Millennium Services Group Limited
Appendix 4D
Half Year Report – December 2020

1. Company details

Name of entity:	Millennium Services Group Limited
ABN:	11 607 926 787
Reporting period:	For the six months ended 31 December 2020
Previous period:	For the six months ended 31 December 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities for the period	Declined	0.08%	to	134,977
Profit / (loss) from ordinary activities after tax, for the period, attributable to the owners of Millennium Services Group Limited	Improved	2,172%	to	17,051
Profit / (loss) for the period attributable to the owners of Millennium Services Group Limited	Improved	2,172%	to	17,051

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the 2019 financial year	-	-
Interim dividend for the 2020 financial year	-	-
Final dividend for the 2020 financial year	-	-

No interim dividend has been declared for the current period.

Comments
The consolidated entity recorded profit after income tax of $17,051,000; (31 December 2019 loss: $823,000). For a brief explanation of the results for the period, please refer to the Directors' report and the notes to the attached half year Consolidated Financial Statements.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(27.38)	(102.70)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for 2020 financial year	-	-
No interim dividend has been declared for the current period	-	-
Previous period		
Final dividend for 2019 financial year	-	-
Interim dividend for 2020 financial year	-	-

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

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

10. Audit qualification or review

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

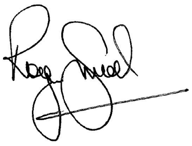
The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Financial Report, with an emphasis of matter in relation to going concern and COVID-19.

11. Attachments

Details of attachments (if any):

The Consolidated Financial Statements of Millennium Services Group Limited for the half year ended 31 December 2020 are attached.

12. Signed



Date: 23 February 2021

Roger Smeed
Chairman

Millennium Services Group Limited

ABN 11 607 926 787

Half Year Financial Report

31 December 2020

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 period ended 31 December 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
Stuart Grimshaw – Independent, Non-Executive Director, appointed 24 November 2020
Rohan Garnett – Independent, Non-Executive Director, appointed 24 November 2020

Principal activities

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

Dividends

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

	Consolidated	
	December 2020 $'000	December 2019 $'000
No dividend declared or payable in respect of the reporting years ended 30 June 2019 and 30 June 2020.	-	-
	-	-

No interim dividend has been declared for the current period.

Review of operations

The Group's revenue of $135.0 million for the six months ending 31 December 2020 was in line with revenue in the prior comparative period (December 2019 $135.1m); whereas revenue for the first half of the 2021 financial year is 10.4% higher than revenue for the second half of the 2020 financial year. The second half of the 2020 financial year was impacted by COVID-19 Government restrictions, with the Group experiencing a 30% reduction in revenue in the month of April 2020; however, this had rebounded to a less than 3% reduction by October 2020. Group revenue in the November 2020 and December 2020 months was 4% higher compared to revenue before April 2020, when COVID-19 Government restrictions had their largest impact on the Group. The recovery of revenue to pre COVID-19 levels has been partly achieved due to the Group winning new specialised projects or adhoc services as part Group's diversification growth strategy and winning new projects or contracts at market competitive margins.

The Group's profit after income tax expense for the current period amounted to $17.1m; which included:
• $24.7m of COVID-19 government grants and wage subsidies in Australia (Job Keeper) less ($7.3m) of incremental wage top ups associated with the government grants; and
• recognition of $4.0m of deferred tax assets not previously recognised in relation to deductible temporary differences.

The current period profit after tax represents a $17.9m improvement from the prior comparative period loss of $0.8m. The loss in the prior comparative period was attributed to lower gross margin percentage at 12.6% compared to gross margin percentage of 14.8% in the current period. The Group's strategic review of the business commenced in October 2018 due to declining margins in the 2019 financial year; resulted with a comprehensive Profit Improvement Plan which included a range of initiatives to return the Group to sustainable profitable growth. The positive impact of these initiatives started to flow through in the second half of FY2019 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 resumed in the current reporting period as COVID-19 restrictions were eased and its implementation has been successfully completed with the Group exiting low margin contracts, the implementation of sustainable labour controls, improved control over adhoc revenue billing, improved gross margins across the business segments and ensuring appropriate level of overheads for improved service delivery.

