

BORROWINGS CLASSIFIED AS CURRENT LIABILITIES AS AT 30 JUNE 2019

As at 30 June 2019, the Group had total debt obligations of $30,123,000 owing to the lender. The Group's obligations with respect to financing covenants for the December 2018, March 2019 and June 2019 quarters were waived by the lender, subject to conditions, with no additional restrictions to the access of available financing.

The debt facilities were due to be refinanced in November 2019, and as a consequence, the Group did not have an unconditional right to defer settlement of its loans for at least 12 months after the 30 June 2019 reporting date. Hence borrowings were classified as current liabilities as at 30 June 2019. Subsequent to 30 June 2019, the lender extended the debt facilities to October 2020.

If the refinancing was effective on the 30 June 2020 and 30 June 2019 reporting dates, and the Group had an unconditional right to defer settlement of its loans for at least 12 months after the relevant reporting dates; current borrowings would have been presented as follows:

	Consolidated 2020 $,000	2019 $,000
ANZ interchangeable loan facility	5,828	5,828
Trade finance facility	5,060	-
Hire purchase	1,250	1,698
Bank overdraft utilised	9,193	7,176
Other borrowings	1,725	508
	23,056	15,210

Refer to note 26 for further information on financial instruments.

The borrowings above are secured liabilities, refer to Note 21 for security details. The loan facility drawdowns and repayments that occurred during the current financial period are summarised below.

Consolidated	ANZ inter-changeable loan facility $'000	Trade finance facility $'000	Hire purchase $'000	Bank Overdraft $'000	Other borrowings $'000	Total $'000
Balance at 1 July 2019	18,137	-	3,945	7,176	508	29,766
Drawdown for working capital requirements	-	5,060	-	2,017	4,628	11,705
Equipment financing	-	-	83	-	-	83
Repayments of borrowings	-	-	(1,737)	-	(3,411)	(5,148)
Balance at 30 June 2020	18,137	5,060	2,291	9,193	1,725	36,406

FINANCING ARRANGEMENTS

As at the reporting date, the Group had unrestricted access to the following lines of credit:

	Consolidated 2020 $'000	2019 $'000
Total facilities		
ANZ Interchangeable loan facility	18,137	19,136
Asset finance facility (hire purchase)	2,064	4,000
Overdraft facility	10,000	10,000
Trade finance facility	13,000	10,000
Standby letter of credit and guarantee facility	1,170	1,200
Electronic payway facility	500	500
Commercial card facility	325	325
	45,196	45,161
Used at the reporting date		
Interchangeable loan facility	18,137	18,137
Asset finance facility (hire purchase)	2,064	3,515
Overdraft facility	9,193	7,176
Trade finance facility	5,060	-
Standby letter of credit and guarantee facility	1,170	1,172
Electronic payway facility	-	-
Commercial card facility	114	123
	35,738	30,123
Unused at the reporting date		
Interchangeable loan facility	-	999
Asset finance facility (hire purchase)	-	485
Overdraft facility	807	2,824
Trade finance facility	7,940	10,000
Standby letter of credit and guarantee facility	-	28
Electronic payway facility	500	500
Commercial card facility	211	202
	9,458	15,038

NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt:

	Consolidated 2020 $'000	2019 $'000
Cash and cash equivalents	1,795	2,687
Borrowings – repayable within one year	(36,406)	(29,766)
Borrowings – repayable after one year	-	-
Net debt	(34,611)	(27,079)
Cash and cash equivalents	1,795	2,687
Gross debt – fixed interest rates	(1,725)	(508)
Gross debt – variable interest rates	(34,681)	(29,258)
Net debt	(34,611)	(27,079)

	Other assets	Liabilities from financing activities				
	Cash and cash equivalents $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Borrowings / Trade finance/ Overdraft due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 July 2019	2,687	(3,945)	-	(25,821)	-	(27,079)
Cash flows	(886)	1,737	-	(8,294)	-	(7,443)
Acquisitions – finance leases	-	(83)	-	-	-	(83)
Foreign exchange adjustments	(6)	-	-	-	-	(6)
Net debt as at 30 June 2020	1,795	(2,291)	-	(34,115)	-	(34,611)

NOTE 19. INCOME TAX

	Consolidated 2020 $'000	2019 $'000
Income tax refundable / (provision for income tax)	-	409

NOTE 20. PROVISIONS

	Consolidated 2020 $'000	2019 $'000
Annual leave and long service leave	22,363	18,961
Other provisions	268	294
Employee entitlements provision	-	5,708
Provision for public liability claims	1,330	2,657
	23,961	27,620
Current	22,429	26,063
Non-current	1,532	1,557
	23,961	27,620

Consolidated	Annual leave and long service leave $'000	Public liability claims $'000	Employee entitlement provision $'000	Other $'000	Total $'000
Balance at 1 July 2019	18,961	2,657	5,708	294	27,620
Arising / (reversed) during the year	15,693	63	(1,105)	-	14,651
Utilised / paid during the year	(12,291)	(1,390)	(4,603)	(26)	(18,310)
Balance at 30 June 2020	22,363	1,330	-	268	23,961
Current	21,064	1,330	-	35	22,429
Non-current	1,299	-	-	233	1,532

PROVISION FOR PUBLIC LIABILITY CLAIMS

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. The Group recognises a provision for public liability claims based on the best estimate of the expenditure required to settle the claims at the end of the reporting period.

The estimates of the amounts required to settle claims are determined by the judgement of the management of the Group, supplemented by experience of similar transactions. The evidence considered includes any additional evidence provided by events after the reporting period. As a practical measure, the Group utilises percentage of cleaning revenue method to account for public liability expense for a reporting period. Due to improvements in cleaning rotations at shopping centres and better claims management in the current financial year, a lower percentage of cleaning revenue, compared to the prior year, was utilised to recognise the public liability expense in the current year.

