



millennium

MILLENNIUM

SERVICES GROUP LIMITED

ABN 86 607 926 787



## REPLACEMENT PROSPECTUS

This is a replacement prospectus. It replaces in its entirety the prospectus dated and lodged with ASIC on 26 October 2015

INITIAL PUBLIC OFFERING

LEAD MANAGER AND UNDERWRITER

**ORD MINNETT**

# IMPORTANT NOTICE

## Replacement Prospectus

This Replacement Prospectus is dated 5 November 2015 and was lodged with ASIC on that date (Prospectus Date). This Replacement Prospectus replaces a prospectus dated and lodged with the Australian Securities and Investments Commission (ASIC) on 26 October 2015.

For the purposes of this document, this Replacement Prospectus will be referred to as either "this Replacement Prospectus" or "this Prospectus".

This Replacement Prospectus has been issued to provide additional disclosure in relation to the historical financial statements of the Subsidiaries (see the introductory paragraphs to Section 4), the notes to the pro-forma historical statement of financial position (see the notes to Table 4.4), additional information with regard to the financial impact and risk of the proposed acquisition of the ACS Business (see Section 5.3.13 and Section 9.6.4), and other minor corrections of the original prospectus document lodged with ASIC. The Offer contained in this Prospectus is an Invitation to apply for fully paid ordinary shares in Millennium Services Group Limited (ACN 607 926 787) (Millennium or the Company). This Prospectus is issued by the Company and Millennium SaleCo Limited (ACN 607 886 215) (SaleCo).

Applicants should read this Prospectus in its entirety before deciding to invest in the Company. In particular, Applicants should refer to Sections 4 and 5 for Financial Information relating to the Company and details of the risk factors that could affect the performance of the Company. The Offer does not take into account the investment objectives, personal circumstances (including financial and taxation issues) and particular needs of Applicants. Applicants should consider the prospects of the Company in light of their individual objectives, circumstances and needs. Applicants should seek professional advice from a stockbroker, solicitor, accountant or other independent financial advisor before deciding to invest in the Company. Neither the Company nor any other person guarantees the success of the Company, the repayment of capital, the payment of dividends or the price at which the Shares will trade on ASX Limited (ASX).

Neither ASIC nor the ASX take any responsibility for the contents of this Prospectus or the merits of the Offer contained in it.

No securities will be allotted or issued based on this Prospectus later than 13 months after the Prospectus Date. The Company will apply to the ASX, within seven (7) days after the date of lodgement of the original prospectus dated 26 October 2015, for admission to the

Official List and for official quotation by the ASX of the Shares offered by this Prospectus.

No person is authorised to give any information, or to make any representation, in connection with the Offer, other than that which is contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or SaleCo's Directors, or any other person in connection with the Offer. The Company is not liable for this Prospectus, or in respect of the Offer, except to the extent required by law. All financial amounts shown in this Prospectus are expressed in Australian dollars, unless otherwise stated.

## Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven (7) day period after the date of lodgement of the original prospectus, dated 26 October 2015. This period is known as the Exposure Period. This Exposure Period may be extended by ASIC by up to seven (7) further days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## Obtaining a copy of the Prospectus

A paper copy of this Prospectus is available free of charge to any person by telephoning Millennium on +61 3 9296 2095.

This Prospectus is also available in electronic form at [www.millenniumsg.com/](http://www.millenniumsg.com/) offer only to persons within Australia. Persons who access this Prospectus electronically should ensure they download the entire Prospectus, accompanied by the relevant Application Form. Any person accessing this Prospectus electronically will be sent a paper copy of the Prospectus and Application Form by the Broker free of charge, on request, during the period of the Offer.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete and unaltered paper copy or electronic version of this Prospectus. The Company and SaleCo reserve the right not to accept a completed Application Form if it has reason to believe that, when the Applicant accessed the Application Form electronically, the Applicant did not also obtain a complete electronic version of this Prospectus and any relevant supplementary

or replacement Prospectus, or has reason to believe that the Application Form, or any of those documents, has been altered or tampered with in any way.

## Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions, are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, or that the assets shown in them are owned by Millennium. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale.

## Offer for Australian Residents

This Offer is available to Australian residents located in Australia. The distribution of this Prospectus (including in electronic form) in jurisdictions outside of Australia may be restricted by law. Persons who obtain this Prospectus in jurisdictions outside of Australia should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or an invitation in any place outside of Australia where, or to any person whom, it would be unlawful to make such an offer or invitation.

## Applications for Shares

An Application for Shares in the Company may only be made on a paper copy of the Application Form attached to, or accompanying, this Prospectus. There is no facility for Applications to be accepted electronically. Please refer to Section 7 for instructions as to how to make an Application for Shares.

## Defined terms and abbreviations

Please refer to the Glossary on page 134 for explanations of defined terms and abbreviations used in this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. There may be discrepancies between totals and sums of components in tables contained in this Prospectus due to rounding.

## Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act and any other applicable securities laws is available.

Accordingly, the Shares are being offered and sold only outside the United States in reliance on the exemption from registration provided by Regulation S.

See Section 7.7 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

## Forward-looking statements

Certain statements, beliefs and opinions contained in this document, particularly those regarding the possible or assumed future financial or other performance of the Issuers, industry growth or other trend projections are or may be forward-looking statements. Forward-looking statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, assumptions which may or may not prove correct, and may be beyond the Issuers' ability to control or predict which may cause the actual results or performance of the Issuers to be materially different from the results or performance expressed or implied by such forward-looking statements. Forward-looking statements are based on assumptions and contingencies and are not guarantees or predictions of future performance. No

representation is made that any of these statements or forecasts will occur or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward-looking statements may be based are reasonable. You should make your own independent assessment of the information and seek your own independent professional advice in relation to the information and any action taken based on of the information. None of the Issuers, the Lead Manager or any other adviser to the Offer make any representation or warranty as to the accuracy of any forward-looking statements contained in this document. Forward-looking statements speak only as at the date of this document and the Issuers, Lead Manager and advisers to the Offer disclaim any obligations or undertakings to release any update of, or revisions to, any forward-looking statements in this document. All dollar values contained in this document are in Australian dollars (A\$) unless otherwise stated.

## Market and industry information

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Millennium's business and markets, as cited in relevant sections within this document. The information contained in these cited reports have been accurately reproduced, and, as far as Millennium is aware, no facts have been omitted which would render the information provided inaccurate or misleading. Millennium has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the cited reports. Accordingly, the accuracy and completeness is not guaranteed.

Investors should note that market data and statistics are inherently predictive, subject to uncertainty, and are not necessarily reflective of actual market conditions.

## Privacy

Persons who make Applications for Shares will provide personal information to the Company, SaleCo, and the Share Registry, which is contracted by the Company to manage Applications. Taxation and company law requires some personal information to be collected in connection with Applications for Shares. If an Applicant does not provide the information requested, the Applicant's Application for Shares may not be able to be processed efficiently, if at all.

The Company, SaleCo and the Share Registry collect, store and use the personal information provided by each Applicant in

order to: assess the Applicant's Application for Shares; service the needs of the Applicant as an investor in the Company; provide facilities and services requested by the Applicant as an investor in the Company; and carry out relevant administration.

The Company, SaleCo and the Share Registry may disclose an Applicant's personal information to their agents and service providers, for purposes related to the Applicant's investment in the Company. The Company, SaleCo and the Share Registry may also disclose an Applicant's personal information as otherwise authorised under applicable privacy legislation. An Applicant has a right to gain access to his or her personal information that Millennium, SaleCo and the Share Registry may hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to Millennium's registered office or the Share Registry's office, details of which are included in the Corporate Directory on the final page of this Prospectus. Applicants can obtain a copy of Millennium's privacy policy by visiting the Company's website ([www.millenniumsg.com/offer](http://www.millenniumsg.com/offer)). By submitting an Application, you agree that Millennium, SaleCo and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

## Underwriting

The Offer is being arranged, managed and underwritten by Ord Minnett.

## Report on Financial Information and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a Financial Services Guide in relation to the review under the Corporations Act. The Financial Services Guide is provided in Section 8.

## Questions

If you have any questions about how to apply for Shares, please call your Broker. If you have any questions about whether to invest in Millennium, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Millennium. For any other questions about the Offer, please contact the Share Registry on 1300 408 306 (within Australia) +61 3 9415 4395 (outside of Australia) between 9.00 am and 5.00 pm (AEDST), Monday to Friday.





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# KEY OFFER STATISTICS

Offer Price	A\$2.25 per Share
Total number of Shares to be offered under the Offer	22.0 million
Gross proceeds of the Offer	A\$49.6 million
Proceeds of the Offer paid to Selling Shareholders	A\$32.1 million
Proceeds of the Offer applied for benefit of the Company	A\$17.5 million
Total number of Shares on issue on Completion of the Offer	45.9 million
Total number of Shares held by Vendor Shareholders on Completion of the Offer <sup>1</sup>	23.0 million
Market capitalisation at the Offer Price <sup>2</sup>	A\$103.3 million
Pro forma net cash (as at 30 June 2015) <sup>3</sup>	A\$11.5 million
Enterprise value at the Offer Price <sup>4</sup>	A\$91.8 million
Enterprise value/pro forma consolidated FY16 forecast EBITDA <sup>5 6</sup>	6.9x
Enterprise value/pro forma consolidated FY16 forecast EBIT <sup>7</sup>	8.0x
Offer Price/pro forma consolidated FY16 forecast NPAT per Share <sup>8</sup>	13.5x
Annualised forecast FY16 dividend yield at the Offer Price <sup>9</sup>	3.0 – 4.5%

1. Of this amount, Stephen Lidbury Pty Ltd (ACN 151 668 601), as trustee for the Stephen Lidbury Family Trust, will hold 6,892,837 shares; Royce Galea Pty Ltd (ACN 151 514 019), as trustee for the Galea Family Trust, will hold 6,892,837 shares; Tomi-Sasha Holdings Pty Ltd (ACN 076 376 308), as trustee for the National Property Trust, will hold 6,893,557 shares; D.J.G. Enterprises Pty Ltd (ACN 107 554 790), as trustee for the DJG Trust, will hold 1,148,664 shares; Trygela Pty Ltd (ACN 151 233 439), as trustee for the Trygela Family Trust, will hold 1,148,664 shares; respectively, on Completion of the Offer. All of the Shares to be held by the Vendor Shareholders will be subject to voluntary escrow arrangements, as described further in Section 9.8.
2. Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.
3. Pro forma net cash is calculated as cash and cash equivalents less current and non-current borrowings (as at 30 June 2015), calculated on a pro forma basis immediately after Completion of the Offer.
4. Enterprise value is calculated as the Company's indicative market capitalisation, based on the Offer Price, less pro forma net cash of \$11.5 million as at Completion of the Offer.
5. The enterprise value/EBITDA multiple is calculated as the enterprise value divided by pro forma forecast consolidated EBITDA for FY16. This multiple represents a valuation metric that may enable prospective investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures. The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 4.7 and Section 11, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved.
6. On Completion of the Offer, it is expected that a Millennium Subsidiary will be acquiring the ACS Business for a 'Completion Payment' of \$7 million in cash, less adjustments to reflect accrued employee entitlements present at the time of Completion. The ACS Business agreement provides that the sellers of the ACS Business may receive a Post Completion Payment derived from the performance of the ACS Business for the year immediately following Completion. The amount of the Post Completion Payment will be equal to a 4 times multiple of EBITDA, where EBITDA is normalised to reflect (among other items) depreciation applicable to property plant and equipment used by the businesses, interest applicable to loans or other external finance applicable to equipment used in the businesses, and transaction related costs, or other one-off adjustments for abnormal events determined by the parties acting in good faith, less the 'Completion Payment' already paid. This payment figure is not capped. The pro forma consolidated FY16 forecast EBITDA has been calculated on the assumption that the performance of the ACS Business following Completion will not require a further Post Completion Payment to be made.
7. EBIT forecast for FY16 of \$11.5million, representing EBITDA of \$13.3 million less \$1.8 million depreciation and amortisation forecast for FY16.
8. This ratio is commonly referred to as a forward price to earnings, or forward PE, ratio. A forward PE ratio is a company's share price divided by its forecast annual earnings per share.
9. Annualised forecast dividend yield is calculated as the implied dividend per Share based on the midpoint of the Company's target dividend payout ratio range of 40% to 60% of sustainable profits. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and financial condition of Millennium, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see Section 4.9.

# IMPORTANT DATES

Original Prospectus lodgement	Monday, 26 October 2015
Replacement Prospectus lodgement	Thursday, 5 November 2015
Retail Offer opens <sup>1</sup>	Friday, 6 November 2015
Retail Offer closes	Friday, 13 November 2015
Settlement date	Monday, 16 November 2015
Issue and transfer of Shares (Completion of the Offer)	Wednesday, 18 November 2015
Expected commencement of trading on the ASX (on a deferred settlement basis)	Wednesday, 18 November 2015
Expected completion of dispatch of holding statements	Thursday, 19 November 2015
Expected commencement of trading on the ASX (on a normal settlement basis)	Friday, 20 November 2015

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDST. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as early as possible after the Offer opens.

## HOW TO APPLY

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Sections 1.8, 7.3 and 7.4 of this Prospectus and on the back of the Application Form.

### Questions

Please call the Millennium Offer Information Line on 1300 408 306 (toll free within Australia) or +61 3 9415 4395 (outside of Australia) from 9.00 am until 5.00 pm (AEDST time) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether Millennium is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

1. The Retail Offer includes the Broker Firm Offer and the Priority Offer.

# CHAIRMAN'S LETTER



Dear Investor,

On behalf of the Board of Directors of Millennium Services Group Limited (**Millennium** or the **Company**), it is my pleasure to invite you to become a shareholder.

From its New South Wales origin in 2003, the Millennium business now operates across the eastern and southern seaboard of Australia and recently started providing services to clients in New Zealand. Millennium and its subsidiaries (the **Millennium Group**) provide integrated services including cleaning, security, concierge and maintenance.

The Millennium Group experienced significant growth over the last three years with pro forma forecast FY16 revenue of \$168.2 million and pro forma forecast FY16 EBITDA of \$13.3 million. Millennium is poised to grow across Australia and New Zealand both organically and through acquisition over the next 5 years.

The Millennium Group's contract book provides a high degree of revenue visibility with the majority of contracts containing an embedded price growth mechanism. It operates in a sector with consistent and growing demand that is largely impervious to the business cycle.

Millennium's management team brings a wealth of industry experience and a demonstrated history of success. Importantly Millennium's executives enjoy strong and enduring relationships with its blue-chip client base.

The purpose of the Offer is to provide Millennium with access to a strengthened balance sheet, to improve capital management flexibility and provide capacity to fund future growth initiatives including the acquisition of the ACS Business. Funds raised under the Offer will also be used for working capital purposes, payment to the Vendor Shareholders for the transfer of the SaleCo Shares and to partially pay the costs of the Offer. The Offer will broaden the Company's shareholder base and provide a liquid market for the Company's Shares.

On Completion of the Offer, successful Applicants will become Shareholders in the Company. Vendor Shareholders and Management Shareholders will hold greater than 50% of the Shares on issue. On Completion of the Offer, the Company will seek admission to the Official List of, and quotation of its Shares by, ASX.

This Prospectus contains detailed information about the Offer, the industry in which the Millennium Group operates, and its financial and operating performance. As with any company, there are a number of risks associated with an investment in the Company that investors should consider as part of their investment decision. Key risks associated with an investment in the Company are set out in Section 5 of this Prospectus and include general economic conditions, increased competition, contractual risk and loss of key personnel amongst others. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

The Directors are excited about Millennium's future and we look forward to welcoming you as a shareholder.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Peter Anderson', with a long, sweeping horizontal line extending to the right.

**Peter Anderson**  
Chairman



# INVESTMENT OVERVIEW | 1



# 1. INVESTMENT OVERVIEW

## 1.1 Introduction

Topic	Summary	For more information
What is Millennium's business?	Millennium is a cleaning and security service provider that has expanded its offering to integrate hygiene, maintenance, landscape maintenance and concierge services.	Section 3.1
What is the market currently served by Millennium and what are its key customer sectors?	Millennium provides its services to the retail shopping centre and commercial property sectors including Commonwealth and state government assets.	Section 3.4
What services does Millennium provide?	Millennium provides trained personnel in the delivery of manned cleaning, security and integrated services.	Section 3.4
Who are Millennium's customers?	Millennium's customers are national and international retail shopping centre and commercial office owners, property agents and Commonwealth and state governments.	Section 3.4
Why is the Offer being conducted?	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>• provide Millennium with access to a strengthened balance sheet;</li> <li>• to improve capital management flexibility;</li> <li>• provide capacity to fund future growth initiatives including the acquisition of the ACS Business, as well as broaden the Company's shareholder base and provide a liquid market for the Company's Shares; and</li> <li>• allow Vendor Shareholders to realise part of their investment in Millennium.</li> </ul>	Section 7.1.2

## 1.2 Key features of Millennium's business model

Topic	Summary	For more information
How does Millennium generate its revenue?	Millennium generates revenue through the provision of manned cleaning, security and integrated services to clients under contract.	Section 3.6
What is the nature of Millennium's customer relationships and contracts?	Millennium has a range of contracted client relationships. Contracts with larger clients are typically in the range of 2 to 5 year terms, many with additional option periods.	Section 3.7
Which geographical markets does Millennium operate in?	Millennium operates across the eastern and southern seaboard of Australia and in New Zealand.	Section 3.2

Topic	Summary	For more information																																																						
What is Millennium's history?	Millennium Hi-Tech Securities Pty Ltd was established as a security business in New South Wales in 2003, and has grown both organically and via acquisition to comprise the Millennium Group, expanding its service offering to include cleaning and integrated services, both in Australia and New Zealand.	Section 3.3																																																						
What is Millennium's management structure?	Millennium operates a flat management structure with centralised accounting and support systems, and a state and regional based operational service delivery model executed by the Subsidiaries.	Section 3.6																																																						
How does Millennium expect to fund its operations?	<p>Millennium's operations will continue to be principally funded by the generation of cash flows from its business.</p> <p>In addition to funds raised as part of the Offer, the Company is finalising a finance facility with a major Australian bank, which is expected to be in the range of \$20m to \$26m, giving the Company the flexibility to draw down on a mix of working capital and term debt, asset financing and ancillary facilities. The facility, security and covenants are expected to be in accordance with normal commercial terms or banking transactions of this nature.</p>	Section 4.4.1																																																						
What is Millennium's dividend policy?	The Directors intend to target a payout ratio of between 40% and 60% of sustainable profits. The level of payout ratio is expected to vary between periods depending on performance of the business and capital requirements, strategic growth or acquisition opportunities that may arise.	Section 4.9																																																						
What is the key Financial Information	<table><tr><th></th><th colspan="3">Pro forma historical</th><th>Pro forma forecast</th><th>Statutory forecast</th></tr><tr><th>AUD '000</th><th>FY13</th><th>FY14</th><th>FY15</th><th>FY16</th><th>FY16</th></tr><tr><td>Revenue</td><td>80,900</td><td>103,462</td><td>120,062</td><td>168,175</td><td>116,984</td></tr><tr><td>Gross Profit</td><td>11,260</td><td>14,944</td><td>18,179</td><td>28,652</td><td>20,160</td></tr><tr><td>EBITDA</td><td>2,920</td><td>4,990</td><td>7,228</td><td>13,324</td><td>6,091</td></tr><tr><td>EBIT</td><td>2,061</td><td>3,559</td><td>5,813</td><td>11,481</td><td>4,745</td></tr><tr><td>NPAT</td><td></td><td></td><td></td><td>7,666</td><td>2,616</td></tr><tr><td>EPS (cps)</td><td></td><td></td><td></td><td>16.7</td><td>5.7</td></tr><tr><td>DPS (cps)</td><td></td><td></td><td></td><td>8.3</td><td>2.8</td></tr></table>		Pro forma historical			Pro forma forecast	Statutory forecast	AUD '000	FY13	FY14	FY15	FY16	FY16	Revenue	80,900	103,462	120,062	168,175	116,984	Gross Profit	11,260	14,944	18,179	28,652	20,160	EBITDA	2,920	4,990	7,228	13,324	6,091	EBIT	2,061	3,559	5,813	11,481	4,745	NPAT				7,666	2,616	EPS (cps)				16.7	5.7	DPS (cps)				8.3	2.8	Section 4
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# 1. INVESTMENT OVERVIEW

## 1.3 Key business highlights

Topic	Summary	For more information
Established brand within current operating markets	Millennium has been operating and growing since 2003 and operates across the eastern and southern seabords of Australia and recently commenced providing services in New Zealand.	Section 3.7.1
Blue-chip client base with expanding national footprint	Exposure to a client base of multi-national corporates including some of the biggest real estate companies globally. Opportunities exist to further assist these clients on a national level. Clients only look to provide contracts to companies with demonstrable track records and proven ability to successfully execute required works.	Section 3.7.2
Multi-year contracts with clients and >95% contract retention rate	Millennium's contract book provides a high degree of revenue visibility with a >95% contract retention rate.  Contracts are sticky in nature and typically tendered on the basis of multi-site works.	Section 3.7.3
Strong and consistent industry revenue growth outlook	Millennium operates in a sector with consistent and growing demand that is largely impervious to the business cycle, with the commercial cleaning services market anticipated to be worth ~\$8.1 billion in Australia in 2016 and the security services market anticipated to be worth ~\$6.2 billion. SOURCE: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.	Section 3.7.4
Over 80% of FY16 revenue is contracted with a strong forward order book	The majority of Millennium's FY16 revenue is contracted from blue-chip clients with a forward order book of contracts that currently exceeds \$430 million.	Section 3.7.5
Organic and non-organic growth prospects	Millennium is well-positioned in a consolidating industry to acquire additional work through contract renewals, tender wins as well as identifying and executing on acquisitions of smaller businesses that complement the Company's business model.	Section 3.7.6
Business is of a scalable size in the facilities management market	Significant opportunities to capture additional work in the facilities management market, specifically from the education and commercial asset markets. In-depth industry knowledge assists management in identification of potential acquisition of selected bolt-on opportunities over the next few years.	Section 3.7.7
Individualised systems/innovation/investment in staff	In-house IT systems specifically tailored to clients' needs coupled with appropriate cloud-based technologies to support the business across finance, compliance, risk management, training and reporting.	Section 3.7.8
Experienced board and management team	Millennium has a highly qualified independent board and a strong senior management team with significant experience in the facilities management industry.	Section 3.7.9



## 1.4 Key risks

You should carefully consider the risks associated with an investment in Millennium before deciding to invest in the Company. An investment in Shares in Millennium involves a high degree of risk. If any of the following risks occur (or any of the other risks referred to in Section 5), the Company's business, financial condition, profits and prospects for growth may suffer. As a result, you could lose all or part of your investment.

For further information regarding these risks, refer to Section 5. Some of the key risks to Millennium's business and to your investment in Millennium include (but are not limited to) the following:

Topic	Summary	For more information
<b>A lack of growth or client demand within the industry in which Millennium operates</b>	The market segments that Millennium has identified as being integral to its success and growth, including but not limited to shopping centre, government, and facilities services sector, may experience either low or slower than expected growth, by way of general economic conditions, reduction in outsourcing of services by government or private entities, or reduced turnover or customer confidence measures relating to retail trade.	Section 5.2
<b>Lack of success in competitive tender processes</b>	If the Company does not submit a competitive proposal during client contract tender processes – for reasons such as lack of price competitiveness or an inability to effectively market or promote its service offerings – it may result in a failure to obtain a renewal or win new business, which would adversely impact the ability of the Company to build and grow its client and contract base.	Section 5.3
<b>Alteration to regulations for health or environmental standards</b>	Millennium's operations in Australia and New Zealand are subject to stringent laws and regulations promoting occupational health and safety, and environmental protection. Changes to those laws and regulations may result in more stringent or complicated regulatory standards, potentially increasing compliance costs, and adversely affecting Millennium's ability to comply, or which may expose Millennium to greater potential liabilities under those regulatory regimes. Further, any deterioration in Millennium's workplace safety or environmental protection performance standards may adversely affect Millennium's ability to win and retain contracts with current and potential clients.	Section 5.3
<b>The departure of key personnel</b>	Millennium, like any services organisation, is dependent on its staff and management to be successful. There is a risk that the Company may fail to retain or develop key executives or senior employees and this would have a negative effect upon the Company and its operations, as well as the Company's financial performance.	Section 5.3

# 1. INVESTMENT OVERVIEW

Topic	Summary	For more information
Increased competition within the industry in which Millennium operates	<p>The property and asset services market is strongly contested by a number of well-respected organisations. There is the risk that Millennium will be unable to compete effectively within this industry landscape.</p> <p>Millennium's performance may be affected by the level of competition in the regions and industries in which it operates, and in the supplier management philosophies of clients, who may elect to spread supplier risk across their property management asset portfolio by awarding service contracts to a variety of service providers, rather than one exclusive provider. This may result in general price reductions, reduced operating margins and a loss of market share.</p> <p>In addition, Millennium's prospects for growth may suffer if it does not retain current service contracts when the clients re-tender for service providers at contract expiry.</p>	Section 5.3
Clients exercising termination rights in relation to contracts entered into by the Company	Under many of Millennium's service agreements the contractual relationship may be terminated without cause either immediately or on relatively short notice periods, which if applied, would result in a loss of market share. Further, termination of a contract before the end of a term could adversely impact the Company's financial performance.	Section 5.3
Exposure to client indemnification risk	In the industry in which Millennium operates, it is customary for service providers to provide indemnities for the benefit of clients to insulate them from costs in relation to the performance of the services, most of which are broad and uncapped. Appropriate insurance products are typically not available to address these risks, creating potential exposure for the Company.	Section 5.3
An increase in employment award rates being required to be absorbed the Company	<p>Many of the Company's 2,300 staff are employed under relevant award conditions.</p> <p>Changes to awards have the potential to increase Millennium's overall operating costs and such increased costs may not be completely absorbed by the price increase mechanisms built into many contracts, potentially affecting profit margins of the Company.</p>	Section 5.3
An inability of the Company to appropriately manage cost inputs	<p>Within the industries in which Millennium operates, it is typical for the service provider to bear the impact of any cost overrun in the provision of the services, in addition to being required to provide consumables necessary to meet the required performance standards.</p> <p>Costs of Millennium's service operations workforce and consumables may be greater than initially anticipated, including as a result of unexpected costs or higher than expected costs being incurred and affecting profit margins.</p>	Section 5.3

Topic	Summary	For more information
<b>Inappropriate management of regulatory or internal compliance standards</b>	The Company has implemented compliance training procedures in order to submit competitive client tender proposals and meet contract performance standards. If the Company does not appropriately monitor and review those standards on a continual basis, it may fail to meet relevant regulatory and employment award conditions or collectively bargained terms. This may lead to fines or sanctions under relevant regulatory provisions; clients exercising termination rights under client services contracts; or the Company failing to attract or retain employees qualified and experienced in the facilities services industry.	Section 5.3
<b>Management of supply chain and subcontractor risk</b>	<p>The Company uses a variety of sources to obtain its various supply requirements in order to meet cleaning and security service obligations under current contracts.</p> <p>However, if some of the Company's current suppliers experienced or caused disruptions that were beyond the Company's control, such as delays due to industrial action, financial distress, or the actions of regulators, it may adversely impact the Company's ability to continually meet client service expectations. This may have an adverse effect on the Company's reputation, operating or financial performance.</p>	Section 5.3
<b>Exposure to litigation or requirements to engage in dispute resolution processes with clients</b>	As a result of the Company conducting operations within properties that involve a high level of public attendance, the Company is regularly exposed to public liability claims. Claims made against the Company may adversely impact the operational and financial performance of the Company.	Section 5.3
<b>A requirement to comply with stringent industry standards of performance and conduct</b>	<p>Contracts within the facilities services industry frequently contain provisions requiring service providers to meet specific independently determined Australian or New Zealand standards.</p> <p>An increase in the performance quality and standards required to obtain those certifications may have an impact on original cost estimations, which has the potential to negatively affect the Company's profitability.</p>	Section 5.3
<b>Acquisition risk</b>	Millennium has identified that its growth strategy includes reviewing available acquisition opportunities in order to broaden its service offering. The Company may not be successful in identifying and assessing new acquisition opportunities. Such acquisitions may fail to meet the Company's strategic objectives, which could adversely impact its future financial performance.	Section 5.3
<b>Other key risks</b>	A number of other key risks are included in Section 5.	Section 5

# 1. INVESTMENT OVERVIEW

## 1.5 Key Offer statistics

Topic	Summary		For more information
What are the key Offer statistics?	Offer Price	A\$2.25 per Share	Key Offer statistics section
	Total number of Shares to be offered under the Offer	20.4 million	
	Gross proceeds of the Offer	A\$49.6 million	
	Proceeds of the Offer paid to Selling Shareholders	A\$32.1 million	
	Proceeds of the Offer applied for benefit of the Company	A\$17.5 million	
	Total number of Shares on issue on Completion of the Offer	45.9 million	
	Total number of Shares held by Vendor Shareholders on Completion of the Offer <sup>1</sup>	23.0 million	
	Market capitalisation at the Offer Price <sup>2</sup>	A\$103.3 million	
	Pro forma net cash (as at 30 June 2015) <sup>3</sup>	A\$11.5 million	
	Enterprise value at the Offer Price <sup>4</sup>	A\$91.8 million	
<p>1. Of this amount, Stephen Lidbury Pty Ltd (ACN 151 668 601), as trustee for the Stephen Lidbury Family Trust, will hold 6,892,837 shares; Royce Galea Pty Ltd (ACN 151 514 019), as trustee for the Galea Family Trust, will hold 6,892,837 shares; Tomi-Sasha Holdings Pty Ltd (ACN 076 376 308), as trustee for the National Property Trust, will hold 6,893,557 shares; D.J.G. Enterprises Pty Ltd (ACN 107 554 790), as trustee for the DJG Trust, will hold 1,148,664 shares; Trygela Pty Ltd (ACN 151 233 439), as trustee for the Trygela Family Trust, will hold 1,148,664 shares, respectively, on Completion of the Offer. All of the Shares to be held by the Vendor Shareholders will be subject to voluntary escrow arrangements, as described further in Section 9.8.</p> <p>2. Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.</p> <p>3. Pro forma net cash is calculated as cash and cash equivalents less current and non-current borrowings (as at 30 June 2015), calculated on a pro forma basis immediately after Completion of the Offer.</p> <p>4. Enterprise value is calculated as the Company's indicative market capitalisation, based on the Offer Price, less pro forma net cash of \$11.5 million as at Completion of the Offer.</p>			



Topic	Summary	For more information
What are the key Offer metrics?	Enterprise value/pro forma consolidated FY16 forecast EBITDA <sup>1,2</sup>	6.9x
	Enterprise value/pro forma consolidated FY16 forecast EBIT <sup>3</sup>	8.0x
	Offer Price/pro forma consolidated FY16 forecast NPAT per Share <sup>4</sup>	13.5x
	Annualised forecast FY16 dividend yield at the Offer Price <sup>5</sup>	3.7%

Key Offer statistics section

1. The enterprise value/EBITDA multiple is calculated as the enterprise value divided by pro forma forecast consolidated EBITDA for FY16. This multiple represents a valuation metric that may enable prospective investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures. The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 4.7 and Section 11, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved.
2. On Completion of the Offer, it is expected that a Millennium Subsidiary will be acquiring the ACS Business for a 'Completion Payment' of \$7 million in cash, less adjustments to reflect accrued employee entitlements present at the time of Completion. The ACS Business agreement provides that the sellers of the ACS Business may receive a Post Completion Payment derived from the performance of the ACS Business for the year immediately following Completion. The amount of the Post Completion Payment will be equal to a 4 times multiple of EBITDA, where EBITDA is normalised to reflect (among other items) depreciation applicable to property plant and equipment used by the businesses, interest applicable to loans or other external finance applicable to equipment used in the businesses, transaction related costs, or other one-off adjustments for abnormal events determined by the parties acting in good faith, less the 'Completion Payment' already paid. This payment figure is not capped. The pro forma consolidated FY16 forecast EBITDA has been calculated on the assumption that the performance of the ACS Business for the year immediately following Completion will not require a further Post Completion Payment to be made.
3. EBIT forecast for FY16 of \$11.5 million, representing EBITDA of \$13.3 million less \$1.8 million depreciation and amortisation forecast for FY16.
4. This ratio is commonly referred to as a forward price to earnings, or forward PE, ratio. A forward PE ratio is a company's share price divided by its forecast annual earnings per share.
5. Annualised forecast dividend yield is calculated as the implied dividend per Share based on the midpoint of the Company's target dividend payout ratio range of 40% to 60% of sustainable profits. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and financial condition of Millennium, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see Section 4.9.

