

1. Company details

Name of entity:	Millennium Services Group Limited
ABN:	11 607 926 787
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	Up	2.0% to	265,760
Profit from ordinary activities after tax attributable to the owners of Millennium Services Group Limited	Declined	72.9% to	602
Profit for the year attributable to the owners of Millennium Services Group Limited	Declined	72.9% to	602

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the 2022 financial year	-	-
Final dividend for the 2022 financial year	-	-
Interim dividend for the 2023 financial year	-	-
Final dividend for the 2023 financial year	-	-

No dividends have been declared for the current and prior financial period.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$602,000: (30 June 2022: \$2,221,000).

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

3. Net tangible assets

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	(18.72)	(18.82)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

	Amount per security Cents	Franked amount per security Cents
<i>Current period</i>		
Final dividend for 2023 financial year	-	-
Interim dividend for 2023 financial year	-	-
<i>Previous period</i>		
Final dividend for 2022 financial year	-	-
Interim dividend for 2022 financial year	-	-

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

The Group has significant influence over investee 2 PM Records Pty Ltd (trading as Codee Cleaning Services) gained on 8 December 2021 (see Note 14 to the Financial Statements).

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 have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Consolidated Financial Statements of Millennium Services Group Limited for the year ended 30 June 2023 are attached.

12. Signed

Darren Perry
Darren Perry (Aug 21, 2023 16:42 GMT+10)

Signed _____

Date: 21 August 2023

Darren Perry
Chairman

Millennium Services Group Limited

ABN 11 607 926 787

Consolidated Financial Statements

30 June 2023

Directors	Darren Perry – Independent, Non-Executive Chairman (appointed 30 June 2023) Rohan Garnett – Independent, Non-Executive Director Royce Galea – Chief Executive Officer and Managing Director Stuart Grimshaw – Independent, Non-Executive Chairman (resigned 30 June 2023)
Company Secretary	Jo-Anne Dal Santo
Registered office	Millennium Services Group Limited Level 3, 631 Springvale Road Mulgrave, Victoria 3170
Principal place of business	Millennium Services Group Limited Level 3, 631 Springvale Road Mulgrave, Victoria 3170
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	http://www.millenniumsg.com
Corporate Governance Statement	Refer to http://millenniumsg.com/investor/governance/

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 2023.

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:

Darren Perry– Independent, Non-Executive Chairman (appointed 30 June 2023)

Rohan Garnett – Independent, Non-Executive Director

Royce Galea – Chief Executive Officer and Managing Director

Stuart Grimshaw – Independent, Non-Executive Director (resigned 30 June 2023)

Principal activities

Millennium Services Group Limited 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	
	2023 \$'000	2022 \$'000
No dividend declared or payable in respect of the year ended 30 June 2022	-	-
No dividend declared or payable in respect of the year ended 30 June 2023	-	-
	-	-

No interim dividend was declared for the current period.

Review of operations

Revenue for the year ending 30 June 2023 increased by 2.0% to \$265.8 million (2022: \$260.6m) substantially due:

- the Group winning \$21.6m (or 9.7%) of net new long-term contracts at market competitive margins, which was partially offset by
- a \$16.4m (or 42.5%) decline in higher margin adhoc and project revenue compared to the previous year, with majority of decline stemming from the effective completion in June 2022 of Victorian Government Project work associated with COVID-19 testing stations.

The Group announced in November 2022 that it had been successful in winning new long-term contracts with ISPT, Newcastle Airport and JVL Investment Group, among others with a combined value of \$20m per annum, further strengthening the Group's stable and long-term contract book.

Earnings before interest, tax, depreciation and amortisation (EBITDA) declined by \$2.0m or 21.7% to \$7.1m compared to an EBITDA of \$9.1m in the prior year. The \$2.0m EBITDA decline was due to gross profit reduction of \$2.1m. Factors leading to the gross profit decline in the current year comprise:

- successful completion of higher margin Victorian Government COVID-19 related project work;
- the impact of the much higher than expected Fair Work National Wage increase in June 2022 and associated timing delays in not being able to pass on revised costs in some key contracts until contract anniversary dates reached in subsequent months; and
- macro-economic challenges such as high inflation, pressure on supply chains, low unemployment contributing to additional temporary labour costs around overtime and sick leave.

Corrective labour cost management initiatives began to substantially improve gross profit margins from the second quarter of this financial year. Gross profit margin percentage for the July to December 2022 half year period was 14.0%

whilst in the January to June 2023 half year, the gross profit margin percentage increased to 14.4%, leading to a full year gross profit margin of 14.2%.

The Group's profit after income tax expense for the current year amounted to \$0.6m. The current year's profit after tax represents a \$1.6m decline compared to the previous financial year's profit of \$2.2m, substantially due to EBITDA decline of \$1.4m after tax.

The Cleaning segment revenue increased by 8.7% over the prior year to \$220.8m from \$203.2m, due to the Group winning new long-term contracts such as ISPT at market competitive margins. Pleasingly, cleaning segment gross profit margin increased from \$31.3m to \$32.0m; however, the gross margin percentage declined from 15.4% to 14.5%, due to the much higher than expected Fair Work National Wage increase in June 2022, associated timing delays in not being able to pass on revised costs in some key contracts until contract anniversary dates in subsequent months and general labour market shortages noted previously.

The Security segment revenue declined by 21.6% compared to the prior year to \$45.0m from \$57.4m, with gross profit margin decreasing from \$8.5m to \$5.7m; the gross profit margin percentage declined from 14.9% to 12.7%. The Security segment was impacted by the successful completion in June 2022 of higher margin adhoc project revenue earned from Victorian Government Project associated with COVID-19.

Given the success around the Group's priority of winning new long-term contracts and renewing its existing major long-term contracts, the Board and Executives will continue to focus on continuing its organic growth strategy and diversification into new sectors following its increased investment into Business Development personnel in the previous financial year.

The Company reduced its net debt* from \$4.0m as at 30 June 2022 to \$3.3m as at 30 June 2023 and fully repaid the ANZ bank term debt facility in October 2022.

**Defined as total borrowings on balance sheet less cash on hand.*

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

No matter or circumstance has arisen since 30 June 2023 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:	Darren Perry
Title:	Chairman, Independent Non-Executive Director (appointed as Chairman on 30 June 2023)
Qualifications:	Mr Perry holds a Bachelor of Arts and Bachelor of Laws (with Honours) from the University of Sydney.
Experience and expertise:	<p>Mr Perry is a well known corporate lawyer, specialising in corporate governance, employment and industrial relations. He is currently Department Chair – International and Managing Partner – Australia at Seyfarth Shaw LLP, an AMLA 100 international law firm with 17 offices globally, with revenue over US\$800M and over 900 lawyers. Mr Perry brings with him significant expertise across a wide range of people, risk, compliance and legal issues.</p> <p>Mr Perry has worked extensively with companies around corporate governance, executive contracts and remuneration and handling disputes relating to senior executives. He has been at the forefront of advising major employers on collective bargaining strategies, responses to industrial action, and major workplace projects including automation and compliance reviews. Mr Perry regularly works with major corporations and sponsors on planning and implementing the people aspects of mergers and acquisitions.</p> <p>Mr Perry is an experienced company director, both in the private and not-for-profit sectors.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	120,000 ordinary shares
Interests in options:	Nil

Name:	Rohan Garnett
Title:	Independent Non-Executive Director
Qualifications:	Mr Garnett holds a First-Class Honours degree in Economics from Sydney University.
Experience and expertise:	<p>Mr Garnett is presently Executive Manager, Group Asset management at Qantas Airways. Mr Garnett has held senior Australian and international management positions with Qantas, Jetstar and British Airways.</p> <p>Mr Garnett has served as a non-executive director on a number of boards and is an experienced company director. Mr Garnett brings significant organisational and marketing skills that will assist the Company in its planned business improvement, optimisation and expansion activities.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	110,000 ordinary shares
Interests in options:	Nil

Name:	Royce Galea
Title:	Chief Executive Officer and Managing Director
Qualifications:	Mr Galea holds Diplomas in Frontline Management and Cleaning Services Supervision from Sydney Technical College.
Experience and expertise:	<p>Mr Galea has over 30 years' experience in the cleaning industry, in particular major retail cleaning. He is a major shareholder in the Company.</p> <p>Mr Galea 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.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	6,820,362 fully paid ordinary shares
Interests in options:	Nil

