

1. Company details

Name of entity:	Millennium Services Group Limited
ABN:	11 607 926 787
Reporting period:	For the six months ended 31 December 2023
Previous period:	For the six months ended 31 December 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities for the period	Increased	15.1% to	149,242
Profit from ordinary activities after tax, for the period, attributable to the owners of Millennium Services Group Limited	Increased	267% to	1,102
Profit for the period attributable to the owners of Millennium Services Group Limited	Increased	267% to	1,102

Dividends

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

No interim dividend has been declared for the current period.

Comments

The consolidated entity recorded profit after income tax of \$1,102,000 for the half year to December 2023; (31 December 2022: loss of \$660,000). For a brief explanation of the results for the period, please refer to the Directors' report and the notes to the attached half year Consolidated Financial Statements.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(15.85)</u>	<u>(21.87)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for 2023 financial year	-	-
No interim dividend has been declared for the current period	-	-

Previous period

Final dividend for 2022 financial year	-	-
Interim dividend for 2023 financial year	-	-

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Refer to Note 10 to the Financial Statements – Equity-accounted investee.

9. Foreign entities

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

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

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Consolidated Financial Statements of Millennium Services Group Limited for the half year ended 31 December 2023 are attached.

12. Signed



Signed _____

Darren Perry
Chairman

Date: 22 February 2024

Millennium Services Group Limited

ABN 11 607 926 787

Half Year Financial Report

31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Millennium Services Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 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
 Royce Galea – Chief Executive Officer and Managing Director
 Rohan Garnett – Independent, Non-Executive Director

Principal activities

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

Dividends

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

Consolidated	
December 2023	December 2022
\$'000	\$'000

No dividend declared or payable in respect of the reporting years ended 30 June 2022 and 30 June 2023.

-	-
-	-

No interim dividend has been declared for the current period.

Review of operations

On 22 December 2023, the Company announced it had entered into a binding scheme implementation agreement with MS Journey Pty Ltd, a subsidiary of SoftBank Robotics Singapore Pte Ltd to acquire 100% of the issued capital of Millennium Services Group Limited by way of a scheme of arrangement (Scheme). The announcement also included an indicative timetable relating to the issuing of the Scheme Booklet, Scheme record and implementation dates.

Revenue for the six months ending 31 December 2023 increased by 15.1% to \$149.2 million (December 2022: \$129.6m). The increase in revenue was substantially due to:

- the Group winning \$17.5m (or 14.8%) of new long-term contracts and successfully renewing existing contracts at market competitive margins; and
- an increase of \$2.1m (or 18.9%) in higher margin adhoc and project revenue compared to the previous corresponding period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by \$2.7m or 122.7% to \$4.9m compared to an EBITDA of \$2.2m in the previous corresponding period. The \$2.7m EBITDA increase was due to gross profit increase of \$3.2m that offset a \$0.5m increase in overheads stemming from non-recurring costs including due diligence costs. Factors leading to the gross profit increase in the current period comprise:

- wins of new long-term contracts and successful renewals of existing contracts at market competitive margins;
- successful customer industry diversification; and
- the Group winning higher margin new security project work.

The Group's profit after income tax expense for the current period amounted to \$1.1m; which represents a \$1.8m (or 257.1%) improvement compared to the previous corresponding period's loss of \$0.7m. Performance in the prior corresponding period was impacted by the much higher than expected Fair Work National Wage increase in June 2022, macro-economic challenges such as high inflation, pressure on supply chains, low unemployment contributing to additional temporary labour costs around overtime and sick leave.

The Cleaning segment revenue increased by 11.2% over the previous corresponding period to \$119.8m from \$107.7m; with gross profit margin increasing from \$15.4m to \$17.3m. The gross profit margin percentage improved from 14.3% to 14.5%, due to contract wins at competitive margins and the successful implementation of labour cost management initiatives.

