



MILLENNIUM SERVICES GROUP LIMITED

ANNUAL REPORT  
2016



## DISCLAIMER

Unless otherwise stated, all dollar values in this Annual Report are Australian dollars (\$AUD).

The Report contains forward-looking statements, including projections and opinions (Forward Statements). These are indicated where words such as 'expected', 'may', 'intend', 'likely', 'should', 'plan', 'forecast', 'estimate', 'consider', 'believe', 'anticipate', or similar words are used.

The Forward Statements are based on assumptions, statements of current intention and opinion and predictions as to possible future outcomes as at the date of this Annual Report. The actual outcomes may differ materially from the Forward Statements, based on changes in circumstances, events, risks and general economic conditions.

Statements about past performance do not represent a guide to future performance (and should not be relied upon as such) and are given for illustrative purposes only.





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

Millennium has built its reputation based on personalised service, attention to detail, and care for its valued employees.

Millennium provides trained personnel in the delivery of manned cleaning, security and integrated services that include concierge and hygiene services and building and landscape maintenance.

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## CHAIRMAN'S REPORT

Millennium has a clear vision and strategy to become one of Australasia's leading cleaning, security and maintenance service providers, via both organic growth and acquisition.

Millennium Services Group's inaugural year as an ASX-listed entity was challenging for our Company and for you, our shareholders.

Despite an unprecedented level of contract tendering activity in FY16 and continued operational excellence, the protracted delay of several very large tender outcome notifications resulted in the Company falling short of its Prospectus forecast FY16 revenue and earnings. My fellow Directors and I acknowledge the regrettable impact this earnings shortfall had on shareholder value during FY16.

Notwithstanding, the Company delivered its strongest annual result on record, with FY16 pro-forma revenue up 31% versus FY15 to \$157.2 million and pro-forma EBITDA up 68% to \$12.1 million. Your Board was pleased to declare a final fully franked dividend of \$0.044 per share for the period ending 30 June, to be paid in late September 2016.

Importantly, the delayed contracts that were expected to fall in FY16 were all in place at 30 June 2016, which will see Millennium realise the full first year contract value in FY17. As a result, Millennium's contract book profile has been significantly strengthened and is now the strongest in the Company's 13-year history.

### FY16 Achievements

FY16 was without doubt the busiest and most productive year in Millennium's 13-year history. In addition to preparing for and successfully executing its listing on the ASX on 19 November 2015, Millennium aggressively pursued an unprecedented level of commercial opportunity in FY16.

In parallel, Millennium expanded via acquisition with the purchase of ACS Limited at the time of listing, followed by the acquisition of Canberra-based NCSA in February 2016. The Group also successfully expanded internationally into New Zealand during FY16, a strategic move which is already performing above expectations and which I am confident will serve as a beachhead for ongoing trans-Tasman expansion and sustainable profitable returns.

I would like to take this opportunity to thank CEO Mark Baldwin, his management team and all Millennium employees for their tireless efforts across FY16 which have enabled the accomplishment of the above achievements.



### Finance Function Review

It was evident post listing that Millennium's finance function required additional resourcing to enable it to complete the increased management and reporting requirements of an ASX-listed entity to the appropriate standard as well as execute multiple acquisitions including integration. The recent appointment of Damien Gray as the Company's Chief Financial Officer was the first step in strengthening that team. Since his appointment, Damien has initiated a number of further resource and process improvements which will deliver increased reliability to Millennium's forecasting, reporting and operations management capability.

### Growth Strategy

Millennium has a clear vision and strategy to become one of Australasia's leading cleaning, security and maintenance service providers, via both organic growth and acquisition.

Retail sector demand is expected to continue growing strongly across all of Millennium's key service categories due to ongoing retail centre expansion in all States, and an increasing commitment from retailers to deliver higher quality service standards. This will see the long-observed trend of retail centres outsourcing these services to specialist providers such as Millennium continue. We expect this to continue to drive significant tender activity.