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved by $18.8m to $22.1m in earnings compared to EBITDA of $3.3m in the prior corresponding period. EBITDA improvements in the current period were driven by:

• an increase in gross margin of $2.9m;
• increase in overhead expenditure of ($1.4m) mostly due to investment in systems including automated time and attendance, transitioning to a cloud-based environment and introduction of Office365 suite of products. An increase in insurance costs since COVID-19 also had some impact on overheads. Non-recurring overhead expenditure amounted to $0.4m during the period;
• $24.7m of Government grant revenue recognised by the Group as part of the Australian government COVID-19 measures (Job Keeper), this revenue being recorded within Other Income in the Head Office segment; less
• ($7.3m) of incremental wage top ups associated with the COVID-19 government grants paid to eligible employees, recognised as overheads in the Head Office segment.

Contract revenue was negatively impacted by COVID-19 restrictions in the first quarter of the financial but returned to pre COVID-19 levels in the second quarter. Offsetting the decline in contract revenue was growth in higher margin COVID-19 project and adhoc services. The Cleaning segment revenue declined by 3.2% over the previous corresponding period to $107.8m from $111.4m, however there was a significant improvement in gross margin from $13.9m to $15.5m; the gross margin percentage improved from 12.4% to 14.4%. The Security segment revenue increased by 14.5% over the previous corresponding period to $27.2m from $23.7m, with gross margin increasing from $3.2m to $4.4m; the gross margin percentage improved from 13.4% to 16.3%.

The gross margin growth in the current period, with the easing of COVID-19 Government restrictions, stems from the Group's renewed focus on winning quality new contracts, retaining contracts at a market competitive gross margin and growth in higher margin COVID-19 project and adhoc services. Gross margin is expected to return to Profit Improvement Plan target range of 14.0% to 14.5% during the second half of the financial year.

The Board and Executives will continue to focus on targeting contract performance, maintaining labour controls with the automated time and attendance system, continued overhead consolidation and retaining contracts at market competitive rates. The Company is also continuing its 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 social distancing measures which have provide increased security opportunities. These opportunities present an excellent opportunity to accelerate the diversified growth strategy.

The Group completed refinancing its borrowing facilities with the ANZ Bank in October 2020 for a further two-year term expiring 31 October 2022. The Company substantially reduced its borrowing as at 31 December 2020 compared to 30 June 2020 with total debt reducing by $26.0m from $36.4m to $10.4m (refer to note 9).

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

In February 2021, the Group changed its existing trade finance facility provider to another provider offering a lower effective interest rate. The trade finance facility decreased by $1.0m to $12.0m, in line with the Group's lower reliance on debt.

COVID-19 has created unprecedented uncertainty in the economic environment that the Group operates within. Government COVID-19 related regulatory restrictions have eased in Australia and New Zealand in the current reporting period to the date of this report. In the event the COVID-19 pandemic is more severe or prolonged than anticipated, and the Australian and New Zealand Governments re-implement restrictions, this may have material effect 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 Government restrictions with the full range of monetary impacts unknown.

Except for the above, no other matter or circumstance has arisen since 31 December 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.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

Roger Smeed
Chairman

23 February 2021

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 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 review.

Moore Australia

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

**ANDREW JOHNSON
Partner
Audit and Assurance**

Melbourne, Victoria

23 February 2021

Contents

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 23 February 2021. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated December 2020 $'000	Consolidated December 2019 $'000
Revenue		134,977	135,087
Other income	4	24,661	-
Expenses			
Raw materials and consumables used		(19,340)	(17,636)
Employee benefits expense		(111,959)	(108,708)
Depreciation	4	(2,250)	(2,410)
Other expenses		(6,234)	(5,482)
Finance costs	4	(1,104)	(1,674)
Profit / (loss) before income tax expense for the half year		18,751	(823)
Income tax benefit / (expense)	5	(1,700)	-
Profit / (loss) after income tax expense for the half year attributable to the owners of Millennium Services Group Limited		17,051	(823)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(16)	41
Other comprehensive income/(loss) for the half year, net of tax		(16)	41
Total comprehensive income / (loss) for the half year attributable to the owners of Millennium Services Group Limited		17,035	(782)
		Cents	Cents
Basic earnings / (loss) per share		37.13	(1.79)
Diluted earnings / (loss) per share		37.13	(1.79)