The Security segment revenue increased by 34.2% over the previous corresponding period to \$29.4m from \$21.9m, with gross profit margin increasing from \$2.7m to \$3.9m; the gross profit margin percentage improved from 12.2% to 13.3%. Wins in higher margin security projects assisted in the segment's growth in revenue and gross profit margin percentage.

The Group will continue its priority of winning new long-term contracts and renewing its existing major long-term contracts at market competitive margins, coupled with its focus on labour productivity, innovation and technology. The Board and Executives will also continue with the Group's diversification into new sectors.

There was material investment in working capital during the first half of the current financial year to expand the Company's customer base. As noted previously, total revenue for the first half of the current financial year increased by 15.1% compared to the previous corresponding period. Trade receivables increased by \$14.5m from \$15.1m as at 30 June 2023 to \$29.6m as at 31 December 2023; however, there was no deterioration in collection timelines. Trade receivables that were more than 90 days overdue reduced from \$0.5m as at 30 June 2023 to \$0.4m as at 31 December 2023, see note 7. There was no deterioration in payment timelines to suppliers during current half year. Trade and other payables as at 31 December 2023 included \$6.2m of wages paid on the 2 January 2024 and 3 January 2024 for the wage fortnight ending 31 December 2023.

The Company had access to \$11.7m of unused financing facilities as at 31 December 2023 (note: 11) to support its growth and diversification strategy.

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 31 December 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.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



Darren Perry
Chairman

22 February 2024

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2023, there have been:

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



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

22 February 2024

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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 22 February 2024. The directors have the power to amend and reissue the financial statements.

		Consolidated	
	Note	December 2023 \$'000	December 2022 \$'000
Revenue		149,242	129,619
Other income	4	107	49
Share of profit of equity-accounted investee, net of tax	10	121	75
Expenses			
Raw materials and consumables used		(19,468)	(19,509)
Employee benefits expense		(118,259)	(101,769)
Depreciation	4	(2,239)	(2,182)
Other expenses		(6,689)	(6,194)
Finance costs	4	(1,163)	(901)
Profit / (loss) before income tax expense for the half year		1,652	(812)
Income tax (expense)/benefit	5	(550)	152
Profit / (loss) after income tax expense for the half year attributable to the owners of Millennium Services Group Limited		1,102	(660)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		16	42
Other comprehensive income for the half year, net of tax		16	42
Total comprehensive income / (loss) for the half year attributable to the owners of Millennium Services Group Limited		1,118	(618)
		Cents	Cents
Basic earnings / (loss) per share		2.34	(1.42)
Diluted earnings / (loss) per share		2.31	(1.42)

		Consolidated	
	Note	31 December 2023 \$'000	30 June 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	2,132	3,272
Trade and other receivables	7	31,987	16,001
Inventories		1,896	1,619
Other		2,865	2,186
Total current assets		<u>38,880</u>	<u>23,078</u>
Non-current assets			
Property, plant and equipment		8,102	7,664
Intangibles	8	7,470	7,470
Deferred tax	9	8,942	8,018
Equity-accounted investee	10	1,660	1,539
Right-of-use assets	13	2,538	2,716
Other		112	112
Total non-current assets		<u>28,824</u>	<u>27,519</u>
Total assets		<u>67,704</u>	<u>50,597</u>
Liabilities			
Current liabilities			
Trade and other payables		28,275	17,939
Borrowings	11	7,314	4,392
Current tax liabilities		1,422	268
Provisions	12	21,125	19,843
Lease liabilities	13	959	923
Total current liabilities		<u>59,095</u>	<u>43,365</u>
Non-current liabilities			
Deferred tax		6	169
Borrowings	11	2,869	2,192
Provisions	12	1,350	1,480
Lease liabilities	13	1,850	2,032
Total non-current liabilities		<u>6,075</u>	<u>5,873</u>
Total liabilities		<u>65,170</u>	<u>49,238</u>
Net assets		<u>2,534</u>	<u>1,359</u>
Equity			
Issued capital	14	19,167	19,167
Reserves		(7,569)	(7,642)
Accumulated losses		(9,064)	(10,166)
Total equity		<u>2,534</u>	<u>1,359</u>

