MILLENNIUM SERVICES GROUP LTD (ASX: MIL)

APPENDIX 4D

PERIOD ENDED 31 DECEMBER 2015

1. Reporting period

The period from 1 November 2015 to 31 December 2015.

2. Results for announcement to the market

The company restructured under the common control of Millennium Services Group Ltd on 17 November 2015 and listed on the Australian Stock Exchange on 19 November 2015. As such no comparative figures are presented.

Revenue from ordinary activities for the period ($)	24.6 million
Loss from ordinary activities before tax for the period ($)	(2.9) million
Loss from ordinary activities after tax for the period ($)	(2.7) million

3. Net tangible assets per security

Net tangible assets per security at 31 December 2015 (cents) (11.15)

4. Entities over which control has been gained

The group acquired the business assets of ACS on 19 November 2015. From the date of acquisition to 31 December ACS contributed $3.3 million to revenue of the Group and $284 thousand to profit before income tax of the Group.

5. Dividends

No dividends have been paid or declared for the period 1 November 2015 to 31 December 2015.

6. Subsequent events

The Group announced on 20 January 2016 the acquisition of the business assets of National Cleaning Services Australia Pty Ltd, based in Canberra ACT. Refer to Note 8 of the financial report for further details.

7. Status of audit

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

8. Attachments

The Interim Financial Report of Millennium Services Group Ltd for the period 1 November 2015 to 31 December 2015 is attached.

Millennium Services Group Ltd

ABN 11 607 926 787

and Controlled Entities

Interim Financial Report

For the Period 1 November 2015 to 31 December 2015

Millennium Services Group Ltd
ABN 11 607 926 787
and Controlled Entities

DIRECTORS' REPORT

Directors

The names of the directors in office at any time during or since the period 1 November 2015 to 31 December 2015 are:

Non-executive directors

Peter Anderson (Chairman)
Gregory McCormack
Stephen Williams

Executive directors

Stephen Lidbury
Mark Baldwin

Review of operations

The company listed on the Australian Stock Exchange on 19 November 2015 and completed the acquisition of the ACS business as described in Note 6. The consolidated results for the half year ended 31 December 2015 reflect the results of trading from 1 November 2015 to 31 December 2015. The consolidated result for the period was revenue of $24.6 million and a net loss after tax of $2.7 million.

The integration of the ACS business and the transition to a listed company has gone well. A $26.6 million finance facility was executed in December 2015 and provides the company with the capacity to capitalise on organic and acquisition growth opportunities.

Significant changes in the state of affairs

The group acquired the ACS business on 19 November 2015. The details of this acquisition are set out in note 6.

The following entities were restructured under the common control of Millennium Services Group Ltd on 17 November 2015:

- Millennium Hi-Tech Group Pty Ltd (ACN 103 423 374)
- Millennium Hi-Tech Holdings Pty Ltd (ACN 145 989 224)
- Millennium Hi-Tech (SA) Pty Ltd (ACN 146 139 764)
- Millennium Cleaning (Qld) Pty Ltd (ACN 145 748 590)
- Millennium Cleaning (Vic) Pty Ltd (ACN 145 748 616)
- Millennium Group (NZ) Pty Ltd (NZCN 5702162)

The company raised $17.5 million under the Replacement Prospectus dated 5 November 2015.

The company listed on the Australian Stock Exchange on 19 November 2015.

Rounding of amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' Report have been rounded off to the nearest $1,000.

Report

The directors of Millennium Services Group Ltd ("the company") present their report, together with the financial report of the Company and its controlled entities for the period 1 November 2015 to 31 December 2015.

The financial report has been prepared in accordance with Australian Accounting Standards.

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the period ended 31 December 2015.

This directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Mark Baldwin
Director
25 February 2016

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Moore Stephens Audit (Vic)

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

I declare that, to the best of my knowledge and belief, during the period 1 November 2015 to 31 December 2015, there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

25 February 2016

Millennium Services Group Ltd
ABN 11 607 926 787
and Controlled Entities

CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Period 1 November 2015 to 31 December 2015 $'000
Revenue	24,632
Other income	14
Expenses	
Raw materials and consumables used	(2,957)
Employee benefits expense	(18,902)
Depreciation and amortisation expense	(393)
Finance costs	(119)
Transaction costs	(3,965)
Other expenses	(1,173)
Loss before income tax	(2,863)
Income tax benefit	190
Loss after income tax for the period	(2,673)
Other comprehensive income	
Items that may be reclassified subsequently to profit or loss	9
Total comprehensive loss for the period	(2,664)

	Cents
Basic earnings per share	(5.82)
Diluted earnings per share	(5.82)

Millennium Services Group Ltd
ABN 11 607 926 787
and Controlled Entities

CONSOLIDATED CONDENSED
STATEMENT OF FINANCIAL POSITION

	As at 31 December 2015 $ '000
ASSETS	
Current assets	
Cash and cash equivalents	2,773
Trade and other receivables	8,466
Inventories	52
Other	1,203
Total current assets	12,494
Non-current assets	
Property, plant and equipment	6,160
Intangibles	10,689
Other	615
Deferred tax	3,678
Total non-current assets	21,142
TOTAL ASSETS	33,636
LIABILITIES	
Current liabilities	
Trade and other payables	6,815
Borrowings	1,047
Income tax	851
Employee benefits	5,649
Other	7,189
Total current liabilities	21,551
Non-current liabilities	
Borrowings	1,740
Employee benefits	1,100
Deferred tax	2
Total non-current liabilities	2,842
TOTAL LIABILITIES	24,393
NET ASSETS	9,243
EQUITY	
Issued capital	18,990
Reserves	(7,074)
Retained earnings	(2,673)
TOTAL EQUITY	9,243

Millennium Services Group Ltd
ABN 11 607 926 787
and Controlled Entities

CONSOLIDATED CONDENSED
STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Reserves	Retained Losses	Total Equity
	$'000	$'000	$'000	$'000
Balance at 1 November 2015	-	(4,450)	-	(4,450)
Loss for the period	-	-	(2,673)	(2,673)
Total comprehensive loss for the period	-	(4,450)	(2,673)	(7,123)
Shares issued during the period	19,541	-	-	19,541
Pre IPO restructure	-	(2,633)	-	(2,633)
Costs associated with capital raising and IPO	(551)	-	-	(551)
	18,990	(2,633)	-	16,357
Transactions with owners, in their capacity as owners, and other transfers				
Foreign currency	-	9	-	9
Balance at 31 December 2015	18,990	(7,074)	(2,673)	9,243

Millennium Services Group Ltd
ABN 11 607 926 787
and Controlled Entities

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

	Period 1 November 2015 to 31 December 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	26,553
Payments to suppliers and employees	(28,040)
Interest received	1
Finance costs	(119)
IPO transaction costs	(3,965)
Income tax paid	(1,452)
Net cash used in operating activities	(7,022)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(428)
Disposal of property, plant and equipment	71
Payment for subsidiaries, net of cash acquired	(7,364)
Net cash used in investing activities	(7,721)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	19,541
Costs of IPO and capital raising	(703)
Repayment of borrowings	(2,848)
Issue of related party borrowings	478
Net cash provided by financing activities	16,468
Net increase in cash held	1,725
Cash and cash equivalents at beginning of period	1,026
Net foreign exchange differences	22
Cash and cash equivalents at end of period	2,773

NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD 1 NOVEMBER 2015 TO 31 DECEMBER 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements were authorised for issue by the directors as at the date of the directors' report.

These statements do not include all the notes of the type usually included in annual financial statements. It is recommended that these statements be read in conjunction with the financial section of the Replacement Prospectus dated 5 November 2015, the annual reports for the year ended 30 June 2015 and any public announcements made by Millennium Services Group Ltd.

A summary of the accounting policies applied in these interim financial statements follows.

(a) Basis of Preparation

These general purpose interim financial statements for the period 1 November 2015 to 31 December 2015 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information the financial information presented is based on historical costs, modified, where applicable, for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated condensed financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all entities controlled by the parent.

In preparing the consolidated condensed financial statements all intragroup balances and transactions, between entities in the consolidated group, have been eliminated in full on consolidation.

Under AASB 10, the group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amounts of its returns.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Principles of Consolidation (cont'd)

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised.

(c) Income tax

The tax benefit recognised in the statement of comprehensive income relates to current income tax benefit 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 tax payable in respect of the taxable loss for the period and is measured at the amount expected to be payable to 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 assets and liabilities

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 condensed financial information.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Revenue

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 goods and services tax (GST).