Name:	Stuart Grimshaw
Title:	Chairman, Independent Non-Executive Director (resigned effective 30 June 2023)
Qualifications:	Mr Grimshaw has a Bachelor of Commerce and Administration degree from Victoria University in Wellington, New Zealand, an MBA from Melbourne University and has completed the Program for Management Development at Harvard Business School.
Experience and expertise:	<p>Mr Grimshaw has a long and distinguished career in financial services. Most recently he was Chief Executive Officer and Board Member of EZCORP a Nasdaq listed company which he originally joined in November 2014 as Executive Chairman. Prior to joining EZCORP, he was Managing Director and Chief Executive Officer of Bank of Queensland Limited (ASX: BOQ).</p> <p>During his 30-year career in financial services, Mr Grimshaw held a wide variety of Senior Executive roles at various banking and finance companies including Caledonia Investments Pty Ltd, Commonwealth Bank of Australia, National Australia Bank and the ANZ Bank. He has also served as non-executive chairman of the board of directors of Cash Converters International Limited.</p> <p>Mr Grimshaw is also a former Olympian representing New Zealand in Field Hockey at the 1984 Olympics.</p>
Other current directorships:	Raiz Invest Limited (appointed 1 December 2021) Humm Group Limited (appointed 30 June 2022)
Former directorships (last 3 years):	CEO and Board member at EZCORP a Nasdaq listed company; Director at CashConverters International Ltd.
Interests in shares:	85,000 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.

Chief Executive Officer

Mr Royce Galea

Mr Galea has over 30 years' experience in the cleaning industry, in particular major retail cleaning. He is a major shareholder in the Company. Mr Galea 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

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.

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 2023, and the number of meetings attended by each director were:

Total meetings held	Board 15		Audit Committee 4		People & Risk Committee 8	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Stuart Grimshaw	15	15	4	4	8	8
Rohan Garnett	15	15	4	2	8	7
Darren Perry	15	12	4	3	8	8
Royce Galea	15	15	4	4	-	-

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.

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

For the purposes of this report the term 'Senior Executive' encompasses the Chief Executive Officer 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 or 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 20% to 30% (inclusive of superannuation) of relevant employees' fixed annual remuneration. No short-term incentives were accrued under the scheme for the 2023 and 2022 financial years.

Long-Term Incentive Scheme ('LTIS')

At the 29 November 2021 AGM, the grant of performance rights under the Long-Term Incentive Plan was approved by shareholders. The purpose of the grant of performance rights is to provide a performance linked incentive component in the remuneration package of Directors and senior executives so as to align the interests of Directors and senior executives with those of Shareholders.

3,466,250 performance rights were granted to the Company's Directors and senior executives with a total fair value of \$1,354,000 as at grant date. The issue price for each performance right is \$nil and no amount will be payable on the exercise of a performance right, with unvested performance rights expiring on 31 January 2025.

The performance rights granted comprise three tranches:

Tranche 1: 40% of the performance rights will vest subject to achieving an Absolute Total Shareholder Return ("TSR") milestone, based on Millennium's TSR performance over a 3-year performance period.

Tranche 2: 30% of the performance rights will vest subject to achieving a Relative TSR milestone, which is based on Millennium's TSR relative to a defined comparator group of companies comprising the ASX 200 Industrials Index companies over a 3-year performance period.

Tranche 3: 30% of the performance rights will vest subject to achieving the following annual financial targets:

- (a) the Company achieving a normalised EBITDA figure of at least \$8,000,000 each year;
- (b) the Company recording a positive net asset figure in its audited accounts for the relevant financial year; and
- (c) the Company being and remaining in compliance with all banking covenants during the year.

*Additionally, if at the expiry of the performance period:

- (a) the Absolute TSR is greater than or equal to 150%; and
- (b) the Relative TSR is in the top quartile of the Industrials Index,

then additional performance rights ("Outperformance Rights") totalling 17.5% of those already issued will be granted and deemed vested.

A summary table below lists the tranches and the fair value of the performance rights on grant date.

Grant date	Number of options or performance rights granted	Vesting date	Vesting conditions	Expiry date	Exercise price	Value per right at grant date	Total fair value of performance rights
							\$'000
29/11/2021	295,000	31/12/2022	} Annual Financial Targets	31/01/2025	-	\$0.630	186
29/11/2021	295,000	31/12/2023		31/01/2025	-	\$0.630	186
29/11/2021	295,000	31/12/2024		31/01/2025	-	\$0.630	186
29/11/2021	885,000	31/12/2024	Relative TSR	31/01/2025	-	\$0.405	358
29/11/2021	1,180,000	31/12/2024	Absolute TSR	31/01/2025	-	\$0.285	336
29/11/2021	516,250	31/12/2024	High Performance Hurdle*	31/01/2025	-	\$0.198	102
Total	3,466,250						1,354

Annual financial targets were met under the third tranche of long-term incentive scheme resulting in 235,000 options vesting on 31 December 2022.

In 2021 financial year, 1,000,000 options were granted to the Chief Financial Officer, Mr Michael Constable, as a discretionary award. The options vested on 1 January 2022, at an exercise price of \$0.20 per option. 500,000 options were exercised on 2 March 2021 and a further 500,000 options were exercised on 3 November 2022 with the Company issuing a total of 1,000,000 of ordinary shares to Mr Constable between March 2021 and November 2022.

Voting and comments made at the company's 2022 Annual General Meeting ('AGM')

At the 30 November 2022 AGM, 98.39% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

B DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of 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	Total
	Cash salary & fees	Other	Super-annuation	LSL	Equity settled	
2023	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Stuart Grimshaw (4)	144,000	-	15,120	-	24,715	183,835
Rohan Garnett (1)	100,000	-	-	-	100,419	200,419
Darren Perry	100,000	-	10,500	-	100,419	210,919
<i>Executive Directors:</i>						
Royce Galea	350,000	48,000	25,292	7,185	-	430,477
<i>Other Key Management Personnel:</i>						
Michael Constable (2)	272,364	-	16,667	-	8,723	297,754
Amarjit Sidhu (3)	244,467	-	25,669	4,867	-	275,003
	1,210,831	48,000	93,248	12,052	234,276	1,598,407

(1) Fees were paid to Garnett Brothers Pty Ltd, a company associated with Mr Garnett.

(2) Mr Constable resigned as Chief Financial Officer effective 28 February 2023.

(3) Mr Sidhu was appointed as Chief Financial Officer effective 1 March 2023.

(4) Mr Grimshaw resigned as Chairman effective 30 June 2023.

2022	Short-term benefits		Post-employment benefits	Long-term employment benefits	Share-based payments	Total
	Cash salary & fees	Other	Super-annuation	LSL	Equity settled	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Stuart Grimshaw	144,000	-	14,400	-	97,403	255,803
Rohan Garnett (1)	100,000	-	-	-	68,755	168,755
Darren Perry	100,000	-	10,000	-	68,755	178,755
<i>Executive Directors:</i>						
Royce Galea (2)	350,000	48,000	23,568	9,872	-	431,440
<i>Other Key Management Personnel:</i>						
Scott Alomes (3)	226,642	-	21,577	-	-	248,219
Michael Constable	358,250	90,831 ⁽⁴⁾	25,000	4,507	84,414	563,002
	1,278,892	138,831	94,545	14,379	319,327	1,845,974

(1) Fees were paid to Garnett Brothers Pty Ltd, a company associated with Mr Garnett.

(2) Mr Galea was appointed as Chief Executive Officer and Managing Director effective 28 February 2022. Mr Galea's other benefits comprised \$48,000 of allowances.

(3) Mr Alomes resigned 28 February 2022.

(4) Mr Constable's other benefits comprised \$90,831 of short-term incentives.

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 6 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:

Name: Royce Galea
Title: Chief Executive Officer and Managing Director (appointed on 28 February 2022, and Mr Galea was Executive Director, Integrated Services prior to 28 February 2022)
Agreement commenced: 1 July 2020
Details: Mr R Galea's contract of employment commenced on 1 July 2020. Under the contract Mr Galea is entitled to \$350,000 per annum plus statutory superannuation and a \$48,000 car allowance, along with related minor benefits. The contract may be terminated by the Company or Mr Galea with six months' notice.