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

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity / (deficiency) \$'000
Consolidated				
Balance at 1 July 2022	19,067	(7,884)	(10,768)	415
Profit/(loss) after income tax expense for the period	-	-	(660)	(660)
Other comprehensive income / (loss) for the period, net of tax	-	42	-	42
Total comprehensive income/(loss) for the period	-	42	(660)	(618)
Share based payments	-	231	-	231
Transactions with owners in their capacity as owners:				
Exercise of options, proceeds received	100	-	-	100
Dividends paid	-	-	-	-
Balance at 31 December 2022	19,167	(7,611)	(11,428)	128

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2023	19,167	(7,642)	(10,166)	1,359
Profit after income tax expense for the period	-	-	1,102	1,102
Other comprehensive income for the period, net of tax	-	16	-	16
Total comprehensive income for the period	-	16	1,102	1,118
Share based payments	-	57	-	57
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance at 31 December 2023	19,167	(7,569)	(9,064)	2,534

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

	Note	Consolidated	
		December 2023 \$'000	December 2022 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		148,797	141,516
Receipt of government grants	4	3	22
Payments to suppliers and employees (inclusive of GST)		<u>(148,121)</u>	<u>(135,321)</u>
		679	6,217
Interest received		25	14
Interest and other finance costs paid		(1,119)	(901)
Income taxes paid		<u>(483)</u>	<u>(2,369)</u>
Net cash (used in) / generated from operating activities		<u>(898)</u>	<u>2,961</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,003)	(1,225)
Investments in term deposits		(950)	-
Proceeds from disposal of property, plant and equipment		<u>78</u>	<u>34</u>
Net cash used in investing activities		<u>(1,875)</u>	<u>(1,191)</u>
Cash flows from financing activities			
Proceeds from trade finance facilities	11	3,333	5,443
Repayments of equipment finance	11	(306)	(319)
Repayment of borrowings	11	(942)	(2,566)
Repayments of principal on lease liabilities	13	(457)	(483)
Proceeds from exercise of options		-	100
Net cash from financing activities		<u>1,628</u>	<u>2,175</u>
Net increase / (decrease) in cash and cash equivalents		(1,145)	3,945
Cash and cash equivalents at the beginning of the financial period		3,272	(324)
Effects of exchange rate changes on cash and cash equivalents		5	12
Cash and cash equivalents at the end of the financial period		<u>2,132</u>	<u>3,633</u>

		Consolidated		
		December 2023 \$'000	June 2023 \$'000	December 2022 \$'000
Cash on hand and overdraft utilisation				
Cash and cash equivalents at the end of the financial period	6	<u>2,132</u>	<u>3,272</u>	<u>3,633</u>

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

Note 1. Significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities (referred to as "the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the following half year.

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2023 annual financial report for the financial year ended 30 June 2023.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 \$20,215,000 as at 31 December 2023 (30 June 2023: \$20,287,000).

The excess of current liabilities over current assets is primarily due to annual leave entitlements of \$16,004,000 for the Group's 4,300 staff (excluding casual 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 tax expense of \$1,102,000 for the period ended 31 December 2023;
- The Group's access to \$11,700,000 of unused financing facilities as at 31 December 2023 (see note 11);
- 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.

Note 2. Critical accounting judgements, estimates and assumptions

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on the higher of their fair value less costs of disposal and their value-in-use. These calculations require the use of assumptions, including their fair values, estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Operating segments

Identification of reportable operating segments

The Group has identified its operating segments to be the two major areas of services provided to customers; Cleaning and Security.

Cleaning segment: represents the provision of comprehensive cleaning services to large retail shopping centres, commercial properties, government buildings and education facilities. Included within the segment are ancillary services such as maintenance and gardening.