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

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	Note	Consolidated 31 December 2020 $'000	Consolidated 30 June 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	6	3,259	1,795
Trade and other receivables		25,915	29,844
Inventories		1,141	1,243
Other		1,149	2,465
Total current assets		31,464	35,347
Non-current assets			
Property, plant and equipment		8,070	8,594
Intangibles	7	7,470	7,470
Deferred tax	8	8,927	7,439
Right-of-use assets	11	2,401	2,868
Other		137	137
Total non-current assets		27,005	26,508
Total assets		58,469	61,855
Liabilities			
Current liabilities			
Trade and other payables		18,771	16,295
Borrowings*	9	6,372	36,406
Income tax payable		5,304	-
Provisions	10	22,596	22,429
Lease liabilities	11	690	823
Total current liabilities		53,733	75,953
Non-current liabilities			
Deferred tax		-	2,116
Provisions	10	1,515	1,532
Lease liabilities	11	1,865	2,153
Borrowings	9	4,058	-
Total non-current liabilities		7,438	5,801
Total liabilities		61,171	81,754
Net assets / (deficiency)		(2,702)	(19,899)
Equity			
Issued capital		18,967	18,967
Reserves		(8,374)	(8,520)
Accumulated losses		(13,295)	(30,346)
Total equity / (deficiency)		(2,702)	(19,899)

**Refer to note 9 on the classification of borrowings as current liabilities as at 30 June 2020.*

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity/ (deficiency) $'000
Balance at 1 July 2019	18,967	(8,413)	(46,932)	(36,378)
Loss after income tax expense for the period	-	-	(823)	(823)
Other comprehensive income for the period, net of tax	-	41	-	41
Total comprehensive income/(loss) for the period	-	41	(823)	(782)
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance at 31 December 2019	18,967	(8,372)	(47,755)	(37,160)

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total deficiency $'000
Balance at 1 July 2020	18,967	(8,520)	(30,346)	(19,899)
Profit after income tax expense for the period	-	-	17,051	17,051
Other comprehensive income / (loss) for the period, net of tax	-	(16)	-	(16)
Total comprehensive income/(loss) for the period	-	(16)	17,051	17,035
Share based payments	-	162	-	162
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance at 31 December 2020	18,967	(8,374)	(13,295)	(2,702)

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

Millennium Services Group Limited
Statement of Cash Flows
For the period ended 31 December 2020

	Note	Consolidated December 2020 $'000	Consolidated December 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		146,782	146,705
Receipt of government grants	4	31,715	-
Payments to suppliers and employees (inclusive of GST)		(140,898)	(150,751)
Incremental wage top ups associated with the COVID-19 government grants	4	(7,338)	
		30,261	(4,046)
Interest and other finance costs paid		(1,105)	(1,695)
Net cash generated from / (used in) operating activities		29,156	(5,741)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,194)	(1,180)
Investment in term deposit		(48)	-
Proceeds from disposal of property, plant and equipment		5	26
Net cash used in investing activities		(1,237)	(1,154)
Cash flows from financing activities			
Proceeds from / (repayments of) trade finance facility	9	(5,060)	7,201
Repayments of equipment finance	9	(591)	(914)
Repayment of borrowings	9	(12,264)	(1,750)
Repayments of principal on lease liabilities	11	(482)	(385)
Net cash from / (used in) financing activities		(18,397)	4,152
Net decrease in cash and cash equivalents		9,522	(2,743)
Cash and cash equivalents at the beginning of the financial period		(7,398)	(4,489)
Effects of exchange rate changes on cash and cash equivalents		3	2
Cash and cash equivalents at the end of the financial period, less overdraft facility utilised		2,127	(7,230)

Cash on hand and overdraft utilisation		Consolidated December 2020 $'000	Consolidated June 2020 $'000	Consolidated December 2019 $'000
Cash and cash equivalents at the end of the financial period	6	3,259	1,795	1,852
Overdraft facility utilised at the end of the financial period	9	(1,132)	(9,193)	(9,082)
Cash and cash equivalents at the end of the financial period, less overdraft facility utilised		2,127	(7,398)	(7,230)

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

Note 1. Significant accounting policies

Statement of compliance
The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities (referred to as "the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half year.

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020.

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 2020:

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business;
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material;
AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform;
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia; and
Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.

The 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.

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 period ended 31 December 2020, the Group's profit after income tax expense amounted to $17,051,000 (December 2019: loss of $823,000) and at that date, the Group's current liabilities exceeded its current assets by $22,269,000. The Group's net deficiency amounted to $2,702,000 as at 31 December 2020 (30 June 2020: net deficiency $19,899,000).