EMPLOYEE ENTITLEMENTS PROVISION

An internal payroll review, which commenced in the 2018 financial year; of the application of employment instruments indicated possible errors in payments of employee entitlements dating back to November 2015. Professional advisors were engaged to confirm and quantify errors in payments. Management provided for the entitlements and the provision amounted to $5,708,000 as at 30 June 2019. The Group commenced payment of wages and entitlements owing to employees in July 2019, resulting with no requirements of a provision at 30 June 2020.

NOTE 21. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated 2020 $'000	2019 $'000
ANZ interchangeable loan facility	-	-
Hire purchase	-	-
	-	-

Borrowings classified as current liabilities as at 30 June 2020 and 30 June 2019, refer to note 18.

If the refinancing was effective on the 30 June 2020 and 30 June 2019 reporting dates, and the Group had an unconditional right to defer settlement of its loans for at least 12 months after the relevant reporting dates; the non-current borrowings would have been presented as follows:

	Consolidated 2020 $'000	2019 $'000
ANZ interchangeable loan facility	12,309	12,309
Hire purchase	1,041	2,247
	13,350	14,556

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 2020 $'000	2019 $'000
ANZ interchangeable loan facility	18,137	18,137
Trade finance facility	5,060	-
Hire purchase	2,291	3,945
Bank overdraft utilised	9,193	7,176
	34,681	29,258

DETAILS OF SECURITY

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 Bank and trade finance provider.

- Millennium Hi-Tech Group Pty Limited
- Millennium Cleaning (Qld) Pty Limited
- Millennium Cleaning (Vic) Pty Limited
- Millennium Cleaning (NSW) Pty Limited
- Millennium Group (NZ) Pty Limited
- Millennium Hi-Tech Holdings Pty Limited
- Millennium Hi-Tech (SA) Pty Limited
- Millennium Services Group Limited
- Millennium Services Group Operations Pty Limited
- Millennium Management Services (Aust) Pty Limited
- Millennium Security Specialist Services Pty Limited
- Millennium Cleaning Specialist Services Pty Limited
- Millennium Cleaning (TAS) Pty Limited
- Airlite Cleaning Pty Limited
- Airlite Management Services Pty Limited

ASSETS PLEDGED AS SECURITY

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

		Consolidated
	2020	**2019**
	$'000	**$'000**
Equipment and motor vehicles	8,567	11,269

NOTE 22. NON-CURRENT LIABILITIES - DEFERRED TAX

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	-	232
Government grants receivable (note 10)	2,116	-
Deferred tax liability	2,116	232
Movements:		
Opening balance	232	6,099
Charged/(credited) to profit or loss (note 8)	1,884	(5,867)
Closing balance	2,116	232

NOTE 23. IMPACT OF NEW ACCOUNTING STANDARD – AASB 16 LEASES

(a) Adoption of AASB 16 Leases from 1 July 2019

The Group has adopted AASB 16 Leases with a date of initial application of 1 July 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' (ROU) asset has been 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 ROU asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease has been 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 is 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 Group has applied the simplified transition approach when transitioning to the new standard. Under this approach, the Group has not restated comparative reporting periods prior to first adoption. All the ROU assets are measured at the amount of the lease liability on adoption (after adjustments for any prepaid or accrued lease expenses).

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of AASB 16 affected the following Balance Sheet items on 1 July 2019:

Consolidated	As reported 30 June 2019 $'000	AASB 16 impact $'000	Opening balance 1 July 2019 $'000
Right-of-use assets	-	2,805	2,805
Deferred tax asset	232	842*	1,074
Total assets impact		3,647	3,879
Lease liabilities - current	-	777	777
Lease liabilities – non-current	-	2,028	2,028
Deferred tax liability	232	842*	1,074
Total liabilities impact		3,647	3,879
Accumulated losses	(46,932)	-	(46,932)
Total equity impact		-	-

*Deferred taxes with respect to AASB 16 are netted off as a deferred tax asset (note 15).

(b) Lease liabilities

On adoption of AASB 16, the Group has recognised lease liabilities for leases previously classified as operating leases. These leases were measured at the present value of remaining lease payments discounted using the Group's incremental borrowing rate of 7.6% as at 1 July 2019.

The Group's commitments previously classified as non-cancellable operating leases predominately relate to office premises across Australia and New Zealand, ranging in lease terms from 1 to 5 years. The Group's leases may have extension options to manage operational flexibility. These options are exercisable only by the Group and not the respective lessor. The lease agreements are negotiated individually and do not impose any covenants on the Group. In assessing the lease term for calculating the present value of the lease payments, options are only included in the lease term if the lease is reasonably certain to be extended.

Lease liabilities recognised in the Balance Sheet on 1 July 2019 reconcile back to operating lease commitments as disclosed at 30 June 2019 as follows:

Consolidated	$'000
Operating lease commitments disclosed as at 30 June 2019	3,396
Discounted using incremental borrowing rate of 7.6% at date of initial application	(591)
Lease liability as at 1 July 2019	2,805
Lease liabilities - current	777
Lease liabilities – non-current	2,028

The movement in lease liabilities from 1 July 2019 to 30 June 2020 is presented below:

Consolidated	$'000
Lease liability as at 1 July 2019	2,805
Additions, exercise of office premise lease extension options	361
Additions, new equipment leases	597
Interest expense	219
Payments on lease liabilities	(1,006)
Lease liability as at 30 June 2020	2,976
Lease liabilities - current	823
Lease liabilities – non-current	2,153

(c) Lease assets

The associated ROU assets have been measured at the initial lease liability amount, as if the standard had been applied from the commencement date of the leases. The recognised ROU assets relate to the following assets:

Consolidated	Plant and Equipment $'000	Land and Buildings $'000	Total $'000
Right-of-use assets as at 1 July 2019	-	2,805	2,805
Additions, exercise of lease extension option	-	361	361
Additions, new equipment leases	597	-	597
Depreciation	(13)	(882)	(895)
Right-of-use assets as at 30 June 2020	584	2,284	2,868

(d) Impact on earnings and statement of cash flows

Following the adoption of AASB 16, EBITDA, finance costs and depreciation have increased by $1,006,000, $219,000 and $895,000 respectively for the year ended June 2020. The Group's net profit after tax was lower by $76,000 for the same period.