Security segment: the Group's security services are primarily provided to clients in the large retail shopping 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

Consolidated – 31 December 2023	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Revenue				
Sales to external customers	119,824	29,418	-	149,242
Other income	-	-	49	49
Total revenue and other income	<u>119,824</u>	<u>29,418</u>	<u>49</u>	<u>149,291</u>
Gross profit margin	17,333	3,926	-	21,259
Other income				49
Overheads			(16,433)	<u>(16,433)</u>
EBITDA				4,875
Depreciation				(2,239)
Interest revenue				58
Finance costs				(1,163)
Share of profit of equity-accounted investee, net of tax				<u>121</u>
Profit before income tax expense				1,652
Income tax expense				<u>(550)</u>
Profit after income tax expense				<u>1,102</u>
Segment assets	46,660	9,717	11,327	67,704
Segment liabilities	37,427	8,920	18,823	65,170
Net Assets / (Liabilities)	<u>9,233</u>	<u>797</u>	<u>(7,496)</u>	<u>2,534</u>

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

Consolidated – 31 December 2022	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Revenue				
Sales to external customers	107,708	21,911	-	129,619
Other income	-	-	49	49
Total revenue and other income	<u>107,708</u>	<u>21,911</u>	<u>49</u>	<u>129,668</u>
Gross profit margin	15,420	2,668	-	18,088
Other income				35
Overheads			(15,941)	<u>(15,941)</u>
EBITDA				2,182
Depreciation				(2,182)
Interest revenue				14
Finance costs				(901)
Share of profit of equity-accounted investee, net of tax				<u>75</u>
Loss before income tax expense				(812)
Income tax benefit				<u>152</u>
Loss after income tax expense				<u>(660)</u>
Segment assets	36,399	5,985	10,392	52,776
Segment liabilities	31,472	5,937	15,239	52,648
Net Assets / (Liabilities)	<u>4,927</u>	<u>48</u>	<u>(4,847)</u>	<u>128</u>

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

Note 4. Other Income and Expenses

	Consolidated	
	December 2023 \$'000	December 2022 \$'000
Profit before income tax includes the following specific other income and expenses:		
Other Income		
Government grants income	3	22
Net gain on disposal of property, plant and equipment	46	13
Interest income	58	14
	<u>107</u>	<u>49</u>
Finance costs		
Interest expense – borrowings	1,012	763
Interest expense – lease liabilities	151	138
Total finance costs	<u>1,163</u>	<u>901</u>
Depreciation		
Depreciation – property, plant and equipment	1,750	1,661
Depreciation – right-of-use assets	489	521
Total depreciation	<u>2,239</u>	<u>2,182</u>

Note 5. Income tax expense

	Consolidated	
	December 2023 \$'000	December 2022 \$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit / (loss) before income tax expense	<u>1,652</u>	<u>(812)</u>
Income tax expense / (benefit) at the statutory tax rate of 30%	496	(244)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	73	45
Share of profit of equity-accounted investee, net of tax	(36)	(22)
Share based payments expense	17	69
Income tax expense / (benefit)	<u>550</u>	<u>(152)</u>
The applicable weighted average effective tax rates are as follows:	33.3%	(18.7%)

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	December 2023 \$'000	June 2023 \$'000
Cash at bank	<u>2,132</u>	<u>3,272</u>

Note 7. Current assets – Trade and other receivables.

	Consolidated	
	December 2023 \$'000	June 2023 \$'000
Trade receivables	29,582	15,099
Less: loss allowance	(343)	(247)
	<hr/>	<hr/>
	29,239	14,852
Other receivables	2,748	1,149
	<hr/>	<hr/>
	31,987	16,001

The loss allowances as at 31 December 2023 and 30 June 2023 were determined as follows for trade receivables:

31 December 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	26,625	2,244	326	96	291	29,582
Loss allowance	<hr/> 120	<hr/> 22	<hr/> 11	<hr/> 31	<hr/> 159	<hr/> 343
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	<hr/> 69	<hr/> 7	<hr/> 6	<hr/> 135	<hr/> 30	<hr/> 247