# 1. INVESTMENT OVERVIEW

## 1.6 Directors and key management

Topic	Summary	For more information
Who are the key Directors of Millennium?	Peter Anderson – Independent, Non-Executive Chairman Mark Baldwin – Executive Director and Chief Executive Officer Stephen Williams – Independent, Non-Executive Director Greg McCormack – Independent, Non-Executive Director Stephen Lidbury – Executive Director & Director of Security	Section 6.1
Who are the key management of Millennium?	Mark Baldwin – Chief Executive Officer & Managing Director Richard Forster – Chief Financial Officer & Company Secretary Annabelle Brooks – General Counsel Royce Galea – Director of Operations Stephen Lidbury – Director of Security Marc Harris – National Accounts Manager Paul Collins – National Security Manager	Section 6.3

## 1.7 Significant interests of key people and related party transactions

Topic	Summary					For more information
Who are the Vendor Shareholders and what will be their interest in Millennium at Completion?	Vendor Shareholders	Total Existing Shares held as at Prospectus Date	Existing Shares held as at Prospectus Date (%)	Shares held on Completion of the Offer	Shares held on Completion of the Offer (%)	Section 3.10
	Royce Galea Pty Ltd	4,345,706	25.0%	6,892,837	15.0%	
	Stephen Lidbury Pty Ltd	4,345,706	25.0%	6,892,837	15.0%	
	Tomi-Sasha Holdings Pty Ltd	8,691,413	50.0%	6,893,557	15.0%	
	D.J.G. Enterprises Pty Ltd	–	–	1,148,664	2.5%	
	Trygela Pty Ltd	–	–	1,148,664	2.5%	
	Board of Directors and Employees <sup>1</sup>	–	–	907,256	2.0%	
	Investors in the Offer	–	–	22,044,444	48.0%	
	Total	17,382,825	100.0%	45,928,259	100.0%	

1. Excluding Stephen Lidbury and Royce Galea.

Topic	Summary				For more information
What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	Directors	Ordinary Shares held as at the Prospectus Date	Shares held on Completion of the Offer	Options held on Completion of the Offer	Section 6.1
	Peter Anderson	–	200,000	1,200,000	Section 6.4
	Mark Baldwin	–	100,000	–	
	Greg McCormack	–	200,000	600,000	
	Stephen Williams	–	22,222	600,000	
	Stephen Lidbury	4,345,706	6,892,837	–	
	1. All Non-Executive Directors will receive Directors' fees.				
2. Advisers and other service providers are entitled to fees for services as disclosed in Section 9.14.					
Will any Shares be subject to restrictions on disposal following Completion?	All of the Shares held at Completion by the Vendor Shareholders ( <b>Escrowed Shares</b> ) will be subject to voluntary escrow arrangements. The Escrowed Shares will be held in escrow for 24 months. Subject to certain exceptions, the Escrowed Shareholders may not dispose of their Escrowed Shares during the Escrow Period.				Section 9.8
	After the date of the Escrow Period, all of the relevant Shares will be released from the voluntary escrow or other disposal restrictions.				

## 1.8 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	For more information
What is the Offer?	<p>Millennium is offering to issue 22.0 million Shares under this Prospectus to raise \$49.6 million. This comprises 7.8 million new Shares to raise \$17.5 million and the sale of 14.3 million Existing Shares from SaleCo to raise \$32.1 million.</p> <p>All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all Existing Shares.</p>	Section 7.1
Who are the issuers of this Prospectus?	Millennium Services Group Limited (ACN 607 926 787), a company incorporated in Victoria, Australia and Millennium SaleCo Limited (ACN 607 886 215), a company incorporated in Victoria, Australia.	Section 9.1

# 1. INVESTMENT OVERVIEW

Topic	Summary	For more information
What is SaleCo and what is its involvement in the Offer?	<p>SaleCo is a special purpose vehicle established to sell Existing Shares acquired from Selling Shareholders.</p> <p>The Selling Shareholders have executed deeds under which they have agreed to sell Existing Shares to SaleCo free from encumbrances and third party rights, and conditional on (among other things) the Underwriting Agreement not having being terminated as at the date of Settlement of the Offer.</p> <p>The Selling Shareholders have agreed to sell in total approximately 6.7 million Existing Shares to SaleCo.</p> <p>The Existing Shares SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants at the Offer Price.</p>	Section 9.3
What is the proposed use of funds raised pursuant to the Offer?	<p>Proceeds received by Millennium from the issue of Shares will be used to pay for the acquisition of the ACS Business, for working capital purposes, for payment of transfer of the SaleCo Shares to the Existing Shareholders and to pay the costs of the Offer.</p> <p>The proceeds received by or on behalf of SaleCo will be paid to those Selling Shareholders who sell Existing Shares to SaleCo.</p>	Section 7.1.3
Will the Shares be quoted on the ASX?	<p>Millennium will apply to the ASX within seven days of the date of lodgement of the original prospectus for admission to the Official List and quotation of Shares on the ASX under the code <b>MIL</b>.</p> <p>Completion of the Offer is conditional on the ASX approving this application.</p> <p>If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.10.1
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• the Broker Firm Offer;</li> <li>• the Priority Offer; and</li> <li>• the Institutional Offer, which consists of an invitation to acquire Shares made to Institutional Investors.</li> </ul>	Section 7.1
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager, pursuant to the Underwriting Agreement.	Section 9.6.3



Topic	Summary	For more information
What is the allocation policy?	<p>The allocation of Shares between the Retail Offer (comprising the Broker Firm Offer and the Priority Offer) and the Institutional Offer was determined by the Lead Manager in consultation with Millennium, having regard to the allocation policies outlined in Section 7. The Lead Manager, in consultation with Millennium, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.</p> <p>For Broker Firm Offer Applicants, the relevant Broker will decide how they allocate Shares among their retail clients.</p>	Section 7
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	You may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of any investment in Shares will depend upon your particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.13
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about Thursday, 19 November 2015.	Section 7.2
What is Millennium's dividend policy?	<p>No dividend will be paid following Listing in respect of FY15.</p> <p>The payment of a dividend by Millennium is at the discretion of the Directors and will be a function of a number of factors outlined in Section 4.9. Pertaining to these factors, it is the Board's current intention to target a payout ratio of 40% to 60% of sustainable profits.</p> <p>Future payments on dividends will depend on the factors outlined in Section 4.9. In particular, these factors should value accretive strategic growth, acquisition or when investment opportunities arise, it may result in a payout ratio in the future that is less than the above target.</p> <p>It is the current intention of the Board to pay interim dividends half-yearly ending 31 December and final full year dividends ending 30 June each year. The Directors expect the inaugural dividend to Shareholders will be paid in October 2016. It is expected that all future dividends will be franked to the maximum extent possible.</p>	Section 4.9

# 1. INVESTMENT OVERVIEW

Topic	Summary	For more information
When will the first dividend be paid?	The Directors expect the first dividend to Shareholders will be determined in respect of the period from the date of Completion of the Offer to 30 June 2016 and will become payable in October 2016, subject to the discretion of the Board.	Section 4.9
How can I apply?	<p>You may apply for Shares by completing a valid Application Form (attached to or accompanying this Prospectus).</p> <p>To the extent permitted by law, an Application under the Offer is irrevocable.</p>	Section 7

# INDUSTRY OVERVIEW | 2



## 2. INDUSTRY OVERVIEW

### 2.1 Introduction

Millennium operates within the cleaning, security and integrated services sectors (also referred to more broadly as 'facilities management').

### 2.2 Industry growth drivers

#### Key growth drivers

Growth in the economy, population, government decision to outsource services, increased demand for integrated services. *Source: IBISWorld Industry Report N7311 Commercial Cleaning Services March 2015.*

### 2.3 Cleaning industry overview

Over the past five years, demand for cleaning services has been steady, largely driven by growth in the number of businesses, and outsourcing trends. Organisations have been increasingly outsourcing cleaning to concentrate on core activities and seek out cost efficiencies.

*Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.*

Industry clients have increasingly incorporated cleaning, catering, security, maintenance and related services into a single, multi-service contract arrangement. As a result, several major cleaning companies have been offering additional services or forming strategic alliances with other business services operators. The industry's two largest players, Spotless Group and ISS Facility Services, have modified their strategies and operations to adapt to this trend. As a result, these companies have generally benefited from expansion and revenue growth.

*Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.*

#### 2.3.1 Market size and segmentation

According to IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015 the commercial cleaning services market is worth \$8.1 billion in Australia.

"Demand for cleaning services has generally been strong and stable, largely driven by business numbers and outsourcing trends."

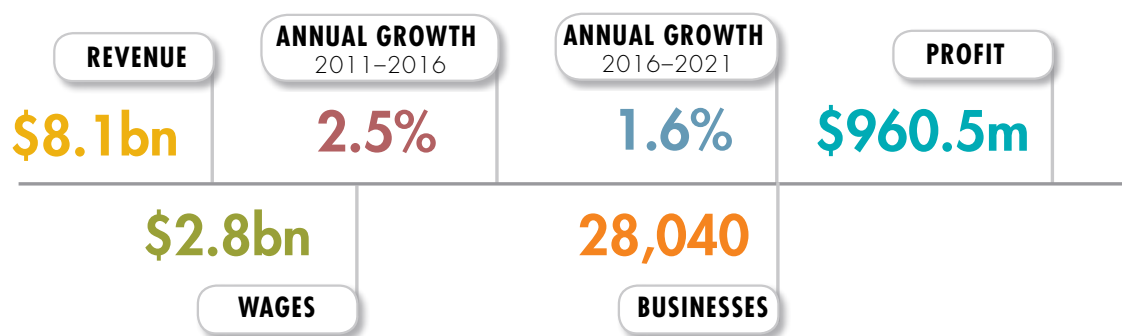
*Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.*

### CLEANING INDUSTRY AT A GLANCE

Commercial Cleaning Services in 2015–16

According to IBISWorld, the cleaning services market is worth \$8.1 billion.

**Key Statistics Snapshot** *Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.*





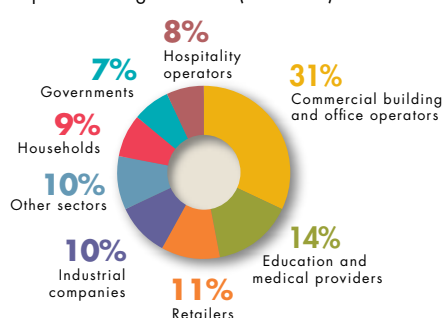
## Improving conditions

"IBISWorld expects that industry revenue will increase by 2.4% to \$8.1 billion in 2015-16, as growth in demand for cleaning services remains steady. Some clients – particularly in customer service contract industries – are expected to become less sensitive to price, shifting their focus towards contracting operators that can provide quality cleaning services and maintain high standards. Larger clients are expected to increasingly turn towards multi-service contracts".

Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.

### CLEANING

Major market segmentation (2015–16)

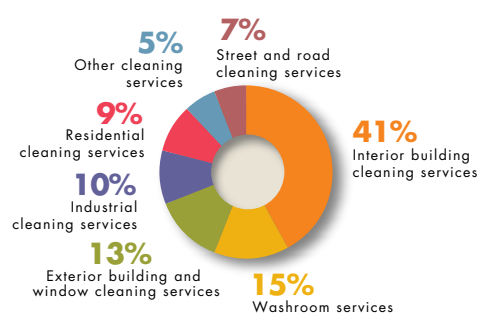


Total \$8.1bn

IBISWorld Industry Report N7311  
Commercial Cleaning Services August 2015

### CLEANING

Products and services segmentation (2015–16)



Total \$8.1bn

IBISWorld Industry Report N7311  
Commercial Cleaning Services August 2015

"Some larger companies in the industry are expected to diversify into other areas of business services, such as catering, security and facilities management, either on their own or through strategic alliances with other companies. This is in line with demand from major clients for a single contract covering all outsourced business services needs. Some medium-size firms are expected to expand with this strategy in the next five years, significantly increasing revenue and client numbers and limiting profit declines."

Source: IBISWorld Industry Report N7311 Commercial Cleaning Services March 2015.

IBISWorld expects this trend of companies seeking integrated service providers is set to continue for another five years into 2019–20. Clients are increasingly seeking to bundle cleaning, security and integrated services under a single multi-service contract arrangement.

The industry is projected to generate revenue of \$8.1 billion in 2015–16, up 2.4% on the previous year with an annualised growth of 1.6%, 2020–21.

IBISWorld identifies growth to come from:

- Improving conditions – both economic and growth in outsourcing;
- Employment and profit growth; and
- Public and private opportunities.

Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.

The industry is in a mature phase of its life cycle, with moderate overall revenue growth driven by increasing outsourcing of non-core services by businesses and government, which includes cleaning services. Together with this trend has been steady growth in new and existing clients, particularly from the education and health care sectors, and large commercial enterprises.

Source: IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.

## 2. INDUSTRY OVERVIEW

### 2.4 Security

#### Executive summary

"Despite a general decline in reported crime rates over the past five years, cautious households and businesses have continued to invest in security services and crime prevention measures. Demand for security and investigative services is rising due to heightened global fear of terrorism, growing internet usage and more instances of cybercrime."

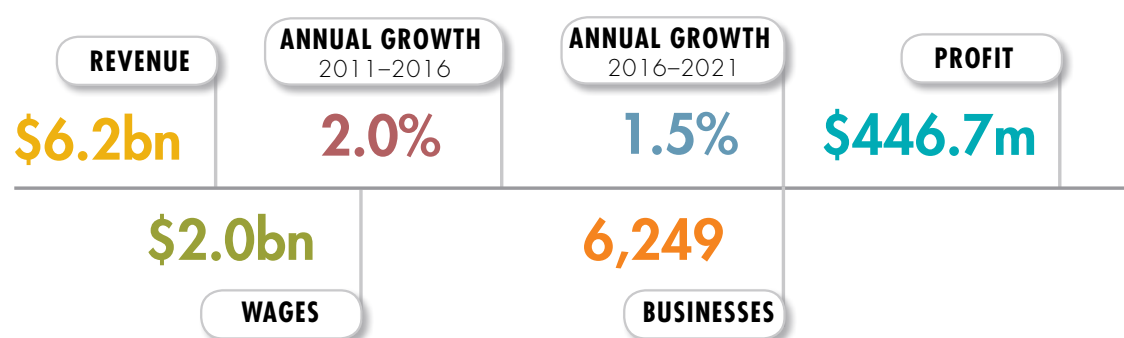
Source: IBISWorld Industry Report O7712 Investigation & Security Services August 2015.

#### SECURITY INDUSTRY AT A GLANCE

Investigation and Security Services in 2015–16

According to IBISWorld, the security services market is worth \$6.2 billion.

**Key Statistics Snapshot** Source: IBISWorld Industry Report O7712 Investigation & Security Services August 2015.



#### Improving conditions

IBISWorld expects that industry revenue will rise by an annualised 2.0% over the five years through 2015–16 to reach \$6.2 billion. Increased pricing competition has been offset by continued security and terrorism concerns, and the subsequent upgrading of security systems and services. Security measures have increased at public entertainment venues and events, especially international political meetings and forums with global leaders present. Terrorism concerns are expected to result in higher industry revenue growth of 2.6% in 2015–16 as government and commercial demand for industry services rises.

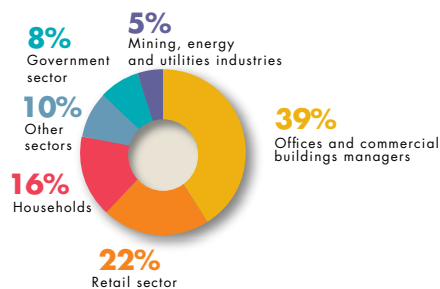
Demand is also affected by security demands from insurance companies, the size of the general population, and the level of new commercial and industrial property construction and development.

Over the past five years, many small security companies have exited the industry by selling their assets to larger security firms. This has enabled these larger companies to expand into new geographic regions, service a wider range of clients and increase market share.

Source: IBISWorld Industry Report O7712 Investigation & Security Services May 2015.

## SECURITY

Major market segmentation (2015–16)

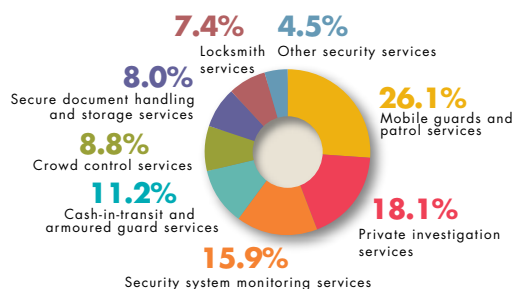


Total \$6.2bn

Source: IBISWorld Report O7712 Investigation & Security Services August 2015

## SECURITY

Products and services segmentation (2015–16)



Total \$6.2bn

Source: IBISWorld Report O7712 Investigation & Security Services August 2015

Stronger economic activity over the past five years has boosted demand for some security services particularly those associated with crowd control, office security and gaming machine revenue.

Source: IBISWorld Industry Report O7712 Investigation & Security Services August 2015.

## Industry revenue

IBISWorld expects industry revenue to increase by an annualised 1.5% over the five years through 2020–21, to reach \$6.7 billion. This growth will be supported by the upgrading of security systems and services for residential, business, government and major infrastructure clients, as well as continued requirements for monitoring services and locksmiths.

Source: IBISWorld Industry Report O7712 Investigation & Security Services August 2015.

Despite the forecast fall in the national crime rate, industry growth is forecast to continue at a medium pace over the next five years aided by lingering terrorism concerns.

Source: IBISWorld Industry Report O7712 Investigation & Security Services August 2015.



## 2. INDUSTRY OVERVIEW

### 2.5 Facilities management

#### Industry overview

Players in the industry primarily provide a range of non-core business services that allow buildings and precincts to operate effectively. These include monitoring, planning and managing services such as cleaning, gardening, security and maintenance. Services are typically provided under contract. The industry does not include major maintenance services provided to engineering structures, such as roads, tunnels, railway lines, bridges, dams or public utility networks.

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014.

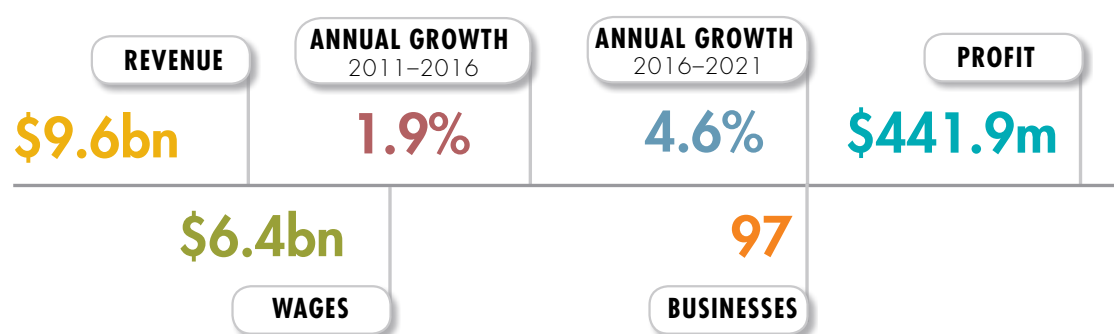
Integrated support services and activities are performed by staff that are not involved with or responsible for the core business or activities of the client.

#### FACILITIES MANAGEMENT SERVICES AT A GLANCE

Facilities Management Services in 2015–16

According to IBISWorld the facilities management market is worth \$9.6 billion.

**Key Statistics Snapshot** Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014.



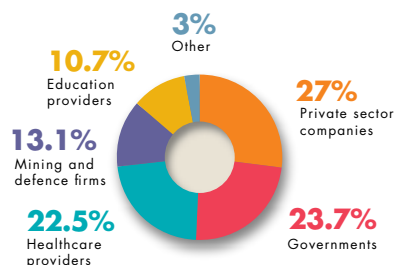
#### Executive summary

"A rapidly expanding Mining division has driven strong growth for the Facilities Management Services industry over the past five years. Large increases in the number of mining projects have resulted in a growing need for facilities management in the form of accommodation management and maintenance services. Increasing awareness of the benefits of facilities management, particularly in the healthcare and education sectors, has also driven industry growth. Over the five years through 2014–15, industry revenue is expected to grow at an annualised 4.6%. In 2014–15, industry revenue is expected to grow by 5.6% to reach \$12.7 billion. This is in line with increased government spending and rising expenditure by the education and health sectors."

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014.

## FACILITIES MANAGEMENT

Major market segmentation (2015–16)

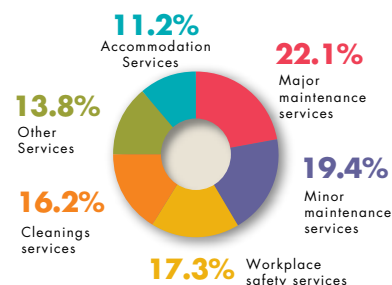


Total \$9.6bn

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014

## FACILITIES MANAGEMENT

Products and services segmentation (2015–16)



Total \$9.6bn

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014

While industry operators typically prefer to have an in-house workforce to reduce training costs and increase margins, they often have to partner with other providers to provide a full range of services. Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014, page 6.

The public sector will be a large source of growth for the industry over the next five years. Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014, page 8.

In 2012, the NSW Commission of Audit recommended outsourcing facilities management for public hospital and health services. This was followed by the Queensland Commission of Audit in 2013, which recommended outsourcing non-clinical support including catering, cleaning and ward support. The growing awareness of the benefits of outsourced facilities management services is increasing the scope for growth for the industry.

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014, page 8.

The industry has high barriers to entry. The industry is highly competitive and existing players hold large market shares and have an established presence in the industry. Because industry services are a collection of services, new entrants need to simultaneously develop capabilities across several fields. This means hiring staff with engineering and trade backgrounds and establishing relationships with numerous suppliers of consumables and equipment. Although many costs within the industry are variable, the initial capital outlays required to establish an appropriate level of working capital can get quite high.

Many firms that now provide holistic facilities management solutions started out as providers of a single service and expanded their service offering through mergers and acquisitions.

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014, page 19.

Over the five years through 2019–20, Facilities Management Services industry revenue is forecast to grow at an annualised 4.2% to reach \$15.7 billion.

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014, page 7.

"Over the 10 years through 2019–20, industry value added (which measures the industry's contribution to the economy) is expected to grow at an annualised 4.6%. This exceeds forecast annualised GDP growth of 2.7%."

Source: IBISWorld Industry Report OD5528 Facilities Management Services August 2014, page 10.



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Concierge

# COMPANY OVERVIEW | 3



# 3. COMPANY OVERVIEW

## 3.1 Introduction

Millennium is a cleaning and security service provider that has expanded its offer to integrate hygiene, maintenance, landscape maintenance and concierge services.

### VISION STATEMENT

"Our vision is to create value where others can't see it and to realise potential in everything we do for our clients and employees."

### MISSION STATEMENT

"Our mission is to deliver innovative and class-leading services by a team of engaged, motivated and empowered employees who care for our client's interests and treat the company as their own."

#### Millennium Company Snapshot

Number of retail shopping centre contracts	428
Number of retail shopping centres	191
Number of commercial asset contracts	109
Number of government contracts	128
Countries, States and Territories of operations	NSW, ACT, QLD, VIC, SA & NZ
Total employees	In excess of 2,300



## 3.2 Company overview

### Company overview

Millennium was established in 2003 and now operates across the Australian eastern and southern seaboards and recently commenced providing services to clients in New Zealand. Millennium provides integrated services including cleaning, security, concierge and maintenance.

Millennium employs in excess of 2,300 employees with offices in Sydney, Brisbane, Melbourne, Adelaide, Canberra and Erina, and in 2015, Millennium established offices in Auckland and Christchurch, New Zealand.



# 3. COMPANY OVERVIEW



## Millennium Cleaning Solutions

Millennium recruits, trains and supervises its workforce of over 2,300 employees to ensure they are skilled and confident to use the latest state-of-the-art equipment and environmentally sustainable processes to deliver the most proficient customer-focused cleaning services to its clients' assets.



## Millennium Security Services

Millennium provides specialist security and concierge services in retail shopping centres, malls, tenanted office spaces, car parks and external areas. Millennium trains, supervises and equips its staff with appropriate innovative technology along with quality uniforms to enable them to perform their concierge, guard and protection duties to the highest standard.

Security is a vital consideration for Millennium's employees, clients and importantly, their customers. Millennium recognises the importance of providing a safe and secure work environment.



## Millennium Integrated Services

Millennium's 'one team' model of integrated services offers suitably qualified and trained personnel who are able to provide the efficiency and safety benefits of a tailored and fully integrated service that includes a comprehensive range of maintenance services combined with cleaning and security services.

Millennium's integrated services include:

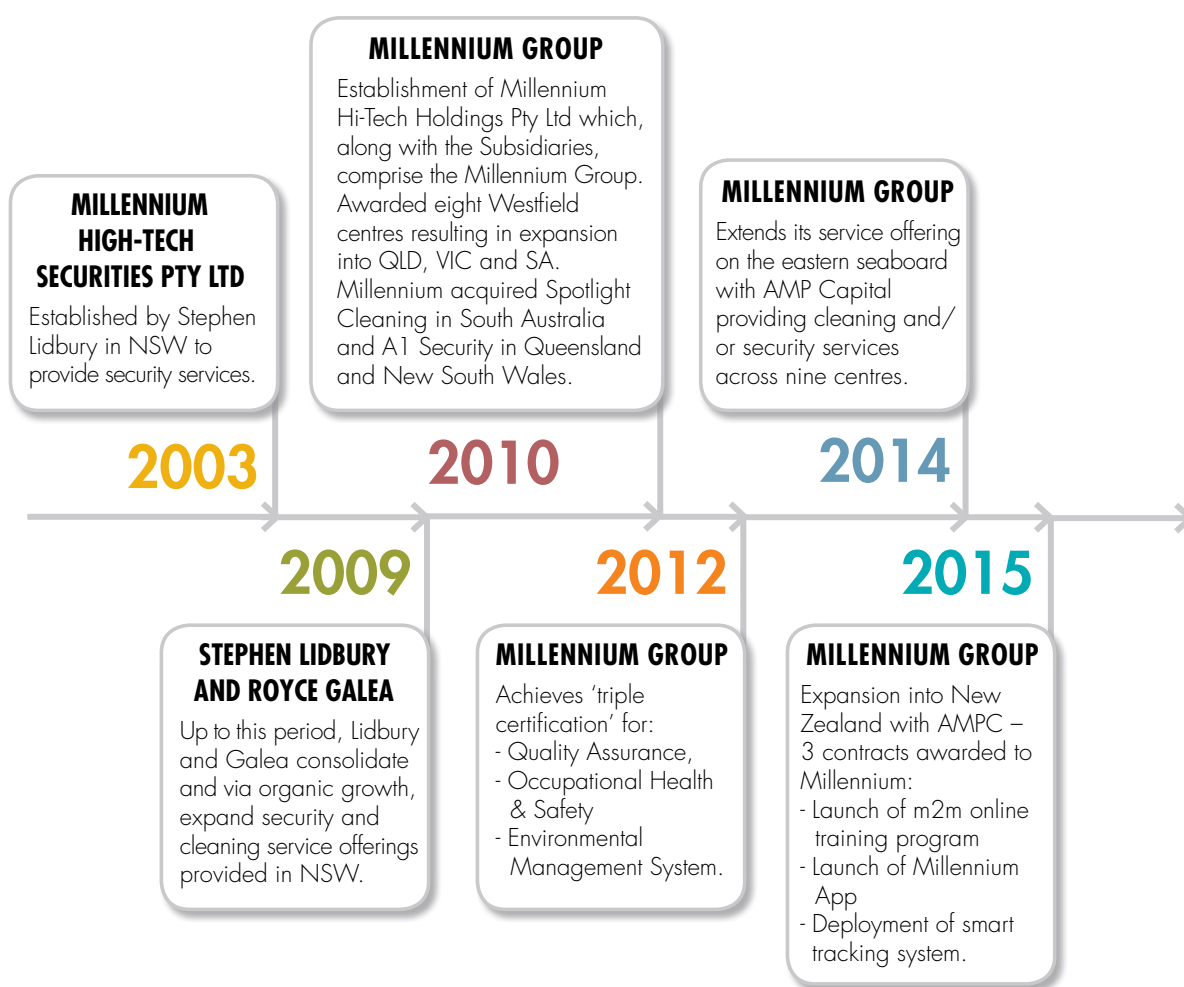
- Cleaning
- Security
- Concierge
- Planned preventative maintenance
- Daily repairs
- Painting programs
- Graffiti removal
- Contractor inductions and supervision
- Sign-in/out processes
- Key and access management
- Hygiene services
- Waste and recycling services
- Landscape maintenance services and pest control
- Electrical tag and testing
- Coordination and management of specialist service providers.



### 3.3. History of Millennium

Millennium Hi-Tech Securities Pty Ltd was established as a security business in New South Wales in 2003 and has grown both organically and via acquisition to form the Millennium Group, expanding its service offering to include cleaning and integrated services across the Australian eastern and southern seaboard. Most recently, Millennium entered into an agreement to purchase the business and assets of the ACS Business.

#### MILLENNIUM HISTORY



# 3. COMPANY OVERVIEW

## 3.4 Millennium's key customer sectors and services provided

Millennium provides its services to the shopping centre, commercial property, and Commonwealth and state government sectors.

Millennium provides trained personnel in the delivery of manned cleaning, security and integrated services.

	Cleaning and integrated services	Security and concierge services
Client sectors	<ul style="list-style-type: none"> <li>• Shopping centres</li> <li>• Commercial office space</li> <li>• Government – Commonwealth and state</li> <li>• Schools</li> </ul>	<ul style="list-style-type: none"> <li>• Shopping centres</li> <li>• Commercial office space</li> <li>• Government – Commonwealth and state</li> </ul>
% Pro forma FY16 sales revenue	84%	16%
Services provided	<ul style="list-style-type: none"> <li>• Cleaning personnel</li> <li>• Specialist cleaning</li> <li>• Hygiene</li> <li>• Building maintenance</li> <li>• Landscape maintenance</li> <li>• Pest control</li> </ul>	<ul style="list-style-type: none"> <li>• Security personnel</li> <li>• Security patrolling</li> <li>• Asset protection services</li> <li>• Concierge and customer service desk personnel</li> <li>• Risk management</li> </ul>

## 3.5 Millennium's key services

### Cleaning and integrated services

Millennium currently provides comprehensive cleaning services to large retail shopping centres, commercial properties, government buildings and education facilities.

These services typically include the cleaning of all internal areas such as:

- entrances;
- shopping malls;
- food courts;
- toilets and parents' facilities;
- entertainment precincts;
- centre management;
- escalators;
- lifts; and
- walkways.

The cleaning of external areas includes:

- undercover and open car parks;
- loading dock areas; and
- walkways.



Cleaning services also include:

- the sorting and management of waste removal from the centre;
- periodical cleaning of all high areas and windows;
- high pressure cleaning of external walls and pathways;
- strip and sealing of hard finish floors; and
- shampooing of carpets.

The opportunity exists for Millennium to add value to its relationship with clients and contract revenue by extending its cleaning services to include hygiene and pest control services, garden and landscape maintenance services, and general building maintenance services.

A contract including these additional services is typically referred to as an integrated services contract, and potentially also includes security and concierge services at the premises.

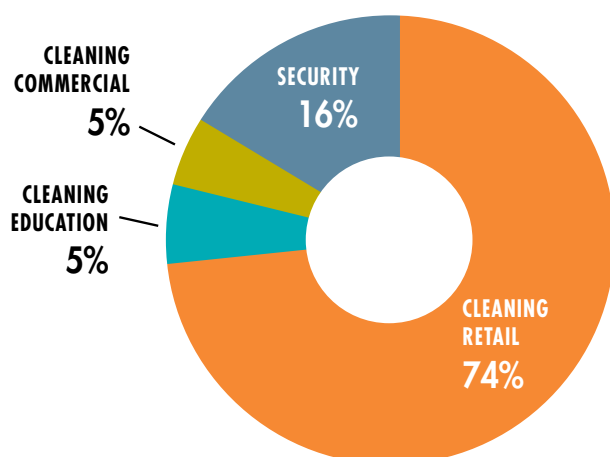
### Security and concierge services

Millennium's security services are primarily provided to clients in the large retail shopping centre and commercial property sectors to help ensure and maintain a safe and secure environment for their clients, tenants and customers. Services in these sectors typically include building security services, such as controlled access to premises, key controls, monitored security systems, customer service, and the patrol of mall areas, car parks and entertainment precincts. Concierge and help desk services are also included in Millennium's security service offering, as well as supply and coordination of maintenance works, and the control of customer support services such as the supply of wheelchairs and motorised scooters.