The repayment of the principal portion of the lease liabilities has been classified as cash flows from financing activities, thus increasing operating cash flows and decreasing financing cash flows by $787,000.

The Head Office segment was affected by the change in policy during the financial year.

Consolidated	$'000
Impact on EBITDA	1,006
Depreciation	(895)
Finance costs	(219)
Loss before income tax expense	(108)
Income tax benefit	32
Loss after tax	(76)

NOTE 24. EQUITY

(a) Issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $'000	2019 $'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	30 June 2019	45,928,259		18,967
Balance	30 June 2020	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 market capitalisation plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. The Group monitors capital using gearing ratio among other metrics. 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.

	Consolidated	
	2020 $'000	2019 $'000
Interest bearing loans and borrowings	36,406	29,766
Less: cash and short-term deposits	(1,795)	(2,687)
Net debt	34,611	27,079
Market capitalisation (share price $0.37/share on 30/06/2020 & $0.17 on 30/06/2019)	16,993	7,808
Capital, (market capitalisation plus net debt)	51,604	34,887
Gearing ratio	67%	78%

The consolidated entity is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. As at 30 June 2020, the Group had total debt obligations of $30,678,000 (30 June 2019: 30,123,000) owing to the ANZ Bank (the 'Lender'). The Group's obligations with respect to financing covenants for the September 2019 quarter were waived by the lender. The Group met the required covenants for the December 2019, March 2020 and June 2020 quarters.

The current debt facilities are due to be refinanced in October 2020 and the consolidated entity is currently in discussions with its existing debt provider and exploring a number of alternative funding strategies; and as a consequence, the Group does not have an unconditional right to defer settlement of its loans for at least 12 months after the 30 June 2020 reporting date. Hence borrowings have been classified as current liabilities as at 30 June 2020.The Group's unrestricted access to total financial facilities is disclosed at note 18.

(b) Reserves

	Consolidated	
	2020 $'000	2019 $'000
Foreign currency reserve	(100)	7
Share-based payments reserve	102	102
Pre-restructure accumulated losses	(8,522)	(8,522)
	(8,520)	(8,413)

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 Limited ("MIL"), 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 July 2018	(8,522)	285	(15)	(8,252)
Share based payments	-	(183)	-	(183)
Foreign currency translation	-	-	22	22
Balance at 30 June 2019	(8,522)	102	7	(8,413)
Share based payments	-	-	-	-
Foreign currency translation	-	-	(107)	(107)
Balance at 30 June 2020	(8,522)	102	(100)	(8,520)

NOTE 25. EQUITY - DIVIDENDS

No dividends were paid during the current and previous financial period:

	Consolidated 2020 $'000	2019 $'000
No dividend declared or payable in respect of the year ended 30 June 2020	-	-
No dividend declared or payable in respect of the year ended 30 June 2019	-	-
	-	-

No interim dividend was declared for the current year.

NOTE 26. FINANCIAL RISK MANAGEMENT

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:

Consolidated	Assets 2020 AUD$'000	2019 AUD$'000	Liabilities 2020 AUD$'000	2019 AUD$'000
Assets / Liabilities denominated in New Zealand dollars	5,784	3,172	4,839	3,703

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

	AUD strengthened			AUD weakened		
Consolidated - 2020	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Assets / Liabilities denominated in New Zealand dollars	25%	-	(189)	25%	-	315

	AUD strengthened			AUD weakened		
Consolidated - 2019	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Assets / Liabilities denominated in New Zealand dollars	25%	-	106	25%	-	(177)

PRICE RISK

The consolidated entity is not exposed to any significant price risk. The impact of COVID-19 on the Group's price risk is mitigated due to the Group's diversified supplier base.

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.

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

	2020s		2019	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
ANZ interchangeable loan facility	3.05%	18,137	4.80%	18,137
Net exposure to cash flow interest rate risk		18,137		18,137

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

	Basis points increase			Basis points decrease		
Consolidated – 2020	**Basis points change**	**Effect on profit before tax**	**Effect on equity, net of tax**	**Basis points change**	**Effect on profit before tax**	**equity, net of tax**
ANZ Facility	100	(181)	(127)	100	181	127

	Basis points increase			Basis points decrease		
Consolidated – 2019	**Basis points change**	**Effect on profit before tax**	**Effect on equity, net of tax**	**Basis points change**	**Effect on profit before tax**	**equity, net of tax**
ANZ Facility	100	(181)	(127)	100	181	127

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

CREDIT RISK

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Risk management

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and regions.