The results for the current period included $17,323,000 of net government Covid-19 Job Keeper grants and wage subsidies in Australia, after taking into account the incremental wage top ups paid to employees; and the recognition of $4,000,000 of deferred tax assets not previously recognised. The net cash generated from operating activities for the current period was $29,156,000 compared to $5,741,000 of net cash used in the previous comparative period. There were non-recurring cash outflows of $4,418,000 in the previous comparative period that related to wages owing to employees due to historical errors in the application of employee instruments.

Note 1. Significant accounting policies (continued)

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

- The debt facilities with the ANZ Bank were refinanced in October 2020 for a further two-year term expiring in October 2022 without taking on any new borrowings. The Group had access to $22,892,000 of unused financing facilities as at 31 December 2020 (see note 9);
- 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 FY2019; the outcome of which can be noted in the improvements in the current period profitability and gross margins compared to the prior corresponding period; and the Profit Improvement Plan has been successfully completed with exiting low margin contracts, the implementation of sustainable labour controls, improved control over adhoc revenue billing, ensuring appropriate level of overheads for improved service delivery and improved gross margins across the business segments;
- The considerable improvement in the Group's current operating results compared to the prior corresponding period, is primarily due to the strategic initiatives formulated and implemented by the Board and the Senior Management team.

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 12, events after the reporting period.

Revenue – 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. The Group self-assessed that it was eligible to access the Australian Government COVID-19 related grants (Job Keeper) up to 30 September 2020. There were no unfulfilled conditions or other contingencies attaching to these government grants and the Group received payment of all eligible Job Keeper grants by October 2020, (refer to note 4).

Note 2. Critical accounting judgements, estimates and assumptions

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

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. 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.

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.

Note 3. 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.

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.

Operating segment information

Consolidated – 31 December 2020	Cleaning $'000	Security $'000	Head Office $'000	Total $'000
Revenue				
Sales to external customers	107,806	27,171	-	134,977
Other income	-	-	24,661	24,661
Total revenue and other income	107,806	27,171	24,661	159,638
Gross margin	15,486	4,442	-	19,928
Other income				24,661
Overheads			(22,484)	(22,484)
EBITDA				22,105
Depreciation				(2,250)
Finance costs				(1,104)
Profit before income tax expense				18,751
Income tax expense				(1,700)
Profit after income tax expense				17,051
Segment assets	40,055	7,950	10,464	58.469
Segment liabilities	32,292	7,794	21,085	61,171
Net Assets / (Liabilities)	7,763	156	(10,621)	(2,702)

Assets used jointly by reportable segments are allocated based on revenues earned by individual reportable segments.

Note 3. Operating segments (continued)

Consolidated – 31 December 2019	Cleaning $'000	Security $'000	Head Office $'000	Total $'000
Revenue				
Sales to external customers	111,364	23,723	-	135,087
Other income	-	-	-	-
Total revenue and other income	111,364	23,723	-	135,087
Gross margin	13,864	3,178	-	17,042
Overheads			(13,781)	(13,781)
EBITDA				3,261
Depreciation				(2,410)
Finance costs				(1,674)
Loss before income tax expense				(823)
Income tax benefit				-
Loss after income tax expense				(823)
Segment assets	39,551	7,289	944	47,784
Segment liabilities	34,275	6,793	43,876	84,944
Net Assets / (Liabilities)	5,276	496	(42,932)	(37,160)

Assets used jointly by reportable segments are allocated based on revenues earned by individual reportable segments.

Note 4. Other Income and Expenses

	Consolidated December 2020 $'000	December 2019 $'000
Profit before income tax includes the following specific other income and expenses:		
Other Income		
Government grants income	24,661	-

For the period ended 31 December 2020, the Group recognised government grant income of $24,661,000 as part of the Australian Government's Covid-19 relief measures via the Job Keeper program. The Group self-assessed that it was eligible to access the Job Keeper program up to 30 September 2020. There were no unfulfilled conditions or other contingencies attaching to these government grants and the Group received payment of all eligible Job Keeper grants by October 2020. Total grants cash receipts for the period amounted to $31,715,000 including $7,054,000 receivable at 30 June 2020.