Note 8. Non-current assets – intangibles

	Consolidated December 2023 \$'000	June 2023 \$'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 financial period are set out below:

Consolidated	Goodwill \$'000
Balance as at 1 July 2023	7,470
Impairment	-
Balance as at 31 December 2023	7,470

Impairment testing of Goodwill

Goodwill is not amortised and is tested at least annually for impairment. Impairment testing was conducted as at 30 June 2023 and there have been no impairment indicators in the current reporting period. The cash flow forecasts used for impairment testing at 30 June 2023, were based on the EBITDA budget for the 2024 financial year that had been reviewed by management and the Board. Goodwill has been allocated to the consolidated entity's cash generating units ("CGUs") according to the Cleaning and Security business segments. A summary of goodwill allocated to CGUs at the end of the of the current and previous financial period is presented below:

	Consolidated December 2023 \$'000	June 2023 \$'000
Goodwill allocation to CGUs		
Cleaning CGU	7,470	7,470
Security CGU	-	-
	7,470	7,470

Note 9. Non-current assets - deferred tax

	Consolidated December 2023 \$'000	June 2023 \$'000
Deferred tax asset comprises:		
Temporary differences – attributable to employee benefits	7,864	6,334
Temporary differences – attributable to other items	1,078	1,000
Unused tax losses	-	684
Deferred tax asset	8,942	8,018

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 10. 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 31 December 2023 (30 June 2023: none).

The table below summarises information about the Group's associate as at 31 December 2023.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount* \$'000	
		December 2023	June 2023			December 2023	June 2023
2 PM Records Pty Ltd	Australia	49%	49%	Associate	Equity method	1,660	1,539

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

Reconciliation of carrying amount of investee:	\$'000
Balance as at 1 July 2023	1,539
49% share of profit after tax for the half year period to 31 December 2023	121
Balance as at 31 December 2023	1,660

Note 11. Borrowings

Current liabilities - borrowings

	Consolidated	
	December 2023 \$'000	June 2023 \$'000
Hire purchase	820	593
Trade debtor finance facilities	5,787	2,454
Other borrowings	707	1,345
	<u>7,314</u>	<u>4,392</u>

Non-current liabilities - borrowings

	Consolidated	
	December 2023 \$'000	June 2023 \$'000
Hire purchase	<u>2,869</u>	<u>2,192</u>
	<u>2,869</u>	<u>2,192</u>

Note 11. Borrowings (continued)

The borrowings are secured liabilities. The loan facility drawdowns and repayments that occurred during the current period are summarised below.

Consolidated	Hire purchase \$'000	Trade Debtor Finance \$'000	Other borrowings \$'000	Total \$'000
Balance at 1 July 2023	2,785	2,454	1,345	6,584
Drawdown - working capital	-	3,333	304	3,637
Equipment financing	1,210	-	-	1,210
Repayments of borrowings	(306)	-	(942)	(1,248)
Balance at 31 December 2023	<u>3,689</u>	<u>5,787</u>	<u>707</u>	<u>10,183</u>
Current liabilities	820	5,787	707	7,314
Non-current liabilities	<u>2,869</u>	<u>-</u>	<u>-</u>	<u>2,869</u>
	<u>3,689</u>	<u>5,787</u>	<u>707</u>	<u>10,183</u>