Your Board and executive team are confident that numerous value accretive growth opportunities are available to Millennium across its various service lines and these will be pursued proactively and with a strong focus on delivering shareholder value.

### The Future

Millennium has a very bright future ahead of it, and I am confident FY17 will be another year of strong, profitable growth for the Company. Your Board and executive team will strive to ensure that acquired businesses are seamlessly integrated into Millennium's operating structure and that quality client service remains the primary driver of employee behaviour.

The Board and I thank you for your ongoing support of Millennium and look forward to welcoming you to our AGM on Monday 28 November.

Kind regards,

**Peter Anderson**  
Chairman

# \$157.2m

REVENUE

# \$12.1m

EBITDA

# strong

CONTRACT BOOK PROFILE



## CEO'S REPORT

2016 was a year of strong growth for Millennium as we transitioned from a private to a publicly-listed Company.

Despite delays to the start of a number of large contract wins that impacted on our FY16 performance, our business performed well, laying a strong foundation for the year ahead. I am proud of the substantial effort made by every member of the team throughout this busy and rewarding year.

Importantly, our FY16 result was achieved via a balance between strong organic growth and strategic M&A activity. This saw us expand both our geographic coverage in FY16, and further diversify our client base. In addition our contract book has been significantly strengthened, all of which should set us up for further growth in FY17.

### Tender Activity

Throughout the year we made solid progress against a number of strategic priorities, the first of these being our response to an unprecedented high level of contract tender opportunities. I was very pleased with our success rate in securing new business in the latter part of FY16, the majority of which was with major blue-chip clients on favourable five-year terms. This has greatly strengthened our contract book for FY17 onwards and I look forward to delivering our premium service to these clients and consolidating these new relationships over the years ahead.

### Geographic and Sector Expansion

Secondly we made measurable headway towards our objective of expanding both geographically and into new sectors. Not only did we bolster our Australian east-coast presence through ongoing expansion in New South Wales and the Australian Capital Territory, we also expanded internationally to New Zealand. Both New Zealand and the Australian Capital Territory represent significant ongoing profitable growth opportunities for Millennium and I am excited about what we are set to achieve in these two jurisdictions over the years ahead.

### People and Capability Development

Thirdly, the ongoing development of our people and internal capabilities was a key focus throughout the year. Millennium has more than 2,500 employees and the Company's unparalleled track record of service delivery and customer satisfaction is only made possible by these talented hard-working people, which is why we continue to invest in them and their ongoing development. In FY16 we rolled out a comprehensive online induction and training program to support our front-line employees, which has been very well received and is already delivering tangible results.





Following our half-year result, the Board and I took the opportunity to review the resourcing and capability of Millennium's finance function. The appointment of Damien Gray as our new CFO in May was a major step forward for Millennium and I know the Company will benefit greatly from Damien's skills and experience moving forward. In terms of our broader finance function, this is an area we will continue to invest in during FY17, bringing increased rigour and reliability to our analysis and reporting capabilities.

### Merger and Acquisition Activities

During the year we continued to invest in growth via acquisition, which we intend to continue to pursue as a key driver of incremental shareholder value in FY17. The acquisition of ACS at the time of our IPO, and NCSA in February of this year, demonstrates our commitment to grow via accretive acquisition, and I'm very pleased with how smoothly the integration of these two businesses proceeded. NCSA in particular has unlocked a significant volume of opportunity for us, and I look forward to keeping shareholders informed of our progress in the ACT, most notably in the government sector, over the year ahead.

### The Year Ahead

I joined Millennium in 2010 and have never been more energised by the opportunity that lies ahead of us. 2016 was undoubtedly a difficult year for the Company, but it was also our most successful. I was buoyed by the response we received from you, our shareholders, following our full-year results announcement and the optimism you share with us for FY17. Our passionate team is highly motivated to capitalise on the opportunities that stand ahead of us and I look forward to discussing these with you in person at our AGM in November.