### Revenue by service type

The following diagram shows the break-up of Millennium's revenue between cleaning and security services, and the composition of the cleaning services by sector during the same period.

## REVENUE SPLIT FINANCIAL YEAR 2015



Note: Based on FY 2015 contract revenue excluding the ACS Business

# 3. COMPANY OVERVIEW

## Millennium's clients

Millennium is proud to provide cleaning, security and integrated services to some of the most prestigious retail shopping centres, commercial and public properties, and education facilities in Australia.

Millennium's clients include the following:



## 3.6 Customers

Client	Client Type	Services Provided	Number of sites
Scentre Group	Retail shopping centres	Cleaning services	18 sites
(Owner and operator of Westfield centres in Australia & New Zealand)			
QIC	Retail shopping centres	Cleaning & security services	11 sites
AMP Capital	Retail shopping centres	Cleaning & security services	12 sites
Government	Education & administration	Cleaning services	113 sites
Other	Retail shopping centres	Integrated services	21 sites

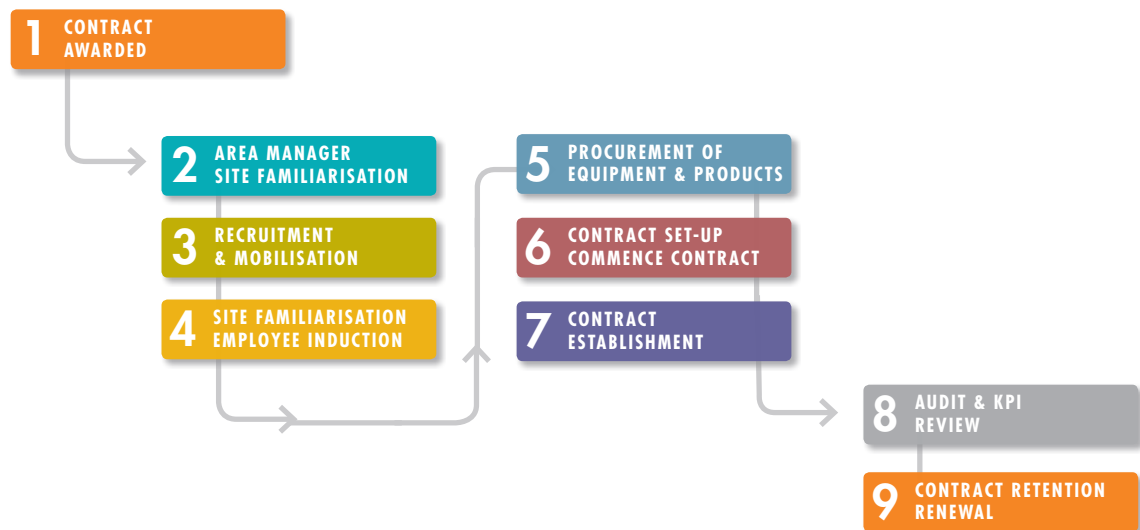


## How Millennium wins contracts

Millennium responds to invitations to tender, expressions of interest (EOI), requests for tender (RFT) or requests for a proposal (RFP) as a result of private invitation and publically advertised tenders from both existing and prospective clients.

Millennium formulates a service solution based on issued documentation using established analytic tools. Tender responses are built through the provision of a core labour profile plus cost of machinery, sundries, training and management.

## CONTRACT DELIVERY MODEL





# 3. COMPANY OVERVIEW

Millennium also provides unit rates and periodical pricing for additional services, for example: high pressure cleaning, high glass cleaning or security for major events. These services provide opportunities for additional revenue.

Millennium also grows its revenue through clients' expansion and development of assets under existing contracts with Millennium, as referenced in the following case study 3.9.2.

Millennium has in excess of 25 operations managers across Australia and New Zealand who play a key role in developing relationships with senior management of regional and metropolitan assets for whom it provides services. The strength of these relationships provides Millennium with a strong advantage when tendering and re-tendering for contract renewals due to its depth of understanding of the clients' needs.

## 3.7 Key business highlights

### 3.7.1 Established brand within current operating markets

- Millennium has been operating and growing since 2003 and operates across the eastern and southern seaboard of Australia, and recently commenced providing services in New Zealand.
- Millennium's service offering is highly regarded and valued in the industry as evidenced by a sound history of contract renewals and client referrals.

### 3.7.2 Blue-chip client base with expanding national footprint

- Exposure to a client base of multi-national corporates including some of the biggest real estate companies globally. Opportunities exist to further assist these clients on a national level.
- High barriers to entry given the background resources required to efficiently and effectively deliver a client's service request.
- Clients look to provide contracts to companies with a successful track record and a proven ability to successfully execute the required works.

### 3.7.3 Multi-year contracts with clients and >95% contract retention rate

- Millennium's contract book provides a high degree of revenue visibility, with contracts commonly containing an embedded price growth mechanism.
- Over the past financial year, Millennium has a contract retention rate of greater than 95%, based on the value of identifiable contracts retained as a percentage of its contract book for that period.
- Millennium has a range of contracted client relationships. Contracts with larger clients are typically in the range of two to five year terms, many with additional option periods.
- Contracts are typically sticky in nature for high quality service providers such as Millennium given the tendering process, resources and industry expertise required by clients.
- Contract tenders are typically for multi-site works with contract extensions by client option.

### 3.7.4 Strong and consistent industry revenue growth outlook

- Millennium operates in a sector with consistent and growing demand that is largely impervious to the business cycle.
- The commercial cleaning services market is expected to be worth ~\$8.1 billion in Australia in 2015–2016 while the security services market is expected to be worth ~\$6.2 billion. IBISWorld Industry Report N7311 Commercial Cleaning Services August 2015.

### **3.7.5 Over 80% of pro forma FY16 revenue is contracted with a forward order book of \$430 million of contracted business**

- The majority of Millennium's FY16 revenue is contracted from blue-chip counter parties and is expected to grow with further contract wins and existing contract renewals.
- Millennium's forward order book of contracts currently exceeds \$430 million with no single contract accounting for more than 5% of forecast revenue.
- The contracted nature of the Company's revenue and invoicing process results in a business with low working capital requirements and no bad debts.

### **3.7.6 Organic and non-organic growth prospects**

- Millennium is well-positioned in a consolidating industry to acquire additional work through contract renewals, tender wins as well as identifying and executing on acquisitions of smaller businesses that complement the Company's business model.
- Millennium's focus over the past five years has been to service leading ASX companies, property trusts and national property managers. The Company currently receives less than 5% of its revenue from federal and state governments, and Millennium's focus over the next three to four years is to lift this percentage of revenue.
- Management estimate that there is approximately \$200 million worth of contracts currently being tendered, of which Millennium considers it is well placed to capture a share.
- Growth from existing clients for which Millennium has services less than 20% of the portfolio, as well as additional revenue from shopping centre extensions, stand-alone cleaning, security and facilities management services, or an integration of these services.
- Millennium recently entered into an agreement to acquire the ACS Business, conditional on Completion of the Offer, which provides it with additional contracts in the cleaning and security services market, primarily in New South Wales.

### **3.7.7 The business is of a scalable size in the facilities management market**

- Significant opportunities exist to capture additional work in the facilities management market, specifically from the education and commercial property sectors.
- Management's knowledge of the cleaning and security providers within the marketplace assists Millennium in identification of potential acquisitions of selected bolt-on opportunities in the \$10m to \$60m of revenue per annum range over the next few years.

### **3.7.8 Individualised systems / innovation / investment in staff**

- Millennium has an in-house IT function capable of providing suitable systems and integrating with clients' own reporting requirements.
- Millennium utilises appropriate cloud-based technologies to support the business across finance, compliance, risk management, training and reporting.
- Millennium has over 2,300 employees that receive compliance, job-and-site-specific, and customer service training both online and face-to-face.

### **3.7.9 Experienced board and management team**

- Highly qualified professional services focused board that is majority independent and headed by Peter Anderson as Chairman.
- Millennium comprises a senior management team with a wealth of experience in the facilities management industry, spread across all client sites in Australia and New Zealand.

# 3. COMPANY OVERVIEW

## 3.8 Competitive landscape

Millennium operates in an industry of a mature nature in both cleaning and security. Millennium's competitors are characterised as being predominantly privately owned, with the exception of Spotless Group Holdings Limited.

Millennium's competitors include:

### Cleaning:

Glad, Asset Link, Secure Corp, Spotless Group Holdings Limited, ISS Facility Services Australia Limited, Access Group and OCS.

### Security:

MSS, Secure Corp and OCS.

### Facilities Management:

Spotless Group Holdings Limited and ISS Facility Services Australia Limited.



## 3.9 Case studies

### 3.9.1 Case Study 1 - NEW OPPORTUNITIES

Millennium was pleased to receive an invitation in October 2013 to provide a tender response to AMP Capital (AMPC) in respect of its latest round of national tender requirements for cleaning and security services.

Millennium was already an established service provider with AMPC, providing security services to five of AMPC's shopping centres, dating back as far as 2008.

The invitation comprised requirements for both cleaning and security services across a total of thirteen shopping centres nationally located in NSW, QLD and VIC.

Millennium submitted its tenders and was shortlisted. In the weeks that followed, details about how combined and individual services would be delivered were exchanged, along with a detailed analysis of Millennium's bid.

In early 2014, Millennium was successfully awarded the cleaning services for a total of nine assets and the security services for a total of twelve assets across three states.

The assets encompassed a range of sizes and styles, from a homemaker centre to the prestigious Macquarie Centre in NSW and the expanding Pacific Fair on the Gold Coast.

The award of an increased number of contracts and expansion of combined services underscored the trust in Millennium's capabilities that had developed with AMPC based upon Millennium's record of service delivery and KPI results.

Early in January 2015, Millennium was given the opportunity to tender on four AMPC assets in New Zealand.

After careful consideration and evaluation of the required investment and market opportunities, Millennium decided it would gladly seize the opportunity to expand its service offering across the Tasman.

Several reconnaissance trips followed and detailed inspections of the AMPC assets were conducted. Millennium's team set to work on detailed prescriptions for the delivery of cleaning services, including detailed high cleans. At the same time, Millennium's management team set to work on researching New Zealand employment legislation, pay scales and statutory entitlements for workers, local equipment and produce suppliers, company registrations and banking, and the logistics of mobilising in a new market.

In May 2015, Millennium received notification that it had been awarded three out of the available four contracts for three years with an option for one additional year. Each contract commenced on 1 July 2015.

The three centres awarded were:

- Botany Town Centre located in Auckland that comprises approximately 200 shops spread across three complexes and restaurants, as well as an entertainment precinct and cinemas. The centre has a gross lettable area (GLA) of 57,544 sq m and 2,535 parking spaces spread across open air parking and a two deck multilevel car park.
- Manukau Supa Centa is a regional bulky goods centre located in Manukau City, a suburb of Auckland. The centre has 36 tenants and a GLA of 29,457 sq m. Three anchor tenants Bunnings Warehouse, Kmart and Harvey Norman are the major draw cards along with a small amount of commercial office space.

# 3. COMPANY OVERVIEW

- The Palms shopping mall, located in Christchurch in the suburb of Shirley, approximately four kilometres from the city's CBD. The Palms comprises 110 stores and 1,450 parking spaces across both on-grade and multi deck car parks. The asset has a GIA of 35,434 sq m.

## Personnel

In order to support the newly awarded contracts, Millennium made the decision to invest in three significant management personnel to take on key positions within Millennium New Zealand operations.

In accordance with transfer requirements and as part of Millennium's ambition to provide local employment opportunities, the Company was pleased to offer the cleaning personnel of the sites a continuity of employment – the vast majority took up this opportunity.

As at 1 July 2015, 36 of the 41 staff that were currently employed across the three sites chose to transfer to Millennium. This was a clear demonstration of their loyalty to the sites in which they work and their acceptance of change. The general sentiment of the staff is extremely positive and one of excitement with a new player in the New Zealand cleaning industry.

All staff were welcomed to Millennium, introduced and briefed on the Millennium brand and its focus on service quality and delivery.

New Zealand staff members include:

- 3 Managers (two based in Auckland and one in Christchurch)
- 19 employees at Botany Town Centre
- 2 employees at Manukau
- 20 employees at The Palms

## Offices

Millennium established two offices in New Zealand, one in Auckland and one in Christchurch, to support the management personnel and the commitment to establish Millennium Services Group in New Zealand, and to pursue new opportunities to consolidate its presence and expansion into this market.

## Mobilisation

By following a detailed process for contract transition and the extensive list of items to be addressed, many potential issues were anticipated and assigned a higher priority and timeframe due to working with new suppliers in a new market.

## Compliance

All compliance documentation was carefully reviewed and adapted to meet New Zealand requirements.

## In conclusion

Millennium management is excited by the Company's expansion into new markets and committed to securing a presence in New Zealand.



### 3.9.2 Case Study 2 - GROWTH OF OUR CLEANING CONTRACT PORTFOLIO WITH SCENTRE GROUP

Throughout 2010, Millennium successfully competed for eight Scentre Group cleaning contracts in four states. Scentre Group is the owner and operator of Westfield in Australia and New Zealand. These contracts were for terms of either four or five years and since then, each of these contracts has been re-tendered and the contracts renewed.

In 2012, Westfield Chermside of 150,733 sq m GLA, was out to tender and Millennium succeeded in having the contract renewed. Westfield Tea Tree Plaza, a centre of 94,169 sq m GLA located in Adelaide's growing north-eastern suburbs, was also out to tender in that year and Millennium was successfully awarded the contract for a three-year term.

Two more Westfield assets were added to Millennium's portfolio in 2013, the first being Westfield Warringah Mall, 125,693 sq m GLA, located in the heart of the Northern Beaches of Sydney, approximately 15 kilometres from the CBD.

The other was Westfield Fountain Gate, a super-regional shopping centre located in the outer south-eastern suburbs of Melbourne that had recently undergone a major renovation and expansion to total 177,755 sq m GLA, becoming one of the largest retail shopping centres in Australia.

Both contracts were awarded to Millennium for the first time, for a period of four years.

Millennium's relationship with Westfield was further consolidated in 2014 by being awarded two new centres, the first being Westfield Plenty Valley, which until its expansion in 2008, was known as Plenty Valley Town Centre. It is located on Melbourne's northern fringes, approximately 25 kilometres from the CBD, positioned in one of Melbourne's growth corridors. The contract at Westfield Plenty Valley is for a four year term. The other significant contract won in the same year was Westfield Miranda in NSW. The centre is the largest shopping centre in Sydney's south, approximately 30 kilometres from Sydney's CBD and has recently completed its \$475 million redevelopment.

Millennium had previously gained valuable experience in the provision of cleaning services during centre redevelopments. The following brief summary will provide some insights into the management and delivery of services during the redevelopment process at Westfield Miranda.

As the contractor providing cleaning services at Miranda prior to and during its redevelopment, it was Millennium's responsibility to ensure that the centre was presented to a clean, acceptable and safe standard causing minimum disruption and inconvenience to trade while reducing risk to customers throughout the entire redevelopment process.

The cleaning services contract with Westfield Miranda commenced on February 2014 covering 108,000 sq m GLA and deploying over 1,000 cleaning hours per week.

Additional key services under contract during the redevelopment phase included daily builder's clean works to reduce the transference of builders rubble and particles at ground level and to minimise slip and fall risks to patrons and to minimise dust and other particles in the air, that settle on high level surfaces and glass. Cleaning of glass and pressure washing of outdoor areas was also included.

The provision of these additional services often occurred during night shifts in the challenging environment of construction areas.

To ensure the centre was clean and operational during retail hours, Millennium deployed additional personnel and machinery to minimise disruption to trade. This often required employees to be flexible with their working hours and rosters in order to accommodate the changes in the supply of services.

Millennium worked in partnership with Westfield Miranda centre management and held daily meetings with the construction teams to achieve flexibility in the delivery of services.

Upon completion of the Westfield Miranda redevelopment, Millennium's cleaning contract with Westfield had extended its cleaning services to cover 124,000 sq m GLA over 1,800 hours per week providing additional local employment opportunities.

# 3. COMPANY OVERVIEW

## 3.10 Millennium's Vendors

In preparation for Listing, the Vendors have begun to undertake a corporate restructure of the Company and Subsidiaries which, following Completion of the Offer, will include:

- Millennium having acquired Millennium Holdings Pty Ltd;
- Millennium then acquiring:
  - Millennium Cleaning (QLD) Pty Ltd;
  - Millennium Group (NZ) Pty Ltd; and
  - Millennium Hi-Tech Group Pty Ltd.

The completion of the restructure process and the Offer will result in Millennium's corporate structure as a listed entity to be as provided in the diagram in Section 3.11 below.

As part consideration for the acquisitions completed during the restructure, shareholders of entities comprising the Subsidiaries have been, or are to be, issued Shares in Millennium.

As at the date of this Prospectus, the current shareholders of Millennium hold:

- Stephen Lidbury Pty Ltd (ACN 151 668 601), as trustee for the Stephen Lidbury Family Trust, 4,345,706 shares.
- Royce Galea Pty Ltd (ACN 151 514 019), as trustee for the Galea Family Trust, 4,345,706 shares.
- Tomi-Sasha Holdings Pty Ltd (ACN 076 376 308), as trustee for the National Property Trust, 8,691,413 shares.

(the **Existing Shareholders**)

The Stephen Lidbury Family Trust is a discretionary trust associated with Mr. Stephen Lidbury, who is employed as 'Director of Security' for the Company, and has also been appointed to act as a Director on the Board of Millennium.

The Galea Family Trust is a discretionary trust associated with Mr. Royce Galea, who is employed as 'Director of Operations' for the Company.

The National Property Trust is a discretionary trust associated with Mr. Wayne Crewes and the Crewes family.

The DJG Trust is a discretionary trust associated with Mr. Jeffrey Crewes, who is a senior employee within the Millennium Group.

The Trygela Family Trust is a discretionary trust associated with Mr. Stephen Crewes, who is employed as the 'State Manager - VIC' for the Company.

Following completion of the restructure and the Offer, the current shareholders of Millennium Group entities will hold the following Shares in the Company:

- Stephen Lidbury Pty Ltd (ACN 151 668 601), as trustee for the Stephen Lidbury Family Trust, 6,892,837 shares.
- Royce Galea Pty Ltd (ACN 151 514 019), as trustee for the Galea Family Trust, 6,892,837 shares.
- Tomi-Sasha Holdings Pty Ltd (ACN 076 376 308), as trustee for the National Property Trust, 6,893,557 shares.
- D.J.G. Enterprises Pty Ltd (ACN 107 554 790), as trustee for the DJG Trust, 1,148,664 shares.
- Trygela Pty Ltd (ACN 151 233 439), as trustee for the Trygela Family Trust, 1,148,664 shares.

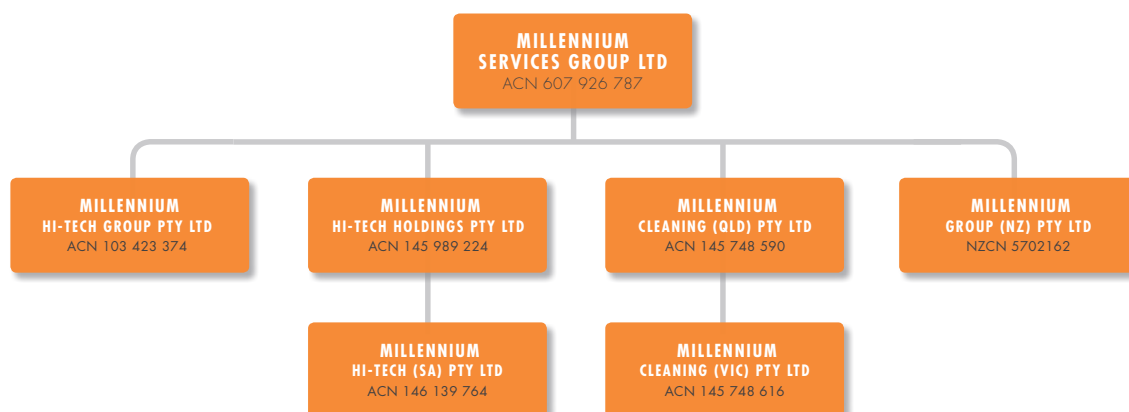
(the **Vendor Shareholders**, or the **Vendors**)<sup>1</sup>

1. D.J.G. Enterprises Pty Ltd, as trustee for the DJG Trust, and Trygela Pty Ltd, as trustee for the Trygela Family Trust are each shareholders in Millennium Cleaning (QLD) Pty Ltd, and are to acquire Shares in the Company as a result of the corporate restructure.

### 3.11 Corporate structure

The following diagram shows a high level corporate structure of the Millennium Group on Completion of the Offer. Please refer to Section 9.3 for further details of the internal restructure.

#### CORPORATE STRUCTURE



### 3.12 Growth strategy

Millennium has built its reputation upon delivering personal service that pays close attention to detail and is tailored to its clients' needs.

The business has grown within the demanding retail shopping centre environment with the provision of core cleaning and security services and expanded its offering to combined and integrated services, comprising customer service desk provision, maintenance, building and landscape maintenance and pest control services. The Company's service offering has extended to the commercial office and education sectors, both private and government. Geographically, the Company has concentrated on the eastern and southern seaboard states, and in 2015 expanded into the New Zealand market in both the North and South Islands.

Post Listing, Millennium will be well placed to grow its business, organically, strategically and via acquisition. Many opportunities for growth exist within Millennium's current core markets of cleaning and security, but also by strategic expansion into the growing integrated services market that combines hygiene services, building and landscape maintenance, pest control and waste management into the mix.

Millennium's focus over the past five years has been to service leading ASX companies, property trusts and national property managers. Less than 6% of Millennium's revenue is derived from state and federal governments. The opportunity therefore exists for significant growth into the public sector, including commercial office space and childcare centres.

#### 3.12.1 Organic growth

Millennium's key operating sectors of **Cleaning, Security and Integrated services** offer significant opportunity for organic growth. Importantly, growth in Millennium's core markets is not particularly capital intensive, which means that the optimal pace of expansion is determined by operational factors.

- Growth from existing clients:
  - where Millennium holds contracts for less than 20% of their asset portfolio;
  - expansion and redevelopment of a client's asset that results in both an increased volume of the services Millennium provides and revenue; and

# 3. COMPANY OVERVIEW

- by expansion from a single service offer to the supply of two services or the provision of fully integrated services.
- Growth from expansion of geographical reach:
  - expansion into Western Australia to provide an enhanced national footprint to clients with national and Australasian property assets; and
  - strategic expansion into major Australian regional precincts on the eastern seaboard, where Millennium currently has a small presence and where the area is under-serviced.
- Growth from increased representation in under-represented sectors:
  - commercial property;
  - education; and
  - government.
- Growth from status as a listed entity:

Millennium expects that when opportunities to tender on large and significant projects arise, its strong industry representation combined with the increased level of company disclosure associated with being a publically listed company may result in more tender wins with existing and potential customers.

## 3.12.2 Acquisition growth

Millennium's Vendors and senior management have a strong knowledge of the industry built up over years of experience, of its key players, their reputations and the nature and quality of the services they provide. Many small to medium-sized family-owned service businesses, with a strong contract book, are characterised by owners facing retirement, with no exit strategies in place. Millennium plans to strategically consider these opportunities with a strong focus on the strengths and benefits that they will bring to support the Company's objectives.

- To further strengthen Millennium's competitiveness with clients that maintain a national portfolio of assets in Australia and New Zealand, Millennium's early focus as a listed company will be to find a strong business with the same values as Millennium in Western Australia. Millennium has identified several operations that could meet its requirements.
- To identify a suitable business that will consolidate its Canberra operations to secure increased access and experience in the government sector, that can then be used to support expansion into those sectors in the other states.
- To identify a suitable cleaning business to support and consolidate Millennium's recent entry into New Zealand.
- To identify a suitable prospect to support and expand Millennium's security footprint in Victoria and South Australia.

Strong operating cash flow, expected access to an undrawn bank facility and the relatively low level of capital required to support contracts means that Millennium is very well placed to participate in value-accretive expansion opportunities as they present themselves.

3.12.3 Acquisition of the ACS Business

‘ACS – Integrated Service Provider’ was founded in 1991 by Warren Hughes. With offices in New South Wales (Head Office), Victoria and Queensland, the ACS Business has in excess of 270 employees.

The ACS Business services the construction, public infrastructure and facilities services markets operating across retail shopping centres, commercial office spaces, licensed venues, hotel resort accommodation and local and state government projects. For these assets, the ACS Business provides the following services:

- cleaning;
- security (guarding, licensed venues, patrols);
- civil operations;
- property maintenance; and
- grounds maintenance.

The ACS Business operates services in the greater Sydney basin, central coast, Hunter region, south coast and mid-north coast of NSW, the Australian Capital Territory as well as a number of sites in Victoria and Queensland.

With FY16 pro forma revenue forecast to be \$23.2m, the ACS Business and the Millennium Group combine to extend their national footprint and add specialist services currently not offered.



3.13 Employees

Millennium is an equal-opportunity employer and has a human resources framework to protect employees’ rights and safety.

Millennium directly employs in excess of 2,300 permanent full and part-time employees deployed on client sites in metropolitan and regional centres. Employees are paid under either the relevant award structures or Enterprise Bargaining Arrangements.

All employees have freedom of association and to be represented by their industry union.

Millennium’s workforce across Australia and New Zealand consists of

Full-time Employees in excess of	720
Part-time Employees in excess of	1,550
Others in excess of	60

Training



# 3. COMPANY OVERVIEW

Millennium is committed to the growth and development of its employees and service offering through investment in training.

Millennium Group has an in-house Learning and Development Manager to oversee the delivery of the m2m online learning platform, and face-to-face training workshops on topics including employee performance, customer service and risk and crisis management.

Training is deployed across all facilities management services and is modelled on industry best practice and tailored appropriately to the sectors served. Employees can undertake the online training at a time and location that suits them.

Millennium also provides its eligible Australian cleaning workforce on-site delivery of the Certificate III in Cleaning Operations delivered by SWC Consulting Pty Ltd.



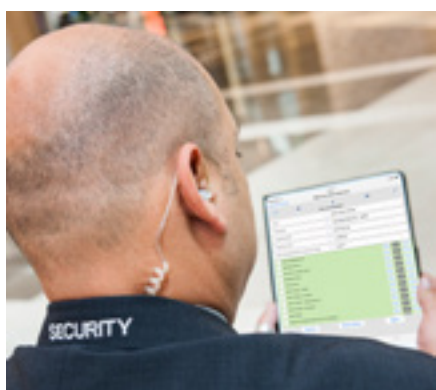
### 3.14 Supplier relationships

National suppliers are chosen as part of Millennium's procurement strategy, through which the business has established a number of key suppliers across its service lines within each state. These relationships ensure risk mitigation and guaranteed logistical delivery across significant geographical spread.

State suppliers are sourced for the supply of consumables, hygiene services, technology, radios and related supplies.



### 3.15 Technology



Millennium's business management systems include Meridian payroll system, SAP accounting software and externally hosted cloud-based IT services.

In the delivery of services, Millennium uses radio frequency return point technology to track compliance and has developed its own smart phone application to assist in reporting and KPI auditing.

In learning and development, Millennium uses e3Learning Solutions to host its online Learner Management System to deliver compliance training consistent across all sites.

### 3.16 Property, plant and equipment

The Company's property, plant and equipment predominantly comprises of machinery, equipment and motor vehicles relating to the performance of cleaning, security and maintenance related functions, and computer and office equipment.

Millennium often leases office space, equipment and various technology hardware and software to assist in the delivery of services.

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# FINANCIAL INFORMATION | 4



# 4. FINANCIAL INFORMATION

## 4.1 Introduction

The financial information for Millennium contained in Section 4 includes:

- **Pro Forma Historical Financial Information** being:
  - summarised pro forma historical statements of profit or loss for the year ending 30 June 2013 (**FY13**), year ending 30 June 2014 (**FY14**), and year ending 30 June 2015 (**FY15**) as if Millennium Group had operated as a single consolidated entity;
  - summarised pro forma cash flow information for FY13, FY14 and FY15 as if Millennium Group had operated as a single consolidated entity; and
  - pro forma statement of financial position of Millennium Group as at 30 June 2015 which includes the pro forma adjustments, as described in Section 4.4 of the Prospectus.
- **Statutory Historical Financial Information** being:
  - the reconciliation of statutory historical statements of profit or loss and cash flows for FY13, FY14 and FY15 as if Millennium Group had operated as a single consolidated entity to the Pro Forma Historical Financial Information.
- **Pro Forma Forecast Financial Information** being:
  - pro forma forecast statement of profit or loss for the year ending 30 June 2016 (**FY16**) for Millennium Group together with the ACS Business as if they had operated as a single consolidated entity from 1 July 2015; and
  - pro forma forecast statement of cash flows for FY16 for Millennium Group together with the ACS Business as if they had operated as a single consolidated entity from 1 July 2015.
- **Statutory Forecast Financial Information** being:
  - statutory forecast statement of profit or loss for the period from 1 November 2015 to 30 June 2016 for Millennium Group together with the ACS Business, together with a reconciliation to the pro forma forecast statement of profit or loss; and
  - statutory forecast cash flow for the period from 1 November 2015 to 30 June 2016 for Millennium Group together with the ACS Business, with a reconciliation to the pro forma forecast statement of cash flows.

The Pro Forma Historical Financial Information and Statutory Historical Financial Information together form the **Historical Financial Information**.

The Pro Forma Forecast Financial Information and Statutory Forecast Financial Information together form the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information are together the **Financial Information**.

**Section 4 is set out as follows:**

Section	Heading
4.2	Basis of preparation and presentation of the Financial Information
4.3	Consolidated pro forma historical, pro forma forecast and statutory forecast statements of profit or loss
4.4	Pro Forma Historical statement of financial position
4.5	Consolidated pro forma historical, pro forma forecast and statutory forecast statements of cash flows
4.6	Management discussion and analysis of Pro Forma Historical and Pro Forma Forecast Financial Information
4.7	Directors' best-estimate assumptions underlying the Forecast Financial Information
4.8	Sensitivity analysis
4.9	Dividend policy

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information set out in this Prospectus.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand.

## **4.2 Basis of preparation and presentation of the Financial Information**

The Financial Information has been prepared in accordance with the measurement and recognition principles of Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Financial Information set out in the Prospectus is presented in an abbreviated form and does not contain all the disclosures and other mandatory professional reporting requirements that are applicable to a general purpose financial report prepared in accordance with the Corporations Act 2001.

Significant accounting policies adopted in the preparation and presentation of the Financial Information are set out in Section 11. The accounting policies have been consistently applied, unless otherwise stated.

Millennium was incorporated as the holding company on 28 August 2015 and is the reporting entity under this Prospectus. As part of the transactions in the IPO process, Millennium will acquire 100% of the following entities:

- Millennium Hi-Tech Group Pty Ltd
- Millennium Hi-Tech Holdings Pty Ltd
- Millennium Hi-Tech (SA) Pty Ltd
- Millennium Cleaning (QLD) Pty Ltd
- Millennium Cleaning (VIC) Pty Ltd
- Millennium Group (NZ) Pty Ltd

(collectively, the **Subsidiaries**)

The Prospectus also describes in Section 9.6.4 the intended acquisition by Millennium of the business and assets of the ACS Sellers (the **ACS Business**) at the date of Listing.



# 4. FINANCIAL INFORMATION

The Statutory Historical Financial Information has been derived from the audited financial statements of the Subsidiaries and compiled by Millennium to illustrate the effect of a consolidation of the Subsidiaries, as if it had occurred on 1 July 2012.

The financial statements of the Subsidiaries for FY13, FY14 and FY15 were audited by Moore Stephens Audit (Vic) ABN 16 847 721 257 in accordance with Australian Auditing Standards and on which unmodified audit opinions were issued. The financial statements of 3 of the Subsidiaries - Millennium Hi-Tech (SA) Pty Ltd, Millennium Cleaning (Qld) Pty Ltd and Millennium Cleaning (Vic) Pty Ltd – (“companies”) disclose a deficiency of net assets and whilst prepared on a going concern basis reference was made therein (critical accounting judgements) that the companies were a party to the proposed IPO process (that is the subject of this Prospectus) and that, in assuming the ability to continue as a going concern the directors of the companies had had regard to this IPO process.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and after adjustment for the effects of the pro forma adjustments described in Sections 4.3 and 4.4.