Financing arrangements

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

	Consolidated December 2023 \$'000	June 2023 \$'000
Total facilities		
Trade debtor finance facilities	16,500	16,500
Non-Bank - asset finance facility (hire purchase)	3,025	3,029
NAB asset finance facility (hire purchase)	1,500	1,500
Bank guarantee facility	650	1,605
Commercial card facility	<u>300</u>	<u>250</u>
	<u>21,975</u>	<u>22,884</u>
Used at the reporting date		
Trade debtor finance facilities	5,787	2,454
Non-Bank - asset finance facility (hire purchase)	2,530	1,505
NAB asset finance facility (hire purchase)	1,159	1,280
Bank guarantee facility	621	1,382
Commercial card facility	<u>178</u>	<u>250</u>
	<u>10,275</u>	<u>6,871</u>
Unused at the reporting date		
Trade debtor finance facilities	10,713	14,046
Non-Bank - asset finance facility (hire purchase)	495	1,524
NAB asset finance facility (hire purchase)	341	220
Bank guarantee facility	29	223
Commercial card facility	<u>122</u>	<u>-</u>
	<u>11,700</u>	<u>16,013</u>

Note 12. Provisions

	Consolidated December 2023 \$'000	June 2023 \$'000
Annual leave and long service leave	21,075	19,978
Other provisions	306	306
Provision for public liability claims	1,094	1,039
	<u>22,475</u>	<u>21,323</u>
Current liabilities	21,125	19,843
Non-current liabilities	1,350	1,480
	<u>22,475</u>	<u>21,323</u>

Consolidated	Annual leave and long service leave \$'000	Public liability claims \$'000	Other \$'000	Total \$'000
Balance at 1 July 2023	19,978	1,039	306	21,323
Arising during the period	9,616	718	-	10,334
Utilised / paid during the period	(8,519)	(663)	-	(9,182)
Balance at 31 December 2023	<u>21,075</u>	<u>1,094</u>	<u>306</u>	<u>22,475</u>
Current	20,020	1,094	11	21,125
Non-current	1,055	-	295	1,350

Provision for public liability claims

Companies within the Group had at the end of the reporting period a number of public liability claims made against it in relation to incidents occurring at facilities cleaned by the Company. These claims are part of normal business activity for companies of this nature. The Group recognises a provision for public liability claims based on the best estimate of the expenditure required to settle the claims at the end of the reporting period. The estimates of the amounts required to settle claims are determined by the judgement of management of the Group, supplemented by experience of similar transactions. The evidence considered includes any additional evidence provided by events after the reporting period. As a practical measure, the Group utilises percentage of cleaning revenue method to account for public liability expense for a reporting period.

Note 13. Right of use (ROU) assets and Lease liabilities – AASB 16 Leases

(a) ROU assets

The movements in the recognised ROU assets from 1 July 2023 to the half year 31 December 2023 are as follows:

Consolidated	Plant and Equipment \$'000	Land and Buildings \$'000	Total \$'000
Right-of-use assets at 1 July 2023	995	1,721	2,716
Additions, new leases	63	-	63
Additions, exercise of lease extension options	-	248	248
Depreciation	(179)	(310)	(489)
Right-of-use assets at 31 December 2023	<u>879</u>	<u>1,659</u>	<u>2,538</u>

Note 13. Right of use (ROU) assets and Lease liabilities – AASB 16 Leases (continued)

(b) Lease liabilities

The movement in lease liabilities from 1 July 2023 to the half year 31 December 2023 is presented below.

Consolidated	\$'000
Lease liabilities at 1 July 2023	2,955
Additions, new leases	63
Additions, exercise of lease extension options	248
Interest expense (at incremental borrowing costs of 10.1%)	151
Payments on lease liabilities	(608)
Lease liabilities at 31 December 2023	2,809
Lease liabilities - current	959
Lease liabilities – non-current	1,850

NOTE 14. Equity

Issued capital

	December 2023 Shares	Consolidated June 2023 Shares	December 2023 \$'000	June 2023 \$'000
Ordinary shares - fully paid	47,163,259	47,163,259	19,167	19,167

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	30 June 2023	47,163,259		19,167
Balance	31 December 2023	47,163,259		19,167

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.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 the opinion of the Directors of Millennium Services Group Limited:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial period ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Darren Perry
Chairman

22 February 2024

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Millennium Services Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of material accounting policy information and other explanatory information and the directors' declaration.

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

- a. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

We are independent of the Group 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

22 February 2024