	December 2020 $'000	December 2019 $'000
Impairment of receivables	328	149
Incremental wage top ups associated with COVID-19 government grants	7,338	-
Finance costs		
Interest expense - borrowings	988	1,567
Interest expense – lease liabilities	116	107
Total finance costs	1,104	1,674
Depreciation		
Depreciation – property, plant and equipment	1,722	1,961
Depreciation – right-of-use assets	528	449
Total depreciation	2,250	2,410

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Note 5. Income tax expense

	Consolidated	
	December 2020 $'000	December 2019 $'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit / (loss) before income tax expense	18,751	(823)
Income tax expense / (benefit) at the statutory tax rate of 30%	5,625	(247)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	26	33
Recognition of deferred tax asset in relation to temporary deductible differences not recognised as at 30 June 2020	(4,000)	-
Deferred tax asset not recognised in relation to temporary deductible differences and unused tax losses as at 31 December 2019		233
Black hole deduction from equity	-	(19)
Share based payments expense	49	-
Income tax expense / (benefit)	1,700	-
The applicable weighted average effective tax rates are as follows:	9.1%	0.0%

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	December 2020 $'000	June 2020 $'000
Cash at bank	3,259	1,795

Note 7. Non-current assets – intangibles

	Consolidated	
	December 2020 $'000	June 2020 $'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

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Note 7. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Customer contracts $'000	Goodwill $'000	Patents and trademarks $'000	Total $'000
Balance at 1 July 2020	-	7,470	-	7,470
Amortisation expense	-	-	-	-
Balance at 31 December 2020	-	7,470	-	7,470

Impairment testing of Goodwill

Goodwill is not amortised and is tested at least annually for impairment. Impairment testing was conducted as at 30 June 2020 and there have been no impairment indicators in the current reporting period. The cash flow forecasts used for impairment testing at 30 June 2020, were based on the assumption of gradual and phased easing of COVID-19 restrictions in Australia between July 2020 and December 2020. 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 December 2020 $'000	June 2020 $'000
Goodwill allocation to CGUs		
Cleaning CGU	7,470	7,470
Security CGU	-	-
	7,470	7,470

Note 8. Non-current assets - deferred tax

	Consolidated December 2020 $'000	June 2020 $'000
Deferred tax asset comprises:		
Temporary differences	8,927	5,406
Unused tax losses	-	2,033
Deferred tax asset	8,927	7,439

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. Total deferred tax assets of $4,000,000 in relation to temporary differences were not recognised as at 30 June 2020.

Note 9. Borrowings

Current liabilities - borrowings	Consolidated December 2020 $'000	Consolidated June 2020 $'000
ANZ interchangeable loan facility	3,600	18,137
Trade finance facility	-	5,060
Hire purchase	1,215	2,291
Bank overdraft utilised	1,132	9,193
Other borrowings	425	1,725
	6,372	36,406

Non-current liabilities - borrowings	Consolidated December 2020 $'000	Consolidated June 2020 $'000
ANZ interchangeable loan facility	3,573	-
Hire purchase	485	-
	4,058	-

Borrowings classified as current liabilities as at 30 June 2020

As at 30 June 2020, the debt facilities were due to be refinanced with the ANZ Bank (the 'Lender') in October 2020. 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 2020 reporting date. Hence borrowings were 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 that date; $13,350,000 of the ANZ inter-changeable and hire purchase borrowings would have been classified as non-current borrowings.

Refinancing completed in October 2020

The Group completed refinancing its borrowing facilities with the Lender in October 2020 for a further two-year term expiring 31 October 2022. The Group met the required financing covenants for the September 2020 and December 2020 quarters.

The borrowings are secured liabilities. The loan facility drawdowns and repayments that occurred during the current 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 2020	18,137	5,060	2,291	9,193	1,725	36,406
Equipment financing	-	-	-	-	-	-
Repayments of borrowings	(10,964)	(5,060)	(591)	(8,061)	(1,300)	(25,976)
Balance at 31 December 2020	7,173	-	1,700	1,132	425	10,430
Current liabilities	3,600	-	1,215	1,132	425	6,372
Non-current liabilities	3,573	-	485	-	-	4,058
	7,173	-	1,700	1,132	425	10,430

Note 9. Borrowings (continued)

Financing arrangements

As at the reporting date, the Group had unrestricted access to the following lines of credit with the ANZ Bank and trade finance provider:

	Consolidated	
	December 2020 $'000	June 2020 $'000
Total facilities		
Interchangeable loan facility	7,173	18,137
Asset finance facility (hire purchase)	1,505	2,064
Overdraft facility	10,000	10,000
Trade finance facility (maximum facility limit)	13,000	13,000
Standby letter of credit and guarantee facility	1,350	1,170
Electronic payway facility	500	500
Commercial card facility	325	325
	33,853	45,196
Used at the reporting date		
Interchangeable loan facility	7,173	18,137
Asset finance facility (hire purchase)	1,505	2,064
Overdraft facility	1,132	9,193
Trade finance facility	-	5,060
Standby letter of credit and guarantee facility	1,045	1,170
Electronic payway facility	-	-
Commercial card facility	106	114
	10,961	35,738
Unused at the reporting date		
Interchangeable loan facility	-	-
Asset finance facility (hire purchase)	-	-
Overdraft facility	8,868	807
Trade finance facility	13,000	7,940
Standby letter of credit and guarantee facility	305	-
Electronic payway facility	500	500
Commercial card facility	219	211
	22,892	9,458

Note 10. Provisions

	Consolidated	
	December 2020 $'000	June 2020 $'000
Annual leave and long service leave	22,526	22,363
Other provisions	218	268
Provision for public liability claims	1,367	1,330
	24,111	23,961
Current liabilities	22,596	22,429
Non-current liabilities	1,515	1,532
	24,111	23,961

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Note 10. Provisions (continued)

Consolidated	Annual leave and long service leave $'000	Public liability claims $'000	Other $'000	Total $'000
Balance at 1 July 2020	22,363	1,330	268	23,961
Arising during the period	7,122	561	-	7,683
Utilised / paid during the period	(6,959)	(524)	(50)	(7,533)
Balance at 31 December 2020	22,526	1,367	218	24,111
Current	21,193	1,367	36	22,596
Non-current	1,333	-	182	1,515

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 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.

Note 11. Right of use (ROU) assets and Lease liabilities – AASB 16 *Leases*

(a) ROU assets

The movements in the recognised ROU assets from 1 July 2020 to the half year 31 December 2020 are as follows:

Consolidated	Plant and Equipment $'000	Land and Buildings $'000	Total $'000
Right-of-use assets at 1 July 2020	584	2,284	2,868
Additions, exercise of lease extension options	-	61	61
Depreciation	(81)	(447)	(528)
Right-of-use assets at 31 December 2020	503	1,898	2,401

(b) Lease liabilities

The movement in lease liabilities from 1 July 2020 to the half year 31 December 2020 is presented below. The Group did not access any COVID-19 related rent concessions.

Consolidated	$'000
Lease liabilities at 1 July 2020	2,976
Additions, exercise of lease extension options	61
Interest expense (at incremental borrowing costs of 7.5%)	116
Payments on lease liabilities	(598)
Lease liabilities at 31 December 2020	2,555
Lease liabilities - current	690
Lease liabilities – non-current	1,865

Note 12. Events after the reporting period

In February 2021, the Group changed its existing trade finance facility provider to another provider offering a lower effective interest rate. The trade finance facility decreased by $1.0m to $12.0m, in line with the Group's lower reliance on debt.

COVID-19 has created unprecedented uncertainty in the economic environment that the Group operates within. Government COVID-19 related regulatory restrictions have eased in Australia and New Zealand in the current reporting period to the date of this report. In the event the COVID-19 pandemic is more severe or prolonged than anticipated, and the Australian and New Zealand Governments re-implement restrictions, this may have material effect 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 Government restrictions with the full range of monetary impacts unknown.

Except for the above, no other matter or circumstance has arisen since 31 December 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.

Directors' Declaration

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

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Roger Smeed
Chairman

23 February 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Millennium Services Group Limited and Controlled Entities (**the group**), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

a. giving a true and fair view of the group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter Related to Going Concern

We draw attention to Note 1 *Going Concern* in the financial statements, which identifies that the Group is currently in a net asset deficiency of $2.702m and its current liabilities exceed its current assets by $22.269m. The preparation of the financial report on a going concern basis is based on the events and conditions, along with other matters as set forth in Note 1 *Going Concern*, the outcomes of which are uncertain. Our opinion is not modified in respect of this matter.

Emphasis of Matter Related to COVID-19

We draw attention to Note 12 *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.

Directors' Responsibility for the Half-Year Financial Report

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

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Auditor's Responsibility

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

a. giving a true and fair view of the group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Independence

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

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

23 February 2021