Best regards,

Mark Baldwin

## expansion

IN NSW, ACT AND  
NEW ZEALAND

## 2,500+

EMPLOYEES EQUIPPED WITH  
A NEW ONLINE INDUCTION  
AND TRAINING PROGRAM

## acquired

ACS AND NCSA

# DIRECTORS' REPORT

For the period ended 30 June 2016

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Millennium Services Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2016.

## Directors

The following persons were Directors of Millennium Services Group Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

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 and Director of Security

## Principal activities

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

## Dividends

A Final Dividend of \$0.044 per share (fully franked) is declared in respect of the reporting period ended 30 June 2016.

## Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$707,399.

Additional information regarding operations follows:

### New South Wales/Australian Capital Territory

Growth in this segment has been driven by the full period impact of the ACS acquisition (the majority of which operates within this segment) and part-period impact of the NCSA acquisition (all of which operates within this segment). Strong contract wins, particularly with Vicinity, have also aided growth within this sector.

### Victoria

Revenue has remained consistent and was bolstered by key contract renewals.

### South Australia

Growth within this segment was supported by key contract renewals in the school sector and strong contract wins in the retail industry.

### Queensland

Steady earnings contributions from this segment were strengthened by key contract wins during the last quarter of the period.

### New Zealand

The Group has successfully expanded into the New Zealand market with key contract wins on the North and South Island increasing the Group's geographical reach.

## 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 33.

The following entities were restructured under the common control of Millennium Services Group Limited 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.

The Group acquired the NCSA business on 1 February 2016. The details of this acquisition are set out in note 33.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

## Matters subsequent to the end of the financial period

Apart from the dividend declared as discussed previously, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations has not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.



## Information on Directors



### **Peter Anderson**

Chairman  
Independent Non-Executive Director

#### *Qualifications*

Peter holds a Post Graduate Diploma of Finance and a Bachelor of Commerce from the University of Melbourne.

#### *Experience and expertise*

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.

#### *Other current directorships*

Nil

#### *Interests in shares*

200,000 fully paid ordinary shares

#### *Former directorships (last three years)*

Nil

#### *Interests in options*

1,200,000 options



### **Mark Baldwin**

Chief Executive Officer

#### *Qualifications*

Mark is a Fellow of The Royal Institution of Chartered Surveyors (FRICS).

#### *Experience and expertise*

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 services 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.

#### *Other current directorships*

Nil

#### *Interests in shares*

100,000 fully paid ordinary shares

#### *Former directorships (last three years)*

Nil



### **Greg McCormack**

Independent Non-Executive Director

#### *Qualifications*

Greg holds a Bachelor of Business from Swinburne University.

#### *Experience and expertise*

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.

#### *Other current directorships*

Nil

#### *Interests in shares*

200,000 fully paid ordinary shares

#### *Former directorships (last three years)*

Nil

#### *Interests in options*

600,000 options

## DIRECTORS' REPORT (CONTINUED)

For the period ended 30 June 2016



### Stephen Williams

Independent Non-Executive Director

#### Qualifications

Stephen holds a Bachelor of Laws from Sydney University.

#### Experience and expertise

Stephen joined 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 served as a Non-Executive Director and Chairman of Coffey International Limited and a Non-Executive Director of PrimeAg Australia Limited.

#### Other current directorships

Australian Career Network Limited (Administrators appointed) (ACO)

#### Former directorships (last three years)

Axiom Mining Limited (AVQ)

#### Interests in shares

22,222 fully paid ordinary shares

#### Interests in options

600,000 options



### Stephen Lidbury

Executive Director (and Director of Security)

#### Qualifications

Stephen holds Millennium's Security Master Licence in all locations of the Company's operations.

#### Experience and expertise

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 New South Wales.