Name: Michael Constable
Title: Chief Financial Officer (resigned 28 February 2023)
Agreement commenced: 15 October 2018
Details: Mr Constable was the Company's Chief Financial Officer under a contract of employment which commenced on 15 October 2018. Under the contract Mr Constable was entitled to \$383,250 per annum inclusive of superannuation, along with related minor benefits. No payments or retirement benefits were payable on termination. Mr Constable resigned effective 28 February 2023.

Name: Scott Alomes
Title: Chief Executive Officer (resigned 28 February 2022)
Agreement commenced: 7 June 2021
Details: Mr Alomes was the Company's Chief Executive Officer under a contract of employment which commenced on 7 June 2021. Under the contract Mr Alomes was entitled to fixed remuneration of \$225,000 per annum plus superannuation, along with related minor benefits. Mr Alomes was eligible to participate in the Company's short-term and long-term incentive schemes. Mr Alomes's annual variable remuneration was capped at 20% of his fixed remuneration under the short-term incentive scheme and 100% of his fixed remuneration under the long-term incentive scheme. Mr Alomes resigned effective 28 February 2022.

Name: Amarjit Sidhu
Title: Chief Financial Officer (appointed 1 March 2023)
Agreement commenced: 1 March 2023
Details: Mr Sidhu is the Company's Chief Financial Officer effective 1 March 2023. Mr Sidhu is entitled to salary of \$260,000 per annum plus superannuation along with related minor benefits. The contract may be terminated by the Company or Mr Sidhu with three months' notice. No payments or retirement benefits are payable on termination.

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

Shares issued on the exercise of options

500,000 ordinary shares of the Company were issued on 03/11/2022 on the exercise of options granted to Mr Michael Constable. A further 235,000 options vested on 31 December 2022 under the long-term incentive scheme which were exercised on 23 February 2023. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options exercised	Issue price of shares	Number of shares issued
03/11/2022	\$0.20	500,000
23/02/2023	\$0.00	235,000

There were no ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

Options and Performance Rights

The terms and vesting conditions of each tranche of performance rights and options granted affecting remuneration in the current or future reporting periods have been noted in the preceding section A of the remuneration report under the paragraph titled 'Long-Term Incentive Scheme' on page 7. The performance rights and options carry no dividend or voting rights.

Grant date	Number of options or performance rights granted	Vesting date	Vesting conditions	Expiry date	Exercise price	Value per right /option at grant date	Vesting conditions achieved	% Vested
29/11/2021	295,000	31/12/2022	Annual Financial Targets	31/01/2025	-	\$0.630	yes	80%
29/11/2021	295,000	31/12/2023		31/01/2025	-	\$0.630	no*	n/a
29/11/2021	295,000	31/12/2024		31/01/2025	-	\$0.630	no*	n/a
29/11/2021	885,000	31/12/2024	Relative TSR	31/01/2025	-	\$0.405	no*	n/a
29/11/2021	1,180,000	31/12/2024	Absolute TSR	31/01/2025	-	\$0.285	no*	n/a
29/11/2021	516,250	31/12/2024	High Performance Hurdle	31/01/2025	-	\$0.198	no*	n/a

*Yet to be determined.

There were 1,290,000 performance rights granted to directors and other key management personnel as part of compensation in the previous financial year that had not vested as at 30 June 2023 (30 June 2022: 3,466,250).

Additional information

The earnings of the consolidated entity for the year to 30 June 2023 and the prior period to 30 June 2022 are summarised below:

	2023	2022
	\$'000	\$'000
Sales revenue	265,760	260,590
EBITDA	7,101	9,071
EBIT	2,687	4,402
Profit after income tax	602	2,221

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

	2023	2022
	\$'000	\$'000
Share price at financial year end (\$)	0.29	0.27
Basic earnings per share (cents per share)	1.29	4.78
Diluted earnings per share (cents per share)	1.28	4.77

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 on Market	Disposals/ other	Balance at the end of the period
<i>Ordinary shares</i>					
Royce Galea	6,820,362	-	-	-	6,820,362
Stuart Grimshaw (a)	-	85,000	-	-	85,000
Darren Perry (b)	-	60,000	60,000	-	120,000
Rohan Garnett (c)	-	60,000	50,000	-	110,000
Michael Constable (d)	500,000	530,000	-	(790,043)	239,957
Amarjit Sidhu (e)	1,000	-	-	-	1,000
	<u>7,321,362</u>	<u>735,000</u>	<u>110,000</u>	<u>(790,043)</u>	<u>7,376,319</u>

(a) Acquired on conversion of 85,000 Performance Rights that vested under LTIS during the year

(b) Acquired on conversion of 60,000 Performance Rights that vested under LTIS during the year

(c) Acquired on conversion of 60,000 Performance Rights that vested under LTIS during the year

(d) Acquired on conversion of 30,000 Performance Rights that vested under LTIS and 500,000 under a discretionary award as at 28 February 2023.

(e) Mr Sidhu became a KMP upon his appointment as CFO on 1 March 2023

Option and Performance Rights holdings

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

Options / Performance rights over ordinary shares	Balance at the start of the period	Granted as part of remuneration	Acquired	Exercised	Resignation	Balance at the end of the period
Michael Constable	852,500	-	-	(530,000)	(322,500)	-
Stuart Grimshaw	998,750	-	-	(85,000)	(913,750)	-
Rohan Garnett	705,000	-	-	(60,000)	-	645,000
Darren Perry	705,000	-	-	(60,000)	-	645,000
	3,261,250	-	-	(735,000)	(1,236,250)	1,290,000

This concludes the remuneration report, which has been audited.

Shares under option

There were 1,290,000 performance rights granted to directors and other key management personnel as part of compensation in the previous financial year that had not vested as at 30 June 2023 (30 June 2022: 3,466,250).

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

500,000 ordinary shares of Millennium Services Group Limited were issued during the year on the exercise of 500,000 options granted to Mr Michael Constable. A further 235,000 shares were issued during the year on the exercise of 235,000 options that vested on 31 December 2022 under the long-term incentive scheme (2022: nil).

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 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 29.

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


Darren Perry (Aug 21, 2023 16:42 GMT+10)

Darren Perry
Chairman

21 August 2023

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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 year ended 30 June 2023, 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**



**ANDREW JOHNSON
Partner
Audit and Assurance**

Melbourne, Victoria

21 August 2023

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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 3, 631 Springvale Road
Mulgrave, Victoria 3170

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 21 August 2023. The directors have the power to amend and reissue the financial statements.

Millennium Services Group Limited
Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2023



Consolidated

2023
\$'000

2022
\$'000

	Note	2023 \$'000	2022 \$'000
Revenue	5	265,760	260,590
Other income	6	89	1,030
Share of profit of equity-accounted investee, net of tax	14	206	138
Expenses			
Raw materials and consumables used		(39,224)	(46,389)
Employee benefits expense		(207,604)	(192,835)
Depreciation expense	7	(4,414)	(4,669)
Other expenses		(11,876)	(13,323)
Finance costs	7	(1,985)	(1,161)
Profit before income tax expense		952	3,381
Income tax expense	8	(350)	(1,160)
Profit after income tax expense for the year attributable to the owners of Millennium Services Group Limited		602	2,221
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Foreign currency translation</i>		(18)	(64)
Other comprehensive income/(loss) for the year, net of tax		(18)	(64)
Total comprehensive income for the year attributable to the owners of Millennium Services Group Limited		584	2,157

	Note	Cents	Cents
Basic earnings per share	36	1.29	4.78
Diluted earnings per share	36	1.28	4.77