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Interest revenue

Interest is recognised using the effective interest method.

Rendering of services

Revenue is recognised dependent on whether the outcome of services rendered can be measured reliably. If the outcome of services rendered can be measured reliably then the stage of completion of the services rendered is used to determine the appropriate level of revenue to be recognised in the period. If the outcome of services rendered cannot be measured reliably then revenue is recognised to the extent of expenses recognised that are recoverable.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Depreciation

The depreciable amount of plant and equipment 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 asset's useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	*Depreciation rate*
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.

(g) Intangibles

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangibles (cont'd)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of net identifiable assets of the acquired business or entity at the date of acquisition.

Goodwill is not amortised but is tested for impairment annually and is allocated to the consolidated entity's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment.

Goodwill is carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill related to the entity sold.

(h) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136.

(i) Acquisition of assets

All assets acquired, including plant, equipment and intangibles, other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the 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 the period.

Leased assets are depreciated on a reducing value basis over the shorter of their estimated useful lives, where it is likely that the Group will obtain ownership of the asset, or over the term of the lease.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Leases (cont'd)

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(k) Employee benefits

Provision is made for the Group'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. Cashflows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cashflows. 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 Group 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.

(l) Provisional accounting for initial business combination

The initial accounting treatment for business combinations acquired and included in the Pro Forma Statement of Financial Position have been determined provisionally, as allowed under Australian Accounting Standards, as the fair values to be assigned to the purchased intangibles under the agreements are yet to be determined. All amounts attributable to purchased intangibles have been included as goodwill for purposes of the Pro Forma Statement of Financial Position. Any adjustments to the values shall be made once all relevant information is available.

In accordance with AASB 3 Business Combinations the measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. However, the measurement period shall not exceed one year from the acquisition date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Provisional accounting for initial business combination (cont'd)

To the extent there is a movement in the purchase consideration post the measurement period this movement will be through the Statement of Comprehensive Income.

(m) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group 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- loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The 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 the Statement of Profit or Loss and Other Comprehensive Income in the 'Finance costs' line.

The Group'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 significant 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial instruments (cont'd)

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments. The Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

Financial liabilities are recognised when the Group becomes 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 Statement of Profit or Loss and Other Comprehensive Income in the 'Finance costs' line.

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.

The Group'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.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been 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 allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (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 or financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(p) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated condensed financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income.

NOTE 2: DIVIDENDS

There were no dividends paid during the period.

NOTE 3: SEGMENT INFORMATION

The consolidated group is organised into six operating segments being the geographical location of goods and services provided and the head office function. These operating segments are based on the internal reports that are used and reviewed by the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources within the consolidated group.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. This information is reported to the CODM at least monthly.

The principal products and services of each operating segment are as follows:

Geographical location	The provision of cleaning and security services within the location specified.
Head office	Shared service functions that are not directly attributable to other segments.

Intersegment transactions
The consolidated entity does not make any intersegment sales or purchases.

Intersegment loans
Intersegment loans are initially recognised at the consideration received and are eliminated on consolidation.

NOTE 3: SEGMENT INFORMATION (CONT'D)

Operating segment information

Consolidated 31 December 2015	New South Wales $'000	Victoria $'000	South Australia $'000	Queens-land $'000	New Zealand $'000	Head Office $'000	Total $'000
Revenue							
Sales to external customers- cleaning	8,934	3,330	3,423	4,613	285	-	20,585
Sales to external customers- security	2,906	283	-	724	26	-	3,939
Other revenue	107	-	-	-	-	13	120
Total revenue	11,947	3,613	3,423	5,337	311	13	24,644
EBITDA	2,558	580	410	651	1	(6,552)	(2,352)
Depreciation and amortisation							(393)
Interest revenue							1
Finance costs							(119)
Profit before income tax expense							(2,863)
Income tax expense							190
Profit after income tax expense							(2,673)

NOTE 4: CONTINGENT ASSET

Millennium Services Group Ltd is entitled to an indemnity from certain vendor shareholder entities if their objection, lodged with the NSW Office of State Revenue (OSR), is unsuccessful. This indemnity is in excess of the $1.927 million levied to Millennium Hi-Tech Group Pty Ltd, a wholly owned subsidiary of Millennium Services Group Ltd, by the NSW Office of State Revenue for payroll tax assessments in respect of the payroll years ended 30 June 2011 to 30 June 2015 (inclusive). A corresponding contingent liability, for the same amount, has been disclosed in these financial statements.