Impairment of financial assets

The Group's material financial assets that are subject to the expected credit loss model are:

- Trade receivables from the provision of cleaning and security services.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Contract assets relating to unbilled, satisfied performance obligations in relation to cleaning and security services were immaterial as at 30 June 2020 and 30 June 2019.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates used in current financial year were based on the payment profiles of sales over a period of 6 months before 30 June 2020 considering any potential impact of COVID-19 and the corresponding credit losses experienced within the 6 months. The expected loss rates used in the prior financial year were based on the payment profiles of sales over a period of 24 months before 30 June 2019 and the corresponding historical credit losses experienced within the same period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that Australian GDP and unemployment rate as relevant factors that impact the Group's large retail shopping centre customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances as at 30 June 2020 and 30 June 2019 were determined as follows for trade receivables:

30 June 2020 $'000	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	1.25%	5%	8%	75%	100%	
Gross carrying amount – trade receivables	19,741	2,219	231	166	321	22,678
Loss allowance	**247**	**111**	**18**	**125**	**321**	**822**

30 June 2019 $'000	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Expected loss rate	1%	3%	5%	50%	75%	
Gross carrying amount – trade receivables	17,251	1,608	242	264	422	19,787
Loss allowance	**165**	**48**	**12**	**132**	**317**	**674**

The closing loss allowances for trade receivables as at 30 June 2020 reconcile to the opening loss allowances as follows:

	Consolidated Trade Receivables 2020 $'000	2019 $'000
Balance at beginning of financial year	674	383
Receivables written off during the year as uncollectable	(149)	(513)
Increase in loss allowance recognised in profit or loss during the year	297	804
Balance at end of financial year	822	674

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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 2020 $'000	2019 $'000
Interchangeable loan facility	-	999
Asset finance facility (hire purchase)	-	485
Overdraft facility	807	2,824
Trade finance facility	7,940	10,000
Standby letter of credit and guarantee facility	-	28
Electronic payway facility	500	500
Commercial card facility	211	202
	9,458	15,038

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturities 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 – 2020	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						
Non-interest bearing						
Trade and other payables	-	16,295	-	-	-	16,295
Interest-bearing - fixed						
Lease liabilities	7.60%	1,033	755	1,288	541	3,617
Other short-term borrowings	3.17%	1,771	-	-	-	1,771
Interest-bearing - variable						
Hire purchase	5.10%	2,388	-	-	-	2,388
Trade finance facility	15.90%	5,127	-	-	-	5,127
ANZ Bank overdraft	7.27%	9,249	-	-	-	9,249
ANZ loan facility	3.05%	18,690	-	-	-	18,690
Total non-derivatives		54,553	755	1,288	541	57,137

Borrowings have been classified as current liabilities as at 30 June 2020 (refer to note 18)

The current debt facilities with the ANZ Bank are due to be refinanced in October 2020 and the consolidated entity is currently in discussions with its existing debt provider and exploring a number of alternative funding strategies (refer to note 35 for events after the reporting period); and as a consequence, the Group does not have an unconditional right to defer settlement of its loans for at least 12 months after the 30 June 2020 reporting date. Hence borrowings have been classified as current liabilities as at 30 June 2020. If the refinancing was effective on 30 June 2020 and the Group had an unconditional right to defer settlement of its loans for at least 12 months after the reporting date; the remaining contractual maturities would have been presented as follows:

Consolidated – 2020	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						
Non-interest bearing						
Trade and other payables	-	16,295	-	-	-	16,295
Interest-bearing - fixed						
Lease liabilities	7.60%	1,033	755	1,288	541	3,617
Other short-term borrowings	3.17%	1,771	-	-	-	1,771
Interest-bearing - variable						
Hire purchase	5.10%	1,335	889	188	-	2,412
Trade finance facility	15.90%	5,127	-	-	-	5,127
ANZ Bank overdraft	7.27%	9,249	-	-	-	9,249
ANZ loan facility	3.05%	6,292	6,115	6,599	-	19,006
Total non-derivatives		41,102	7,759	8,075	541	57,477

Consolidated – 2019	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						
Non-interest bearing						
Trade and other payables	-	22,155	-	-	-	22,155
Interest-bearing - fixed						
Other short-term borrowings	2.85%	515	-	-	-	515
Interest-bearing - variable						
Hire purchase	6.25%	4,150	-	-	-	4,150
ANZ Bank overdraft	7.90%	7,223				7,223
ANZ loan facility	4.80%	19,008	-	-	-	19,008
Total non-derivatives		53,051	-	-	-	53,051

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

Fair value of financial instruments

The fair values of cash, receivables, trade payables, other payables and current tax payables approximate their carrying amounts due to their short-term maturity.

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

DIRECTORS

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

Roger Smeed (Independent, Non-Executive Chairman)

Darren Boyd (Chief Executive Officer and Managing Director)

Royce Galea (Executive Director)

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:

Michael Constable (Chief Financial Officer)

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

COMPENSATION

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

	Consolidated 2020 $'000	2019 $'000
Short-term employee benefits	1,269,750	1,837,115
Post-employment benefits	76,503	92,665
Long-term benefits	6,305	6,182
Share-based payments	-	-
	1,352,558	1,935,962

NOTE 28. REMUNERATION OF AUDITORS

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

	2020 $'000	Consolidated 2019 $'000
Audit services - Moore Australia Audit (Vic)		
Audit or review of the financial statements	150,000	150,000
Other services - Moore Australia		
Taxation services	57,000	45,000
Other services	22,300	15,575
	79,300	60,575

NOTE 29. CONTINGENT ASSETS

The Group is not aware of any material contingent assets at 30 June 2020.

NOTE 30. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities at 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

NOTE 31. COMMITMENTS

	Consolidated 2020 $'000	2019 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,033	945
Between one to five years	2,043	1,633
Over five years	541	818
	3,617	3,396

Lease commitments are predominately related to office premises.

FINANCE LEASES

	Consolidated 2020 $'000 Minimum payment	2020 Present value	2019 $'000 Minimum payment	2019 Present value
Within one year	2,388	2,291	4,150	3,945
After one year but not less than five years	-	-	-	-
More than five years	-	-	-	-
Total minimum lease payments	2,388	2,291	4,150	3,945
Less amounts representing finance charges	(97)	-	(205)	-
Present value of minimum lease payments	2,291	2,291	3,945	3,945

The Group has finance leases and hire purchase contacts 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.