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

	Note	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	3,272	1,934
Trade and other receivables	10	16,001	17,271
Inventories	11	1,619	1,236
Other	12	2,186	1,766
Total current assets		23,078	22,207
Non-current assets			
Other	13	112	123
Equity-accounted investee	14	1,539	1,251
Deferred tax assets	15	8,018	7,818
Property, plant and equipment	16	7,664	6,818
Right-of-use assets	17	2,716	1,682
Intangibles	18	7,470	7,470
Total non-current assets		27,519	25,162
Total assets		50,597	47,369
LIABILITIES			
Current liabilities			
Trade and other payables	19	17,939	15,008
Lease liabilities	17	923	660
Borrowings	20	4,392	4,699
Current tax liabilities	21	268	2,742
Provisions	22	19,843	19,962
Total current liabilities		43,365	43,071
Non-current liabilities			
Lease liabilities	17	2,032	1,184
Borrowings	23	2,192	1,210
Provisions	22	1,480	1,489
Deferred tax liabilities	24	169	-
Total non-current liabilities		5,873	3,883
Total liabilities		49,238	46,954
Net assets		1,359	415
EQUITY			
Issued capital	25	19,167	19,067
Reserves	25	(7,642)	(7,884)
Accumulated losses		(10,166)	(10,768)
Total equity		1,359	415

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 \$'000
Balance at 1 July 2021	19,067	(8,343)	(12,989)	(2,265)
Profit after income tax expense for the year	-	-	2,221	2,221
Other comprehensive loss for the year, net of tax	-	(64)	-	(64)
Total comprehensive income / (loss) for the year	-	(64)	2,221	2,157
<i>Transactions with owners in their capacity as owners: exercise of options, proceeds received</i>				
Share based payments	-	523	-	523
Balance at 30 June 2022	19,067	(7,884)	(10,768)	415

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	19,067	(7,884)	(10,768)	415
Profit after income tax expense for the year	-	-	602	602
Other comprehensive loss for the year, net of tax	-	(18)	-	(18)
Total comprehensive income / (loss) for the year	-	(18)	602	584
<i>Transactions with owners in their capacity as owners: exercise of options, proceeds received</i>				
	100			100
Share based payments	-	260	-	260
Balance at 30 June 2023	19,167	(7,642)	(10,166)	1,359

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

		Consolidated	
		2023	2022
		\$'000	\$'000
Cash flows from operating activities	Note		
Receipts from customers (inclusive of GST)		294,912	288,548
Receipt of government grants	6	29	905
Payments to suppliers and employees (inclusive of GST)		(281,793)	(281,818)
		13,148	7,635
Interest received		44	2
Interest and other finance costs paid		(1,985)	(1,162)
Income taxes paid		(2,855)	(2,421)
		8,352	4,054
Cash flows from investing activities			
Payments for property, plant and equipment	16	(2,659)	(1,867)
Investment in equity-accounted investee	14	(278)	(1,113)
Dividends received from equity-accounted investee	14	196	-
Proceeds from disposal of property, plant and equipment		37	166
		(2,704)	(2,814)
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from / (repayments of) trade finance facility		2,454	-
Repayments of equipment finance	20	(542)	(1,077)
Repayment of borrowings	20	(3,128)	(6,647)
Repayments of principal on lease liabilities	17	(942)	(1,167)
Proceeds from exercise of options	25	100	-
		(2,058)	(8,891)
Net cash used in financing activities			
Net increase / (decrease) in cash and cash equivalents		3,590	(7,651)
Cash and cash equivalents at the beginning of the financial year		(324)	7,338
Effects of exchange rate changes on cash and cash equivalents		6	(11)
		3,272	(324)
Cash and cash equivalents at the end of the year, less overdraft facility utilised		3,272	(324)
Cash on hand and overdraft utilisation			
		Consolidated	
		2023	2022
		\$'000	\$'000
Cash and cash equivalents at the end of the financial year	9	3,272	1,934
Overdraft facility utilised at the end of the financial year	20	-	(2,258)
		3,272	(324)
Cash and cash equivalents at the end of the financial year, less overdraft facility utilised		3,272	(324)

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Standard 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 2022:

- AASB 2020-3 Amendments to Australian Accounting Standards – Amendment to AASB 137 Provision, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract.

The standards and amendments listed above did not have any impact on 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 2023, and the comparative information covers the year ended 30 June 2022.

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 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.

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 despite reporting an excess of current liabilities over current assets by \$20,287,000 as at 30 June 2023 (30 June 2022: \$20,864,000).

The excess of current liabilities over current assets is primarily due to annual leave entitlements of \$15,082,000 for the Group's 4,100 staff which are not expected to be settled wholly within 12 months after the end of the reporting period but are shown entirely as a current liability. Historically, annual leave drawn is around 95% to 100% of each year's accrual and is paid as part of the Group's normal operating cycle.

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

- The Group's profit after income tax expense of \$602,000 for the financial year ended 30 June 2023;
- The Group's access to \$16,013,000 of unused financing facilities as at 30 June 2023 (see note 20);
- The Group's cash flow forecast, and budget for the next 12 months show positive operating cash flows.
- The Group's high level of contracted revenue into the future and understanding of its very high contract retention rates in recent years.

Should the business not be able to operate under its normal business activities, 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.

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 2023 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).

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

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 and the transport sector 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.

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.

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 its transaction price 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 27 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 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 27 further details.

Interests in equity-accounted investees

The Group's interest in an equity-accounted investee comprises its interest in an associate. An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of the investee. Interests in associates are accounted for using the equity method. The interests are initially recognised at cost. Subsequent to initial recognition, the Group's consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases (refer to note 14).

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 5 years
Motor vehicles	5 to 7 years
Computer equipment	3 to 5 years
Office equipment	4 to 5 years

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

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

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

Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. 'Right-of-use' (ROU) assets have 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.

For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (operating activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

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 2023. The consolidated entity's assessment is that the standards and interpretations are either not relevant to the consolidated entity or are 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 27 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, see note 16 for further details.

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, see note 18 for further details.

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, see note 8 for further details.

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, see note 15 for further details.

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, see note 22 for further details.

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, see note 22 for further details.

Determining the lease term of contracts with renewal options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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 centres, 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.

Operating segment information

	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Consolidated - 2023				
Revenue				
Sales to external customers	220,771	44,989	-	265,760
Other income	-	-	45	45
Total revenue and other income	220,771	44,989	45	265,805
Gross margin	31,987	5,724	-	37,711
Other income			45	45
Overheads			(30,655)	(30,655)
EBITDA				7,101
Depreciation				(4,414)
Interest revenue				44
Finance costs				(1,985)
Share of profit of equity-accounted investee, net of tax				206
Profit before income tax expense				952
Income tax expense				(350)
Profit after income tax expense				602
Segment assets	34,623	5,628	10,346	50,597
Segment liabilities	28,780	5,600	14,858	49,238
Net Assets / (Liabilities)	5,843	28	(4,512)	1,359

	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Consolidated – 2022				
Revenue				
Sales to external customers	203,161	57,429	-	260,590
Other income	-	-	1,028	1,028
Total revenue and other income	203,161	57,429	1,028	261,618
Gross margin	31,229	8,537	-	39,766
Other income			1,028	1,028
Overheads			(31,723)	(31,723)
EBITDA				9,071
Depreciation				(4,669)
Interest revenue				2
Finance costs				(1,161)
Share of profit of equity-accounted investee, net of tax				138
Profit before income tax expense				3,381
Income tax expense				(1,160)
Profit after income tax expense				2,221
Segment assets	31,176	6,801	9,392	47,369
Segment liabilities	25,205	6,778	14,971	46,954
Net Assets / (Liabilities)	5,971	23	(5,579)	415

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

NOTE 5. REVENUE

	Consolidated	
	2023	2022
	\$'000	\$'000
Provision of services	265,760	260,590

NOTE 6. OTHER INCOME

	Consolidated	
	2023	2022
	\$'000	\$'000
Government grants income (a)		
: New Zealand Government	29	905
	29	905
Net gain/(loss) on disposal of property, plant and equipment	16	123
Interest income	44	2
Other income	89	1,030

(a)
 For the year ended 30 June 2023, the Group recognised government grant income of \$29,000 as part of the New Zealand government COVID-19 relief measures (2022: \$905,000). The Group self-assessed that it was eligible to access the grants. There were no unfulfilled conditions or other contingencies attaching to these government grants.