NOTES TO THE FINANCIAL REPORT
FOR THE PERIOD 1 NOVEMBER 2015 TO 31 DECEMBER 2015

NOTE 5: CONTRIBUTED EQUITY

	2015 Thousands	2015 $'000
Ordinary shares	45,928	18,990
Ordinary shares issued and fully paid:		
At 18 November 2015	-	**-**
Share issue costs capitalised, net of tax	**-**	(551)
Shares issued on IPO	45,928	19,541
At 31 December 2015	45,928	18,990

NOTE 6: BUSINESS COMBINATIONS

As outlined in the Replacement Prospectus dated 5 November 2015, Millennium Services Group Limited acquired on 19 November 2015 the ACS business. ACS provided the group with additional contracts in the cleaning and securities services market, primarily in New South Wales.

From the date of acquisition to 31 December 2015 ACS contributed $3.3 million to revenue and $284 thousand to profit before income tax of the Group. As the ACS business had not been previously audited it is impractical to disclose the revenue and profit or loss, of the combined entity, as though the acquisition date for the business combination had been at the beginning of the annual reporting period.

The details of the acquisition are outlined below:

NOTE 6: BUSINESS COMBINATIONS (CONT'D)

Fair value recognised on acquisition	**$'000**
Assets	
Property, plant and equipment	1,710
Deferred tax	88
Liabilities	
Employee entitlements	288
Borrowings	600
Total identifiable net assets at fair value	910
Goodwill and intangible assets arising on acquisition	10,615
Purchase consideration at fair value	11,525
Representing:	
Cash paid or payable to vendor	7,000
Deferred consideration	4,725
Receivable due from vendor with regard to long-service leave liabilities	(200)
	11,525
Cash used to acquire business, net of cash acquired:	
Cash paid to vendor	7,000
Stamp duty on business acquisition	364
	7,364

Fair value has been provisionally accounted for at 31 December 2015. The final position will be accounted for within 12 months in accordance with AASB 3.

NOTE 7: CONTINGENT LIABILITIES

Companies within the group had at the end of the reporting period a number of public liability claims made against it in relation to incidents occurring at facilities cleaned by the company. These claims are part of normal business activity for companies of this nature and, at 31 December 2015, they are of an immaterial value to the financial statements.

The NSW Office of State Revenue (OSR) on 23 November 2015 issued payroll tax assessments in respect of the payroll tax years ended 30 June 2011 to 30 June 2015 (inclusive) for wholly-owned subsidiary Millennium Hi-Tech Group Pty Ltd totalling $1.927 million. These assessments were made on the basis that the employment agency provisions of the *Payroll Tax Act 2007 (NSW)* applied to Millennium Hi-Tech Group Pty Ltd. An objection has been lodged with the OSR.

Should Millennium Hi-Tech Group Pty Ltd be unsuccessful in its objection, Millennium Services Group Ltd is entitled to an indemnity from certain vendor shareholder entities in excess of the assessments levied. As such a contingent asset of $1.927 million has also been disclosed in these financial statements.

NOTE 8: SUBSEQUENT EVENTS

Millennium Services Group Ltd announced on 20 January 2016 the acquisition of the business assets of National Cleaning Services Australia Pty Ltd, based in Canberra ACT, for consideration of $3 million. This consideration comprised an initial cash payment of $2 million and will be followed by two further instalments if annual revenue of the acquisition is at least $7.8 million. The transaction was completed on 4 February 2016.

Directors' Declaration
31 December 2015

In the directors' opinion:

- The attached financial statements and notes comply with the *Corporations Act 2001,* Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Mark Baldwin
Director
25 February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MILLENNIUM SERVICES GROUP LTD & CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Millennium Services Group Ltd & Controlled Entities, which comprises the consolidated condensed statement of financial position as at 31 December 2015, the consolidated condensed statement of profit or loss and other comprehensive income for the period 1 November 2015 to 31 December 2015, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the period 1 November 2015 to 31 December 2015, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

a. giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and

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

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

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

Independence

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

Conclusion

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

a. giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne, Victoria

25 February 2016