Borrowings have been classified as current liabilities as at 30 June 2020 and June 2019 (refer to note 18)

If the refinancing was effective on the 30 June 2020 and 30 June 2019 reporting dates, and the Group had an unconditional right to defer settlement of its loans for at least 12 months after the relevant reporting dates; the finance leases would have been presented as follows:

	Consolidated			
	2020 $'000		2019 $'000	
	Minimum payment	Present value	Minimum payment	Present value
Within one year	1,335	1,250	1,892	1,698
After one year but not less than five years	1,077	1,041	2,397	2,247
More than five years	-	-	-	-
Total minimum lease payments	2,412	2,291	4,289	3,945
Less amounts representing finance charges	(121)	-	(344)	-
Present value of minimum lease payments	2,291	2,291	3,945	3,945

NOTE 32. RELATED PARTY TRANSACTIONS

PARENT ENTITY

Millennium Services Group Limited is the parent entity.

SUBSIDIARIES

Interests in subsidiaries are set out in note 34.

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

TRANSACTIONS WITH RELATED PARTIES

Wages and other benefits of $321,973 were paid to Mr Stephen Lidbury, a substantial shareholder of the Company, for the year ended 30 June 2020 (2019: $256,952). Office rent of $43,200 was paid in the current financial year on normal commercial terms to an entity related to Mr Stephen Lidbury (2019: $39,315).

Consulting fees of $318,000 were paid to Tomi-Sasha Holdings Pty Limited, a substantial shareholder of the Company for the year ended 30 June 2020 (2019: $210,563).

Wages and other benefits of $99,477 were paid to close family members of the controller of Tomi-Sasha Holdings Pty Limited, in their capacity as employees of the Group, for the year ended 30 June 2020 (2019: $91,633).

RECEIVABLES FROM RELATED PARTIES

No amounts were receivable from related parties as at 30 June 2020 and 30 June 2019.

NOTE 33. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity, Millennium Services Group Limited. The majority of the profit or loss of the parent entity comprises Group overheads, corporate head office costs and dividends from subsidiaries.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Parent	
	2020 $'000	2019 $'000
Profit / (loss) after income tax	(10,615)	(33,349)
Total comprehensive profit / (loss)	(10,615)	(33,349)

STATEMENT OF FINANCIAL POSITION

	Parent	
	2020 $'000	2019 $'000
Total current assets	20,589	18,783
Total assets	37,920	27,949
Total current liabilities	70,440	51,375
Total liabilities	73,518	52,932
Equity		
Issued capital	18,967	18,967
Share-based payments reserve	102	102
Accumulated losses, net of dividends paid	(54,667)	(44,052)
Total equity / (deficiency)	(35,598)	(24,983)

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 34 (except Millennium Group (NZ) Pty Limited) was enacted in the 2016 financial year. The deed was updated in the 2017 financial year to include the Airlite Group and further updated in the 2019 financial year to include the small proprietary companies incorporated in the 2018 financial year. The Group is relieved from preparing financial statements for the subsidiaries under ASIC Class Order 98/1418. Under the deed, Millennium Services Group Limited guarantees to support the liabilities and obligations of each entity listed in Note 34 Interest in Subsidiaries, other than Millennium Group (NZ) Pty Limited.

As Millennium Group (NZ) Pty Limited 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 2020 and 30 June 2019.

CAPITAL COMMITMENTS - PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

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.

PARENT COMPANY'S INVESTMENT IN SUBSIDIARY COMPANIES

Changes in competitive conditions and other factors over the 2018 and 2019 financial years directly and negatively impacted the growth rate for the Group. Consequently, management reassessed the carrying amount of the parent entity's investment in its subsidiaries and determined an impairment charge of $30,200,000 in the 2019 financial year. There was no impairment charge in the current year. The carrying value of the parent company's investment in subsidiaries as at 30 June 2020 was $7,486,000 (2019: $7,486,000), net of the impairment recognised in the prior year.

NOTE 34. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Millennium Group (NZ) Pty Limited	New Zealand	100.00%	100.00%
Millennium Hi-Tech Group Pty Limited (a)	Australia	100.00%	100.00%
Millennium Hi-Tech Holdings Pty Limited (a)	Australia	100.00%	100.00%
Millennium Hi-Tech (SA) Pty Limited (a)	Australia	100.00%	100.00%
Millennium Cleaning (Qld) Pty Limited (a)	Australia	100.00%	100.00%
Millennium Cleaning (Vic) Pty Limited (a)	Australia	100.00%	100.00%
Millennium Services Group Operations Pty Limited (a)	Australia	100.00%	100.00%
Airlite Cleaning Pty Limited (a)	Australia	100.00%	100.00%
Airlite Management Services Pty Limited (a)	Australia	100.00%	100.00%
Millennium Management Services (Aust) Pty Limited (a)	Australia	100.00%	100.00%
Millennium Security Specialist Services Pty Limited (a)	Australia	100.00%	100.00%
Millennium Cleaning Specialist Services Pty Limited (a)	Australia	100.00%	100.00%
Millennium Cleaning (TAS) Pty Limited (a)	Australia	100.00%	100.00%
Millennium Cleaning (NSW) Pty Limited (a)	Australia	100.00%	100.00%

(a) These wholly owned companies are subject to a deed of cross guarantee as at 30 June 2020 and 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS • 30 JUNE 2020

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. The Company experienced a 30% revenue reduction in April 2020 due to Government COVID-19 related regulatory changes. However, the Company also experienced a faster than expected revenue rebound in May and June 2020 as regulations were relaxed. Actual economic events and conditions in future may be materially different from those estimated by the Company at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the Company. At the date of this financial report, an estimate of the future effects of the COVID-19 pandemic on the Company cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