NOTE 7. EXPENSES

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Impairment		
Impairment of receivables (note 27)	148	30
Finance costs		
Interest expense – borrowings	1,702	1,122
Interest expense – lease liabilities (note 17)	283	39
	1,985	1,161
Rental expenses		
Short term leases	2,856	2,882
Incremental wage top ups associated with COVID-19 government grants	29	639
Share based payments expense (note 25)	260	523
Depreciation		
Depreciation – property, plant and equipment (note 16)	3,394	3,599
Depreciation – right-of-use assets (note 17)	1,020	1,070
Total depreciation	4,414	4,669

NOTE 8. INCOME TAX EXPENSE

	Consolidated	
	2023	2022
	\$'000	\$'000
Income tax expense		
Deferred tax - origination and reversal of temporary differences	(31)	718
Current tax expense - Australia	42	258
Current tax expense - New Zealand	375	207
Under / (over) provision in prior year – current tax	(36)	(23)
Aggregate income tax expense	350	1,160
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	(200)	723
Increase/(decrease) in deferred tax liabilities (note 24)	169	(5)
Deferred tax - origination and reversal of temporary differences	(31)	718
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	952	3,381
Income tax expense at the statutory tax rate of 30%	286	1,014
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	75	61
Share based payments expenses	78	157
Share of profit of equity-accounted investee	(62)	(41)
Difference in tax rate in New Zealand	(27)	(31)
Income tax expense	350	1,160
The applicable weighted average effective tax rates are as follows:	36.8%	34.3%

	Consolidated	
	2023	2022
	\$'000	\$'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 15)	-	-

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated 2023 \$'000	2022 \$'000
Cash at bank	3,272	1,934

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2023 \$'000	2022 \$'000
Trade receivables	15,099	16,850
Less: loss allowance (note 27)	(247)	(233)
	14,852	16,617
Other receivables	1,149	654
	16,001	17,271

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 27.

Trade receivables from related parties amounted to nil as at 30 June 2023 (30 June 2022: nil).

NOTE 11. CURRENT ASSETS - INVENTORIES

	Consolidated 2023 \$'000	2022 \$'000
Consumables and sanitisers - at cost	1,619	1,236

NOTE 12. CURRENT ASSETS - OTHER

	Consolidated 2023 \$'000	2022 \$'000
Prepayments	2,186	1,766

NOTE 13. NON-CURRENT ASSETS - OTHER

	Consolidated 2023 \$'000	2022 \$'000
Security deposits	112	123

NOTE 14. EQUITY-ACCOUNTED INVESTEE

The Group has a 49% interest in 2 PM Records Pty Ltd (trading as Codee Cleaning Services, 'Codee'). The investee has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

Codee is an Indigenous owned business, providing cleaning and maintenance services to a broad range of customers including government, schools, retail and commercial sectors in Western Australia. The investment in Codee supports the Group's commitment to build a more diverse workplace and to work in partnership with Aboriginal and Torres Strait Islander organisations and peoples.

There are no commitments in respect of the associate entity as at 30 June 2023 (30 June 2022: contingent liability of \$278,000 related to consideration payable by the Group for the 49% ownership interest in the investee; subject to Codee achieving specific revenue targets).

The table below summarises information about the Group's associate as at 30 June 2023.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount*	
		June 2023	June 2022			June 2023	June 2022
		\$'000				\$'000	
2 PM Records Pty Ltd	Australia	49%	49%	Associate	Equity method	1,539	1,251

*Private entity – no quoted price or quoted fair value available.

\$'000

Reconciliation of carrying amount of investee:

Opening investment in associate – 8 December 2021	1,113
49% share of profit after tax from 8 December 2021 to 30 June 2022	138
Closing carrying amount of investee as at 30 June 2022	1,251
49% share of profit after tax from 1 July 2022 to 30 June 2023	206
Dividends received	(196)
Additional consideration paid in January 2023	139
Additional consideration paid in June 2023	139
Closing carrying amount of investee as at 30 June 2023	1,539

NOTE 15. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated	
	2023	2022
	\$'000	\$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	74	70
Property, plant and equipment	-	273
Employee benefits	5,921	5,929
Superannuation payable	413	333
Other accruals	219	275
Provisions	312	388
AASB 16 Leases	72	48
Blackhole expenditure - profit and loss	187	366
Unused tax losses	684	-
Investments	136	136
Deferred tax asset	8,018	7,818
Movements:		
Opening balance	7,818	8,541
Credited / (charged) to profit or loss (note 8)	200	(723)
Closing balance	8,018	7,818

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 \$8,018,000 were recognised by the Group as at 30 June 2023 (30 June 2022: \$7,818,000) due to the probability of future taxable income being generated to utilise the temporary differences.

NOTE 16. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2023	2022
	\$'000	\$'000
Leasehold improvements - at cost	973	513
Less: Accumulated depreciation	(468)	(357)
	505	156
Plant and equipment - at cost	32,792	29,552
Less: Accumulated depreciation	(27,488)	(25,003)
	5,304	4,549
Motor vehicles - at cost	3,572	3,403
Less: Accumulated depreciation	(2,562)	(2,174)
	1,010	1,229

Computer equipment - at cost	3,354	3,010
Less: Accumulated depreciation	(2,541)	(2,151)
	813	859
Office equipment - at cost	717	690
Less: Accumulated depreciation	(685)	(665)
	32	25
	7,664	6,818

Reconciliations

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

Consolidated	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Plant & equipment \$'000	Leasehold improvements \$'000	Total \$'000
Balance at 1 July 2021	1,128	65	799	4,832	193	7,017
Additions	36	8	456	1,353	14	1,867
Effect of movement in exchange rates & other movements	-	-	-	23	-	23
Disposals	(8)	-	-	(34)	-	(42)
Additions through hire purchase	305	-	-	1,247	-	1,552
Depreciation expense	(232)	(48)	(396)	(2,872)	(51)	(3,599)
Balance at 30 June 2022	1,229	25	859	4,549	156	6,818
Additions	189	17	344	1,649	460	2,659
Effect of movement in exchange rates & other movements	-	10	-	-	-	10
Disposals	(20)	-	-	(1)	-	(21)
Additions through hire purchase	-	-	-	1,592	-	1,592
Depreciation expense	(388)	(20)	(390)	(2,485)	(111)	(3,394)
Balance at 30 June 2023	1,010	32	813	5,304	505	7,664

During the 2023 financial year the Group acquired motor vehicles, plant and equipment with a carrying amount of \$1,592,000 (2022: \$1,552,000) via hire purchase. 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 \$7,159,000 as at 30 June 2023 (2022: \$6,662,000).

NOTE 17. RIGHT OF USE (ROU) ASSETS AND LEASE LIABILITIES – AASB 16 LEASES

(a) ROU assets

The movements in the recognised ROU assets from 1 July 2022 to 30 June 2023 are as follows:

Consolidated	Plant and Equipment \$'000	Land and Buildings \$'000	Total \$'000
Right-of-use assets as at 1 July 2021	423	2,566	2,989
Extension of leases and exercise of lease extension options	-	313	313
Lease options not exercised	-	(949)	(949)
Additions, new equipment leases	399	-	399
Depreciation	(187)	(883)	(1,070)
Right-of-use assets as at 30 June 2022	635	1,047	1,682
Extension of leases and exercise of lease extension options	-	243	243
Additions, new equipment leases	703	-	703
Additions of lease premises	-	1,108	1,108
Depreciation	(343)	(677)	(1,020)
Right-of-use assets as at 30 June 2023	995	1,721	2,716

(b) Lease liabilities

The Group's lease liabilities relate to office premises across Australia and New Zealand and equipment leases, 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.

The movement in lease liabilities from 1 July 2022 to 30 June 2023 are presented below.

Consolidated	2023 \$'000	2022 \$'000
Lease liability at beginning of financial year	1,844	3,248
Extension of leased premises and exercise of office premise lease extension options	243	313
Lease options not exercised	-	(949)
Additions of leased premises	1,108	-
Additions, new equipment leases	703	399
Interest expense (at incremental borrowing costs of 10.1%, (2022: 7.9%))	283	39
Payments on lease liabilities	(1,226)	(1,206)
Lease liability at end of financial year	2,955	1,844
Lease liabilities - current	923	660
Lease liabilities – non-current	2,032	1,184

NOTE 18. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2023	2022
	\$'000	\$'000
Goodwill - at cost, less impairments	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	Goodwill \$'000
Balance at 1 July 2021	7,470
Impairment	-
Balance at 30 June 2022	7,470
Impairment	-
Balance at 30 June 2023	7,470

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	
	2023	2022
	\$'000	\$'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 in 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 2023. 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 2023. 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 2024 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 2023:

- Cash flow forecasts are based on the Cleaning segment's EBITDA budget for the 2024 financial year. Cash flows for a further four years have been extrapolated such that the forecast compound annual growth rate (CAGR) is 0.5% (June 2022: 0.5%) 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 2022: 0.5%), stress tested to 0.0% with no indication of any impairment of goodwill; and
- Pre-tax discount rate of 18.5% (30 June 2022: 18.7%) which approximates the CGUs' weighted average cost of capital (pre-tax). The value in use model discount rate assumption was stress tested to 21.0%; no impairment of goodwill was evident from the test.

