

20 October 2023

Millennium Services Group Limited

(ASX: MIL)

Quarterly Activities Report and Appendix 4C – September 2023 Quarter

SUMMARY

- A negative cash flow of \$3.5m from underlying operating activities was recorded for the Q1 FY2024 quarter. The major items that impacted the Q1 FY24 and FY23 operating cash flows were:
 - an additional fortnight of wages during the quarter, over and above the previous June quarter, amounting to incremental \$6.5m of cash payments in Q1 FY2024; and
 - favorable timing of debtor collections in late June 2023 and 2022 that contributed to the strong June quarter cash collections (but reduced the amount available for collection in the September quarters).
- Given the extra fortnight of wages in it, the September quarter is historically a period in which there are significant net cash outflows. The result for Q1 FY2024 compares favourably to previous corresponding period of Q1 FY2023 (negative cash flow of \$4.7m).
- \$11.2m of unused debt facilities available as at 30 September 2023. Cash on hand as at 30 September 2023 was \$1.8m, resulting in total available funding of \$13.0m.

Quarterly Activities

There were no material changes in the principal activities within the Company's Cleaning and Security segments during the quarter ended 30 September 2023.

Pleasingly, the Group's total revenue of \$71.3 million for the 3 months ending 30 September 2023 increased by \$3.3m or 4.9% compared to total revenue of \$68.0m in the June 2023 quarter, due to the Company winning new long-term contracts and continuing to pursue customer industry diversification.

Contract revenue of \$66.5m in Q1 FY24 increased by \$3.8m or 6.1% compared to contract revenue of \$62.7m in Q4 FY23; which more than offset the \$0.5m decline in ad hoc revenue during the same period.

Revenue	Q4 FY23 \$m	%		Q1 FY24 \$m	%
Contract revenue	62.7	92.2		66.5	93.3
Adhoc revenue	5.3	7.8		4.8	6.7
Total Revenue	68.0	100.0		71.3	100.0

Appendix 4C Cashflows

There were no material changes to the debtor or creditor payment terms during the quarter. The table below lists the material items that impacted the reported cash flows from operating activities for Q1 FY24 and the previous corresponding period, Q1 FY23.

Cash flows from operating activities	Q1 FY24 \$m	Q1 FY23 \$m
Net cash from / (used in) operating activities – Reported basis	(3.6)	(4.7)
Adjust for non-recurring costs	0.1	-
Net cash from / (used in) operating activities – Underlying basis	(3.5)	(4.7)
Impact of additional fortnight of wages in Q1 FY 24 and Q1 FY23	6.5	6.1
Timing differences associated with year-end customer payments	1.5	1.6
Analytical net cash from operating activities	4.5	3.0

Appendix 4C: Item 6 - Payments to related parties

Payments to related parties, and their associates for the quarter ended 30 September 2023 totalled \$352,008, comprising:

- Wages and other benefits of \$106,350 paid to Mr Royce Galea, a substantial shareholder of the Company, in his capacity as CEO and Managing Director;
- Wages and other benefits of \$81,350 paid to Mr Stephen Lidbury, a substantial shareholder of the Company, in his capacity of General Manager of Security;
- Consulting fees of \$82,500 were paid to Wayne and Eileen Crewes Pty Ltd, a substantial shareholder of the Company; and
- Wages and other benefits of \$81,808 were paid to a close family member of the controller of Wayne and Eileen Crewes Pty Ltd, in the associate's capacity as an employee of the Group.

Appendix 4C: Item 7.6 – Details of Financing Facilities

The following table details the Group's contractual maturities for its financing facilities. The table is based on the earliest date when the principal amounts are required to be paid.

	Facility renewal or expiry date	Weighted average interest rate including fees	Total facility amount	Facility used as at 30 September 2023	Repayments due within 1 year	Repayments due between 1 and 5 years
Secured Facilities		%	\$'000	\$'000	\$'000	\$'000
ANZ Bank - Credit standby arrangements	30/11/2023	5.75%	1,069	1,069	1,069	-
NAB - Credit standby arrangements	30/11/2024 (a)	3.20%	1,900	621	-	621
NAB – Asset finance facility (hire purchase)	30/11/2024 (a)	6.74%	1,500	1,230	311	919
Non-Bank Asset finance facilities (hire purchase)	13/01/2028	9.84%	3,027	1,906	377	1,529
Trade Debtors Finance Facility	27/06/2024 (a)	10.85%	4,500	2,447	2,447	-

Trade Debtors Finance Facility	10/02/2024 (a)	12.15%	12,000	5,457	5,457	-
Total Facilities as at 30 September 2023			23,996	12,730	9,661	3,069

(a) Facilities renewal date.

Authorised for release by the Board of Millennium Services Group Limited.

For further information please contact

Mr Royce Galea
Chief Executive Officer
Tel: 03 8540 7900

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Millennium Services Group Limited

ABN

11 607 926 787

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 mths) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	72,818	72,818
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs (including direct labour costs: cleaning and security staff)	(60,814)	(60,814)
(c) advertising and marketing	(70)	(70)
(d) leased assets (<i>AASB 16 applies</i>)	-	-
(e) staff costs (corporate overheads and indirect labour costs)	(4,752)	(4,752)
(f) administration and corporate costs	(3,086)	(3,086)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(506)	(506)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	3	3
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,600)	(3,600)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(629)	(629)
(d) investments – Term Deposits	(1,900)	(1,900)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 mths) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	25	25
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,504)	(2,504)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(628)	(628)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9(a)	Other: Proceeds from / (repayments of) Trade debtors finance facility	5,450	5,450
3.9(b)	Other (AASB 16, lease liabilities)	(229)	(229)
3.10	Net cash from / (used in) financing activities	4,593	4,593

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,272	3,272
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,600)	(3,600)

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 mths) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,504)	(2,504)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,593	4,593
4.5	Effect of movement in exchange rates on cash held	4	4
4.6	Cash and cash equivalents at end of period	1,765	1,765

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,765	3,272
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,765	3,272

6.	Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	352,008*
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>*Refer to Quarterly Activity Report, total \$352,008.</p> <p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	NAB - Asset finance (hire purchase) facilities	1,500	1,230
7.2	(a) Credit standby arrangements – NAB	1,900	621
	(b) Credit standby arrangements – ANZ Bank	1,069	1,069
7.3	(a) Trade debtors finance facilities	16,500	7,904
	(b) Non-bank - Asset finance (hire purchase) facilities	3,027	1,906
7.4	Total financing facilities	23,996	12,730
7.5	Unused financing facilities available at quarter end		11,266
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Details are included in the Quarterly Activity Report.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,600)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,765
8.3	Unused finance facilities available at quarter end (item 7.5)	11,266
8.4	Total available funding (item 8.2 + item 8.3)	13,031
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.6
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20/10/2023



Authorised by:
Mr Royce Galea, on behalf of the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.