Due to its nature, the Pro Forma Historical Financial Information does not represent Millennium Group’s actual financial performance, cash flows or financial position.

The forecast statement of profit or loss for FY16 has been presented on both a statutory and pro forma basis.

The Pro Forma Forecast Financial Information for FY16 has been prepared in accordance with the Directors’ best-estimate assumptions underlying the forecast as described in Section 4.7 of the Prospectus and after adjustment for the effects of the pro forma adjustments described in Sections 4.3 and 4.4 of the Prospectus.

The Statutory Forecast Financial Information for the period from 1 November 2015 to 30 June 2016 has been derived from the Pro Forma Forecast Financial Information.

The statutory forecast statement of profit or loss is derived from the pro forma forecast statement of profit or loss for FY16 adjusted to reflect the part year effect of the structure that will be in place following Completion of the Offer and the acquisition of the ACS Business from 1 November 2015, the impact of incremental corporate costs and the inclusion of the one-off costs of the Offer and other non-recurring items.

The Financial Information (excluding management’s discussion and analysis in Section 4.6) has been reviewed by the Investigating Accountant, Moore Stephens (Vic) Pty Ltd in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, whose Investigating Accountant’s Report and Financial Services Guide is contained within Section 8. Prospective investors should note the scope and limitations of the Investigating Accountant’s Report.

Investors should note that past results are not a guarantee of future performance.



### 4.3 Consolidated pro forma historical, pro forma forecast and statutory forecast statements of profit or loss

Table 4.1 sets out the pro forma historical statement of profit or loss for FY13, FY14 and FY15 together with the pro forma and statutory forecasts for FY16. A reconciliation of pro forma EBITDA to statutory equivalent EBITDA is shown in Section 4.3.1. Pro forma adjustments are discussed in the notes to Table 4.2.

Table 4.1 Consolidated pro forma historical, pro forma forecast and statutory forecast statement of profit or loss

AUD '000	Notes	Pro forma historical (a)			Pro forma forecast (b)	Statutory forecast
		FY13	FY14	FY15	FY16	FY16
Cleaning		63,996	84,940	101,271	141,244	98,655
Security		16,905	18,522	18,792	26,931	18,329
<b>Total Revenue</b>		<b>80,900</b>	<b>103,462</b>	<b>120,062</b>	<b>168,175</b>	<b>116,984</b>
Cost of sales		69,641	88,518	101,883	139,523	96,824
<b>Gross profit</b>		<b>11,260</b>	<b>14,944</b>	<b>18,179</b>	<b>28,652</b>	<b>20,160</b>
Employee benefits expense		4,709	5,826	5,907	8,549	5,740
Other overheads		3,631	4,128	5,044	6,168	4,131
<b>Operating EBITDA</b>		<b>2,920</b>	<b>4,990</b>	<b>7,228</b>	<b>13,934</b>	<b>10,289</b>
Transaction costs - Offer	(c)				-	1,196
Transaction costs - ACS	(c)				-	368
Employee share grant	(d)				-	2,117
Public company costs	(e)				610	518
<b>EBITDA</b>		<b>2,920</b>	<b>4,990</b>	<b>7,228</b>	<b>13,324</b>	<b>6,091</b>
Depreciation and amortisation					1,843	1,346
Interest					541	348
<b>Profit before tax</b>					<b>10,940</b>	<b>4,397</b>
Income tax expense					3,274	1,781
<b>Net profit after tax (NPAT)</b>					<b>7,666</b>	<b>2,616</b>

Notes:

- The pro forma historical statement of profit or loss for FY13, FY14 and FY15 has been derived from the audited financial statements of the Subsidiaries as if Millennium Group had been formed and control had occurred for those periods, adjusted for normalisations. The normalisations are detailed in Section 4.3.1.
- The pro forma forecast includes the impact of the acquisition of the Subsidiaries and the ACS Business from 1 July 2015. The statutory forecast includes the acquisition of the Subsidiaries and the ACS Business from 1 November 2015.
- Total transaction costs of \$2.1m will be incurred on the Offer and the acquisition of the ACS Business. Costs that relate to the Offer total \$1.7m, with \$1.2m expensed under Australian Accounting Standards and the balance of \$0.5m to be capitalised. Costs relating to the acquisition of the ACS Business total \$0.4m and are expensed under Australian Accounting Standards.
- Reflects the cost of the issue of Millennium Shares to employees at Listing under the Millennium employee share grant(s) and initial expense recognised with respect to the proposed issue of Options to Directors.
- Public company costs includes ongoing costs associated with being a listed public company, such as listing fees, audit costs and independent directors' fees, which did not apply in FY13 to FY15.

# 4. FINANCIAL INFORMATION

## 4.3.1 Reconciliation of pro forma historical EBITDA to statutory EBITDA

Table 4.2 sets out the reconciliation of the adjustments between the pro forma and statutory EBITDA.

Table 4.2 Summary pro forma historical and statutory consolidated EBITDA

AUD '000	Notes	Historical		
		FY13	FY14	FY15
<b>Pro forma EBITDA</b>		<b>2,920</b>	<b>4,990</b>	<b>7,228</b>
Vendor remuneration	(a)	251	296	1,160
Asset write-off	(b)	(248)	(498)	(50)
One-off expenses	(c)	(209)	(304)	(251)
<b>Statutory EBITDA</b>		<b>2,713</b>	<b>4,485</b>	<b>8,087</b>

Notes:

- Adjustment to the results of the Pro Forma Historical periods for Vendor remuneration based upon the salaries the Vendors will receive following Completion of the Offer;
- Reflects an adjustment for the write-off of certain assets in FY14 but which belonged partly to the FY13 and prior periods as well; and
- Expenses primarily relating to restructuring and rebranding in prior years.

## 4.3.2 Reconciliation of pro forma forecast NPAT and statutory forecast NPAT

A reconciliation between the pro forma forecast statement of profit or loss and statutory forecast statement of profit or loss is provided in Table 4.3.

Table 4.3 Reconciliation of pro forma forecast NPAT to statutory forecast NPAT

AUD '000	Notes	Forecast
		FY16
<b>Pro forma NPAT</b>		<b>7,666</b>
Impact of a full year's trading	(a)	(1,369)
Costs of the Offer and ACS acquisition	(b)	(1,564)
Employee share and directors Options grant expense	(c)	(2,117)
<b>Statutory NPAT</b>		<b>2,616</b>

Notes:

- Reflects a reduction of four months trading from a full year of trading in respect of the Subsidiaries and the ACS Business with an anticipated acquisition date of 1 November 2015;
- As per notes to Table 4.1, these are non-recurring costs associated with the Offer and acquisition of the ACS Business of \$1.6 million that are expensed under Australian Accounting Standards;
- As per notes in Table 4.1, reflects the cost of the issue of Millennium Shares to employees at Listing under the Millennium employee share grant(s) and initial expense recognised with respect to the proposed issue of Options to Directors.
- The FY16 pro-forma forecast profit and loss and the pro-forma statement of cash flows includes \$1.75m of EBITDA and \$1.4m of net cash flows from operations (before financing and taxation) respectively contributed to Millennium from the acquisition of the ACS Business.

## 4.4 Pro Forma historical statement of financial position

Table 4.4 sets out the pro forma historical statement of financial position of Millennium along with the pro forma adjustments. These pro forma adjustments reflect the events and assumptions discussed in the notes to Table 4.4, including the pre-Offer adjustments, proceeds of the Offer and the acquisition of the ACS Business as if they had occurred or were in place on 30 June 2015.

Table 4.4 Pro forma historical statement of financial position at 30 June 2015

AUD '000	Audited 30 June 2015 (a)	Pre-Offer pro forma adjustments (b)	Estimated impact of the Offer (c)	Acquisition of ACS Business (d)	Pro forma 30 June 2015
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3,932	(1,124)	15,760	(7,074)	11,494
Trade and other receivables	4,894	-	-	-	4,894
Inventories	54	-	-	-	54
Related party loans	7,525	(7,525)	-	-	-
Other assets	248	-	-	-	248
<b>Total current assets</b>	<b>16,653</b>	<b>(8,649)</b>	<b>15,760</b>	<b>(7,074)</b>	<b>16,690</b>
<b>Non-current assets</b>					
Plant and equipment	3,955	-	-	1,710	5,665
Intangible assets	-	-	-	5,890	5,890
Other assets	860	-	-	-	860
Deferred tax asset	2,495	-	522	172	3,189
<b>Total non-current assets</b>	<b>7,309</b>	<b>-</b>	<b>522</b>	<b>7,772</b>	<b>15,603</b>
<b>TOTAL ASSETS</b>	<b>23,962</b>	<b>(8,649)</b>	<b>16,282</b>	<b>698</b>	<b>32,293</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	11,749	-	-	-	11,749
Other financial liabilities	898	-	-	200	1,098
Borrowings	2,545	(2,250)	-	-	295
Income tax payable	1,291	-	-	-	1,291
Provisions	5,175	-	-	-	5,175
<b>Total current liabilities</b>	<b>21,659</b>	<b>(2,250)</b>	<b>-</b>	<b>200</b>	<b>19,609</b>
<b>Non-current liabilities</b>					
Other financial liabilities	989	-	-	400	1,389
Provisions	874	-	-	294	1,168
Deferred tax liability	4	-	-	-	4
<b>Total non-current liabilities</b>	<b>1,868</b>	<b>-</b>	<b>-</b>	<b>694</b>	<b>2,562</b>
<b>TOTAL LIABILITIES</b>	<b>23,526</b>	<b>(2,250)</b>	<b>-</b>	<b>894</b>	<b>22,170</b>
<b>NET ASSETS / (LIABILITIES)</b>	<b>436</b>	<b>(6,399)</b>	<b>16,282</b>	<b>(196)</b>	<b>10,123</b>
<b>EQUITY</b>					
Issued capital	-	-	19,002	-	19,002
Reserves	-	-	70	-	70
Retained earnings	436	(6,399)	(2,790)	(196)	(8,949)
<b>TOTAL EQUITY</b>	<b>436</b>	<b>(6,399)</b>	<b>16,282</b>	<b>(196)</b>	<b>10,123</b>

# 4. FINANCIAL INFORMATION

Notes:

- The audited 30 June 2015 column is derived from the 30 June 2015 audited financial statements of the Subsidiaries as if Millennium Group had been formed and control had occurred on that date.
- The pre-Offer pro forma adjustments reflect transactions between Millennium, the Subsidiaries and the Vendors in respect of the pre IPO restructure of the Subsidiaries for taxation and other purposes.

\$000's Event	Assets		Liabilities	Equity
	Cash	Receivables	Borrowings	Retained Earnings
Assignment of Borrowings	-	(2,250)	(2,250)	-
Share buyback	-	(2,663)	-	(2,633)
Dividend	(1,288)	(2,478)	-	(3,766)
Repayment of shareholder loans	164	(164)	-	-
<b>Total</b>	<b>(1,124)</b>	<b>(7,525)</b>	<b>(2,250)</b>	<b>(6,399)</b>

- The Estimated Impact of the Offer reflects the following:

	A\$'000
Net cash raised	17,500
Cash payment for transaction costs	(1,740)
<b>Net proceeds available</b>	<b>15,760</b>

The net proceeds received by the Company are net of the total costs of the Offer of \$1.7 million, which includes adviser fees, legal, accounting, ASX listing fees and other costs associated with the issue of the Prospectus. Of this amount, \$1.2 million will be expensed and \$0.5 million is able to be capitalised in accordance with AASB 132 *Financial Instruments: Presentation*. In addition, a deferred tax asset of \$0.5 million arises in respect of Offer costs. Other expenses recognised in Impact of the Offer relate to the cost of the issue of Millennium Shares to employees at Listing and initial expense recognised with respect to the proposed issue of Options to Directors, as per Table 4.1 note (d).

- The Acquisition of the ACS Business reflects the purchase consideration comprising the cash settlement of \$7.1 million, inclusive of applicable stamp duty, and liabilities assumed. The purchase consideration is allocated between the estimated tangible assets acquired with the balance allocated to intangible assets acquired (currently goodwill). Under AASB3 *Business Combinations*, the Company has up to 12 months from the acquisition date to determine the fair value of the identifiable tangible and intangible assets acquired and any resultant adjustment to goodwill. In addition, a deferred tax asset of \$0.2 million arises in respect of liabilities assumed and transaction costs incurred.
- Pro-forma balance sheet (reconstruction adjustments) undertaken prior to the Prospectus Date as part of the corporate restructure:

\$000's Event		Assets		Liabilities	Equity
		Cash	Receivables	Borrowings	Retained Earnings
1	Assignment of Borrowings	-	(2,250)	(2,250)	-
2.	Share buy-back	-	(2,663)	-	(2,633)
3.	Dividend	(1,288)	(2,478)	-	(3,766)
4	Repayment of shareholder loans	164	(164)	-	-
Total		(1,124)	(7,525)	(2,250)	(6,399)

## 1. Assignment of Borrowings - Millennium Cleaning Services (QLD) Pty Ltd

Borrowings of Millennium Cleaning Services (QLD) Pty Ltd are assigned to Tomi Sasha Holdings Pty Ltd, with the assignment credited against loan funds due by Tomi Sasha Holdings Pty Ltd.

\$000's	Assets		Liabilities	Equity
Ledger Account	Cash	Receivables	Borrowings	Retained Earnings
Borrowings – 3rd parties	-		(2,250)	-
Receivable – Tomi Sasha Holdings Pty Ltd		(2,250)	-	
-				

## 2. Buy-Back of Shares - Millennium Cleaning Services (QLD) Pty Ltd

Shares owned by Tomi-Sasha Holdings Pty Ltd, D.J.G. Enterprises Pty Ltd & Trygela Pty Ltd are bought back for consideration, with the consideration credited against loan funds due by associates.

\$000's	Assets		Liabilities	Equity
Ledger Account	Cash	Receivables	Borrowings	Retained Earnings
Buy-back reserve (D.J.G. Enterprises Pty Ltd)	-			(790)
Buy-back reserve (Trygela Pty Ltd)				(790)
Buy-back reserves (Tomi-Sasha Holdings Pty Ltd)				(1,053)
Receivable – D.J.G. Enterprises Pty Ltd and its associates		(1,164)		
Receivable – Trygela Pty Ltd and its associates		(1,188)		
Receivable – Tomi-Sasha Holdings Pty Ltd and its associates	-	(281)	-	-
		(2,633)		(2,633)



## 4. FINANCIAL INFORMATION

### 3. Payment of dividend – Millennium Hi-Tech Group Pty Ltd

Millennium Hi-Tech Group Pty Ltd pays a fully franked dividend to its ordinary shareholders (Stephen Lidbury Pty Ltd and Royce Galea Pty Ltd) with part credited against loan funds due by associates and the balance paid in cash.

\$000's	Assets		Liabilities	Equity
Ledger Account	Cash	Receivables	Borrowings	Retained Earnings
Dividend paid	-			(3,766)
Cash paid	(1,288)			
Receivable – Stephen Lidbury Pty Ltd <sup>1</sup> and its associates		(1,227)		
Receivable – Royce Galea Pty Ltd <sup>2</sup> and its associates	-	(1,251)		
	(1,288)	(2,478)		(3,766)

### 4. Loans repaid to Millennium Cleaning Services (Qld) Pty Ltd

Residual loans due by associates are repaid from float proceeds received by them

\$000's

\$000's	Assets		Liabilities	Equity
Ledger Account	Cash	Receivables	Borrowings	Retained Earnings
Cash	164			
Receivable – Jeffrey & Stephen Crewes		(164)		
	164	(164)		

#### 4.4.1 Indebtedness

In addition to funds raised as part of the Offer, the Company is finalising a finance facility with a major Australian bank, which is expected to be in the range of \$20m to \$26m, giving the Company the flexibility to draw down on a mix of working capital and term debt, asset financing and ancillary facilities.

The facility, security and covenants are expected to be in accordance with normal commercial terms of banking transactions of this nature.

<sup>1</sup>. Stephen Lidbury Pty Ltd is a related party of Mr. Stephen Lidbury, who is employed as 'Director of Security' for the Company, and has also been appointed to act as a director on the Board of Millennium.

<sup>2</sup>. Royce Galea Pty Ltd is a related party of Mr. Royce Galea, who is employed as 'Director of Operations' for the Company.

## 4.5 Consolidated pro forma historical, pro forma forecast and statutory forecast statements of cash flows

Table 4.5 sets out the pro forma historical cash flows for FY13, FY14 and FY15 together with the pro forma forecast and statutory forecast cash flows for FY16. Pro forma adjustments are discussed in the notes to Table 4.5.

**Table 4.5: Summary pro forma historical, pro forma forecast and statutory forecast statements of cash flows**

AUD '000	Notes	Pro forma historical (a)			Pro forma forecast (b)	Statutory forecast
		FY13	FY14	FY15	FY16	FY16
Pro forma EBITDA		2,920	4,990	7,228	13,324	6,091
Non-cash impact of ESS	(c)	-	-	-	-	2,117
Change in working capital	(d)	800	2,710	(966)	(3,132)	(460)
Net cash flows from operations		3,720	7,701	6,263	10,192	7,748
Capital expenditure		(951)	(1,631)	(1,678)	(612)	(387)
<b>Net cash flows from operations before financing and taxation</b>		<b>2,769</b>	<b>6,070</b>	<b>4,585</b>	<b>9,580</b>	<b>7,361</b>
Interest					(541)	(348)
Tax paid					(3,763)	(3,152)
Net proceeds / (repayment) of borrowings					(902)	(517)
Acquisition of ACS	(e)				-	(6,706)
Proceeds from issue of new Shares under the Offer	(f)				-	17,500
Transaction costs (capitalised)	(g)				-	(544)
Vendor-related pre-Offer pro forma adjustments	(h)				-	(1,124)
<b>Net cash flow</b>					<b>4,374</b>	<b>12,470</b>

Notes:

- The Pro Forma Historical cash flow for FY13, FY14 and FY15 is derived from the audited financial statements of the Subsidiaries as if Millennium had been formed and control had occurred for those periods.
- The Pro Forma Forecast includes the impact of the acquisition of the Subsidiaries and the ACS Business from 1 July 2015. The Statutory forecast includes the acquisition of the Subsidiaries and the ACS Business from 1 November 2015.
- Reflects the cost of the issue of Millennium Shares to employees at Listing under the Millennium employee share grant(s) and initial expense recognised with respect to the proposed issue of Options to Directors.
- The change in working capital for pro forma FY16 reflects the settlement of outstanding GST and payroll liabilities before the IPO of over \$2.5m.
- Reflects the cash impact of the acquisition of the ACS Business, excluding stamp duty and transaction costs which have been expensed and included in statutory EBITDA.
- Reflects the cash impact of net cash raised before transaction costs to be received by the Company as a result of the Offer as noted at Table 4.4c.
- Reflects the cash impact of transaction costs that have been capitalised.
- Reflects the cash impact of pre-Offer pro forma adjustments in FY15 noted at Table 4.4b, being transactions between Millennium, the Subsidiaries and the Vendors in respect of the repayment or set-off of loans or dividends due between them and other pre-Completion Vendor-related transactions.

## 4. FINANCIAL INFORMATION

I. The FY16 pro-forma forecast profit and loss and the pro-forma statement of cash flows includes \$1.75m of EBITDA and \$1.4m of net cash flows from operations (before financing and taxation) respectively contributed to Millennium from the acquisition of the ACS Business.

### 4.5.1 Pro forma adjustments to the historical consolidated statement of cash flows

Table 4.6 sets out the pro forma adjustments to the historical statements of cash flow to arrive at statutory net cash flows before interest, financing and taxation activities. The adjustments are noted in Table 4.2.

Table 4.6 Pro forma adjustments to the historical consolidated statement of cash flows

AUD '000	Notes	Historical		
		FY13	FY14	FY15
Pro forma net cash flow from operations before interest, financing and taxation activities		2,769	6,070	4,585
Vendor remuneration	(a)	251	296	1,160
One-off expenses	(b)	(209)	(304)	(251)
Statutory net cash flow from operations before interest, financing and taxation activities		2,810	6,062	5,493

Notes:

a. Adjustments for vendor salaries, as discussed in the Notes to Table 4.2.

b. Restructuring and rebranding costs, as discussed in the Notes to Table 4.2.

### 4.5.2 Reconciliation of consolidated pro forma forecast cash flow to statutory forecast cash flow

Table 4.7 sets out the adjustments between the pro forma forecast net cash flow for FY16 and the statutory forecast net cash flow.

Table 4.7 Reconciliation of pro forma forecast cash flows to statutory forecast cash flows

AUD '000	Forecast
	FY16
Pro forma net cash flow	4,374
Proceeds from the issue of new Shares under the Offer, less cash transaction costs per Table 4.4(c)	15,760
Acquisition of the ACS Business (including transaction costs)	(7,074)
Pre-Offer pro forma adjustments	(1,124)
Difference in cash impact of borrowings	385
Cash impact of trading 1 July 2015 to 31 October 2015	149
Statutory net cash flow	12,470

## 4.6 Management discussion and analysis of the Pro Forma Historical and Pro Forma Forecast Financial Information

### 4.6.1 Revenue

The Subsidiaries have a history of revenue growth. Compound annual growth in revenue between FY13 and FY15 was 22%. Based on the FY16 pro forma forecast, revenues are expected to grow by 40% from FY15 to FY16, from \$120.1m to \$168.2m, of which the ACS Business is forecast to account for \$23.2m.

The growth in pro forma forecast revenue for FY16 is attributable to:

#### Existing business

- organic growth from existing clients based on the strength of the Subsidiaries' client relationships and reflective of historical growth levels
- expansion of a number of retail sites
- a full year's revenue for a number of sites where operations commenced part-way through FY15
- contracted price increases where applicable.

#### New business

- revenue from the acquisition of the ACS Business
- anticipated revenue from new business based on the outcome of tenders currently under consideration, historical growth in new business and the historical rates of successful outcomes.

The major revenue streams are the provision of cleaning and integrated services (cleaning personnel, specialist cleaning, hygiene services, building maintenance, landscape maintenance and pest control), and security and concierge services (security personnel, patrols, asset protection services, concierge and customer service desk personnel, and risk management). In FY15, 84% of the Subsidiaries' revenue came from cleaning and integrated services, with security and concierge services contributing 16%. In the FY16 pro forma forecast, inclusive of the ACS Business, the revenue split is expected to be broadly similar.

A significant proportion (approximately 82%) of the pro forma FY16 revenue forecast is made up of contracted revenues. In addition, contracted revenue typically gives rise to revenue for additional services provided to the same customers, such as periodical cleaning of high areas, windows, high-pressure cleaning of external walls and pathways, and additional cleaning and security services for special events.

### 4.6.2 Gross margins

Gross margin has increased from 13.9% in FY13 to 15.1% in FY15 (excluding the ACS Business), and is forecast to improve to 17.0% in the pro forma FY16 forecast.

The improvement in gross margin between FY15 and FY16 can be attributed to the following factors:

- The majority of Millennium's contracts allow for an annual price escalation with any excess over the increase in labour rates contributing to gross margin growth.
- Improvement in direct costs such as consumables is anticipated due to a number of factors including sourcing cheaper suppliers and client-requested reductions in the provision of some consumables to some shopping centre clients.
- Reduction in machinery repairs and maintenance costs as a result of the replacement of older equipment with newer models during FY15.
- The acquisition of the ACS Business, which includes additional services at a higher gross margin than cleaning and integrated services or security and concierge services.

# 4. FINANCIAL INFORMATION

## 4.6.3 Overheads

Millennium's overhead expenses predominantly comprise employee salaries, public liability insurance and claims costs, occupancy costs, and vehicle expenses. In FY15, these expenses collectively accounted for 81% of total overhead expenses.

Overhead expenses are categorised as follows:

- Employee benefits expense – includes all salaries and related benefits for management, business development, and administration.
- Employee benefits expense is forecast to increase from the pro forma FY15 total of \$5.9m to a pro forma forecast FY16 total of \$8.5m (45%). This is reflective of:
  - the management structure required to operate the business in a listed company environment;
  - management and business development staff in New Zealand; and
  - management and administration staff in the ACS Business.
- Public liability expenses – relates to the costs of managing Millennium's public liability exposure in the ordinary course of its business, including insurance premiums, claims investigation and settlement costs.
- General and administration expenses – including costs associated with office occupancy costs, vehicles, travel and entertainment.

Pro forma overheads as a percentage of sales have declined year on year, from 10.3% in FY13 to 9.1% in FY15. In the pro forma FY16 forecast, overheads before listed entity costs are anticipated to decline to 8.8%, reflecting the scalable nature of the business.

## 4.6.4 EBITDA and EBITDA margin

The combination of growing revenue and improving gross margins has resulted in gross profit growing faster in dollar terms than the increase in overhead spend, resulting in an improvement in the pro forma EBITDA margin from 3.6% in FY13 to 6.0% in FY15. The EBITDA in pro forma forecast FY16 is anticipated to grow further to 7.9% on the back of the increase in revenue and improvement in gross margin.

EBITDA in pro forma H2 FY16 accounts for approximately 55% of the full year pro forma total as a result of higher revenue in the second half of the year, including a higher level of periodical/additional billings that are at a higher margin.

The FY16 pro forma forecast EBITDA includes approximately \$610,000 of costs associated with being a listed entity.

## 4.6.5 Cash flow

### Change in working capital

Millennium is forecast to invest in trade receivables from an anticipated increase in revenue, funded by an increase in trade payables. In addition, the change in working capital reflects the settlement of outstanding goods and services tax (GST) and payroll liabilities before the IPO.

Other components of working capital, such as inventory of chemicals and consumables, do not have a significant impact on cash flow.

### Capital expenditure

Gross capital expenditure for the FY16 pro forma forecast, primarily the replacement of existing plant and equipment and the purchase of new equipment to deliver anticipated new business, is forecast at \$1.5m, of which is anticipated that approximately \$900,000 will be funded by asset financing.

Net cash flows for the year before financing and taxation for pro forma FY16 are forecast at \$9.6m. Millennium is in the process of applying for a debt facility but this has not been included in the forecast.

## 4.7 Directors' best-estimate assumptions on the Forecast Financial Information

The basis of preparation of the Forecast Financial Information is set out in Section 4.2. This section describes the Directors' best-estimate general and specific assumptions adopted in preparing the Forecast Financial Information.

### 4.7.1 General assumptions

The Forecast Financial Information is based on the following general assumptions. As the operating and financial performance of Millennium is influenced by a variety of general economic and business conditions, including the levels of inflation, interest rates, exchange rates, and government, fiscal, monetary and regulatory policies, the Forecast Financial Information assumes that there will be no material changes in these conditions. Other general assumptions adopted are:

- a. No material amendment to any material agreement or arrangement relating to Millennium Group and the ACS Business;
- b. No material acquisitions or disposals during the Forecast Period outside the transactions disclosed in this Prospectus;
- c. No changes to the Millennium capital structure other than those set out in or contemplated by this Prospectus;
- d. No material changes to the statutory, legal or regulatory environment, including taxation that would have a material adverse impact on Millennium Group and the ACS Business' operations or those of its key customers or suppliers;
- e. No material changes in industrial, political or economic conditions with respect to the legal industry generally or tort law particularly;
- f. Retention of key personnel;
- g. No material beneficial or adverse effects arising from the actions of competitors;
- h. No material changes in Australian Accounting Standards or other mandatory professional reporting requirements that would have a material effect on the Forecast Financial Information; and
- i. None of the risks listed in Section 5 has a material adverse impact on the operations of Millennium Group and the ACS Business.

### 4.7.2 Specific assumptions

The following specific assumptions have been adopted by the Directors in preparing the Forecast Financial Information.

#### *Revenue*

Millennium Group and the ACS Business has assumed the following in estimating the revenue component of the Forecast Financial Information:

- Contracted revenue has been estimated by reference to the terms of those agreements in place including annual increases where applicable. While many contracts are cancellable on short notice, no cancellations have been assumed based upon historical rates of customer retention during the contracted term.
- Billing for additional services to contracted clients has been estimated by reference to historical rates of additional services.
- Revenue growth from new business has been based on an assessment of the likely outcome of tenders currently under consideration based upon historical rates of successful outcomes, as well as any underlying assumption that competitive requests for proposals will continue.



# 4. FINANCIAL INFORMATION

## Expenses

Millennium Group and the ACS Business has assumed the following in estimating the cost of sales and operating expense components of the Forecast Financial Information:

- Labour costs based upon forecast revenue and historical trends, taking into account increases in wages consistent with the terms of relevant enterprise bargaining agreements or awards and increases for salaried employees based on historical trends.
- Subcontracted labour costs and direct costs such as consumables and machinery costs based upon forecast revenue and historical trends.
- Public liability costs in the ordinary course of business including insurance premiums and settlement costs based upon forecast revenue and historical trends.
- Other costs including car and travel expenses, occupancy costs, and entertainment expenses based upon forecast revenue, historical trends or contractual arrangements.

## Income Tax

The effective corporate tax rate assumed in the Forecast Financial Information is 30%, reflecting the anticipated tax rate following Completion of the Offer. The effective tax rate for the statutory forecast profit and loss is higher than 30% due to non-deductible expenses incurred on the Offer.

## 4.8 Sensitivity analysis

The Forecast Financial Information detailed in Sections 4.3 and 4.5 has been prepared with reference to a number of estimates and assumptions, including the general and specific assumptions set out in Section 4.7. Both the Forecast Financial Information and the specific best-estimate assumptions are by their very nature subject to inherent business, economic and political uncertainties and risks. Many of these are outside the control of the Directors and are not predictable. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of the pro forma EBTIDA to changes in revenue and gross margin.

Table 4.8 Sensitivity analysis

AUD '000	Change in Revenue	Change in EBITDA	Change in Revenue	Change in EBITDA
Revenue	+/- 2.5%	+/- 716	+/- 5%	+/- 1,433
AUD '000	Change in Gross Margin	Change in EBITDA	Change in Gross Margin	Change in EBITDA
Gross Margin	+/- 0.25%	+/- 420	+/- 0.5%	+/- 841

Care should be taken when interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Pro Forma Forecast Results. In practice, changes in assumptions may offset each other or be additive and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on Pro Forma EBITDA.

## 4.9 Dividend policy

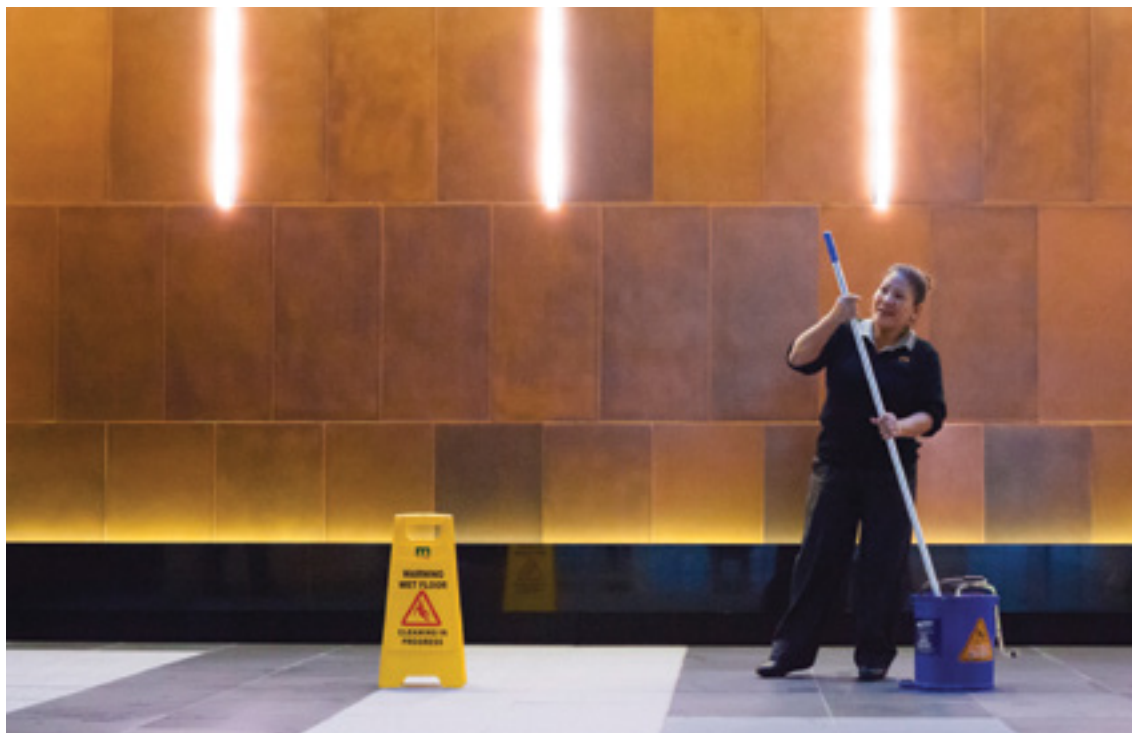
The Board currently intends to pay dividends subject to the availability of profits and the financial position of Millennium.