NOTE 19. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2023	2022
	\$'000	\$'000
Trade payables	4,776	4,437
GST payable	1,972	1,798
Accrued expenses	8,071	6,712
Other payables	3,120	2,061
	<hr/>	
	17,939	15,008
	<hr/>	

Refer to note 27 for further information on financial instruments.

NOTE 20. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2023	2022
	\$'000	\$'000
ANZ interchangeable loan facility	-	1,773
Hire purchase	593	525
Bank overdraft utilised	-	2,258
Trade debtor finance facility	2,454	-
Other borrowings	1,345	143
	<hr/>	
	4,392	4,699
	<hr/>	

Financing Covenants – ANZ Bank

The Group met the required financing covenants for the September 2022, December 2022, March 2023 and June 2023 quarters.

Refer to note 27 for further information on financial instruments.

The borrowings above, except for those described as other borrowings, are secured liabilities, refer to note 23 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	Hire purchase	Bank Overdraft	Trade Debtor Finance	Other borrowings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	1,773	1,735	2,258	-	143	5,909
Drawdown for working capital requirements	-	-	-	2,454	2,557	5,011
Equipment financing	-	1,592	-	-	-	1,592
Repayments of borrowings	(1,773)	(542)	(2,258)	-	(1,355)	(5,928)
Balance at 30 June 2023	-	2,785	-	2,454	1,345	6,584
Current liabilities	-	593	-	2,454	1,345	4,392
Non-current liabilities	-	2,192	-	-	-	2,192
Balance at 30 June 2023	-	2,785	-	2,454	1,345	6,584

Financing arrangements

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Total facilities		
Trade debtor finance facility	16,500	12,000
Non-Bank - asset finance facility (hire purchase)	3,029	1,556
ANZ Bank - asset finance facility (hire purchase)	-	186
ANZ Bank interchangeable loan facility	-	1,773
NAB asset finance facility (hire purchase)	1,500	-
Overdraft facility	-	4,500
Standby letter of credit and guarantee facility (a)	1,605	1,470
Electronic payway facility	-	500
Commercial card facility (a)	250	325
	22,884	22,310
Used at the reporting date		
Trade debtor finance facility	2,454	-
Non-Bank - asset finance facility (hire purchase)	1,505	1,549
ANZ Bank - asset finance facility (hire purchase)	-	186
ANZ Bank interchangeable loan facility	-	1,773
NAB asset finance facility (hire purchase)	1,280	-
Overdraft facility	-	2,258
Standby letter of credit and guarantee facility (a)	1,382	1,460
Electronic payway facility	-	-
Commercial card facility (a)	250	188
	6,871	7,414
Unused at the reporting date		
Trade debtor finance facility	14,046	12,000
Non-Bank - asset finance facility (hire purchase)	1,524	7
ANZ Bank - asset finance facility (hire purchase)	-	-
ANZ Bank Interchangeable loan facility	-	-
NAB asset finance facility (hire purchase)	220	-
Overdraft facility	-	2,242
Standby letter of credit and guarantee facility (a)	223	10
Electronic payway facility	-	500
Commercial card facility (a)	-	137
	16,013	14,896

(a) ANZ Bank facilities expire on 30 September 2023.

Net debt reconciliation

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

	Consolidated 2023 \$'000	2022 \$'000
Cash and cash equivalents	3,272	1,934
Borrowings – repayable within one year	(4,392)	(4,699)
Borrowings – repayable after one year	(2,192)	(1,210)
Net debt	<u>(3,312)</u>	<u>(3,975)</u>
Cash and cash equivalents	3,272	1,934
Gross debt – fixed interest rates	(4,130)	(1,878)
Gross debt – variable interest rates	(2,454)	(4,031)
Net debt	<u>(3,312)</u>	<u>(3,975)</u>

	Other assets	Liabilities from financing activities				Total \$'000
	Cash and cash equivalents \$'000	Hire Purchase liabilities due within 1 year \$'000	Hire Purchase liabilities due after 1 year \$'000	Borrowings / Trade finance/ Overdraft due within 1 year \$'000	Borrowings due after 1 year \$'000	
Net debt as at 1 July 2021	7,338	(910)	(350)	(4,613)	(1,773)	(308)
Reclass: current and non-current liabilities	-	(203)	203	(1,773)	1,773	-
Cash flows	(5,393)	1,077	-	2,212	-	(2,104)
Acquisitions – hire purchase	-	(489)	(1,063)	-	-	(1,552)
Foreign exchange adjustments	(11)	-	-	-	-	(11)
Net debt as at 30 June 2022	1,934	(525)	(1,210)	(4,174)	-	(3,975)
Reclass: current and non-current liabilities	-	(349)	349	-	-	-
Cash flows	1,332	542	-	375	-	2,249
Acquisitions – hire purchase	-	(261)	(1,331)	-	-	(1,592)
Foreign exchange adjustments	6	-	-	-	-	6
Net debt as at 30 June 2023	<u>3,272</u>	<u>(593)</u>	<u>(2,192)</u>	<u>(3,799)</u>	<u>-</u>	<u>(3,312)</u>

NOTE 21. CURRENT TAX LIABILITIES

	Consolidated 2023 \$'000	2022 \$'000
Current tax liabilities	268	2,742

NOTE 22. PROVISIONS

	Consolidated 2023 \$'000	2022 \$'000
Annual leave and long service leave	19,978	19,958
Other provisions	306	268
Provision for public liability claims	1,039	1,225
	<u>21,323</u>	<u>21,451</u>
Current	19,843	19,962
Non-current	1,480	1,489
	<u>21,323</u>	<u>21,451</u>

Consolidated	Annual leave and long service leave \$'000	Public liability claims \$'000	Other \$'000	Total \$'000
Balance at 1 July 2022	19,958	1,225	268	21,451
Arising / (reversed) during the year	16,767	1,077	82	17,926
Utilised / paid during the year	(16,747)	(1,263)	(44)	(18,054)
	<u>19,978</u>	<u>1,039</u>	<u>306</u>	<u>21,323</u>
Balance at 30 June 2023	19,978	1,039	306	21,323
Current	18,793	1,039	11	19,843
Non-current	1,185	-	295	1,480

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.

NOTE 23. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2023	2022
	\$'000	\$'000
Hire purchase	2,192	1,210
	<u>2,192</u>	<u>1,210</u>

Refer to note 27 for further information on financial instruments.

Total secured liabilities

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

	Consolidated	
	2023	2022
	\$'000	\$'000
ANZ interchangeable loan facility	-	1,773
Hire purchase	2,785	1,735
Bank overdraft utilised	-	2,258
	<u>2,785</u>	<u>5,766</u>

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 the 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 Security Services Pty Ltd
- Millennium Cleaning (TAS) Pty Limited
- Millennium Cleaning (WA) Pty Limited
- Millennium Management Services (WA) Pty Limited

Assets pledged as security

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Equipment and motor vehicles	7,159	6,662
	<u>7,159</u>	<u>6,662</u>

NOTE 24. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated	
	2023	2022
	\$'000	\$'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	169	-
	<hr/>	<hr/>
Deferred tax liability	169	-
	<hr/>	<hr/>
Movements:		
Opening balance	-	5
Charged/(credited) to profit or loss (note 8)	169	(5)
	<hr/>	<hr/>
Closing balance	169	-
	<hr/>	<hr/>

NOTE 25. EQUITY

(a) Issued capital

	2023 Shares	Consolidated 2022 Shares	2023 \$'000	2022 \$'000
Ordinary shares - fully paid	47,163,159	46,428,259	19,167	19,067
	<hr/>	<hr/>	<hr/>	<hr/>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	30 June 2021	46,428,259		19,067
Balance	30 June 2022	46,428,259		19,067
		<hr/>		<hr/>
Exercise of options – proceeds received	3 November 2022	500,000	\$0.20	100
Vesting of Performance rights	23 February 2023	235,000	-	-
Balance	30 June 2023	47,163,259		19,167
		<hr/>		<hr/>

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.