Except for the above, no other matter or circumstance has arisen since 30 June 2020 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 36. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit / (loss) after income tax expense for the period	16,586	(45,550)
Adjustments for:		
Depreciation, amortisation and impairment of intangibles	5,901	35,571
Net loss/(gain) on disposal of property, plant and equipment	(30)	21
Share-based payments	-	(183)
Net foreign exchange differences	(101)	22
Change in operating assets and liabilities:		
Decrease/(increase) in inventories	(428)	747
Decrease/(increase) in net deferred tax assets	(5,323)	3,469
Increase/(decrease) in trade and other payables	(7,228)	(482)
Increase/(decrease) in income tax receivable	409	(1,171)
Increase/(decrease) in employee benefits and employee entitlements provisions	(2,306)	2,680
Increase in government grants receivable	(7,054)	-
Decrease/(increase) in trade and other receivables	(3,221)	2,262
Decrease in other assets	2,917	1,830
Net cash from / (used in) operating activities	122	(784)

NOTE 37. EARNINGS PER SHARE

		Consolidated
	2020	2019
	$'000	$'000
Profit after income tax attributable to the owners of Millennium Services Group Limited	16,586	(45,550)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	45,928,529	45,928,529
Weighted average number of ordinary shares used in calculating diluted earnings per share	45,928,529	45,928,529
	Cents	**Cents**
Basic earnings per share	36.11	(99.18)
Diluted earnings per share	36.11	(99.18)

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 2020.

NOTE 38. SHARE-BASED PAYMENTS

The Board has adopted a Long-Term Incentive Plan ("LTIP") through which it will determine appropriate long-term incentive mechanisms for employees, including directors and senior management of the consolidated entity. Due to option holders ceasing employment in the previous financial year, there were no exercisable options at 30 June 2020 and 30 June 2019.

Set out below are summaries of performance rights and options granted under the plan that lapsed in the prior year: FY19

Options Grant date	Vesting date (lapse if leaves office)	Exercise price	Balance at the start of period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of 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)	-
Total Options			2,400,000	-	-	(2,400,000)	-

The weighted average remaining contractual life of options outstanding at the end of 30 June 2019 was nil years

Directors' Declaration

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

1. The consolidated financial statements and notes, as set out on pages 47 to 106, and the remuneration report on pages 36 to 42 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; comply with Corporations Regulations 2001, and
   b. give a true and fair view of the financial position as at 30 June 2020 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.

At the date of this declaration, the Company and its wholly owned Australian subsidiaries, as detailed in Note 34 to the financial statements, have entered into a deed of cross guarantee. The nature of the deed of cross guarantee is such that each Company which is party to the deed guarantees the debts of each other. In the directors' opinion, there are reasonable grounds to believe that the Company and the subsidiaries to which the deed of cross guarantee applies, as detailed in Note 34 to the financial statements will, as a Group, be able to meet any liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee.

On behalf of the Directors

Roger Smeed
Chairman

20 August 2020

Independent Auditor's Report

MOORE

Moore Australia Audit (VIC)
Level 18, 530 Collins Street
Melbourne Victoria 3000
T +61 3 9608 0100
Level 1, 219 Ryrie Street
Geelong Victoria 3220
T +61 3 5215 6800
victoria@moore-australia.com.au
www.moore-australia.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MILLENNIUM SERVICES GROUP LIMITED AND 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 Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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.

MOORE

Material Uncertainty Related to Going Concern

We draw attention to Note 1 *Going Concern* in the financial statements, which identifies that during the year ended 30 June 2020 the Group earned a profit after income tax expense of $16.586m after including the net EBITDA impact of $16.173m of government wage subsidies and an income tax benefit of $5.323m (2019: loss of $45.550m), the Group's current liabilities exceed its current assets by $40.606m, and has a net asset deficiency of $19.899m (2019: $36.378m). As stated in Note 1 *Going Concern*, these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to COVID-19

We draw attention to Note 35 *Events after the reporting period*, which describes the unique and unprecedented uncertainty of the broader economic environment at the date of signing the financial report due to the COVID-19 pandemic. The economic impact of COVID-19 may have a significant bearing on the operating environment in which many of the Group's major customers operate, in particular, but not limited to, the retail and commercial property sectors. We consider this issue to be fundamental to the users' understanding of the financial report, the financial position and performance of the Group. Our opinion is not modified in respect of this matter.

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 – Net Current Asset Deficiency, Going Concern and COVID-19
Refer to Note 1 *Going Concern*, Note 18 *Current Liabilities – Borrowings* and Note 35 *Events After the Reporting Period.*

The Group has a net current asset deficiency of $40.606m as at 30 June 2020 which is primarily due to $36.406m of borrowings being classified as current liabilities with the primary ANZ facility due to expire in October 2020, $21.064m of employee benefits classified as current liabilities and a number of other matters as described in Note 1 *Going Concern*. This has been further emphasised by the impact of the COVID-19 pandemic which has had a substantial impact on economic and operational conditions in which the Group operates.	Our procedures included, amongst others: • Obtained and reviewed management's forecasts to assess whether forecast cash levels and current asset levels are sufficient to sustain the operations of the Group for at least 12 months. • We challenged and tested the assumptions used by management in the preparation of forecasts, including sensitivity analysis on projected growth rates, timing of cash inflows and outflows and the accuracy of forecasting.

Independent Auditor's Report

MOORE

KEY AUDIT MATTER 1 – Net Current Asset Deficiency, Going Concern and COVID-19 Refer to Note 1 *Going Concern*, Note 18 *Current Liabilities – Borrowings* and Note 35 *Events After the Reporting Period.*	
We focused on this area due to the significance of the net current asset deficiency as at 30 June 2020, the nature of the factors causing the net current asset deficiency, the current status of the Group's borrowing facility, the uncertainty of future economic conditions and the possible impact on the group's ability to continue as a going concern.	• Our analysis included specific considerations of the impact of COVID-19, in particular the high degree of uncertainty of broader economic conditions and potential downside scenarios and the resultant impact on available funds. • We reviewed the current status of the Group's borrowing facility to assess its adequacy in meeting the Group's funding requirements and assess the likelihood of its renewal or extension past the due date of October 2020.