The Directors intend to target a dividend payout ratio between 40% and 60% of sustainable profits. This level of payout may vary between periods depending on a number of factors including the general business environment, the operating results and financial condition of Millennium, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits and imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.

The dividends expected to be paid to Shareholders will be franked with Australian franking credits and imputed with New Zealand imputation credits to the maximum extent appropriate taking into account the Company's tax position.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking and imputation on any such dividend.

The Directors expect the inaugural dividend to Shareholders will be paid in October 2016.



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# RISKS | 5



# 5. RISKS

## 5.1 Introduction

This Section 5 describes the material risks associated with Millennium's business, the industry in which it operates and the risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with an investment in Millennium now or in the future, and the occurrence of some of the risks described below are partially or completely outside the control of Millennium, the Directors and management. Any or a combination of these risks may have a material adverse impact on Millennium's business, financial performance and operations and the price of the Company's Shares.

The selection of risks in Section 5 is based on the probability of a combination of risks occurring and the impact of the risk on Millennium's business or an investment in the Shares should it occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks and other matters set out in this Prospectus and you should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Shares.

## 5.2 Industry-specific key risks

### 5.2.1 General economic conditions – downturn or slowing of general economy in Australia & New Zealand

Millennium's business is predominantly based in Australia, with recent extension of operations into New Zealand, meaning the general economic conditions in Australia and New Zealand are likely to influence the performance of Millennium, including the general economic conditions globally.

The demand for Millennium's services may be impacted by a prolonged downturn in general economic conditions, or such conditions may pose challenges for the Company in obtaining contract renewals or maintaining operating margins for equivalent service contracts. Broader economic conditions in Australia and New Zealand, such as exchange rate considerations, may also encourage increased competition from both domestic and overseas-based organisations. These factors may in turn have a material adverse impact on Millennium's operational and financial performance.

### 5.2.2. Retail exposure

Millennium's business and operations have historically had a primary focus on servicing customers in the retail sector. As a result of the performance of services within this sector, it has been the main source of the Company's expertise, success, reputation and strength of client relationships. A downturn in economic conditions that are external to the Company's operations that negatively impacts retail confidence measures may result in Millennium's clients seeking to reduce operating costs of their property assets, with residual negative impact on the operating margins of industry service providers such as Millennium.

### 5.2.3 Demand for products and service

A core component of Millennium's business model and projected future growth is reliant upon its customers continuing to outsource cleaning, security and related integrated services. External influences such as changing industry trends, changes in the specific strategies of Millennium's customers or poor performance generally by competitor organisations may lead to a decline in outsourcing in the sectors in which Millennium operates. In the event customers decided to take such steps, it may adversely affect Millennium's future revenue and profitability and its prospects for growth.

Millennium is also a service provider to customers who are government departments or related bodies. Decision making in relation to costs for these entities may, in part, be driven by political and public policy considerations as well as the philosophies of political parties or other stakeholders. The priorities and agendas of those parties and stakeholders are subject to change, including as a result of changes in government. A decline in outsourcing by government departments and other bodies of services such as those provided by Millennium may adversely affect Millennium's future revenue and profitability and its prospects for growth in this sector.

### **5.2.4 Industry composition risks**

Mergers and acquisitions within the cleaning, security or integrated services industries may result in the consolidation of relationships with current providers of services or conversely have the effect of squeezing out others. These businesses will be forced to seek opportunities elsewhere, further increasing competition within the industry and within a smaller pool of potential clients.

The business drivers and market segments that the Company has identified as being integral to its success and growth may experience either slower than expected growth or may be surpassed in importance by other drivers or market segments.

## **5.3 Company-specific key risks**

### **5.3.1 Lack of success in competitive tender processes**

Property and asset managers typically conduct a competitive tender process when selecting a facility service provider with whom to contract, even in the event of an incumbent service provider having met performance requirements during the previous term.

There is a risk that Millennium may not win these contracts or have them renewed for a variety of reasons, which may include a lack of price competitiveness; an inability to effectively market or promote its service offerings; a failure to incorporate new developments in service delivery technology; a failure to maintain service quality or demonstrate innovation in service offerings in order to address clients' requirements; and adverse brand and reputation issues being experienced by the Company at the time of the tender process, among other client considerations.

If Millennium is not successful in winning new or renewing existing contracts, it will adversely impact the ability of the Company to build and grow its client and contract base.

### **5.3.2 Alteration to regulations for health or environmental standards**

Millennium's operations in Australia and New Zealand are subject to laws and regulations in respect of occupational health and safety, and environmental protection, in each of these jurisdictions. Changes to those laws and regulations may result in more stringent or complicated regulatory standards, potentially increasing compliance costs, and adversely impacting Millennium's ability to comply, or exposing Millennium to greater potential liabilities under those regulatory regimes.

Should Millennium or one of its employees breach such a law or regulation, Millennium and its Directors and officers are potentially exposed to the risk of sanctions and penalties. Fatalities or workplace accidents would adversely affect Millennium's safety record and likely impact its reputation, which may make it difficult for Millennium to retain existing business, acquire new contracts, or hire and retain personnel to service existing contract obligations, as appropriate safety and environment management is typically a core client service delivery obligation.

Any deterioration in Millennium's workplace safety performance may adversely affect Millennium's ability to win and retain contracts with these customers.



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## 5.3.3 Systems and process risks

Due to the majority of its employees being located at various client sites when performing client services, Millennium relies on a variety of IT systems in order to communicate with its employees, as well as to monitor and manage its business and supply chain.

In the event the Company is unable to retain senior management with knowledge of those IT systems, or fail to attract or develop employees with sufficient know-how to operate and manage them, it may lead to the Company not meeting required performance standards requirements in client service contracts, which could lead to client termination of agreements, which in turn may have an adverse impact upon on Millennium's reputation, business and financial performance.

Millennium has invested in a number of cloud-based technologies for the purposes of providing employee training, as well as in relation to monitoring and reporting of key performance requirements under client services agreements. Any disruption to or the failure of other key software applications or underlying equipment or communication networks, could delay day-to-day decision making, management reporting and efficient product delivery. The occurrence of any of those events may lead to the Company not meeting required performance standards in client service contracts, which in turn may have an adverse effect on Millennium's reputation, business and financial performance.

There is a risk that, as new technologies and techniques continue to develop in the facilities services industry, there may be certain product and service developments that supersede, and render obsolete, investments by Millennium in its existing product and service offerings, which would negatively affect the Company's profitability.

## 5.3.4 Reputational risk

From an operational and regulatory perspective, Millennium has adopted a broad interpretation in relation to the identification and management of risk, including risk to reputation. As many of Millennium's client services obligations are performed in the public domain, there is the potential for incidents associated with their service delivery, employee behaviour, and interaction with the general public while on a client's premises to attract negative attention from the client, or more broadly, be broadcast through media channels, resulting in exposure that may negatively impact on the public perception of the Company. Failure to continually review existing policies and codes of conduct in relation to the presentation, management and training of employees may impact upon the reputation of the Company within the facilities services industry and the broader marketplace, which may impact upon the ability of the Company to obtain new business, and the public's demand for the Shares.

## 5.3.5 Industry growth risk

In the event of slower than expected growth in the Company's ability to obtain additional market share in the security industry, Millennium may experience a lower than expected level of growth within its security focused operations, the market segments that Millennium has identified as being integral to its growth, including but not limited to, growth in acquisition of business from government sectors, which may result in the Company experiencing low or slower than expected growth.

## 5.3.6 Key personnel

Millennium relies on a number of key executives and senior management in order to pursue the growth strategies identified by the Company. There is a risk that the Company may fail to retain or develop such key employees and this would have a negative impact upon the Company's operations and financial performance. While the Company has put into place employment agreements with all of its key employees, there can be no guarantee that those key employees will remain with the Company or will be attracted in the future.

### **5.3.7 Industry competition**

Millennium's performance may be affected by the level of competition in the markets in which it operates. Increased competition may result in general price reductions, causing reduced operating margins and a possible loss of market share for Millennium. In the event of increased growth within security-related work for the property services industry, Millennium's prospects for growth may suffer if it is unable to secure the quality and quantity of new employees it requires to facilitate its growth due to industry competition for these employees.

### **5.3.8 Contractual risks**

Under many of Millennium's service agreements the contractual relationship may be terminated without cause either immediately or on relatively short notice periods, which if applied would result in a loss of market share. Further, several agreements contain change of control provisions which provide a contractual party with a right of termination which may be exercised in certain circumstances.

Termination of a contract before the end of a term will reduce the Company's future revenue, and may result in additional employment related costs due to excess capacity or redundancy related expenses. Within the facility services industry it is customary that service providers do not receive compensation as a result of a client's exercise of a termination without cause right.

Separate to an actual exercise of such a termination for convenience right, a client may use the existence of such a term as negotiation leverage during which may place downward cost pressure on operating margins for the Company, or, ultimately a loss of the contract or non-renewal during a client tender process.

It is also customary for service providers such as Millennium to provide broad indemnities for the benefit of the client to insulate them from costs in relation to the performance of the services, only some of which are mitigated in the event of negligent or fraudulent conduct of the client contributing to the overall loss. It is not typically possible to obtain insurance cover in relation to this type of risk exposure, meaning it could negatively impact upon the financial performance of the Company.

### **5.3.9 Employment risk**

Millennium is the employer of a large workforce consisting of over 2,300 employees, many of whom are represented by a union or are otherwise employed under relevant award conditions.

Changes to awards have the potential to increase Millennium's overall operating costs and such increased costs may be required to be absorbed by the Company instead of being passed through to the client. If employees take industrial action, either industry-wide or in relation to a Company-specific matter, the Company could be exposed to loss if that action negatively impacts upon Millennium's ability to meet contracted client service performance standards.

Millennium's ability to submit competitive tender proposals and meet contract performance standards relies upon its ability to attract and develop appropriately skilled people in the areas of cleaning, security, risk and environment management and administrative skills. In doing so, the Company has implemented compliance training procedures and works to ensure it meets relevant regulatory and employment award conditions or collectively bargained terms, in order to foster career development and employee morale.

Millennium operates in a competitive environment, meaning other service providers also seek to employ and retain employees qualified and experienced in the facilities services industry. As a result there is a risk that the Company may not be able to hire and retain personnel in order to meet contract performance requirements. This could have a material adverse effect on Millennium's business,

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## 5.3.10 Risk of cost overrun

Under federal industrial relations laws, award rate wages are reviewed on an annual basis. It is typical within the industry for service contracts to contain provisions permitting limited price escalation, to address events such as increases in the consumer price index, increases in award rate wages, agreed fixed rate increases, or a mixture of these elements. If the award rate wage determination applies increases greater than CPI increases for a particular year, it may not be completely absorbed by the price increase mechanisms built into many contracts, potentially affecting profit margins of the Company.

Client service contracts in the facilities services industry typically contain prescriptive and onerous standards relating to performance, which the Company is required to meet regardless of the resources or costs required for it to do so. Within the industries in which Millennium operates, it is typical for the service provider to bear the impact of any cost overrun in the provision of the services, in addition to being required to provide consumables necessary to meet the required performance standards. Costs of Millennium's service operations workforce and consumables may be greater than initially anticipated by the Company, including as a result of unexpected costs or higher than expected costs being incurred and affecting profit margins. In the event Millennium is unable to appropriately address this by way of cost reduction initiatives or contract price increases, it would have an adverse effect on operating margins for particular contracts. While some client service contracts incorporate price escalation provisions, there is no guarantee these mechanisms will offset such cost increases.

In the event the Company misallocated or underestimated resource requirements during the competitive tender process, it would adversely impact upon operating margins under a contract.

## 5.3.11 Litigation and dispute risk

From time to time, the Company may be involved in litigation in relation to issues such as contractual, personal injury, employee and other claims that may arise in the ordinary course of business. As a result of the Company conducting operations within properties that involve high levels of public attendance and through traffic, the Company is regularly exposed to public liability claims. Any claim made against the Company may adversely affect the operational and financial performance of the Company. In addition, should the Company decide to defend claims by or pursue claims against a third party, this process may incur significant management and financial resources, and a positive outcome for the Company cannot be guaranteed, even if it has met key performance indicators under client service contracts. Further, even if the Company was successful in obtaining a judgment against a third party, the Company may be unable to recover any monies from that party. For example, the relevant third party may have inadequate financial resources to cover any damages judgment that is awarded in favour of Millennium.

## 5.3.12 Industry standards risk

It is common within the industry for contracts to contain provisions requiring service providers to meet specific independently determined Australian or New Zealand standards. An increase in the performance quality and standards required to obtain those certifications or codes may have an impact on original cost estimations, and may negatively impact Company profitability.

## 5.3.13 Acquisition risk

Millennium has identified its growth strategy includes reviewing available acquisition opportunities, in order to broaden its service offering. It may not be successful in identifying and assessing new acquisition opportunities, or finalising acquisitions on acceptable terms. In addition, Millennium may compete for certain acquisition targets with companies having greater financial resources, or such acquisitions may fail to meet the Company's strategic objectives. While the Company expects to undertake financial, business and other analysis in respect to any future acquisitions, the resultant analysis may draw conclusions and forecasts that may be inaccurate, or which may not be realised in due course, which could adversely impact the future performance of the Company.

The acquisition of the ACS Business is subject to a number of conditions precedent including the novation of certain material contracts. There is a risk that not all of these contracts will be novated and the transaction might not complete.

#### **5.3.14 Management of supply chain and subcontractor risk**

Millennium is reliant on the delivery of various supply items in order to meet cleaning and security requirements under client service agreements. Millennium has sought to decentralise the manner in which those supplies are acquired in order to ensure it is not overly reliant on particular suppliers to enable the continued performance of its client service obligations. However, there still exists a risk that suppliers may experience or cause disruptions that are beyond Millennium's control, such as suffering delays due to industrial action, financial distress, or the actions of regulators, which in turn may have a short-term adverse effect on Millennium's reputation, business and financial performance.

In circumstances where Millennium is permitted to use subcontractors to meet client service obligations, it is typically required to ensure those subcontractors operate in accordance with a required level of skill, accreditation and insurance cover.

If the Company does not manage its subcontractors to meet those requirements, it may give rise to a client exercising a right to terminate contracts, or to require the Company to make good any loss, damage or delay caused by the action of the subcontractors, which may have an adverse effect on Millennium's reputation, operating and financial performance.

### **5.4 Other specific risks**

While it is difficult to evaluate the potential effect that a risk may have on the financial performance of the Company, the Board is of the view that the risks set out below may have a lesser impact on the financial performance of the Company than those specific key risks discussed above.

#### **5.4.1 Technology risks**

There is a risk that, as security and monitoring technologies continue to develop in the property services industry, there may be certain technology and product developments that supersede, and render obsolete, existing inventory carried by the Company or the product and service offering of Millennium. This would negatively affect the Company's profitability. Within the industries in which Millennium operates, it is typical that the service provider to be required to use particular technology methods originally specified, or later requested, by the client in order to meet particular performance standards. Updating or acquiring new products in order to address these requirements, technology may add to original cost estimations. Those events would negatively affect the Company's profitability.

#### **5.4.2 Financing requirements**

Millennium's Directors expect that the Company will have sufficient resources to enable it to achieve its current business objectives, given its operations to date have been conducted without the provision of significant loan funds from banking facilities. However, if circumstances arise that require further financing, or project opportunities arise with property owners or managers that require significant upfront commitments from the Company, there can be no assurance that further financing will be obtained on reasonable or acceptable terms in order to pursue such growth strategies.

#### **5.4.3 Company growth and integration risks**

If Millennium seeks to grow via acquisition, the Directors believe that Millennium has the right business model and characteristics to attract organisations that will complement the business. However, in relation to any growth via acquisitions, there is a risk that acquisitions will encounter unforeseen integration issues. There is a risk that any targeted synergies do not eventuate or are less pronounced than first envisaged. There is also a risk that the Company may be either unable to find potential and suitable acquisition targets, is unable to agree to terms of sale with any acquisition targets, or agrees to terms that are less favourable than it initially anticipated. All of these risks may negatively affect Millennium's growth prospects.

# 5. RISKS

## 5.4.4 Counterparty risk

In respect of contracts entered into by Millennium and its business units, there is a risk that counterparties will be unwilling or unable to fulfil their contractual obligations, or that they may assign the service contract to a different contracting party, may sell the underlying property asset providing a right to terminate the contractor, or they may exercise a right to terminate the contract through industry standard without cause termination rights. Further, as many significant property assets are owned or managed by way of a trust structure, it is typical for owners, managers and responsible entities related to those property managers to limit liability under service contracts to that which it is able to be indemnified out of the assets of the trust structure. If Millennium was required to manage any of those issues, it may incur significant management and financial resources, and in the event of contract termination, it could negatively affect the Company's profitability.

## 5.4.5 Force majeure

It is possible that event outside of the control of the Company, typically referred to as 'force majeure' events, could impact upon the Australian and New Zealand economies, the operations of Millennium and the price of the Shares. Natural disasters such as fires, floods, earthquakes, natural disasters, outbreaks of disease, as well as man-made events or occurrences such as acts of terrorism, an outbreak of international hostilities, and civil wars, among others could have a negative impact on Millennium's ability to service existing clients, or on the demand for or delivery of Millennium's services. It is common for clients to have an ability to terminate service contracts in circumstances where Millennium's performance is delayed by such events. Millennium has only a limited ability to insure against some of these risks.

## 5.5 General risks

In addition to the specific risks outlined above, there are a range of general risks associated with the Company's operations.

### 5.5.1 Government legislation

Australian and international government legislation is subject to review and change from time to time. Any such change is likely to be beyond the control of the Company and could affect both industry and the Company's profitability. Revenues and operating costs of the Company may be affected by change in international, federal, state, or local government laws, regulations or policies, or in taxation legislation.

### 5.5.2 Other external events

In addition to amendments to government legislation, factors such as inflation, interest rates, taxation law, accounting standards, natural disasters, social upheaval, war and terrorism may have an impact on prices, operating costs and market conditions generally. Millennium's operations and future profitability can be affected by these factors, which are beyond the control of the Company.



# KEY PEOPLE, INTERESTS & BENEFITS | 6



# 6. KEY PEOPLE, INTERESTS & BENEFITS

Millennium comprises an experienced Board including three Non-Executive Directors and two Executive Directors.

Millennium's Board comprises Directors with relevant industry, corporate governance, financial management, business skills and knowledge. Millennium's management team comprises senior executives each with more than 25 years' experience in their particular area of expertise and industry sectors.

The founders of Millennium Hi-Tech Group Pty Ltd will be appointed to positions within the executive management team and continue to contribute their expertise as Director of Operations, Director of Security.

## MILLENNIUM SERVICES GROUP BOARD



### 6.1 Board of Directors

Director	Experience
<b>Peter Anderson</b> Chairman Independent Non-Executive	Peter currently serves as Executive Chairman of advisory firm McGrathNicol and brings to Millennium over 25 years of experience as a chartered accountant specialising in corporate restructuring. Publicly listed projects Peter has worked on include Babcock & Brown, Centro Properties Group, ION, Evans & Tate, Hastie Group and Commander Communications. Peter is an Official Liquidator and a member of the Institute of Chartered Accountants in Australia, the Australian Restructuring, Insolvency and Turnaround Association and the Australian Institute of Company Directors. Peter holds a Post Graduate Diploma of Finance and a Bachelor of Commerce from the University of Melbourne.



Director	Experience
<p><b>Mark Baldwin</b> Chief Executive Officer</p> 	<p>Mark is a property and facilities services leader with 30 years experience. Mark has served as Chief Executive Officer and Chief Operating Officer in the integrated service industry for the past seven years and brings a disciplined approach to Millennium's strategic focus and profitability. As a chartered surveyor, he specialised in valuation and property management for Knight Frank and Savills in the UK. Mark's previous roles include National Property Operations Manager positions for both Lend Lease Retail and the GPT Group in Australia where he established key industry partnerships.</p> <p>Mark is a Fellow of The Royal Institution of Chartered Surveyors (FRICS).</p>
<p><b>Greg McCormack</b> Independent Non-Executive Director</p> 	<p>Greg brings to Millennium extensive expertise in finance and accounting. During his 37-year career, Greg previously held senior executive management positions in primary industry in Australia. Greg currently serves as founding Director of Midway Ltd, Chairman of Directors for the Midway Group of Companies, Chairman of Queensland Commodity Exports and Chairman of the property and construction Crema Group of Companies. Greg is currently President of the Australian Forest Products Association and has served on government advisory panels including the Forest and Wood Products Council.</p> <p>Greg holds a Bachelor of Business from Swinburne University.</p>
<p><b>Stephen Williams</b> Independent Non-Executive Director</p> 	<p>Stephen joins Millennium as a Non-Executive Director with over 35 years legal practice experience in corporate, commercial and property law and as a retired partner of Kemp Strang Lawyers. Stephen is currently a Non-Executive Director and Chairman of ASX listed companies Axiom Mining Limited and Australian Careers Network Limited. Stephen also served as a Non-Executive Director and Chairman of Coffey International Limited and Non-Executive Director of PrimeAg Australia Limited.</p> <p>Stephen holds a Bachelor of Laws from Sydney University.</p>
<p><b>Stephen Lidbury</b> Executive Director (and Director of Security)</p> 	<p>Stephen established Millennium in 2003 providing security guard and patrol services to the commercial and government sectors, subsequently expanding the scope of the business to include security and concierge services to retail shopping centres. Stephen has over 25 years' experience in the security industry and as a former Wallaby, has established key contacts across the finance and property industries in Australia and New Zealand. Stephen is a former board member of the Pacific Restaurant Group, former Forwards Coach to the NSW Waratahs and remains heavily involved in junior rugby in NSW.</p> <p>Stephen holds Millennium's Security Master Licence in all locations of the Company's operations.</p>

# 6. KEY PEOPLE, INTERESTS & BENEFITS

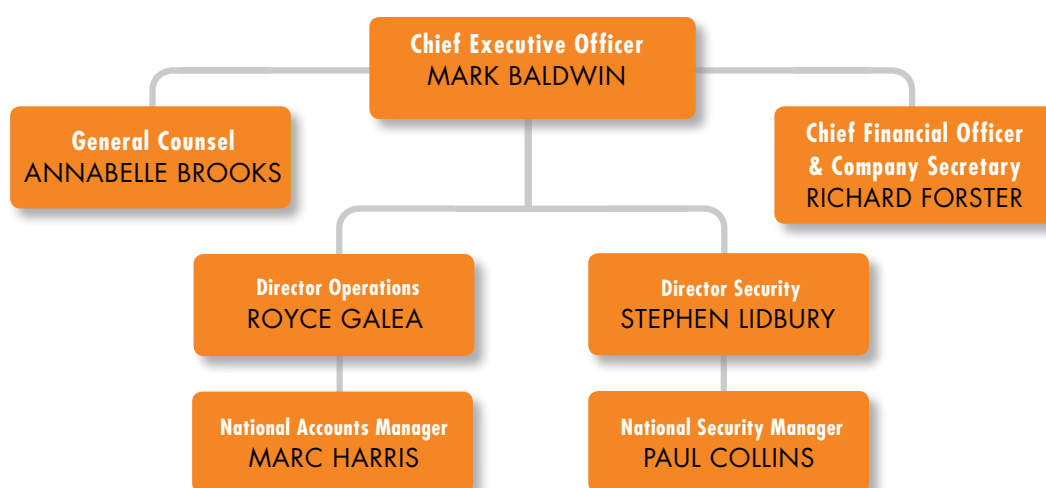
## 6.2 Director disclosure

The Directors have no matters to disclose in relation to:

- any company of which a Director was an officer that entered into a form of external administration because of insolvency during the time the Director was an officer or within the 12-month period afterwards; nor
- any legal or disciplinary action against a Director that is less than ten years old.

## 6.3 Senior management

### EXECUTIVE MANAGEMENT



Millennium is led by a management team with a wealth of experience in their respective industries of cleaning and security in sectors that include retail, commercial property, education and healthcare.

Management	Experience
<b>Mark Baldwin</b> Chief Executive Officer	See Section 6.1
<b>Richard Forster</b> Chief Financial Officer & Company Secretary	<p>Richard is an experienced finance executive with more than 12 years' experience in senior finance roles in the outsourced services sector. Prior to joining Millennium, Richard served as Chief Financial Officer and company secretary for inbound information management business Decipha Pty Ltd (owned by Australia Post) and listed BPO and contact centre operator UCMS Group, including during its IPO. More recently, Richard assisted Simonds Group with their IPO and systems transformation project.</p> <p>Richard is a qualified chartered accountant and a member of the Institute of Chartered Accountants in Australia.</p>

Management	Experience
<b>Annabelle Brooks</b> General Counsel	<p>Annabelle is an experienced legal counsel with over 15 years experience specialising in corporate and employment law, public liability litigation and insurance. Annabelle spent six years as a solicitor in private practice prior to holding a number of Corporate Counsel/ Company Secretary roles for publically listed mining companies including Ivanhoe Resources Limited, a dual listed subsidiary of Rio Tinto. Annabelle is a member of the Australian Corporate Lawyers Association, Australian Insurance Law Association and the Governance Institute of Australia.</p> <p>Annabelle holds a Bachelor of Laws from Southern Cross University and is a qualified Chartered Secretary.</p>
<b>Royce Galea</b> Director of Operations	<p>Royce has over 30 years experience in all aspects of the cleaning industry, brings a wealth of operational knowledge to Millennium. Royce has held senior facilities management positions in public health care including Domestic Services Manager at Sydney's Canterbury Hospital, and operations management roles at a state and national level in retail, commercial and aviation sectors. Royce's client-focused approach and leadership have been instrumental in the growth of Millennium nationally.</p> <p>Royce holds Diplomas in Frontline Management and Cleaning Services Supervision from Sydney Technical College.</p>
<b>Stephen Lidbury</b> Director of Security	See Section 6.1
<b>Marc Harris</b> National Accounts Manager	<p>Marc brings to Millennium 15 years experience in facilities and operations management, having previously held senior regional roles for Westfield, QIC and the Hyatt Corporation. Marc has lead teams in NSW and ACT in all aspects of property and engineering management, and has been integral in Millennium's expansion into New Zealand by facilitating mobilisation across three sites.</p> <p>Marc holds a Diploma in Retail Management from the ARA Retail Institute.</p>
<b>Paul Collins</b> National Security Manager	<p>Paul served as Chief Executive Officer for six years at ACS Integrated Services prior to joining Millennium. Paul is an experienced facilities manager in the mining, retail shopping centre and local council sectors.</p> <p>Paul has held senior management roles in Security Compliance at Westfield and as a Risk Management Consultant for Business Risk International. In these positions, Paul developed national security, compliance and emergency response policies and procedures.</p>

# 6. KEY PEOPLE, INTERESTS & BENEFITS

## 6.4 Interest and benefits

Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the Offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before the lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

### 6.4.1 Interests of advisers

The nature and extent of the interests and fees of professional advisers engaged by the Company is set out at Sections 9.6.6 and 9.14.

### 6.4.2 Directors' interests and remuneration

Mark Baldwin is employed in the position of Chief Executive Officer. Refer to Section 6.4.3 for further details.

#### 6.4.2.1 Non-Executive Director remuneration

Under the Constitution, subject to the ASX Listing Rules, the Directors as a whole (other than Executive Directors) may be paid or remunerated for their services a total amount or value not exceeding \$600,000 per annum or such other maximum amount fixed by the Company in general meeting. The remuneration may be by way of salary or Shares but may not be by commission on, or a percentage of, operating revenue. Annual Directors' fees currently agreed to be paid by the Company are \$120,000 to the Chairman, and \$80,000 to each of the other independent Non-Executive Directors, along with options to purchase Shares in the Company, as set out in Section 6.4.2.4.

#### 6.4.2.2 Deeds of access, insurance and indemnity for Directors

The Company has entered into deeds of indemnity, insurance and access (Deeds) with all Directors of the Company. The Deeds provide that the Company will indemnify the Directors against liabilities, costs and expenses as permitted under the Corporations Act, related to each Director's period of office.

In addition, the Company must arrange and maintain Directors' and Officers' insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. Further, the Company must allow each Director access to papers, documents and other information relating to the affairs of the Company during the period the Director is an officer of the Company and for a period of seven years after the Director ceases to hold office.

### 6.4.2.3 Other information and interests

Directors will be reimbursed for reasonable travel and other expenses incurred in attending to Millennium matters. Any non-executive Director who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services out of the funds of the Company, as determined by the Board.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. Chapter 2E of the Corporations Act prohibits a company from giving a financial benefit to a related party (including any director) without the prior approval of its members by ordinary resolution.

Other interests of Directors and management are set out in this Section 6.4.

### 6.4.2.4 Director shareholdings and optionholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by the Directors will be as outlined in the table below. Some of these Shares will be subject to voluntary escrow arrangements. Please refer to Section 9.8 for further detail.

#### Director Shareholdings Pre and Post the Offer

	Millennium Shares held prior to the Offer	Millennium Shares held prior to the Offer (%)	Shares held at Completion of the Offer <sup>1</sup>	Shares held at Completion of the Offer (%)
Peter Anderson	-	0.0%	200,000	0.4%
Mark Baldwin	-	0.0%	100,000	0.2%
Greg McCormack	-	0.0%	200,000	0.4%
Stephen Williams	-	0.0%	22,222	0.0%
Stephen Lidbury	4,345,706	25.0%	6,893,557	15.0%

Details of the ownership of Options on the Prospectus Date and on Completion of the Offer are set out below:

#### Optionholding structure

	Options held at Completion of the Offer <sup>2</sup>
Peter Anderson	1,200,000
Mark Baldwin	-
Greg McCormack	600,000
Stephen Williams	600,000
Stephen Lidbury	-

1. The following Directors have advised of their intention to apply for Shares as part of the Offer in the following amounts: Peter Anderson – 200,000, Greg McCormack – 200,000, Stephen Williams – 22,222. The numbers in the above table assume that the noted Directors complete valid Applications to subscribe for Shares under the Offer. Mark Baldwin is being granted 100,000 Shares as part of the Shares being issued to employees by the Company.

2. The Directors hold the Options as part of their employment package. Please see Section 6.4.3 of this Prospectus for further information.

Note: Shares held prior to the Offer are those held on the day before Settlement (prior to the transfer of the SaleCo Shares to the Company pursuant to the Sale Offer Deed).



# 6. KEY PEOPLE, INTERESTS & BENEFITS

## 6.4.3 Executive remuneration

### 6.4.3.1 CEO and CFO

Millennium has entered into an executive employment agreement with Mark Baldwin to govern his employment with the Company as its Chief Executive Officer. The agreement provides a base salary of \$300,000 (gross) per annum (excluding superannuation) and a car allowance of \$12,000 (gross) per annum, along with related minor benefits.

Millennium has also entered into an executive employment agreement with Richard Forster to govern his employment with the Company as its Chief Financial Officer. The agreement provides a base salary of \$220,000 (gross) per annum (excluding superannuation) and a car allowance of \$14,000 (gross) per annum, along with related minor benefits.

In addition, subject to Completion of the Offer and the Listing of Millennium, Mark and Richard will be eligible to participate in the 'Omnibus Equity Plan', through which the Board will determine appropriate short-term incentive and long-term incentive mechanisms. The Board has adopted the 'Omnibus Equity Plan', which the Company intends to establish for employees, or terms to be determined by the Company from time to time.

Detail on the incentive plans is provided in Section 9.6.7 of this Prospectus.

A summary of the terms and conditions of the executive employment agreements entered into by the Company is provided in Section 9.6.7 of this Prospectus.

### 6.4.3.2 Other members of senior management

Each other member of Millennium's management is employed under individual employment agreements. These agreements establish total compensation including a base salary, superannuation contribution and incentive arrangements, variable notice and termination provisions of, in general, either three months or one year, confidentiality provisions and leave entitlements, as a minimum, as per the National Employment Standards.

Either Millennium or the executive may terminate the relevant executive's employment by providing either three months or one years notice in writing before the proposed date of termination or in Millennium's case, payment in lieu of notice. Further detail on the executive employment agreements are included in Section 9.6.7.