Options and Performance Rights

Information relating to options and performance rights granted and exercised during the period; and outstanding, or not exercised at the end of the reporting period, is set out below. During the current period 500,000 options were exercised during the period with an exercise price of \$0.20. A further 235,000 performance rights exercised on 23 February 2023.

Grant date	Balance at the start of period	Number of options or performance rights granted during the period	Vesting date	Vesting conditions	Expiry date	Exercise price	Value per right at grant date	Vesting conditions achieved	Expired / forfeited / resignations	Exercised	Balance at the end of period
24/08/2020	500,000	-	01/01/2022	Tenure	01/01/2024	\$0.20	\$0.272	yes	-	(500,000)	-
29/11/2021	235,000	-	31/12/2022	} Annual Financial Targets	31/01/2025	-	\$0.630	yes	-	(235,000)	-
29/11/2021	235,000	-	31/12/2023		31/01/2025	-	\$0.630	*no	(115,000)		120,000
29/11/2021	235,000	-	31/12/2024		31/01/2025	-	\$0.630	*no	(115,000)		120,000
29/11/2021	705,000	-	31/12/2024	Relative TSR**	31/01/2025	-	\$0.405	*no	(345,000)		360,000
29/11/2021	940,000	-	31/12/2024	Absolute TSR**	31/01/2025	-	\$0.285	*no	(460,000)		480,000
29/11/2021	411,250	-	31/12/2024	High Performance Hurdle**	31/01/2025	-	\$0.198	*no	(201,250)		210,000
07/12/2021	500,000	-	07/12/2021	} Advisory	31/12/2024	\$0.90	\$0.172	yes	-		500,000
07/12/2021	500,000	-	07/12/2021	} Services	31/12/2024	\$1.20	\$0.128	yes	-		500,000
07/12/2021	500,000	-	07/12/2021	}	31/12/2024	\$1.40	\$0.108	yes	-		500,000
Total	4,761,250	-							(1,236,250)	(735,000)	2,790,000

*Yet to be determined.

**Vesting conditions are related to certain Absolute and Relative Total Shareholder Return ('TSR') milestones over a 3-year performance period from 1 January 2022 to 31 December 2024.

The weighted average remaining contractual life of options outstanding at the end of 30 June 2023 was 1.3 years (2022: 1.3 years).

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	
	2023	2022
	\$'000	\$'000
Interest bearing loans and borrowings	6,584	5,909
Less: cash and short-term deposits	(3,272)	(1,934)
	<hr/>	<hr/>
Net debt	3,312	3,975
	<hr/>	<hr/>
Market capitalisation (share price \$0.29/share on 30/06/2023 & \$0.27 on 30/06/2022)	13,677	12,536
Capital, (market capitalisation plus net debt)	16,989	16,511
Gearing ratio	19.5%	24.1%

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 2023, the Group had debt obligations of \$1,632,000 (20 June 2022: \$5,865,000) to the ANZ Bank (the 'Lender'). The Group met the required financing covenants for the September 2022, December 2022, March 2023 and June 2023 quarters. The Group's unrestricted access to total financial facilities is disclosed at note 20.

(b) Reserves

	Consolidated	
	2023	2022
	\$'000	\$'000
Foreign currency reserve	(217)	(199)
Share-based payments reserve	1,097	837
Pre-restructure accumulated losses	(8,522)	(8,522)
	<hr/>	<hr/>
	(7,642)	(7,884)
	<hr/>	<hr/>

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, 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 2021	(8,522)	314	(135)	(8,343)
Share based payments	-	523	-	523
Foreign currency translation	-	-	(64)	(64)
Balance at 30 June 2022	(8,522)	837	(199)	(7,884)
Share based payments	-	260	-	260
Foreign currency translation	-	-	(18)	(18)
Balance at 30 June 2023	(8,522)	1,097	(217)	(7,642)

NOTE 26. EQUITY - DIVIDENDS

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

	Consolidated 2023 \$'000	2022 \$'000
No dividend declared or payable in respect of the year ended 30 June 2023	-	-
No dividend declared or payable in respect of the year ended 30 June 2022	-	-
	-	-

No interim dividend was declared for the current year.

	Company 2023 \$'000	2022 \$'000
Franking account balance at beginning of financial year	9,267	7,439
Imputation credits from current tax payments	2,663	1,828
Franking account balance at end of financial year	11,930	9,267

NOTE 27. 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		Liabilities	
	2023 AUD\$'000	2022 AUD\$'000	2023 AUD\$'000	2022 AUD\$'000
Assets / Liabilities denominated in New Zealand dollars	7,129	5,419	1,630	1,668

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

Consolidated – 2023	% change	AUD strengthened Effect on profit before tax		Effect on equity	% change	AUD weakened Effect on profit before tax		Effect on equity
Assets / Liabilities denominated in New Zealand dollars	25%	-	(1,100)		25%	-	1,830	

Consolidated – 2022	% change	AUD strengthened Effect on profit before tax		Effect on equity	% change	AUD weakened Effect on profit before tax		Effect on equity
Assets / Liabilities denominated in New Zealand dollars	25%	-	(750)		25%	-	1,250	

Price risk

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

Interest rate risk

The consolidated entity's main interest rate risk arises from borrowings obtained at variable rates. 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 borrowings outstanding:

Consolidated	2023		2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Trade debtor finance facilities	12.15%	2,454		
ANZ Bank interchangeable loan facility	-	-	3.41%	1,773
ANZ Bank overdraft utilised	-	-	8.38%	2,258
Net exposure to cash flow interest rate risk		<u>2,454</u>		<u>4,031</u>

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

Consolidated – 2023	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity, net of tax	Basis points change	Effect on profit before tax	Effect on equity, net of tax
Trade debtor finance facilities	100	<u>(25)</u>	<u>(17)</u>	100	<u>25</u>	<u>17</u>

Consolidated – 2022	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity, net of tax	Basis points change	Effect on profit before tax	Effect on equity, net of tax
ANZ Bank facilities	100	<u>(40)</u>	<u>(28)</u>	100	<u>40</u>	<u>28</u>

Credit risk

Credit risk arises from cash and cash equivalents 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 2023 and 30 June 2022.

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 12 months to 30 June 2023 and the corresponding historical credit losses experienced within this 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 2023 and 30 June 2022 were determined as follows for trade receivables:

30 June 2023 \$'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	0.5%	1%	3.3%	33%	55%	
Gross carrying amount – trade receivables	13,743	702	189	411	54	15,099
Loss allowance	69	7	6	135	30	247

30 June 2022 \$'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	0.5%	1%	3%	30%	50%	
Gross carrying amount – trade receivables	15,114	909	547	40	240	16,850
Loss allowance	76	9	16	12	120	233

The closing loss allowances for trade receivables as at 30 June 2023 reconcile to the opening loss allowances as follows:

	Consolidated Trade Receivables	
	2023 \$'000	2022 \$'000
Balance at beginning of financial year	233	980
Receivables written off during the year as uncollectable	(148)	(30)
Increase / (decrease) in loss allowance recognised in profit or loss during the year	162	(717)
Balance at end of financial year	247	233

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 2023 \$'000	2022 \$'000
Trade debtor finance facilities	14,046	12,000
NAB – Assets finance facility (hire purchase)	220	-
Non-Bank - Asset finance facilities (hire purchase)	1,524	7
Overdraft facility	-	2,242
Standby letter of credit and guarantee facility (a)	223	10
Electronic payway facility	-	500
Commercial card facility (a)	-	137
	16,013	14,896

(a) ANZ Bank facilities expire on 30 September 2023.