KEY AUDIT MATTER 2 – Goodwill and Intangible Assets Refer to Note 14 *Non-Current Assets – Intangibles*	
As at 30 June 2020 the Group has recorded total Intangible Assets of $7.470m. Australian Accounting Standards state that goodwill and other intangible assets that have an indefinite useful life are required to be tested at least annually for impairment. We have focussed on this area due to the size of the balance, the Directors' assessment of the value in use of the Group's CGU's requiring significant judgements about the future results of the Group and the discount rates applied to future cash flows being inherently uncertain.	Our procedures included, amongst others: • We evaluated management's cash flow forecasts. This included testing the integrity and mathematical accuracy of the underlying calculations and ensuring that they were consistent with the latest board approved budgets. • We challenged management's key assumptions, including growth rates and discount rates used in the model, through a combination of comparison to historical results, 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. • Our analysis included specific considerations of the impact of COVID-19, in particular the high degree of uncertainty of broader economic conditions and potential downside scenarios and the resultant impact on future cash flows. • We assessed the adequacy of the Group's disclosure of the assumptions used in respect to the value in use calculations.

MOORE

KEY AUDIT MATTER 3 – Recoverability of Deferred Tax Assets Refer to Note 15 *Non-Current Assets – Deferred Tax*	
As at 30 June 2020 the Group has a recorded deferred tax assets (DTA's) of $7.439m. These DTA's arise from deductible temporary differences and unused tax losses. The recoverability of this deferred tax asset is dependent on the generation of sufficient future taxable profits to utilise the deferred tax asset. We have focussed on this area due to the significant amount of judgement required and estimation uncertainty in forecasting future taxable profits.	Our procedures included, amongst others: • We evaluated management's assessment on the sufficiency of future taxable profits in support of the recognition of deferred tax assets by comparing management's forecasts of future profits to historical results and evaluating the assumptions used in those forecasts. • We assessed the appropriateness of the disclosures included in Notes 8 and 15 of the financial report in respect of current and deferred tax balances.

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 2020, 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.

Independent Auditor's Report

MOORE

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.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: (https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 42 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Millennium Services Group Limited and controlled entities, for the year ended 30 June 2020 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 Australia

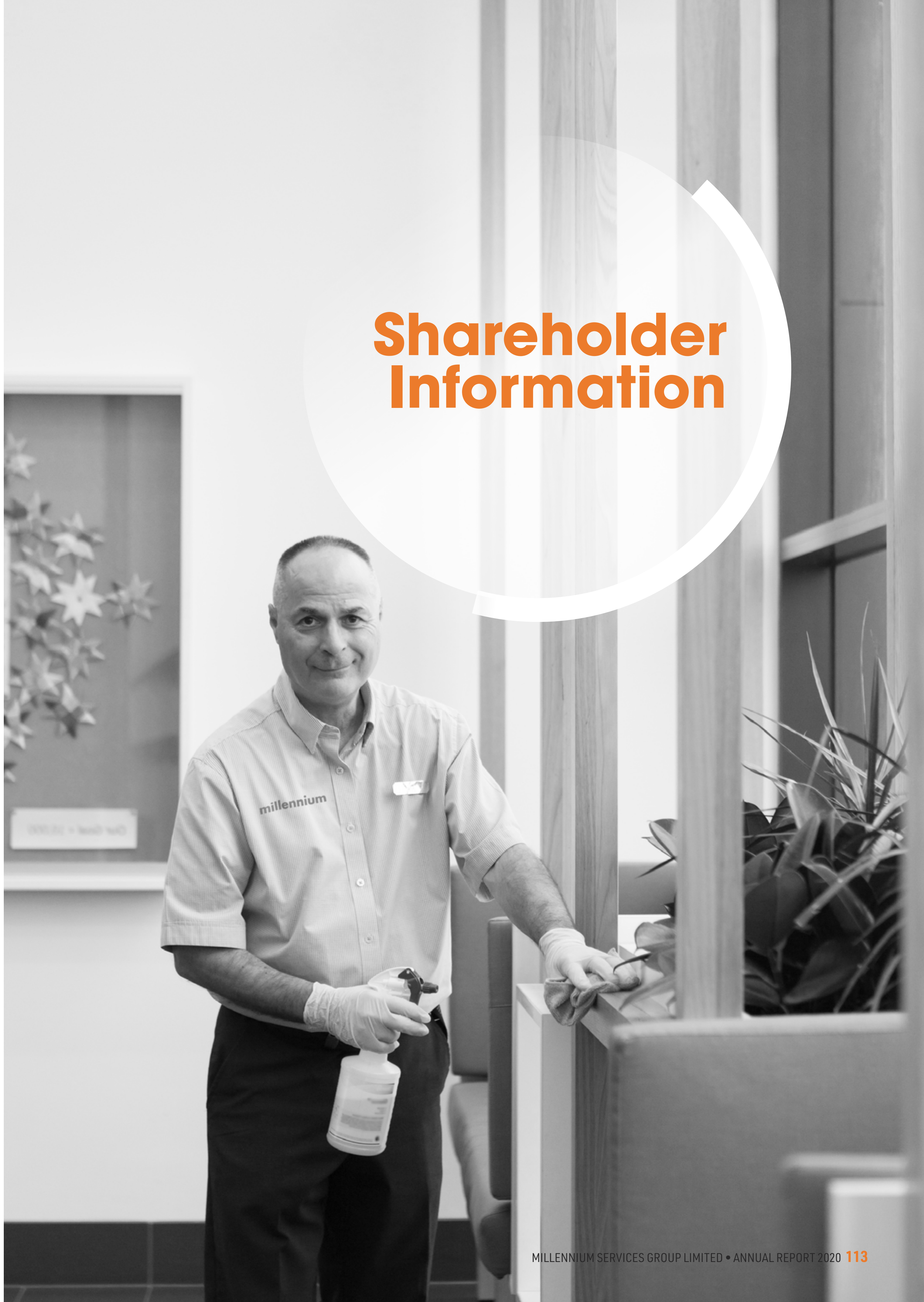
MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

GEORGE S. DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

20 August 2020

Shareholder Information



Shareholder Information

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 7 October 2020 (Reporting Date).