### 6.4.3.3. Omnibus Equity Plan

The Board has adopted an 'Omnibus Equity Plan' through which it will determine appropriate short-term incentive and long-term incentive mechanisms for employees, including Directors and executive employees.

The Company has adopted the plan to:

- attract, motivate and retain employees;
- provide an incentive to employees to drive improvements and the Company's performance;
- provide market competitive reward mechanisms;
- provide employees the opportunity to acquire an ownership interest in the Company; and
- further align the financial interests of employees with those of Shareholders.

The plan provides the Board with discretion as to whether it seeks to use the granting of options, rights, shares or performance shares, or a mixtures of those awards, as employee incentives, and it can determine the relevant performance hurdles and vesting conditions in relation to those awards.

Unless otherwise disclosed in this Prospectus, the Board has determined that the granting of an award to eligible employees under the plan will generally be subject to vesting conditions, including but not limited to:

- an employment service condition;
- any performance condition specific to the employee or financial performance of the Company; and
- any other conditions as the Board may deem appropriate.

A summary of the terms and conditions of the 'Omnibus Equity Plan' is provided in Section 9.6.7 of this Prospectus.

#### **6.4.3.4 Issue of Shares to employees**

To reward employee loyalty and to align interests with those of Shareholders, the Company will issue 444 Shares to each Millennium Group employee meeting qualifying requirements, and 220 Shares to each Millennium Group employee partially meeting qualifying requirements, except employees who will participate in the 'Omnibus Equity Plan'.

In addition the Company will issue 673,000 Shares to line and management employees who have met the service qualifications.

These Shares will be issued on or about the same time that Shares under this Offer are allocated. These Shares will immediately vest. There will be no consideration for these Shares. This is expected to result in the issue of approximately 907,256 Shares, which will result in an expense being recorded in the FY16 financial statements.

### **6.5 Corporate governance**

This Section 6.5 explains how the Board will oversee the management of Millennium's business. The Board is responsible for the overall corporate governance of Millennium. The Board monitors the operational and financial position and performance of Millennium and oversees its business strategy, including approving the strategic goals of Millennium and considering and approving a business plan and an annual budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Millennium. In conducting business with these objectives in mind, the Board seeks to ensure that Millennium is properly managed to protect and enhance Shareholder interests, and that Millennium and its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Millennium, and has adopted or is developing relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Millennium's business and which are designed to promote the responsible management and conduct of Millennium.

The main policies adopted by Millennium, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Millennium's code of conduct outlines the standards of conduct expected of Millennium's business and personnel in a range of circumstances. In particular, the code articulates the high standards of honesty, integrity, ethical and law abiding behaviour expected of Directors, and officers. Details of Millennium's key policies and the charters for the Board and each of its committees will be available from Listing at [www.millenniumsg.com](http://www.millenniumsg.com). Millennium's current operational practices include comprehensive occupational health and safety, and business continuity protocols; otherwise reflecting its position as an established privately-owned business, while having regard to the nature, breadth and geographic reach of its operations. Following Listing, Millennium will develop further practices consistent with the policies summarised below.

# 6. KEY PEOPLE, INTERESTS & BENEFITS

## 6.5.1 Corporate governance principles

The ASX Corporate Governance Council has developed and released the third edition of its ASX Corporate Governance Principles and Recommendations (ASX Recommendations) for ASX listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Except as set out below, the Company intends to comply with all of the ASX Recommendations with effect from Listing.

## 6.6 Board of Directors

The Board of Directors comprises three Non-Executive Directors, including the Chairman, and two Executive Directors. Detailed biographies of the Directors are provided in Section 6.1.

The Board considers an independent Director to be a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent and unfettered exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board.

The Board considers that each of Peter Anderson, Greg McCormack and Stephen Williams is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and each is able to fulfil the role of an independent director for the purposes of ASX Recommendations. None of these Directors are acting as nominees or representatives of any current or former shareholder of any entity within Millennium, nor as nominees or representatives of the Lead Manager or suppliers to Millennium.

Stephen Lidbury is a director of, and investor in, certain entities controlled by Stephen Lidbury Pty Ltd. As Stephen Lidbury Pty Ltd will be a substantial Shareholder of the Company on Completion of the Offer, the Directors consider that this position results in him not being an independent director of the Company having regard to the nature of his involvement in the Company. Notwithstanding his role at Stephen Lidbury Pty Ltd, the Board considers that Mr Lidbury will add significant value to Board deliberations given his experience and skills.

Mark Baldwin is considered by the Board not to be independent for the purposes of ASX Recommendations as he is the Chief Executive Officer of the Company.

## 6.7 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities; and
- the authority delegated by the Board to Board committees.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by providing strategic guidance and effective oversight of management;
- setting Millennium's commercial, strategic and financial objectives;
- approve and monitor systems of risk management, internal compliance and control, codes of conduct and ethics, and legal and regulatory compliance;

- monitor senior management's performance and approve remuneration policies and practices; and
- monitor implementation of strategy and ensure appropriate resources are available.

Matters on which the Board or its committees are authorised to act include:

- appointment of the Chairman;
- appointment and removal of the CEO and CFO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- review of corporate codes of conduct;
- approval of major capital expenditure, capital management and acquisitions and divestitures; and
- calling of meetings of Directors or Shareholders, among other specific matters for Board determination.

Each Director individually has the right to seek independent professional advice at Millennium's expense, subject to the reasonable approval of the Chairman of the Board.

## 6.8 Board committees

The Board may, from time to time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the 'Audit and Risk Committee' and the 'Remuneration and Nomination Committee'. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Millennium, relevant legislative and other requirements and the skills and experience of individual Directors.

### 6.8.1 Audit and Risk Committee

Under its charter, this committee must have at least three members, and at least three of its members must be Non-Executive Directors. The committee must also have an independent chairman who is not the Chairman of the Board. In addition, at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters, and at least one member must have an understanding of the industry in which the Company operates.

The committee currently comprises Greg McCormack (Chair), Peter Anderson and Stephen Williams (whose relevant qualifications and experience is set out in Section 6.1). They are all financially literate.

The primary role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- ensuring the correctness and reliability of financial information prepared for use by the Board;
- ensuring the integrity of the Company's internal controls affecting the preparation and provision of that financial information in determining policies or for inclusion in the financial report;
- reviewing and making recommendations to the Board in relation to Millennium's accounting policies or required changes to the major accounting policies of the Company;
- monitoring and making recommendations to the Board on the effectiveness of the Company's external audit function;
- overseeing the development and implementation of risk management plans, and monitoring the effectiveness of those risk and compliance internal controls and systems, and making recommendations to the Board when necessary;

## 6. KEY PEOPLE, INTERESTS & BENEFITS

- making recommendations to the Board in regard to the scope of internal and external audit and development of audit plans, and with regard to the appointment of external auditors;
- making recommendations to the Board regarding the external auditor tender process; and
- meeting periodically with the external auditor and inviting them to attend committee meetings.

It is the policy of Millennium that its external auditing firm must be independent of it. The committee will review and assess the independence of the external auditor on an annual basis.

The Company will comply with the ASX Recommendations in relation to composition and operation of the Audit and Risk Committee.

The identification and proper management of Millennium's risks are an important priority of the Board. Millennium is committed to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has responsibility for identifying major risk areas and implementing risk management systems. The Board is responsible for monitoring risk management and establishing procedures that seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Board may delegate these functions to the Audit and Risk Committee.

Millennium will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO or CFO and Company Secretary to provide declarations required under section 295A of the Corporations Act.

Millennium will implement a system whereby management may be required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

### 6.8.2 Remuneration and Nomination Committee

The protocols adopted by the Board allow for a separate Remuneration and Nomination Committee, which operates under its own committee charter. The Remuneration and Nomination Committee will provide advice and make recommendations to the Board about the size and composition of the Board, including reviewing Board succession plans and the succession of the Chairman and CEO.

The committee comprises Stephen Williams (Chair), Peter Anderson and Greg McCormack, all of whom are independent, non-executive directors of the Company.

The responsibilities of the Remuneration and Nomination Committee include:

- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- reviewing and recommending remuneration arrangements for the Chairman, CFO and other members of senior management and Directors;
- reviewing and making recommendations in relation to Millennium's remuneration practices;
- reviewing and evaluating market practices and trends in relation to remuneration relevant to Millennium;
- evaluating the performance of the Board, individual Directors and executives.

## 6.9 Corporate governance policies

The Board has adopted the following corporate governance policies, each prepared with having regard to ASX Recommendations and which are available on the Company's website at [www.millenniumsg.com](http://www.millenniumsg.com).

### 6.9.1 Diversity policy

Millennium is committed to complying with the diversity recommendations published by ASX and promoting diversity among employees, consultants and senior management and has adopted a policy in relation to diversity (Diversity Policy).

The Company defines diversity to include, but not be limited to, gender, age, ethnicity and cultural background.

The Diversity Policy adopted by the Board outlines the Company's commitment to fostering a corporate culture that embraces diversity and provides a process for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

The Company's Remuneration and Nominations Committee is responsible for implementing the Diversity Policy, setting the Company's measurable objectives and benchmarks for achieving diversity and reporting to the Board on compliance with the **Diversity Policy**.

As part of its role, the Company's Remuneration and Nominations Committee is responsible for formulating and implementing a Company remuneration policy. Under the Diversity Policy, a facet of this role will include reporting to the Board annually on the proportion of men and women in the Company's workforce and their relative levels of remuneration.

### 6.9.2 Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from Listing which establishes procedures that are aimed at ensuring that Directors and management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website at [www.millenniumsg.com](http://www.millenniumsg.com).

### 6.9.3 Securities trading policy

Millennium has adopted a securities trading policy, which will apply to the Company and its Directors, officers, key management personnel, including those persons having authority and responsibility for planning, directing and controlling the activities of Millennium, whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to those designated people dealing in Shares.



# 6. KEY PEOPLE, INTERESTS & BENEFITS

Subject to certain exceptions, the securities trading policy defines certain “trading windows” during which trading in Shares by those designated people is permitted. These trading windows are currently defined as any of the following periods:

- the period commencing immediately after the release of the Company’s half-year results to ASX and ending eight weeks after such release;
- the period commencing immediately after the release of the Company’s full year results to ASX and ending eight weeks after such release; and
- the period commencing immediately after each of the Company’s annual general meetings and ending eight weeks after the relevant annual general meeting, and any additional periods determined by the Board from time to time.

In all instances, the policy provides that buying or selling of Shares is not permitted at any time by a designated person who possesses price-sensitive information. A copy of this securities trading policy will be available on the Company’s website at [www.millenniumsg.com](http://www.millenniumsg.com).

## 6.9.4 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all Directors, the company secretary and all executives of the Company. The key aspects of the code are to:

- act with integrity and objectivity, striving to enhance the reputation and performance of the Company and in the best interests of the Company;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use Millennium’s resources and property properly.

## 6.9.5 Communications with Shareholders

The Board’s aim is to ensure that Shareholders are provided with sufficient information to assess the performance of Millennium and that Shareholders are kept informed of all major developments affecting the state of affairs of Millennium in accordance with all applicable laws. In addition to the Company’s continuous disclosure obligations, the Company has a policy of seeking to keep Shareholders informed. All ASX announcements made to the market, including annual and half-year financial results, are posted on the Company’s website at [www.millenniumsg.com](http://www.millenniumsg.com) as soon as they have been released by ASX. The full text of all notices of meetings and explanatory material, the Company’s Annual Report, key policies, the charters of its Board committees and copies of all investor presentations made to analysts and media briefings will be posted on the Company’s website. The website also contains a facility for the Shareholders to direct queries to the Company.

## 6.10 Related party transactions

Other than as disclosed in this Prospectus, Millennium is not party to any material related party arrangements.

# DETAILS OF THE OFFER | 7



# 7. DETAILS OF THE OFFER

## 7.1 The Offer

This Prospectus relates to an initial public offering of 22.0 million Shares in Millennium at an Offer Price of A\$2.25 per Share. The Shares offered under this Prospectus will represent approximately 48.0% of the Shares on issue at Completion of the Offer. The Offer is expected to raise approximately \$49.6 million (comprising \$17.5 million for use by the Company and \$32.1 million paid to the Vendors).

The total number of Shares on issue at Completion will be 45.9 million and all Shares will, once issued, rank equally with each other. There will also be 2.4 million Options on issue at Completion of the Offer. A summary of the rights attaching to the Shares is set out in Section 7.11.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

### 7.1.1. Structure of the Offer

The Offer comprises:

- the **Retail Offer**, consisting of:
  - the **Broker Firm Offer** – which is only open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker; and
  - the **Priority Offer** – which is only open to selected investors in Australia and New Zealand who have received a Priority Invitation; and
- the **Institutional Offer** – which consists of an Invitation to certain Institutional Investors in Australia and a number of other overseas jurisdictions to apply for Shares.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker. The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by the Company in consultation with the Lead Manager.

Details of:

- the Broker Firm Offer and the allocation policy under it are described in Section 7.3;
- the Priority Offer and the allocation policy under it are described in Section 7.4; and
- the Institutional Offer and the allocation policy under it are described in Section 7.5.

The allocation of Shares between the Retail Offer and the Institutional Offer is determined by the Company and the Lead Manager.

The Offer has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events that would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.6.3.

### 7.1.2 Purpose of the Offer

The Offer is expected to raise gross proceeds of approximately \$49.6 million. Assuming Completion of the Offer occurs on 18 November 2015, this amount will be applied in accordance with the 'sources and uses of funds' table in Section 7.1.3.

The purpose of the Offer is to provide the Company with:

- a liquid market for its Shares;
- additional financial flexibility and access to capital markets, to assist it to pursue its corporate strategy;
- added benefits of an increased brand profile that arises from being a listed entity;

- the ability to better attract and retain quality staff; and
- suitable level of working capital to actively pursue growth strategies, including the acquisition of the ACS Business.

The Offer also provides the Selling Shareholders with an opportunity to realise part of their investment in Millennium.

### 7.1.3 Source and uses of funds:

The following table details the Company's sources of funding (including the Offer) and the uses of those amounts, assuming Completion of the Offer occurs on 18 November 2015.

#### Sources and Uses of Funds

Sources	\$ million	%	Uses	\$ million	%
Cash proceeds received from sale of Existing Shares	15.0	30.2%	Payment of proceeds from the sale of Shares to SaleCo	32.1	64.7%
Cash proceeds received from issue of New Shares	34.6	69.8%	Payment of costs of the Offer	1.7	3.5%
			Acquisition of ACS Business	7.1	14.3%
			Working Capital	8.7	17.5%
<b>Total Sources</b>	<b>49.6</b>	<b>100.0%</b>	<b>Total Uses</b>	<b>49.6</b>	<b>100.0%</b>

The Offer is expected to raise gross proceeds of approximately \$49.6 million. The proceeds of the Offer will be applied as follows:

- \$15.0 million will be paid to the Existing Shareholders in part consideration for, among other things, the transfer of their SaleCo Shares under the Sale Offer Deed. The balance of proceeds paid to Vendors include payments by the Company pursuant to the Share Sales Deeds;<sup>1</sup>
- \$1.7 million will be used to pay the Offer costs.
- \$7.1 million will be used to fund the ACS acquisition and associated costs; and
- \$8.7 million will be used for working capital purposes.

The Board retains the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

### 7.1.4 Pro forma historical consolidated balance sheet

Millennium's pro forma balance sheet following Completion, including details of the pro forma adjustments, is set out in Section 4.4.

### 7.1.5 Capitalisation and indebtedness

The Company's capitalisation and indebtedness as at 30 June 2015, before and following the Completion of the Offer, is set out in Section 4.

1. The Existing Shareholders currently hold SaleCo Shares. Under the Sale Offer Deed, these will be acquired by the Company in consideration for cash (funded by the proceeds of the Offer) and new Shares. The Existing Shareholders also hold other securities in SaleCo, which will be bought back and/or cancelled upon Completion of the Offer.

# 7. DETAILS OF THE OFFER

## 7.1.6 Shareholding structure

The details of the ownership of Millennium immediately prior to the Offer, and on Completion of the Offer, are set out in the table below.

### Shareholding structure

	Shares held at Prospectus Date	pre-Offer (%)	Shares held at Completion of the Offer	Shares held at Completion of the Offer (%)
Royce Galea Pty Ltd, atf the Royce Galea Family Trust <sup>1</sup>	4,345,706	25.0%	6,892,837	15.0%
Stephen Lidbury Pty Ltd, atf the Stephen Lidbury Family Trust <sup>2</sup>	4,345,706	25.0%	6,892,837	15.0%
Tomi-Sasha Holdings Pty Ltd atf the National Property Trust	8,691,413	50.0%	6,893,557	15.0%
D.J.G. Enterprises Pty Ltd, atf the DJG Trust <sup>3</sup>	–	–	1,148,664	2.5%
Trygela Pty Ltd, atf Trygela Family Trust <sup>4</sup>	–	–	1,148,664	2.5%
Employee Shareholders	–	–	907,256	2.0%
Investors in the Offer	–	–	22,044,444	48.0%
<b>Total</b>	<b>17,382,825</b>	<b>100.0%</b>	<b>45,928,259</b>	<b>100.0%</b>

Information on the number of Shares to be held on Completion of the Offer that will be subject to voluntary escrow arrangements, and details of those arrangements, are set out in Section 9.8.

## 7.1.7. Control implications of the Offer

The Directors do not expect any Shareholder to control the Company on Completion (as defined in section 50AA of the Corporations Act).

## 7.1.8 Potential effect of the fundraising on the future of the Company

The Directors believe that, on Completion, the Company will have sufficient working capital to carry out its stated business objectives.

1. Royce Galea Pty Ltd is a related party of Mr. Royce Galea, who is employed as 'Director of Operations' for the Company.

2. Stephen Lidbury Pty Ltd is a related party of Mr. Stephen Lidbury, who is employed as 'Director of Security' for the Company, and has also been appointed to act as a director on the Board of Millennium.

3. D.J.G. Enterprises Pty Ltd is a related party of Mr. Jeffrey Crewes, who is a senior employee within the Millennium Group.

4. Trygela Pty Ltd is a related party of Mr. Stephen Crewes, who is employed as the 'State Manager - VIC' for the Company.

## 7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of Millennium).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11 below.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$2.25 per Share.
What is the Offer period?	<p>The Broker Firm Offer and Priority Offer open on 6 November 2015 and close on 13 November 2015.</p> <p>The key dates are set out in the Important Information section of this Prospectus. The Offer timetable is indicative only, and may change without notice (subject to the ASX Listing Rules and the Corporations Act).</p>
What are the cash proceeds to be raised?	Approximately \$49.6 million will be raised under the Offer.
Is the Offer underwritten?	Yes. The Lead Manager has fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.6.3.
What is the minimum and maximum Application size under the Retail Offer?	<p>The minimum Application under the Retail Priority Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Retail Offer.</p> <p>The Company, SaleCo and the Lead Manager reserves the right to reject any Application or to allocate a lesser number of Shares than that applied for.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer is determined by the Lead Manager and the Company, having regard to the allocation policy outlined in Sections 7.3.4, 7.4.6 and 7.5.2.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer and Institutional Offer is determined by the Lead Manager and the Company.</p> <p>Eligible Employees who apply for Shares under the Priority Offer are guaranteed the allocation of those Shares applied for.</p> <p>For further information on the Broker Firm Offer, see Section 7.3.</p> <p>For further information on the Priority Offer, see Section 7.4.</p> <p>For further information on the Institutional Offer, see Section 7.5.</p>



# 7. DETAILS OF THE OFFER

Topic	Summary
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be mailed to successful Applicants by standard post on or about Wednesday, 18 November 2015.</p> <p>Refunds (without interest) to Applicants who make an Application and receive a smaller allocation of Shares than applied for will be made as soon as practicable after Completion of the Offer.</p>
Will the Shares be listed?	<p>The Company will apply to the ASX within seven days of the date of lodgement of the original prospectus for admission to the Official List and quotation of Shares on the ASX under the code <b>MIL</b>.</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>The ASX and its officers take no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about Wednesday, 18 November 2015, initially on a deferred settlement basis until the Company has advised ASX that holding statements have been dispatched to Shareholders.</p> <p>It is expected that initial holding statements will be dispatched by standard post on or about Thursday, 19 November 2015. Normal settlement trading is expected to commence on or about Friday, 20 November 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company, SaleCo and the Lead Manager disclaims all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether based on a confirmation of allocation provided by any of them, by the Millennium Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Yes. Details on the voluntary escrow arrangements are provided in Section 9.8.
Has an ASIC relief or ASX waiver been sought or been relied on?	Yes. Details are provided in Section 7.9.
Are there any tax considerations?	Yes. Refer to Section 9.13.

Topic	Summary
Is there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p> <p>See Sections 9.6.3, 9.6.6 and 9.14 for details of various fees payable by the Company to the Lead Manager and by the Lead Manager to certain Brokers.</p>
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Millennium Offer Information Line on 1300 408 306 (toll free within Australia) or +61 3 9415 4395 (outside Australia) between 9.00 am and 5.00 pm (AEDST), Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

## 7.3 Broker Firm Offer

### 7.3.1 Who can apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have been invited to participate by your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that Invitation. You should contact your Broker to determine whether you can receive an Invitation from them to participate in the Broker Firm Offer.

### 7.3.2 How to apply

If you are an Applicant applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker who invited you to participate in the Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry. Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus in its paper copy form or in its electronic form, which may be downloaded in its entirety from [www.millenniumsg.com/offer](http://www.millenniumsg.com/offer).

By making an Application, you declare that you were given access to this Prospectus (and any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Company and the Lead Manager reserves the right to reject or scale back any Applications in the Broker Firm Offer. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

# 7. DETAILS OF THE OFFER

The Broker Firm Offer opens at 9.00 am (AEDST) on Friday, 6 November and is expected to close at 5.00 pm (AEDST) on Friday, 13 November 2015. The Company, SaleCo and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

The Company, SaleCo, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

## **7.3.3 How to pay**

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions provided by their Broker.

## **7.3.4 Allocation policy under the Broker Firm Offer**

The allocation of Shares to Brokers will be determined by the Lead Manager, in consultation with the Company. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company, SaleCo or the Lead Manager) will be responsible for ensuring that their clients who have received a firm allocation from them, receive the relevant Shares.

## **7.3.5 Acceptance of Applications**

An Application in the Broker Firm Offer is an offer to the Company and SaleCo to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company, SaleCo and the Lead Manager reserve the right to reject any Application that is not correctly completed, or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

## **7.3.6 Application Monies**

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any Application Monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian financial institution, must be crossed "Not Negotiable" and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation.

Applications under the Priority Offer must pay their Application Monies in accordance with instructions provided by the Lead Manager.

### **7.3.7 Further information on the Broker Firm Offer**

Applicants under the Broker Firm Offer will be able to call the Millennium Offer Information Line on 1300 408 306 (within Australia) or +61 3 9415 4395 (outside Australia) between 9.00 am and 5.00 pm (AEDST), Monday to Friday. Applicants under the Broker Firm Offer will also be able to confirm their allocation through their Broker.

However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Company or confirmed your allocation through your Broker.

## **7.4 Priority Offer**

### **7.4.1 Who may apply**

The Priority Offer is open to selected investors who have received a Priority Offer Invitation to participate. A Priority Invitation is a personalised invitation to apply for Shares in the Priority Offer.

### **7.4.2 How to apply**

If you have received a Priority Offer Invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on how to apply in your personalised Invitation.

Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

### **7.4.3 How to pay**

Applicants under the Priority Offer must pay their Application Monies by electronic funds transfer in accordance with instructions in their personalised invitation and the Application Form. For more details, Applicants should contact the Millennium Offer Information Line on 1300 408 306 (within Australia) or +61 3 9415 4395 (outside Australia) between 9.00 am and 5.00 pm (AEDST), Monday to Friday.

You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Lead Manager takes any responsibility for any failure to receive Application Monies or payment before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

# 7. DETAILS OF THE OFFER

## 7.4.4 Application Monies

The Company and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

## 7.4.5 Acceptance of Applications

An Application in the Priority Offer is an offer by an Applicant to the Company and SaleCo to apply for Shares in the amount specified the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form (including the conditions regarding quotation on ASX in Section 7.10). To the extent permitted by law, an Application by an Applicant under the Priority Offer is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

## 7.4.6 Priority Offer allocation policy

Priority Offer Applicants may be eligible to receive a guaranteed allocation up to and including the amount indicated on their Priority Invitation or such lesser amount validly applied for. Beyond this, the allocations under the Priority Offer will be at the absolute discretion of Millennium.

Priority Offer Applicants will receive a guaranteed allocation of Shares in the amount notified on their Priority Offer Invitation. Beyond this, the allocation of stock to Applicants under the Priority Offer will be determined by the Lead Manager and the Company. Shares that have been allocated to Applicants under the Priority Offer will be issued to the Applicants who have received a valid allocation of Shares from the Company (subject to the right of the Company and the Lead Manager to reject or scale back Applications as they see fit).

## 7.5 Institutional Offer

### 7.5.1 Invitations to bid

The Institutional Offer consisted of an Invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer.

### 7.5.2 Allocation policy under the Institutional Offer

The Company and the Lead Manager have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer are advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy is influenced by a number of factors including:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Company's desire for an informed and active trading market following Listing on ASX;
- the Company's desire to establish a broad spread of Institutional Investors;
- overall level of demand under the Retail Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Shareholders; and
- any other factors that the Company and the Lead Manager consider appropriate.

## 7.6 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before Completion of the Offer. If the Offer does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

The Company, SaleCo and the Lead Manager also reserves the right (subject to the ASX Listing Rules and the Corporations Act) to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

## 7.7 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities law of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act laws and any other applicable laws.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold, resold, pledged or transferred in the United States except in accordance with U.S. Securities Act registration requirements or in a transaction not subject to the registration requirements of the U.S. Securities Act and any other applicable state securities law;
- it is not in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in any other jurisdiction outside Australia except in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

Each Applicant under the Institutional Offer is required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.



# 7. DETAILS OF THE OFFER

This Prospectus does not constitute an offer of new Shares in Millennium in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the new Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## **Hong Kong**

**WARNING:** This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the new Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the new Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to new Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted new Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus you should obtain independent professional advice.

## **New Zealand**

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The new Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept a placement of new Shares other than to:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company (“initial securities”) in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

## **Singapore**

This Prospectus and any other materials relating to the new Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of new Shares, may not be issued, circulated or distributed, nor may the new Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of the Company's Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Prospectus immediately.

You may not forward or circulate this Prospectus to any other person in Singapore. Any offer is not made to you with a view to the new Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire new Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## 7.8 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with U.S. Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable state securities laws;
- it is not in the United States;

# 7. DETAILS OF THE OFFER

- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

## 7.9 ASX and ASIC

### 7.9.1 ASX waivers and confirmations

The Company intends to apply to ASX for customary Listing Rule confirmations.

### 7.9.2 ASIC exemptions, modifications and relief

The Company has applied to ASIC for relief so that the takeovers provisions of the *Corporations Act* will not apply to certain relevant interests that the Company would otherwise acquire in the Escrowed Shares.

## 7.10 ASX listing, registers and holding statements, deferred settlement trading

### 7.10.1 Application to the ASX for Listing of Millennium and quotation of Shares

Millennium will apply to the ASX within seven days of the date of lodgement of the original prospectus for admission to the Official List and quotation of Shares on the ASX under the code **MIL**.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Millennium to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by Millennium will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Millennium will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Millennium from time to time.

### 7.10.2 CHESS and issuer sponsored holdings

The Company has applied to participate in the ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Millennium and the Share Registry may charge a fee for these additional issuer sponsored statements.

### **7.10.3 Deferred settlement trading and selling Shares on market**

It is expected that trading of the Shares on the ASX (on a deferred basis) will commence on or about Wednesday, 18 November 2015. Trading will be on a deferred settlement basis until Millennium has advised ASX that holding statements have been dispatched to Shareholders, which is expected to occur on or around Thursday, 19 November 2015. Normal settlement trading is expected to commence on or about Friday, 20 November 2015.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, Applicants do so at their own risk. The Company, SaleCo, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the Millennium Offer Information Line or confirmed their firm allocation through a Broker.

## **7.11 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution**

### **7.11.1 Introduction**

The rights and liabilities attaching to ownership of Shares arise from a combination of the Company's Constitution, legislation, the ASX Listing Rules and general law.

A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

### **7.11.2 Rights attaching to Shares**

The rights attaching to the Shares are set out in the Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

The principal rights, liabilities and obligations of the Shareholders are summarised below.

# 7. DETAILS OF THE OFFER

## **7.11.2.1 Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each fully paid Share. The holder of partly paid Shares in the Company has a vote in respect of the Share on a poll that has the same proportionate value as the proportion that the amount paid on the Shares bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are to be ignored.

A Shareholder is entitled to vote; or be counted in a quorum only in respect of Shares on which all calls due and payable have been paid. Where a Share is jointly held, only one of the joint holders may vote. If two or more holders purport to vote, only the votes of the holder whose name appears first in the register of the members of the Company will be accepted.

## **7.11.2.2 General meetings and notices**

Each holder of Shares will be entitled to receive notice of, and to attend and vote at the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

## **7.11.2.3 Dividends**

The Directors may by resolution either declare a dividend and may fix the amount, the time for and method of payment; or determine a dividend or interim dividend is payable and fix the amount and the time for and method of payment. If the Directors determine that a dividend or interim dividend is payable, they may amend or revoke the resolution to pay the dividend or interim dividend before the record date notified to ASX for determining entitlements to that dividend or interim dividend.

Subject to the Corporations Act and the rights of persons (if any) entitled to Shares with special rights to dividends, the Directors may declare and pay dividends in accordance with the Corporations Act, and subject to the ASX Listing Rules, all dividends will be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares in proportion to the relevant issue price for the Shares.

## **7.11.2.4 Variation of class rights**

At present, the Company only has ordinary Shares on offer and has no current plans to create further classes of shares. The rights and restrictions attaching to a class of the Company's shares can only be altered if the holders of 75% of the shares issued in that class consent to the variation in writing, or with the consent of a special resolution passed at a separate meeting of the holders of that class of shares.

## **7.11.2.5 Further Issues of Shares and Options**

The Directors may, subject to the Corporations Act and the Listing Rules, issue Shares or grant Options over Shares to any person at any time and on any terms and conditions as they think fit.

## **7.11.2.6 Pre-emptive rights**

Holders of Shares do not have any pre-emptive rights under the Constitution.

## **7.11.2.7 Winding up**

Subject to any special rights conferred on the holders of any share or class of share, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company divide among the members in kind all or any of the Company's assets; and for that purpose, determine how he or she will carry out the division between the different classes of members, but may not require a member to accept any shares or other securities in respect of which there is any liability. Further, the liquidator may, with the sanction of a special resolution of the Company, vest all or any of the Company's assets in a trustee on trusts determined by the liquidator for the benefit of the contributories.

#### **7.11.2.8 Small holdings**

Subject to the Listing Rules and ASX Settlement Operating Rules (unless a member gives notice rejecting the process), the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares. The Company may only do this once in any 12 month period, and may not be given during the offer period of a takeover bid for the Company.

#### **7.11.2.9 Buy backs**

Subject to applicable laws, in particular the Corporations Act and the Listing Rules, the Company may buy back Shares on such terms and conditions as the Board may determine from time to time.

#### **7.11.2.10 Transfer of Shares**

Subject to the Listing Rules and the Constitution, the Shares are transferable in accordance with ASX Settlement Operating Rules, by instrument in writing in any usual or common form or in any other form that the Directors approve. The Directors may in their absolute discretion refuse to register any transfer in any of the circumstances permitted by the ASX Listing Rules. Except as permitted by the ASX, the Directors must refuse to register any transfer of shares if transfer is or might be in breach of the Listing Rules or a restriction agreement entered into by the Company under the ASX Listing Rules in relation to the Shares. The Company must not refuse to register, give effect to, delay or in any way interfere with a proper ASX Settlement transfer of other securities.

#### **7.11.2.11 Forfeiture after failure to pay calls on partly paid shares**

If a Shareholder fails to pay a call or another amount that is payable on the Shares on the due date, then after notification, and before payment, the Directors may resolve that the Shareholder has forfeited those Shares. A forfeited Share shall be deemed to be the property of the Company, and disposed of on such terms and in such manner as the Directors think fit.

As the Shares to be issued pursuant to this Prospectus are all fully paid Shares, they are not subject to any calls for money and will therefore not become liable for forfeiture.

#### **7.11.2.12 Lien on Shares**

The Company has a lien on Shares not fully paid and on all dividends payable in respect of that Share if a Shareholder fails to pay a call that is payable on the Shares by the due date. Shares on which the Company has a lien may be sold, in such manner as the Board thinks fit, after notification and before payment.