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 below 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 – 2023	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	17,939	-	-	-	17,939
<i>Interest-bearing - fixed</i>						
Lease liabilities	10.1%	1,179	1,026	1,281	-	3,486
Hire purchase	8.31%	799	760	1,771	-	3,330
Other short-term borrowings	7.54%	1,394	-	-	-	1,394
<i>Interest-bearing - variable</i>						
Trade finance facility	12.15%	2,479	-	-	-	2,479
Total non-derivatives		23,790	1,786	3,052	-	28,628

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

Consolidated – 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	15,008	-	-	-	15,008
<i>Interest-bearing - fixed</i>						
Lease liabilities	7.90%	779	616	685	-	2,080
Hire purchase	7.65%	638	419	959	-	2,016
Other short-term borrowings	4.84%	145	-	-	-	145
<i>Interest-bearing - variable</i>						
ANZ Bank overdraft	8.38%	2,274	-	-	-	2,274
ANZ loan facility	3.41%	1,785	-	-	-	1,785
Total non-derivatives		20,629	1,035	1,644	-	23,308

Fair value of financial instruments

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

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

- Darren Perry – Independent, Non-Executive Chairman (appointed as Chairman on 30 June 2023)
- Rohan Garnett – Independent, Non-Executive Director
- Royce Galea – Chief Executive Officer and Managing Director
- Stuart Grimshaw – Independent, Non-Executive Chairman (resigned 30 June 2023)

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) - resigned 28 February 2023
- Amarjit Sidhu (Chief Financial Officer) – appointed 1 March 2023

Compensation

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

	Consolidated 2023 \$	2022 \$
Short-term employee benefits	1,258,831	1,417,723
Post-employment benefits	93,248	94,545
Long-term benefits	12,052	14,379
Share-based payments	234,276	319,327
	<hr/>	<hr/>
	1,598,407	1,845,974
	<hr/> <hr/>	<hr/> <hr/>

NOTE 29. 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:

	Consolidated 2023 \$	2022 \$
Audit services - Moore Australia Audit (Vic)		
Audit or review of the financial statements	175,000	156,500
	<hr/>	<hr/>
Other services - Moore Australia		
Taxation services	64,500	48,500
Other services	4,000	-
	<hr/>	<hr/>
	68,500	48,500
	<hr/> <hr/>	<hr/> <hr/>

NOTE 30. CONTINGENT ASSETS

The Group is not aware of any material contingent assets at 30 June 2023.

NOTE 31. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities at 30 June 2023.

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 28.

Transactions with related parties

Wages and other benefits of \$323,292 were paid to Mr Stephen Lidbury, a substantial shareholder of the company, for the year ended 30 June 2023 (2022: \$321,568). Office rent of \$21,900 was paid in the current financial year on normal commercial terms to an entity related to Mr Stephen Lidbury (2022: \$61,185).

Consulting fees of \$530,000 were paid to Wayne and Eileen Crewes Pty Ltd, an entity associated with a substantial shareholder of the Company for the year ended 30 June 2023 (2022: \$382,000). Of the total paid in the current financial year, \$128,000 was an advance for consultancy services for the 2024 financial year and will be amortised over 22 months.

Wages and other benefits of \$171,054 were paid to a close family member of the controller of Wayne and Eileen Crewes Pty Ltd, in the family member's capacity as an employee of the Group, for the year ended 30 June 2023 (2022: \$135,487).

In the prior financial year, consulting fees of \$389,512 were paid to Jungle Capital Pty Ltd, an entity that Mr Stuart Grimshaw, the Company's Chairman (up to 30 June 2023), has a minority interest in, for corporate and strategic advisory services. There were no payments for the year ended 30 June 2023.

Receivables from Related Parties

No amounts were receivable from related parties as at 30 June 2023 and 30 June 2022.

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	
	2023 \$'000	2022 \$'000
Profit / (loss) after income tax	2,351	14,701
Total comprehensive profit / (loss)	2,351	14,701

Statement of financial position

	Parent	
	2023 \$'000	2022 \$'000
Total current assets	57,325	41,934
Total assets	75,741	59,025
Total current liabilities	74,003	60,978
Total liabilities	82,950	68,945

Equity		
Issued capital	19,167	19,067
Share-based payments reserve	1,097	837
Accumulated losses, net of dividends paid	(27,473)	(29,824)
Total equity / (deficiency)	<u>(7,209)</u>	<u>(9,920)</u>

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 Millennium Cleaning (WA) Pty Limited (previously: Airlite Cleaning Pty Limited) and Millennium Management Services (WA) Pty Limited (previously: Airlite Management Services Pty Limited).

The deed was 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 Corporations (Wholly-owned Companies) Instrument 2016/785. 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 immaterial compared to the Group, 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 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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

The carrying value of the parent company's investment in subsidiaries as at 30 June 2023 was \$7,486,000 (2022: \$7,486,000), net of the impairment.

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	
		2023 %	2022 %
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%
Millennium Cleaning (WA) Pty Limited (a)	Australia	100.00%	100.00%
Millennium Management Services (WA) 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 Security 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 2023 and 30 June 2022.

NOTE 35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	2023 \$'000	2022 \$'000
Profit after income tax expense for the period	602	2,221
Adjustments for:		
Depreciation	4,414	4,669
Net gain on disposal of property, plant and equipment	(16)	(123)
Share of profit of equity-accounted investee, net of tax	(206)	(138)
Share-based payments	260	523
Net foreign exchange differences	(18)	(64)
Change in operating assets and liabilities:		
Decrease/(increase) in inventories	(383)	(100)
Decrease/(increase) in net deferred tax assets	(31)	718
Increase/(decrease) in trade and other payables	2,931	(2,282)
Increase/(decrease) in income tax payable	(2,474)	(1,919)
Increase/(decrease) in employee benefits and entitlements provisions	20	(2,691)
Decrease/(increase) in trade and other receivables	1,270	761
Decrease in other assets	1,983	2,479
Net cash from operating activities	8,352	4,054

NOTE 36. EARNINGS PER SHARE

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit after income tax attributable to the owners of Millennium Services Group Limited	602	2,221
	Number	Number
	'000s	'000s
Weighted average number of ordinary shares used in calculating basic earnings per share	46,837	46,428
Weighted average number of ordinary shares used in calculating diluted earnings per share	46,957	46,558
	Cents	Cents
Basic earnings per share	1.29	4.78
Diluted earnings per share	1.28	4.77

Reconciliation of weighted average number of shares used in the calculation of basic and diluted earnings per share:

	Consolidated	
	2023	2022
	Number	Number
	'000s	'000s
Shares on issue as at 1 July	46,428	46,428
Add: effect of shares issued	409	-
Weighted average number of shares used in the calculation of basic earnings per share	46,837	46,428
Add: effect of potential conversion of performance rights / options to ordinary shares	120	130
Weighted average number of shares used in the calculation of diluted earnings per share	46,957	46,558

NOTE 37. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2023 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.

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 17 to 64, and the remuneration report on pages 6 to 14 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 2023 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

Darren Perry

[Darren Perry \(Aug 21, 2023 16:42 GMT+10\)](#)

Darren Perry
Chairman

21 August 2023

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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 (the Company) and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KEY AUDIT MATTER 1 – Going Concern

Refer to Note 1 – Significant Accounting Policies – Going Concern

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 1 Significant Accounting Policies – Going Concern.

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections, which included current and expected operational levels and any known changes. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

Our procedures included, amongst others:

- Obtaining and evaluating management's assessment of the Group's ability to continue as a going concern;
 - Reviewing management's assumptions and judgements in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of authorisation of the financial report;
 - Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions, including assessing the ability of the Group to utilise existing funding facilities;
 - Evaluating directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year-end through discussion with the Audit Committee and management; and
 - Assessing the adequacy of the Group's going concern disclosure in the Financial Report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.
-

KEY AUDIT MATTER 2 – Goodwill and Intangible Assets

 Refer to Note 18 Non-Current Assets – Intangibles

As at 30 June 2023 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 cash generating unit ("CGU") 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:

- Obtained an understanding of the Group's goodwill impairment assessment process;
 - Evaluating management's cash flow forecasts including testing of the integrity and mathematical accuracy of the underlying calculations and ensuring that they were consistent with the latest board approved budgets;
 - Challenging 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;
 - Testing 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; and
 - Assessing the adequacy of the Group's disclosure of the assumptions used in respect to the value in use calculations.
-

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 14 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Millennium Services Group Limited and Controlled Entities, for the year ended 30 June 2023 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



ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

21 August 2023