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the Group's Business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Millennium's website millenniumsg.com/investor/governance and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Millennium and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Millennium's website millenniumsg.com/investor/governance/

SUBSTANTIAL SHAREHOLDERS

As at the Reporting Date, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total issued securities capital in relevant class
MR STEPHEN MICHAEL LIDBURY & MRS JOANNE LIDBURY <LIDBURY FAMILY S/FUND AC>	Fully Paid Ordinary Shares	6,873,768	14.97%
ROYCE GALEA PTY LTD AND ASSOCIATED ENTITIES	Fully Paid Ordinary Shares	6,820,362	14.85%
STANHOPE STREET PTY LTD ATF NATIONAL PROPERTY TRUST AND ASSOCIATED ENTITIES	Fully Paid Ordinary Shares	6,375,033	13.88%

NUMBER OF HOLDERS

As at the Reporting Date, the number of holders in each class of equity securities is as follows:

Class of Equity Securities	Number of Equity Securities	Number of holders
Fully paid ordinary shares	45,928,259	1,360

VOTING RIGHTS OF EQUITY SECURITIES

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 1,360 holders of a total of 45,928,259 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	822	258,045	0.56
1,001 – 5,000	162	510,566	1.11
5,001 – 10,000	108	880,323	1.92
10,001 – 100,000	209	6,575,515	14.32
100,001 – 999,999,999	59	37,703,810	82.09
Totals	**1,360**	**45,928,259**	**100.00**

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES (UMP SHARES)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting

Date is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
45,928,259	282,259	842	0.61

TWENTY LARGEST SHAREHOLDERS

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Rank	Holders Name	Balance as at Reporting Date	%
1	MR STEPHEN MICHAEL LIDBURY + MRS JOANNE LIDBURY <LIDBURY FAMILY S/FUND A/C>	6,873,768	14.97
2	ROYCE GALEA PTY LTD	4,592,837	10.00
3	WAYNE AND EILEEN CREWES PTY LTD <WAYNE AND EILEEN CREWES A/C>	4,340,000	9.45
4	MR ROYCE JOSEPH GALEA + MS LEANNE MARGARET BUTLIN <GALEA SUPER FUND A/C>	2,227,525	4.85
5	MR PETER MCKENZIE ANDERSON + MRS LAURA CASTEEL ANDERSON <STRATEGIC VISION S/F A/C>	1,788,000	3.89
6	MR WILLIAM DAVID COPLAND + MRS SUSAN MARY COPLAND <DAVID COPLAND SUPER FUND A/C>	1,650,000	3.59
7	M J SECURITIES PTY LTD <THE MJS SUPER FUND A/C>	1,607,002	3.50
8	3 STANHOPE STREET PTY LTD <NATIONAL PROPERTY A/C>	1,325,213	2.89
9	MR PETER MARK LEWIS	1,000,000	2.18
10	ROGER SMEED & ASSOCIATES PTY LIMITED <R F INVESTMENT A/C>	911,728	1.99
11	TRYGELA PTY LTD	741,064	1.61
12	STRATEGIC VISION EQUITIES P/L <STRATEGIC VISION EQ UNIT AC>	502,000	1.09
13	MR SCOTT MICHAEL ANDERSON + MS SALLY LOUISE BROWN <ABETHA HOLDINGS S/FUND A/C>	500,000	1.09
14	JR MICAH PTY LTD <JR MICAH SUPER FUND A/C>	500,000	1.09
15	JMR STEPHEN BRIAN CREWES + MRS SARAH LOUISE CREWES <S & S CREWES FAMILY S/F A/C>	413,468	0.90
16	MRS SUSAN HADDEN + MRS ABBY FALLA <HADDUP SUPER FUND A/C>	400,000	0.87
17	HOLLOWAY COVE PTY LTD <HOLLOWAY COVE S/F A/C>	375,665	0.82
18	MR MICHAEL JOHN SHEEHY <MS CAPITAL A/C>	358,333	0.78
19	RUMINATOR PTY LTD	340,000	0.74
20	BJ AND PM SUPER FUND PTY LTD <B & P SUPER FUND A/C>	319,000	0.69
	Total number of shares of Top 20 Holders	**30,765,603**	
	Total Remaining Holders Balance	**15,162,656**	

COMPANY SECRETARY

The Company's Secretary is Ms Jo-Anne Dal Santo who was appointed to the role on the 12 October 2018.

REGISTERED OFFICE

The address and telephone number of the Company's registered office are:

Street Address: Level 1, 205-211 Forster Road
Mount Waverley Victoria 3149
Telephone: +61 (0)3 9296 2095

SHARE REGISTRY

The address and telephone number of the Company's share registry,

Computershare Investor Services, are:
Street Address: Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3000
Telephone: 1300 787 272

STOCK EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 19 November 2015 (ASX issuer code: MIL).

OTHER INFORMATION

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.


millennium
6
5
8
7
4
3

millennium

Millennium Services Group Limited
Level 1, 205-211 Forster Road
Mount Waverley, Victoria 3149

millenniumsg.com