#### **7.11.2.13 Directors – appointment and removal**

Under the Constitution, the minimum number of Directors is three and the maximum is seven or other number as is determined by authorised by resolution passed by the Company's members. The Company may elect directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company (unless the ASX Listing Rules require otherwise) and is then eligible for election at that meeting. No Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

#### **7.11.2.14 Directors – voting**

Questions arising at a meeting of Directors are to be decided by a majority of votes of the Directors present and voting and, subject to the Corporations Act, each Director has one vote. Subject to the ASX Listing Rules, in the case of an equality of votes the chairperson of a meeting, has a casting vote in addition to his or her deliberative vote.



# 7. DETAILS OF THE OFFER

## **7.11.2.15 Indemnities and insurance**

To the extent permitted by law and subject to the Corporations Act, the Company indemnifies current and past Directors and secretaries of the Company against a liability incurred by the person acting in that capacity and against reasonable legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity. The Directors may agree to advance to a Director or secretary an amount which it might otherwise be liable to pay to the officer under this provision on such terms as the Directors think fit but which are consistent with this obligation, pending the outcome of any findings of a relevant court or tribunal which would have a bearing on whether the Company is in fact liable to indemnify the person. If after the Company makes the advance, the Directors form the view that the Company is not liable to indemnify the person, the Company may recover any advance from the officer as a debt due by that person to the Company.

The Company has entered into deeds of indemnity, insurance and access with all Directors, further details of which are set out in Section 6.4.2.2.

## **7.11.2.16 Proportional takeover provisions**

The Company is prohibited from registering a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid unless and until an ordinary resolution approving the proportional takeover bid is passed by the holders of the bid class shares. In accordance with the Corporations Act, the proportional takeover provisions will automatically cease to have effect on the third anniversary of the date of the adoption of the Constitution or of the most recent renewal of the relevant clause of the Constitution.

## **7.11.2.17 Amendment of the Constitution**

The Constitution may be amended only by a special resolution passed by Shareholders.

## **7.11.3 Share capital**

As at the Prospectus Date, SaleCo has on issue ordinary Shares. On Completion of the Offer, the Company will only have one class of share on issue, being fully paid ordinary Shares. The Company will also have Options on issue on Completion of the Offer.

# INVESTIGATING ACCOUNTANT'S REPORTS | 8



Moore Stephens (Vic) Pty Ltd

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5 November 2015

The Directors  
Millennium Services Group Limited  
Suite C3, Level 1, TOKH Centre  
459 Toorak Road  
Toorak VIC 3142

Dear Sirs

## LIMITED ASSURANCE INDEPENDENT INVESTIGATING ACCOUNTANTS REPORT

### 1. Introduction

Moore Stephens (Vic) Pty Ltd [ABN 17 386 983 833] (of which Moore Stephens Corporate Advisory is a division) (**Moore Stephens**) has been engaged by Millennium Services Group Ltd (ACN 607 926 787) (**MIL**) to prepare this Report for inclusion in the Replacement Prospectus to be issued by MIL and Millennium SaleCo Limited (ACN 607 886 215) (**SaleCo**) (together **Millennium**) and dated on or about 5 November 2015 (**Prospectus**) in respect to the initial public offering of MIL Shares (**IPO**).

MIL is a newly formed company established for the IPO and which as part of the transactions in the IPO process will acquire 100% of the following entities:

- Millennium Hi-Tech Group Pty Ltd
  - Millennium Hi-Tech Holdings Pty Ltd
  - Millennium Hi-Tech (SA) Pty Ltd
  - Millennium Cleaning (Qld) Pty Ltd
  - Millennium Cleaning (Vic) Pty Ltd
  - Millennium Group (NZ) Pty Ltd
- (collectively referred to as the **Subsidiaries**)

Collectively MIL and the Subsidiaries are referred to as the **Millennium Group**. The Prospectus also describes in Section 9.6.4 the intended acquisition by Millennium Group of the business assets of ACS (**ACS Business**) upon completion of the IPO.

Details concerning the operations and objectives of the Millennium Group are set out in Section 3 of the Prospectus.

Expressions and terms defined in the Prospectus have the same meaning in this Report.

Moore Stephens holds the appropriate Australian Financial Services Licence and its Financial Services Guide is attached as **Appendix A** to this Report.

## 2. Scope

You have requested Moore Stephens to perform a limited assurance engagement in relation to the following financial information included in the Prospectus:

**a) Pro Forma Historical Financial Information** being:

- i. The summarised pro forma historical statements of profit or loss for the years ending 30 June 2013 (**FY13**), 30 June 2014 (**FY14**) and 30 June 2015 (**FY15**), as if Millennium Group had operated as a single consolidated entity;
- ii. The summarised pro forma cash flow information for FY13, FY14 and FY15, as if Millennium Group had operated as a single consolidated entity; and
- iii. The pro forma statement of financial position of Millennium Group as at 30 June 2015 which assumes completion of the pro forma adjustments as described in Section 4.4 of the Prospectus.

**b) Statutory Historical Financial Information** being the:

- i. Statutory historical financial information for Millennium Group comprising the reconciliation of statutory historical statements of profit or loss and cash flows for FY13, FY14 and FY15, to the Pro Forma Historical Financial Information.

**c) Pro Forma Forecast Financial Information** being the:

- i. Pro forma forecast statement of profit or loss for the year ending 30 June 2016 (**FY16**) for Millennium Group together with the ACS Business as if operated as a single consolidated entity from 1 July 2015; and
- ii. Pro forma forecast statement of cash flow for FY16 for Millennium Group together with the ACS Business as if operated as a single consolidated entity from 1 July 2015.

**d) Statutory Forecast Financial Information** being the:

- i. Statutory forecast statement of profit or loss for the period from the 1 November 2015 to 30 June 2016 for Millennium Group together with the ACS Business; together with a reconciliation to the pro forma forecast statement of profit or loss; and
- ii. Statutory forecast statement of cash flow for the period from 1 November 2015 to 30 June 2016 for Millennium Group together with the ACS Business; together with reconciliation to the pro forma forecast statement of cash flow.

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information together form the **Historical Financial Information**.

The Pro Forma Forecast Financial Information and the Statutory Forecast Financial Information together form the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information are together the **Financial Information**.

The management discussion and analysis set out in Section 4.6 of the Prospectus does not form part of the Financial Information subject of the scope of this Report.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001 (Cth)*.

### **Statutory Historical Financial Information**

The Statutory Historical Financial Information has been derived from the audited financial statements of the Subsidiaries and compiled by Millennium to illustrate the effects of a consolidation of the Subsidiaries, as if it has occurred on 1 July 2012.

The stated basis of preparation of the Statutory Historical Financial Information is the measurement and recognition principles contained in Australian Accounting Standards as set out in Section 4.2 of the Prospectus.

The financial statements of the Subsidiaries for FY13, FY14 and FY15 were audited by Moore Stephens Audit (Vic) ABN 16 847 721 257 in accordance with Australian Auditing Standards and on which unmodified audit opinions were issued.

### **Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and after adjustment for the effects of the pro forma adjustments described in Section 4.4 of the Prospectus.

Due to its nature the Pro Forma Historical Financial Information does not represent Millennium Group's actual financial performance, cash flows or financial position.

### **Pro Forma Forecast Financial Information**

The Pro Forma Forecast Financial Information for FY16 has been prepared in accordance with the Directors' best-estimate assumptions underlying the forecast as described in Section 4.7 of the Prospectus and after adjustment for the effects of the pro forma adjustments described in Sections 4.3 and 4.4 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the measurement and recognition principles contained in Australian Accounting Standards as set out in Section 4.2 of the Prospectus.

Due to its nature the Pro Forma Forecast Financial Information does not represent Millennium Group's prospective financial performance or cash flows.

### **Statutory Forecast Financial Information**

The Statutory Forecast Financial Information for the period from 1 November 2015 to 30 June 2016 has been derived from the Pro Forma Forecast Financial Information.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the measurement and recognition principles contained in Australian Accounting Standards as set out in Section 4.2 of the Prospectus.

## **3. Directors' Responsibility**

The Directors of the Millennium are responsible for the preparation of the Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments included in the Historical Financial Information. They are also responsible for the preparation of the Directors' Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Financial Forecast Information. This includes responsibility for such internal control as the Directors determine are necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

#### 4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information, the Directors' best-estimate assumptions underlying the Forecast Financial Information and the reasonableness of the Forecast Financial Information itself, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the historical financial information of the Subsidiaries from their respective audited financial statements for FY13, FY14 and FY15;
- consideration of the pro forma adjustments to the Financial Information described in the Prospectus;
- enquiry of directors, management, personnel and advisers;
- the performance of analytical procedures applied to the Financial Information; and
- a review of accounting policies adopted by Millennium Group as disclosed in Section 11 of the Prospectus for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

#### 5. Conclusions

##### **Statutory Historical Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Statutory Historical Financial Information, as described in Section 4.3 and 4.5 of the Prospectus is not prepared fairly, in all material respects, in accordance with the stated basis of preparation as stated in Section 4.2 of the Prospectus being the measurement and recognition principles contained in Australian Accounting Standards and Millennium Group's adopted accounting policies.

##### **Pro Forma Historical Financial Information**

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information, as described in Section 4.4 of the Prospectus is not prepared fairly, in all material respects, in accordance with the stated basis of preparation as stated in Section 4.2 of the Prospectus being the measurement and recognition principles contained in Australian Accounting Standards and Millennium Group's adopted accounting policies applied to the Pro Forma Historical Financial Information and the events and transactions to which the pro forma adjustments relate, as described in Section 4.4 of the Prospectus, as if those events and transactions had occurred as at the date of the Historical Financial Information.



***Pro Forma Financial Information and Statutory Forecast Financial Information and Directors' best-estimate assumptions (collectively Forecast Financial Information)***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that:

- a) The Directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the forecast; and
- b) In all material respects, the Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best-estimate assumptions as described in Section 4.7 of the Prospectus; and
  - b. is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Millennium Group's adopted accounting policies applied to the Forecast Financial Information and the pro forma adjustments as if those adjustments, where applicable, had occurred as at the date of the forecast; and
- c) The Forecast Financial Information is not in itself unreasonable.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of Millennium Group for the year ended 30 June 2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Directors' Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Directors' Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Millennium Group. Evidence may be available to support the Directors' best-estimate assumptions on which the Directors' Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this Report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in MIL, which are detailed in the Prospectus and the inherent uncertainty relating to the Directors' Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.8 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from the Directors, that all material information concerning the prospects and proposed operations of Millennium Group and the pro forma adjustments arising from the IPO have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### 6. Restriction on Use

Without modifying our conclusions, we note that the purpose of the Financial Information is for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this Report, or the Financial Information to which it relates, for any purposes other than for which it was prepared.

#### 7. Consent

Consent to the inclusion of this Limited Assurance Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

#### 8. Liability

MIL has agreed to indemnify and hold harmless Moore Stephens and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Millennium Group to Moore Stephens for the purposes of preparation of this Report and the Prospectus.

#### 9. Independence or Declaration of Interest

Neither Moore Stephens nor its directors or employees have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on this matter.

Moore Stephens has provided professional services to MIL in respect to the acquisition of the ACS Business and other taxation and general matters associated with the IPO and Moore Stephens Audit (Vic) has provided audit services to the Subsidiaries, as a prelude to the IPO for which normal professional fees have been received.

Neither Moore Stephens nor its directors or employees has any interest in the outcome of the Offer and IPO other than in the preparation of this Report and participation in the due diligence procedures for which normal professional fees will be received in accordance with its normal fee billing arrangements.

Yours faithfully

**Moore Stephens (Vic) Pty Ltd**

Holder of Australian Financial Services Licence No: 247262



**GARY GRACO**  
Director

APPENDIX A – Moore Stephens (Vic) Pty Ltd Financial Services Guide

**This Financial Services Guide is dated 5 November 2015  
and forms part of the Independent Limited Assurance Report.**

Moore Stephens (Vic) Pty Ltd (ACN 052 362 348) (**Moore Stephens**) holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Moore Stephens has been engaged by Millennium Services Group Ltd (**the Company**) to provide a report in the form of an Independent Limited Assurance Report (**this Report**) for inclusion with the Prospectus issued by the Company and SaleCo on or about 5 November 2015 to potential investors considering investing in the Company.

The *Corporations Act 2001* (Cth) requires Moore Stephens to provide this Financial Services Guide (**FSG**) in connection with its provision of this Report. Moore Stephens does not accept instructions from retail clients. Moore Stephens provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Moore Stephens does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Moore Stephens is only responsible for this Report and this FSG. Moore Stephens is not responsible for any material publicly released by the Company in conjunction with this Report or the Offer. Moore Stephens will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Moore Stephens's client is the Company to which it provides the Report. Moore Stephens receives its remuneration from the Company based upon the time incurred in respect to the Report at normal charge rates, plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Moore Stephens or other associated entities may receive distributions, salary or wages from Moore Stephens. Moore Stephens and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Moore Stephens has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the *Corporations Act 2001* (Cth).

Moore Stephens has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Moore Stephens (Vic) Pty Ltd, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.



# ADDITIONAL INFORMATION | 9



# 9. ADDITIONAL INFORMATION

## 9.1 Incorporation

Millennium Hi-Tech Securities Pty Ltd (ACN 103 423 374) was incorporated in New South Wales on 17 January 2003 as a proprietary company limited by shares, and changed its name to Millennium Hi-Tech Group Pty Ltd on 9 August 2010.

The other companies that comprise the Subsidiaries are:

- Millennium Hi-Tech Holdings Pty Ltd (ACN 145 989 224) incorporated in New South Wales on 25 August 2010 as a proprietary company limited by shares;
- Millennium Cleaning (QLD) Pty Ltd (ACN 145 748 590) incorporated in Victoria on 12 August 2010 as a proprietary company limited by shares;
- Millennium Cleaning (VIC) Pty Ltd (ACN 145 748 616) incorporated in Victoria on 12 August 2010 as a proprietary company limited by shares;
- Millennium Hi-Tech (SA) Pty Ltd (ACN 146 139 764 ) incorporated in New South Wales on 2 September 2010 as a proprietary company limited by shares; and
- Millennium Group (NZ) Pty Ltd (Company number 5702162) incorporated in New Zealand on 26 May 2015.

Millennium Services Group Limited was registered in Victoria, Australia on 28 August 2015 as a public company limited by shares has ACN 607 926 787.

Millennium SaleCo Limited was registered in Victoria, Australia on 26 August 2015 and has ACN 607 886 215.

## 9.2 Company tax status

The Company expects to be taxed in Australia as a public company. The financial year of the Company ends on 30 June annually.

## 9.3 Corporate structure

### Internal restructure

The Company started the process of a corporate structure, by the interposing of a public company limited by shares in anticipation of the IPO process, named Millennium Services Group Limited, which is to be the parent company of the Millennium Group.

A summary of this structure is provided by in Section 3.11 of the Prospectus.

Under the terms of the Millennium Group restructure, the Vendor Shareholders have provided warranties to Millennium that shares in the Subsidiaries were or are to be transferred to Millennium free from encumbrances and third party rights, to provide for the corporate structure diagram outlined in Section 3.11 of the Prospectus.

### Sale of Sale Shares

SaleCo has been established so that the Selling Shareholders can sell the Sale Shares and realise all or part of their investment in the Company. Each Selling Shareholder has entered into a 'Sale Offer Deed' in favour of SaleCo, dated Friday, 23 October 2015 under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights conditional on Listing and to deliver Sale Shares on Completion of the Offer to or as directed by SaleCo.

As at the Prospectus Date, Selling Shareholders have offered to sell approximately 6.7 million Existing Shares to SaleCo, which comprise the Sale Shares.



In addition to the Selling Shareholders' Offer under the Sale Offer Deed being conditional on Listing, it is also subject to payment of the consideration due to the Vendors; and the receipt by SaleCo of proper instruments of transfer of, and any documents of title to, the Sale Shares.

SaleCo may accept the irrevocable offers at any time after the Listing of the Company on the ASX and the commencement of official quotation (including on a conditional and deferred settlement basis) of Shares on the ASX.

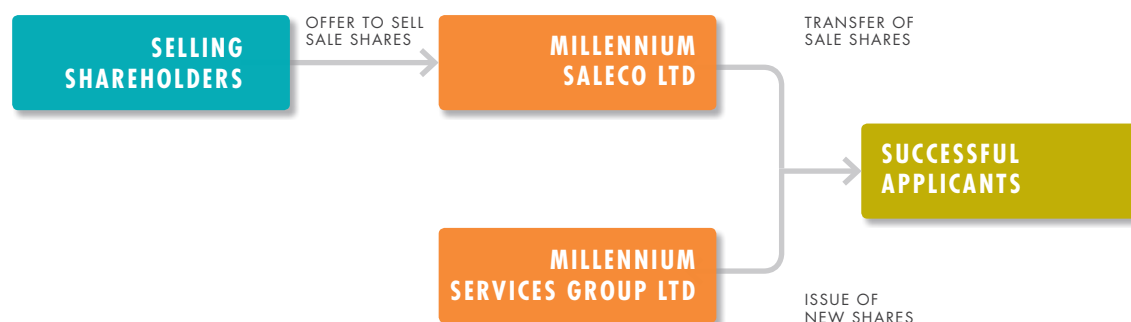
The Existing Shares which SaleCo will agree to acquire from the Existing Shareholders upon its acceptance of the Sale Offer Deed will be transferred to Applicants allocated Sale Shares under the Offer, as directed by SaleCo. The price payable for the Sale Shares will be the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interest in the irrevocable offers and the SaleCo indemnity deed (under which the Company indemnifies SaleCo and its directors against any loss or liability that they may suffer or incur as a result of the Offer).

The Directors of SaleCo are Royce Galea, Stephen Lidbury and Eileen Tregent. The shareholders of SaleCo are Stephen Lidbury Pty Ltd (ACN 151 668 601) as trustee for the Stephen Lidbury Family Trust, Royce Galea Pty Ltd (ACN 151 514 019) as trustee for the Galea Family Trust, Tomi-Sasha Holdings Pty Ltd (ACN 076 376 308), as trustee for the National Property Trust.

#### Sale of Sale Shares and issue of new Shares

### OFFER STRUCTURE



SaleCo is a company that has been established to facilitate the sale of Existing Shares by the Selling Shareholders.

Each Selling Shareholder has irrevocably offered to sell Existing Shares to SaleCo free from encumbrances and third party rights, and to deliver Sale Shares on Completion of the Offer to or as directed by SaleCo, subject only to:

- Listing;
- payment of the consideration due to the Selling Shareholders; and
- the receipt by SaleCo of proper instruments of transfer of, and any documents of title to, the Sale Shares.



# 9. ADDITIONAL INFORMATION

## 9.4 Capital structure of the Company

As at the Prospectus Date, Millennium's capital structure is as follows.

Class of security	Number of securities on issue
Ordinary Shares	45,928,260
Vested Options	-
Unvested Options	2,400,000

Note: Vested and unvested Options have been issued to the Non-Executive Directors under the Omnibus Equity Plan. Refer to Section 9.5 for further details.

On Listing, the Company will only have one class of share on issue, being fully paid ordinary Shares.

## 9.5 Options on issue

On Completion of the Offer, Millennium will have the following Options on issue:

- Mr. Peter Anderson has been granted the following by the Company:
  - Option to acquire 400,000 Shares, at a strike price that is 30% above the Offer Price, vesting on the day which is the two year anniversary of the Listing Date;
  - Option to acquire a further 400,000 Shares, at a strike price that is 50% above the Offer Price, vesting on the day which is the three year anniversary of the Listing Date; and
  - Option to acquire a further 400,000 Shares, at a strike price of 65% above the Offer Price, vesting on the day which is the four year anniversary of the Listing Date.
- Mr. Greg McCormack and Mr. Stephen Williams have each been granted the following by the Company:
  - Option to acquire 200,000 Shares, at a strike price that is 30% above the Offer Price, vesting on the day which is the two year anniversary of the Listing Date;
  - Option to acquire a further 200,000 Shares, at a strike price that is 50% above the Offer Price, vesting on the day which is the three year anniversary of the Listing Date; and
  - Option to acquire a further 200,000 Shares, at a strike price of 65% above the Offer Price, vesting on the day which is the four year anniversary of the Listing Date.

In the event a Director ceases to act in that capacity, Options noted above that are unvested at that point in time will be cancelled by the Company, except for the Options issued to Peter Anderson, which are only cancelled as a result of being terminated for breach of duty or poor performance.

## 9.6 Material contracts

Summaries of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete and are guided by the text of the contracts themselves.

### 9.6.1 SaleCo indemnity deed

The Company has entered into a deed of indemnity under which the Company indemnifies SaleCo and its directors against losses incurred in respect of the Offer by them as a result, among other things, of defects in, or the distribution of, this Prospectus or any advertising or marketing in respect of the Offer published by the Company. The indemnity does not extend to losses resulting from fraud, recklessness, wilful misconduct or gross negligence of an indemnified party or to the extent the indemnity would be illegal, void or unenforceable under any law.

### 9.6.2 Client service agreements

Millennium has entered into client services agreements to perform property facility services for a range of clients, including AMP Capital Investors Limited, QIC Global Real Estate and Scentre Group (managers of Westfield properties in Australia), among others.

It is typical for clients to operate a tender process before engaging a service provider. The client service contracts the results from the tender containing various terms and performance requirements that Millennium considers to be standard across the industry.

Millennium considers the following terms to be representative of these industry standards:

Service contracts typically include prescriptive and onerous standards relating to performance requirements, frequently including obligations that services be performed in a professional manner, in accordance with industry best practice and with the degree of professional skill, care and diligence expected of a competent professional provider experienced in carrying out services of a similar nature, along with client specific performance standards. It is common for Millennium to be required to warrant it has the skill, experience and resources to perform the stated services.

In doing so, it is common for Millennium to be required to implement an 'Integrated Management System' (IMS) to demonstrate it has assessed, and throughout the term will monitor, performance standards in relation to: provision of the services; quality of the Contractor's personnel; risk management program; benchmarking of service quality against industry and regulatory best practice standards and implementation of a continuous improvement program.

The IMS is often required to include the provision of an operations manual, comprising a quality plan, an environmental management plan, a health and safety plan, and a risk management plan. In order to meet requirements that vary according to clients and sites, Millennium had implemented an IMS that is consistent with the requirements of independently determined Australian or New Zealand standards or quality benchmarks, such as:

- ISO 9001 re Quality Management Systems;
- ISO 14001 re Environmental Management Systems; and
- AS/NZS 4801 re Occupational Health and Safety Management Systems.

While it is Millennium's determination as to the number of employees and the frequencies in which the services will be performed in order to meet required performance standards under the contract, and to incur all costs for doing so, it must meet daily, weekly, monthly and other regular client reporting requirements in order to demonstrate compliance with the terms of the agreement. This includes regular audits of hours of service for monthly intervals, reporting on key performance indicators and, spillages and slip testing results.

In performing the services Millennium must:

- comply with the reasonable directions of the client;
- comply with occupational health and safety, and environmental requirements, including relevant laws and regulations, and the clients own environmental health and safety requirements;
- be in full compliance with all relevant current Australian Standards (AS) and legislative provisions; and
- provide an annual report summarising the previous year's highlights and areas for improvement, and plan for the following year.

While in some circumstances the agreed fees under the client services contract are fixed for the term, it is common for those fees to be either a fixed annual increase, annually reviewed to adjust for movements in the consumer price index, or to adjust for applicable employment award rate increases. Where an extension of the term is provided, it is typically at the sole discretion of the client.

# 9. ADDITIONAL INFORMATION

It is typical for Millennium to have no limitation or restriction of liability under the service contracts. It is also customary for service providers such as Millennium to provide broad indemnities for the benefit of the client to insulate them from losses, claims or costs in relation to the performance of the services (including breaches of occupational health and safety or environmental standards), or death or injury occurring on the relevant property that relates to the performance of services, and in some cases only some of which are mitigated in the event of negligent or fraudulent conduct of the client contributing to the overall loss.

Millennium is required to have insurance to client-specified coverage levels, typically in relation to public liability, professional indemnity, and WorkCover related areas.

In circumstances where sites are owned under a property trust structure and are managed by either a responsible entity or an appointed manager, it is typical that the potential liability to Millennium of the owner, manager and responsible entity under a breach of contract be restricted to the extent that a liability can be satisfied out of the property of the relevant trust. It is also typical for that the party to be indemnified for that liability out of the funds, unless the liability is the result of fraud, negligence or breach of trust by that party.

Many of Millennium's service agreements may be terminated by the client without cause, either immediately or on relatively short notice periods such as 30 days' notice. Within the facility services industry it is customary that service providers do not receive compensation as a result of a client's exercise of a termination without cause right, only payment for services rendered up until the termination date. However, in some circumstances, a termination for convenience election by a client can result in recovery of costs or expenses incurred as a direct result of the termination of the agreement, which Millennium must take all reasonable steps to mitigate. To the knowledge of management, no client has exercised its right to terminate a material contract for convenience.

Typical client rights present in contracts include the ability to terminate if the relevant property is sold by the owner, if the relevant property management agreement for the site is terminated, and if a redevelopment of the relevant property significantly affects the GLA of the premises. A further client termination right commonly arises in circumstances where performance standards are not met and not subsequently and promptly rectified, or if there are repeat instances of various performance standards not met by the Company.

## 9.6.3 Underwriting Agreement

The Offer is underwritten by the Lead Manager pursuant to an underwriting agreement dated on or around Friday, 23 October 2015 between Millennium Services Group Limited ('Millennium'), Millennium SaleCo Limited ('SaleCo') and the Lead Manager ('Underwriting Agreement'). Under the Underwriting Agreement, the Lead Manager has agreed to arrange, manage and underwrite the Offer.

### Commission, fees and expenses

The Company has agreed to pay the Lead Manager an underwriting and management fee equal to 4.5% of the proceeds of the Offer. The Company may, in its absolute discretion, pay the Lead Manager an incentive fee equal to 0.5% of the proceeds of the Offer. The fees will become payable by Millennium on the date of Settlement of the Offer. In addition to the fees described above, Millennium has agreed to reimburse the Lead Manager for certain agreed costs and expenses, including legal expenses, incurred by the Lead Manager in relation to the Offer.

For the purpose of this Section 9.6.3, "Offer Documents" means the documents issued or published by or on behalf of Millennium and with its prior approval in respect of the Offer including:

- the initial Pathfinder and any document which supplements or replaces the initial Pathfinder (including any addendum to the initial Pathfinder);
- the Prospectus and any Application Form;
- any cover email, including an appropriate cautionary legend, sent to eligible Institutional Investors

in Australia, New Zealand, Hong Kong, Singapore and other agreed foreign jurisdictions with a link to or attaching the initial Pathfinder in connection with the Institutional Offer and bookbuild; and

- any investor presentation or marketing presentation and/or ASX announcement used in connection with the Institutional Offer or the Broker Firm Offer (including any addendum to those presentations and any draft of such documents used for roadshow purposes prior to the Lodgement Date).

### Termination events

The Lead Manager may terminate the Underwriting Agreement, without cost or liability, by notice to Millennium, SaleCo, if any of the following events occur at any time from the date of the Underwriting Agreement until on or before 5.00 pm on the date of Settlement:

- A statement in any of the Offer Documents or public information is or becomes false, misleading or deceptive or is likely to mislead or deceive (including by omission), or a matter required to be included is omitted from an Offer Document;
- Millennium issues or, in the reasonable opinion of the Lead Manager, is required to issue, a supplementary prospectus to comply with section 719 of the Corporations Act;
- At any time the S&P/ASX All Ordinaries index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the date of lodgement of the Prospectus or is at or below that level at the close of trading:
  - for two consecutive Business Days during any time after the date of the Underwriting Agreement; or
  - on the Business Day immediately prior to, either, the date of Settlement or the issue date;
- Any of the restriction deeds are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- Any Sale Offer Deed is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- Millennium, SaleCo or any of their respective Directors or Officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- Approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - Millennium's admission to the Official List on or before the Listing approval date; or
  - the quotation of all of Millennium's ordinary shares, including the Shares, on ASX or for Millennium's ordinary shares, including the Shares, to be traded through CHESS on or before the date on which the Shares are to be first quoted on ASX, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- Any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such order becomes public and is not withdrawn within three Business Days of when it is made, or if it is made within three Business Days of the date of Settlement, it has not been withdrawn by the date of Settlement;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document and any such application, inquiry or hearing becomes public and is not withdrawn within three Business Days of when it is made, or if it is made within three Business Days of the date of Settlement, it has not been withdrawn by the date of Settlement;
  - any person (other than the Lead Manager) who has previously consented to the inclusion of its

## 9. ADDITIONAL INFORMATION

- name in any Offer Document withdraws that consent; or
- any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- Millennium or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- If any of the obligations of the relevant parties under the Material Contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of such contracts:
  - is amended or varied without the consent of the Lead Manager (acting reasonably);
  - is terminated;
  - is breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- Millennium withdraws the Prospectus;
- Millennium or SaleCo becomes insolvent, or there is an act or omission which is likely to result in Millennium or SaleCo becoming insolvent;
- An event specified in the timetable up to and including the date of Settlement is delayed by more than two Business Days (other than any delay caused solely by the Lead Manager or agreed between Millennium and the Lead Manager or a delay as a result of the extension of the Exposure Period by ASIC);
- Millennium is prevented from allotting and issuing Shares under the Offer within the time required by the timetable in the Underwriting Agreement, the Offer Documents, the ASX Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental agency;
- If a regulatory body withdraws, revokes or in any material respect amends any regulatory approvals required for Millennium or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- Any of the following occur:
  - there is a change in the composition of the Board of Directors of Millennium; or
  - any of the Chief Executive Officer or the Chief Financial Officer resign or change their position within Millennium; or
- Any of the following occur:
  - a director of Millennium or SaleCo is charged with an indictable offence; or
  - any governmental agency commences any public action against Millennium or SaleCo or any of their directors in their capacity as a director of Millennium or SaleCo, or announces that it intends to take action; or
  - any director of Millennium or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- Any Millennium, SaleCo, or any subsidiary becomes insolvent, or there is an act or omission that is likely to result in such an entity becoming insolvent.

### Termination events subject to materiality

- The Lead Manager may terminate the Underwriting Agreement, without cost or liability, by notice to Millennium and SaleCo, if any of the following events occur at any time from the date of the Underwriting Agreement until on or before 5.00 pm on the date of Settlement, only if the Lead Manager has reasonable grounds to believe that the event:
  - has or is likely to have a materially adverse effect on the success or marketing of the Offer or

- the ability of the Lead Manager to market or promote or settle the Offer; or
- has given, or would be likely to give, rise to a liability of the Lead Manager under, or result in, a contravention by the Lead Manager or its affiliates of, or the Lead Manager or its affiliates being involved in a contravention of the Corporations Act or any applicable law.

The Lead Manager can terminate as above if any of the following events occur:

- The due diligence report in relation to Millennium and SaleCo and the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), false, misleading or deceptive, including by way of omission;
- Any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Millennium and the Group, including in the Prospectus or the public information;
- There is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the Peoples' Republic of China, Singapore, or any Member State of the European Union, or any State or Territory of Australia a new law (excluding a policy of the Reserve Bank of Australia), other than a law or policy which has been announced before the date of the Underwriting Agreement;
- A representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of Millennium or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- Millennium or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- Millennium varies any term of its Constitution without the prior written consent of the Lead Manager or Millennium does not comply with its Constitution;
- Any of the following occur:
  - the commencement of legal proceedings against Millennium or SaleCo, or against any director of Millennium or SaleCo in that capacity; or
  - any regulatory body commences any inquiry or public action against a Group member;
- There are not, or there ceases to be, reasonable grounds in the opinion of the Lead Manager for any statement or estimate in the Offer Documents that relate to a future matter or any statement or estimate in the Offer Documents which relate to a future matter is, in the opinion of the Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- Hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Hong Kong, the People's Republic of China, Singapore, or any Member State of the European Union, or a major terrorist act is perpetrated on any of those countries;
- A statement in any closing certificate required to be given under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect; or
- Any of the following occur:
  - a general moratorium on commercial banking activities in Australia, Hong Kong, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange, or the New York Stock Exchange is suspended for at least one day on which that exchange is open for trading.

#### **Conditions, warranties, undertakings and other terms**

The Underwriting Agreement contains certain standard representations, warranties and undertakings



# 9. ADDITIONAL INFORMATION

by Millennium and SaleCo to the Lead Manager as well as common conditions precedent, including conducting due diligence, lodgement of this Prospectus, delivery of a legal opinion, entry into restriction agreements in respect of the Escrowed Shareholders and Millennium obtaining specific ASX waivers and ASIC modifications.

The representations and warranties given by Millennium and SaleCo relate to matters such as their conduct, power and authorisations, information provided by Millennium and SaleCo, financial information, information in the Offer Documents, the conduct of the Offer and compliance with laws, ASX Listing Rules and other legally binding requirements. Millennium and SaleCo also provide additional representations and warranties, including in connection with their assets, Material Contracts, insurance, litigation, property, authorisations, eligibility for listing and internal accounting controls. Millennium and SaleCo's undertakings include that they will not, during the period following the date of the Underwriting Agreement until 180 days after the date on which Settlement of the Shares occurs, issue any equity securities or securities that are convertible into equity or alter the capital structure of Millennium without the consent of the Lead Manager and that Millennium and SaleCo will, during the period following the date of the Underwriting Agreement until 180 days after the date on which Settlement of the Shares occurs, carry on their business in the ordinary course and not dispose of all or any material part of their business or property without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld or delayed).

## Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful default or gross negligence of the Lead Manager or certain affiliated parties, Millennium and SaleCo agree to keep the Lead Manager and certain affiliated parties indemnified from certain losses suffered in connection with the Offer.

### 9.6.4 Purchase of 'ACS Integrated Services Provider' business and assets

On 8 September 2015, Millennium Hi-Tech Holdings Pty Ltd entered into a purchase of business and assets agreement (**ACS Business Purchase Agreement**) with Absolute Cleaning Security Maintenance Pty Ltd (ACN 121 743 271), AAA Cleaning Security Maintenance Pty Ltd (ACN 099 891 246), Amazon Cleaning & Security Pty Ltd (ACN 125 704 841), Atlantic Cleaning & Security Pty Ltd (ACN 125 618 564), Atlas Cleaning & Security Pty Ltd (ACN 121 673 112), and Wattletree Group Pty Ltd (ACN 144 036 920) (collectively, the **ACS Sellers**) and Warren Hughes (the **ACS Warrantor**) to acquire certain business and assets of the ACS Sellers (the **ACS Business**) that are consistent with the cleaning and security services already provided by the Company.

It is intended that this acquisition will be completed on or around the date that the Company issues and allots the Shares pursuant to the Offer in accordance with this Prospectus.

The ACS Business Purchase Agreement reserves the Company's right to terminate the agreement if, before completion of the acquisition, the Company becomes aware of a material breach of the warranties given by the ACS Sellers or the ACS Warrantor or anything occurs which has, or would be likely to have a material adverse effect on the ACS Sellers or their assets. The purchase is also conditional on the ACS Sellers obtaining permission to assign material client service agreements across to the Company. In addition, if the Company has not issued and allotted the Shares pursuant to the Offer in accordance with this Prospectus by 31 October 2015, then by no earlier than 1 December 2015, either party may terminate the agreement on the condition that senior management of each of the parties has met to discuss whether the parties pursue the transaction through an alternative method. At the date of this Prospectus, the Company has no intention of exercising its right to terminate in accordance with these provisions and the ACS Sellers and the ACS Warrantor have agreed to an extension of that time, in order to reach the scheduled completion.

The obligation on the Company to pay any consideration for the acquisition of the business and assets of the ACS Sellers, and to complete the acquisition, is dependent on and will not occur until the

Company issues and allots the Shares pursuant to the Offer in accordance with this Prospectus.

The ACS Business Purchase Agreement provides that the consideration payable by the Company upon its successful Listing on the ASX will be \$7 million in cash, less adjustments to reflect accrued employee entitlements present at Completion (**Completion Payment**).

The ACS Sellers may receive a Post Completion Payment derived from the performance of the businesses of the ACS Sellers during the year immediately following Completion of the purchase. The amount of the Post Completion Payment will be equal to a four times multiple of earnings before interest, taxes, depreciation and amortisation (EBITDA), where EBITDA is normalised to reflect (among other items) depreciation applicable to property plant and equipment used by the businesses, interest applicable to loans or other external finance applicable to equipment used in the businesses, and transaction related costs, or other one-off adjustments for abnormal events determined by the parties acting in good faith (**Post Completion Payment**), less the Completion Payment already paid. This payment figure is not capped.

The Post Completion Payment will be paid entirely in Shares or cash or a combination of both at the Company's absolute discretion, payable on or around the end of January 2017, depending on the method of verification of the normalised EBITDA results elected by the parties. In the event of Shares being issued to the ACS Sellers in respect of the Post Completion Payment, those Shares will not be subject to voluntary escrow restrictions. Millennium acts as a guarantor for Millennium Hi-Tech Holdings Pty Ltd in relation to this payment obligation.

Under the ACS Business Purchase Agreement, the ACS Sellers and the ACS Warrantor have provided the Company with a number of warranties, including those relating to the accuracy of information, no material breach of existing client service agreements, and the provision of clear title to the businesses and assets as at Completion. In particular, the ACS Sellers and the ACS Warrantor have warranted that they have complied with the terms of any award or collective agreement covering their employees, and that there are no current or threatened claims by transferring employees, nor are the ACS Sellers aware of any circumstances which may give rise to any such a future claim.

The ACS Warrantor and the ACS Sellers have indemnified the Company against all claims and loss which may be made, brought against, suffered or incurred by the Company which arise from any breach of the warranties provided under the ACS Business Purchase Agreement.

The liability of the ACS Warrantor and the ACS Sellers in respect of any breach of these warranties is capped at 50% of the total purchase price, though this cap does not apply for claims relating to acquisition of clear title of the business and assets, nor to the extent that there has been fraud, dishonesty or wilful concealment on the part of any of the ACS Sellers or the ACS Warrantor.

The ACS Sellers and the ACS Warrantor have provided the Company with the benefit of non-compete covenants typical in transactions of this nature. The covenants are for a maximum of two years from Completion.

#### **9.6.5 Banking facility**

The Company is finalising a finance facility with a major Australian bank which is expected to be in the range of \$20m to \$26m comprising a mix of working capital and acquisition funding, asset financing and ancillary facilities. The facility, security and covenants are expected to be in accordance with normal commercial terms or banking transactions of this nature.

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## 9.6.6 Agreement with Moonah Capital Partners

Millennium Hi-Tech Group Pty Ltd has engaged Moonah Capital Partners Pty Ltd (ACN 137 600 901) (**MCP**) to provide project advisory services in relation to the Offer (**MCP Agreement**). Under the terms of the MCP Agreement, MCP is paid a monthly retainer of \$15,000 until completion of the Listing and, in the event of the Company successfully Listing on the ASX, it must pay MCP a success fee of \$750,000 (plus GST). Either Millennium Hi-Tech Group Pty Ltd or MCP may terminate the MCP Agreement without cause by providing the other party with 60 days' notice.

## 9.6.7 Summary of employment agreements

### Executive employment agreements

The Executive Directors and the senior management of Millennium Services Group noted in the Prospectus 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:

- 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.
- The executive employee is eligible to participate in a 'Omnibus Equity Plan', which the Company intends to establish for employees, or terms to be determined by the Company from time to time.
- The Company may terminate the employment of the executive employee by providing, in general, 3 months' written notice, except in the case of Stephen Lidbury (Director of Security), Royce Galea (Director of Operations) and Stephen Crewes (Victorian State Manager), which each require a notice period of one year.
- The executive employee may terminate their employment with the Company by providing written notice to the Company of an equivalent period as noted above, as relevant.
- The executive employee must preserve the confidentiality of all of the Company's confidential information.
- The Company may terminate an executive employment agreement without notice if the executive employee commits a serious breach of the agreement or otherwise engages in serious misconduct.
- 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.

### Omnibus Equity Plan

The Company has adopted an 'Omnibus Equity Plan' (**Plan**) in order to attract, motivate and retain employees. The following is a summary of the key terms of the Plan:

- a. Awards will be granted under, and subject to, the rules of the Plan, the Company's Constitution and applicable Listing Rules.
- b. Each Award entitles Eligible Participants to an Option, a Right, a Share, or a Performance Share, as determined in the Invitation, subject to the satisfaction of the Performance Hurdles and vesting conditions determined by the Board in its discretion. Shares allocated on the vesting of Awards will rank equally with all other Shares of the same class for the time being on issue.
- c. Shares allocated on vesting of an Award will be subject to restriction on sale or disposal during any relevant Restriction Period determined by the Board.
- d. Subject to further Shareholder approval, the total number of Awards to be granted to all Participants will not exceed 5% of the total issued Shares of the Company at the date of Invitation.

- e. The size of each individual Award grant will be determined by the Board. Any future grant of Awards to a Participant after Listing will comply with the relevant ASX Listing Rules.
- f. On vesting of the Awards, new Shares may be issued or existing Shares transferred by a third party to the Participant, or both. The Shares will be allocated and may be subject to a holding lock during any applicable Restriction Period.
- g. A Participant may only exercise an Award on or after a date determined by the Board on completion of the applicable Performance Hurdle being satisfied, or any earlier date on which the Participant becomes entitled to exercise the Award following death or other cessation of employment, or as a result of a takeover or scheme of arrangement.
- h. If a Participant ceases employment as a result of retirement, redundancy, total or permanent disablement, death or any other circumstances as determined by the Board, then the Awards will not automatically lapse and the Board will have discretion as to the date upon which Awards may be exercised.
- i. If, in the opinion of the Board, the employment of an Eligible Participant ceases because of termination for cause, any Awards granted to the Eligible Participant, whether vested or not and remaining unexercised shall lapse as at the date of termination for cause.

The following definitions apply in relation to the Plan:

<b>Award</b>	means an Option, a Right, a Share, or a Performance Share, as applicable.
<b>Eligible Participant</b>	means an Employee of the Millennium Group who is declared by the Board to receive an Invitation under the Plan.
<b>Employee</b>	means any employee of the Millennium Group who is a permanent full-time employee and includes an executive or officer who serves as a non-executive director.
<b>Exercise Price</b>	means, in relation to a Right, a nil amount (unless otherwise determined by the Board), or in relation to an Option, the amount payable on the exercise of the Option.
<b>Invitations</b>	means the Invitations provided to Eligible Participants to participate in the Plan subject to various conditions.
<b>Option</b>	means a right to acquire a Share on the payment of an Exercise Price.
<b>Participant</b>	means the holder of an Award issued in accordance with the terms of the Plan.
<b>Performance Hurdles</b>	means the performance-based criteria, which may include service conditions, set out in the Invitation where an Award becomes eligible to vest if those performance conditions are satisfied.
<b>Performance Share</b>	means a Share subject to Performance Hurdles.
<b>Restriction Period</b>	means the period set out in the Invitation during which Shares allocated on vesting of Awards cannot be sold or transferred.
<b>Right</b>	means a right, subject to certain conditions, to be allocated one ordinary Share in the Company.

# 9. ADDITIONAL INFORMATION

## 9.7 Consents to be named and inclusion of statement and disclaimers of responsibility

Each of the parties referred to below (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus, or any statement on which a statement is made, in this Prospectus is based other than as specified below:

- Anzarut & Partners;
- Baillieu Holst;
- Computershare Investor Services Pty Limited;
- IBISWorld;
- Moonah Capital Partners;
- Moore Stephens Audit (Vic);
- Moore Stephens (Vic) Pty Ltd; and
- Ord Minnett.

Moore Stephens (Vic) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Investigating Accountant's Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that Report and those statements) in this Prospectus.

Moore Stephens Audit (Vic) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is named.

Moore Stephens Audit (Vic) has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor of Millennium Hi-Tech Holdings Pty Ltd, Millennium Hi-Tech Group Pty Ltd, Millennium Cleaning (QLD) Pty Ltd, Millennium Cleaning (VIC) Pty Ltd, Millennium Hi-Tech (SA) Pty Ltd for the financial years ended 30 June 2013, 2014 and 2015, in the form and context in which it is named.

IBISWorld Pty Ltd has given, and not withdrawn its consent to be named as a supplier of industry information in the form and context in which it is named. IBISWorld Pty Ltd expressly disclaims and takes no responsibility for any part of this Prospectus other than reference to its name. The giving of IBISWorld's consent to the inclusion of this report in the Prospectus should not be taken as an endorsement of the company or a recommendation by IBISWorld Pty Ltd of any participation in the share issue by any intending investors.

Computershare Investor Services Pty Limited has given, and as at the date hereof, has not withdrawn its written consent to be named as share registrar in the form and context in which it is named.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the share registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

## 9.8 Escrow arrangements

Except as set out below, the Shares held by each of the Escrowed Shareholders (other than any Shares acquired by them under the Offer) will be voluntarily escrowed until the date on which is 24 months from the day the ASX admits the Company to the Official List.

The voluntary escrow arrangements that will apply with respect to the Escrowed Shares held by the Escrowed Shareholders are outlined in the table below.

### Summary of Voluntary Escrow Arrangements for Escrowed Shareholders

Securities to be released from escrow	Escrow release conditions
100% of Escrowed Shares held at Completion of Offer (other than Shares acquired by them under the Offer).	Reaching the day which is 24 months from the date the ASX admits the Company to the Official List.

Each of the Escrowed Shareholders has agreed to enter into an escrow deed in respect of their Escrowed Shares. This deed will prevent them from disposing of their Escrowed Shares for the applicable voluntary Escrow Period.

The restriction on “disposing” is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of (or offering to sell, assign, transfer or otherwise dispose of) any interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares, granting or exercising an option over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring, whether directly or indirectly, effective ownership or control of, or any interest in or economic benefit of, any of the Escrowed Shares, or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their Escrowed Shares if holders of at least half of the Shares, the subject of the bid that are not held by the Escrowed Shareholders, have accepted the takeover bid; or
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

During the Escrow Period, the Escrowed Shareholders whose Shares are subject to escrow may also:

- transfer their Shares in the event of death, serious disability or incapacity;
- dispose of their Shares to immediate family members and certain other related entities; and
- deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate 22,976,560 Shares will be the subject of these voluntary escrow arrangements. This is not expected to have an effect on the liquidity of trading Shares on the ASX.



## 9. ADDITIONAL INFORMATION

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out in the table below.

### Summary of voluntary Escrowed Shareholders

Name of Escrowed Shareholder	Shares held on Completion of the Offer (million)	Number of Shares held in escrow (million)
Royce Galea Pty Ltd, atf the Galea Family Trust <sup>1</sup>	6,892,837	6,892,837
Stephen Lidbury Pty Ltd, atf the Stephen Lidbury Family Trust <sup>2</sup>	6,892,837	6,892,837
Tomi-Sasha Holdings Pty Ltd atf the National Property Trust	6,893,557	6,893,557
D.J.G. Enterprises Pty Ltd, atf the DJG Trust <sup>3</sup>	1,148,664	1,148,664
Trygela Pty Ltd, atf Trygela Family Trust <sup>4</sup>	1,148,664	1,148,664

### 9.9 Description of the syndicate

The Lead Manager of the Offer is Ord Minnett.

The Co-Manager of the Offer is Baillieu Holst.

### 9.10 Regulatory

Millennium is required to hold licences issued at a state government level in order to conduct the security aspects of its operations in Australia and New Zealand. Some jurisdictions also require operators to re-apply for certification at regular intervals to continue operating as licensed service providers.

Millennium operates internal compliance programs to ensure that the relevant licensing requirements are maintained during the relevant licence term for each jurisdiction in which it operates.

### 9.11 Litigation

Millennium may be involved from time to time in disputes or other claims. These disputes may lead to legal and other proceedings, and may cause Millennium to suffer additional costs. The Directors are not aware of any current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Millennium is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Millennium.

### 9.12 Claims and insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities. These policies include professional indemnity insurance, which is held by all member companies of the Group, along with workers compensation insurance for all states and territories in which the Group has employees. There are additional, more specific policies in place to cover other relevant business risks, including property, corporate travel and public and products liability insurance.

### 9.13 Taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

1. Royce Galea Pty Ltd is a related party of Mr. Royce Galea, who is employed as 'Director of Operations' for the Company.
2. Stephen Lidbury Pty Ltd is a related party of Mr. Stephen Lidbury, who is employed as 'Director of Security' for the Company, and has also been appointed to act as a director on the Board of Millennium.
3. D.J.G. Enterprises Pty Ltd is a related party of Mr. Jeffrey Crewes, who is a senior employee within the Millennium Group.
4. Trygela Pty Ltd is a related party of Mr. Stephen Crewes, who is employed as the 'State Manager - VIC' for the Company.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account.

This summary does not consider the consequences for non-Australian tax resident Shareholders, or Australian tax resident Shareholders who are insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime).

This summary is based on the law in Australia in force at the Lodgement Date. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

Shareholders should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

### **9.13.1 Dividend on a Share**

#### **Dividends may be paid to Shareholders**

The Company may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

#### **Australian tax implications**

##### ***Individuals and complying superannuation entities***

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a "qualified person" (refer further comments below). Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person" or where the Shareholder receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income in an income year, such Shareholders should be entitled to a tax refund.

Where a dividend paid is unfranked, the Shareholder will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

##### ***Corporate Shareholders***

Corporate Shareholders are required to include both the dividend and associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

# 9. ADDITIONAL INFORMATION

## *Trusts and partnerships*

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a “qualified person”, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the trust or partnership.

## *Shares held at risk*

The benefit of franking credits can be denied where a Shareholder is not a “qualified person” in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares “at risk” for more than 45 days continuously, in the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45<sup>th</sup> day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45-day period. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares “at risk”. This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate passes on the benefit of the dividend to another person. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45<sup>th</sup> day before, and ending on the 45<sup>th</sup> day after the day the Shares become ex-dividend. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received. Shareholders should consider the impact of these rules having regard to their own personal circumstances.

## **9.13.2 Disposal of Shares**

### **Australian tax implications**

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

### **9.13.3 Goods and Services Tax**

#### **Australian tax implications**

Shareholders should not be liable for GST in respect of their investment in Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

### **9.13.4 Stamp duty**

#### **Australian duty implications**

Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Issuer. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares.

Shareholders should seek their own advice regarding the impact of stamp duty in their own particular circumstances.

### **9.13.5 Tax file numbers**

Resident Shareholders may, if they choose, notify the Issuer of their tax file number (TFN), ABN or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, tax will automatically be deducted at the highest marginal rate, including where relevant, the Medicare Levy and Temporary Budget Repair Levy, from unfranked dividends and/or distributions.

Resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

## **9.14 Costs of the Offer**

The Company has engaged the following professional advisers:

- Anzarut & Partners has acted as Australian legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$240,500 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Anzarut & Partners in accordance with its normal time-based charges;
- Baillieu Holst has acted as Co-Manager to the Offer and will be paid a co-manager fee of \$50,000 (inclusive of GST) and a broker firm fee of 1.50% (inclusive of GST) of its allocation of Shares, which is payable by the Lead Manager out of the fees payable to it by the Company;
- Moonah Capital Partners have acted as project adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$840,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Moonah Capital in accordance with its normal time-based charges;
- Moore Stephens (Vic) Pty Ltd has provided taxation advice to the Company in connection with the Offer, and has also acted as Investigating Accountant and has prepared the Investigating

## 9. ADDITIONAL INFORMATION

Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately \$71,650 in total (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Moore Stephens (Vic) Pty Ltd in accordance with its normal time-based charges; and

- Ord Minnett has acted as Lead Manager to the Offer. The Company has paid, or agreed to pay, the Lead Manager approximately \$2,294,100 (excluding disbursements and GST) for these services up until the Prospectus Date.

These amounts and other expenses of the Offer are equal to \$4.2 million in total. Of this amount, approximately \$1.7 million will be paid by the Company out of available cash. The balance of expenses associated with the Offer will be paid by the Existing Shareholders from funds derived by them from proceeds of their sell down. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

### 9.15 Photographs

Photographs used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

### 9.16 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in Victoria and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria.

### 9.17 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director and SaleCo director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus and has not withdrawn that consent.



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# 10 GLOSSARY

<b>ACS Business</b>	means the collective business and assets being sold by Absolute Cleaning Security Maintenance Pty Ltd (ACN 121 743 271), AAA Cleaning Security Maintenance Pty Ltd (ACN 099 891 246), Amazon Cleaning & Security Pty Ltd (ACN 125 704 841), Atlantic Cleaning & Security Pty Ltd (ACN 125 618 564), Atlas Cleaning & Security Pty Ltd (ACN 121 673 112), and Wattletree Group Pty Ltd (ACN 144 036 920) to Millennium Hi-Tech Holdings Pty Ltd.
<b>ACS Sellers</b>	means Absolute Cleaning Security Maintenance Pty Ltd (ACN 121 743 271), AAA Cleaning Security Maintenance Pty Ltd (ACN 099 891 246), Amazon Cleaning & Security Pty Ltd (ACN 125 704 841), Atlantic Cleaning & Security Pty Ltd (ACN 125 618 564), Atlas Cleaning & Security Pty Ltd (ACN 121 673 112), and Wattletree Group Pty Ltd (ACN 144 036 920).
<b>AEDST</b>	Australian Eastern Daylight Savings Time.
<b>AIFRS</b>	means the Australian equivalent International Financial Reporting Standards.
<b>Applicant</b>	means a person or entity who submits an Application Form. Application Form means the form attached to, or accompanying, this Prospectus.
<b>Application Monies</b>	means the money received by the Company from Applicants for Shares under the Offer, being the Offer Price multiplied by the number of Shares for which Applications are made.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited (ACN 008 624 691).
<b>ATO</b>	means the Australian Taxation Office.
<b>Baillieu Holst</b>	Baillieu Holst Ltd (ACN 006 519 393)
<b>Board</b>	means the Board of Directors of Millennium.
<b>Broker</b>	Any ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer.
<b>CHESS</b>	means the Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd.
<b>Closing Date</b>	means the date on which the Offer closes, being 5.00 pm AEDST on Friday, 23 November 2015.
<b>Company</b>	means Millennium Services Group Limited (ACN 607 926 787) and, where appropriate, its controlled entities.
<b>Completion or Completion of the Offer</b>	means completion in respect of the issuance of Shares of the Offer in accordance with the Underwriting Agreement.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Directors</b>	means the Board of Directors of the Company.
<b>EBIT</b>	means earnings before interest and tax.
<b>EBITDA</b>	means earnings before interest, tax, depreciation and amortisation.
<b>Electronic Prospectus</b>	means the electronic version of this Prospectus.
<b>Escrowed Shareholders</b>	means Stephen Lidbury Pty Ltd, as trustee for the Stephen Lidbury Family Trust; Royce Galea Pty Ltd, as trustee for the Galea Family Trust; Tomi-Sasha Holdings Pty Ltd, as trustee for the National Property Trust; D.J.G. Enterprises Pty Ltd, as trustee for the DJG Trust; and Trygela Pty Ltd, as trustee for the Trygela Family Trust.

<b>Escrowed Shares</b>	means certain of the Shares held by the Escrowed Shareholders on Completion of the Offer.
<b>Escrow Period</b>	means 24 months from the date the ASX admits the Company to the Official List.
<b>Existing Shareholders</b>	means Stephen Lidbury Pty Ltd, as trustee for the Stephen Lidbury Family Trust; Royce Galea Pty Ltd, as trustee for the Galea Family Trust; Tomi-Sasha Holdings Pty Ltd, as trustee for the National Property Trust.
<b>Existing Shares</b>	means the Shares held by the Selling Shareholders at the date of the Prospectus.
<b>Exposure Period</b>	means the period of seven days after lodgement of this Prospectus, which may be extended by ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act.
<b>GLA</b>	means gross lettable area.
<b>Group</b>	means the Company and the Subsidiaries.
<b>HIN</b>	means Holder Identification Number.
<b>Institutional Investors</b>	<p>an investor:</p> <ul style="list-style-type: none"> <li>• in Australia who is either a “professional investor” or “sophisticated investor” under sections 708(11) and 708(8) of the Corporations Act; or</li> <li>• in certain other jurisdictions, as agreed between Millennium and the Lead Manager, to whom offers or Invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company and SaleCo are willing, in their absolute discretion, to comply), in either case, provided that such person is not in the United States.</li> </ul>
<b>Institutional Offer</b>	the Invitation to Institutional Investors under this Prospectus to acquire Shares as described in Section 7.5.
<b>Issuer Sponsored</b>	means shares issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a Broker or without the holder being admitted as an institutional participant in CHESS.
<b>Lead Manager</b>	Ord Minnett Limited.
<b>Lender</b>	means the finance provider referred to in Section 4.4.1.
<b>Listing</b>	the date on which the Company is admitted to the Official List.
<b>Listing Rules</b>	means the ASX Listing Rules.
<b>Management</b>	means the executive management of the Company.
<b>Management Shareholders</b>	means Stephen Lidbury and Royce Galea.
<b>Millennium or Company</b>	Millennium Services Group Limited (ABN 607 926 787).
<b>Millennium Group</b>	means a reference to Millennium and any or all of the Subsidiaries.
<b>New Banking facility</b>	means the proposed finance facility described in Section 4.4.1.
<b>NPAT</b>	means net profit after tax.

# 10 GLOSSARY

<b>Offer</b>	the Invitation under this Prospectus to apply for Shares to be issued by the Company and includes the Institutional Offer, the Broker Firm Offer and the Priority Offer.
<b>Offer Period</b>	means the period commencing on the Opening Date and ending on the Closing Date.
<b>Offer Price</b>	means \$2.25 per Share.
<b>Official List</b>	means the Official List of the ASX.
<b>Ord Minnett</b>	Ord Minnett Limited (ABN 86 002 733 048).
<b>Opening Date</b>	means Friday, 6 November 2015, which is the date on which the Offer opens.
<b>Option</b>	means an option to acquire a Share.
<b>Prospectus</b>	means this Replacement Prospectus, dated 5 November 2015, which replaces the original prospectus lodged with ASIC on Monday, 26 October 2015.
<b>Prospectus Date</b>	means the date on which the Prospectus was lodged with ASIC.
<b>SaleCo</b>	Millennium SaleCo Limited (ACN 607 886 215).
<b>Sale Shares</b>	means Existing Shares offered for sale by SaleCo pursuant to this Prospectus.
<b>Security Holding Statement</b>	means the statement setting out the number of Shares allotted to an investor pursuant to this Prospectus.
<b>Selling Shareholders</b>	means Stephen Lidbury Pty Ltd, as trustee for the Stephen Lidbury Family Trust; Royce Galea Pty Ltd, as trustee for the Galea Family Trust; Tomi-Sasha Holdings Pty Ltd, as trustee for the National Property Trust.
<b>Settlement</b>	means settlement in respect of the Shares that are the subject of the Offer occurring as described in the Underwriting Agreement
<b>Share</b>	means one fully paid ordinary share in the Company.
<b>Shareholders</b>	means holders of Shares in Millennium.
<b>Share Registry</b>	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
<b>Subsidiaries</b>	means a collective reference to Millennium Hi-Tech Holdings Pty Ltd (ACN 145 989 224), Millennium Hi-Tech Group Pty Ltd (ACN 103 423 374) Millennium Cleaning (QLD) Pty Ltd (ACN 145 748 590), Millennium Cleaning (VIC) Pty Ltd (ACN 145 748 616), Millennium Hi-Tech (SA) Pty Ltd, (ACN 146 139 764) and Millennium Group (NZ) Pty Ltd (Company number 5702162).
<b>Underwriting Agreement</b>	the Underwriting Agreement between the Company, SaleCo and the Lead Manager dated Friday, 23 October 2015.
<b>U.S. or United States</b>	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.
<b>U.S. Person</b>	has the meaning given in Rule 902(k) of Regulation S under the U.S. Securities Act.
<b>U.S. Securities Act</b>	U.S. Securities Act of 1933, as amended.
<b>Vendor Shareholders or Vendors</b>	means Stephen Lidbury Pty Ltd, as trustee for the Stephen Lidbury Family Trust; Royce Galea Pty Ltd, as trustee for the Galea Family Trust; Tomi-Sasha Holdings Pty Ltd, as trustee for the National Property Trust; DJ.G. Enterprises Pty Ltd, as trustee for the DJG Trust; and Trygela Pty Ltd, as trustee for the Trygela Family Trust.

The principal accounting policies adopted in the preparation of the Financial Information in the

# SUMMARY OF KEY ACCOUNTING POLICIES | 11



# 11. SUMMARY OF KEY ACCOUNTING POLICIES

Prospectus are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

## (a) Basis of Preparation

The Financial Information has been prepared in accordance with the measurement and recognition principles of Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board which are consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Financial Information set out in the Prospectus is presented in an abbreviated form and does not contain all the disclosures and other mandatory professional reporting requirements that are applicable to a general purpose financial report prepared in accordance with the Corporations Act 2001 (Cth).

The Financial Information is based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the Financial Information. The accounting policies have been consistently applied, unless otherwise stated.

## (b) Principles of Consolidation

The Financial Information is that of the consolidated entity, comprising the Financial Information of the parent entity and the Subsidiaries, as if control had occurred from 1 July 2012 to 30 June 2016 and from 1 July 2015 in respect of the ACS Business. An exception to those dates is in respect of the Statutory Forecast Financial Information in which control of the both the Subsidiaries and the ACS Business occurs from 1 November 2015.

A controlled entity is any entity that the Company controls. The consolidated entity controls an entity when it is exposed to, or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of that entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

Common control transactions are transactions in which Shareholders of the Group are the same party or parties before and after the transaction.

The acquisition of the Subsidiaries represents common control acquisition transactions. The Company has elected to account for these transactions using the predecessor value method. The method requires financial statements to be prepared using predecessor book value. Predecessor book values represent the carrying amount of net assets before the common control transaction.

Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the consolidated entity have been eliminated in full for the purpose of this consolidated Financial Information.

Appropriate adjustments have been made to a controlled entity's Financial Information where the accounting policies used by that entity differ from those adopted in the consolidated Financial Information.

## Non-controlling interests



Non-controlling interests (i.e. equity in a subsidiary not attributable directly or indirectly to a parent) are presented in the consolidated Financial Information within equity separately from the equity of the owners of the parent.

### **(c) Comparative Amounts**

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

### **(d) Income Tax**

The tax expense recognised in the statement of comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated Financial Information.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the consolidated entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax



# 11. SUMMARY OF KEY ACCOUNTING POLICIES

liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

## **Tax Consolidation**

The parent entity and its controlled entities intend to form an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group will also enter into a tax funding agreement whereby each company in Millennium contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

## **(e) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straightline basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straightline basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straightline basis over the life of the lease term.

## **(f) Revenue and other income**

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of GST.

### **Interest revenue**

Interest is recognised using the effective interest method.

### **Rendering of services**

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be measured reliably. If this is the case, then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

### **(g) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **(h) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### **(i) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Leasehold improvements and office equipment are carried at cost less, where applicable, any accumulated depreciation.

#### **Depreciation**

The depreciable amount of all property, plant and equipment, except for freehold land, is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
Plant and Equipment	40–60%
Furniture, Fixtures and Fittings	25–40%
Motor Vehicles	25%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

# 11. SUMMARY OF KEY ACCOUNTING POLICIES

## (j) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

### **Financial assets**

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the Company renegotiates repayment terms with customers, which may lead to changes in the timing of the payments; the Company does not necessarily consider the balance impaired, however assessment is made on a case-by-case basis.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future;
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or;
- which are derivatives not qualifying for hedge accounting.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include listed securities and its investment in Example Investment Company.

Purchases and sales of available-for-sale investments are recognised on Settlement date.

Gains and losses arising from financial instruments classified as available-for-sales are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in prior period consolidated income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

### **Financial liabilities**

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

# 11. SUMMARY OF KEY ACCOUNTING POLICIES

## **Impairment of financial assets**

At the end of the reporting period, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

## **Financial assets at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

## **Available-for-sale financial assets**

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

## **(k) Impairment of non-financial assets**

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless of goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

## **(l) Intangible assets**

### **Customer contracts**

Customer contracts are recognised at cost of acquisition. Customer contracts have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Customer contracts are amortised over their useful life ranging from three to five years.

## **(m) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### **(n) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. Cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

### **(o) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### **(p) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options that vest immediately are recognised as a deduction from equity, net of any tax effects.



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# CORPORATE DIRECTORY

## Issuer's Registered Office

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## Investigating Accountant

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## Project Adviser

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## Lead Manager and Underwriter

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## Millennium Offer Information Line

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## Hours of operation:

9.00 am to 5.00 pm (AEDST)

## Offer Website

<http://www.millenniumsg.com>



MILLENNIUM

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SERVICES GROUP LIMITED

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ABN 86 607 926 787