#### Other current directorships

Nil

#### Former directorships (last three years)

Nil

#### Interests in shares

6,892,837 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

'Former directorships (last three years)' quoted above are directorships held in the last three years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

## Company Secretary

Damien Gray brings to Millennium more than 20 years' experience as a finance executive gained domestically and internationally. Damien has extensive corporate experience including strategic planning, M&A, business integration and commercial negotiation. Prior to joining Millennium, Damien was General Manager of Financial Performance at Orica Limited, based in Melbourne. Damien holds a Bachelor of Commerce from the University of Tasmania and is a qualified Chartered Accountant. Damien is a Member of the Institute of Chartered Accountants in Australia (ICAA) and is a graduate of the Australian Institute of Company Directors (AICD).

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the period ended 30 June 2016, and the number of meetings attended by each Director, were:

	Full Board	
	Attended	Held
Peter Anderson	8	8
Mark Baldwin	8	8
Stephen Williams	8	8
Greg McCormack	8	8
Stephen Lidbury	8	8

Held: represents the number of meetings held during the time the Director held office.

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs AUS25.4 and AUS25.7.2 of AASB 124 Related Party Disclosures which have been transferred to the remuneration report in accordance with the Corporations Regulation 2M 6.04.

This report outlines the remuneration arrangements in place for the Directors (both Executive and Non-Executive) and Executives of the Group. This remuneration report covers the period from 1 November 2015 to 30 June 2016.

This report is audited as the entity has transferred the disclosures from the financial statements.

For the purposes of this report the term 'Senior Executive' encompasses the Managing Director, the Director Operations, the Executive Director and Director Security, the Chief Financial Officer and the Company Secretary.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

## Principles used to determine the nature and amount of remuneration

The Board has appointed a Remuneration and Nomination Committee consisting of three independent Non-Executive Directors (NEDs). 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, Managing Director and other members of senior executive and Directors;
- reviewing and making recommendations in relation to the consolidated entity's remuneration practices; and
- evaluating the performance of senior executives of the consolidated entity.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

### Short-term incentive scheme

Whilst the intention of the Remuneration and Nomination Committee is to introduce a Short-term Incentive Scheme ('Scheme') for eligible employees, as at the date of this Report the Scheme was not in place.

### Long-term incentive scheme

The Board has adopted an 'Omnibus Equity Plan' ('Plan') through which it will determine appropriate long-term incentive mechanisms for employees, including Directors and senior management of the consolidated entity.

The Group has adopted the plan to:

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

The following is a summary of the key terms of the Plan:

- Awards will be granted under, and subject to, the rules of the Plan, the Constitution and applicable Listing Rules.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.



## DIRECTORS' REPORT (CONTINUED)

For the period ended 30 June 2016

- 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.
- 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.

As at the date of this report no executives have been put onto the Plan.

### Use of remuneration consultants

The Company did not make use of remuneration consultants during the 2016 financial period.

### Details of remuneration

#### Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits		Long-term employment benefits	Post- employment benefits	Share-based payments	
	Cash salary and fees \$	Other \$	Super- annuation \$	LSL \$	Equity- settled \$	Total \$
<b>2016</b>						
<i>Non-Executive Directors:</i> <sup>(1)</sup>						
Peter Anderson <sup>(2)</sup>	80,000	–	–	–	34,771	114,771
Gregory McCormack	50,228	–	4,772	–	17,385	72,385
Stephen Williams	50,228	–	4,772	–	17,385	72,385
<i>Executive Directors:</i> <sup>(3)</sup>						
Mark Baldwin	200,000	8,000	19,000	2,959	225,000	454,959
Stephen Lidbury <sup>(7)</sup>	56,019	12,923	5,101	–	–	74,043
<i>Other Key Management Personnel:</i>						
Royce Galea <sup>(4) &amp; (7)</sup>	90,011	3,692	6,820	8,481	–	109,004
Richard Forster <sup>(4) &amp; (5)</sup>	151,378	9,600	15,970	–	45,000	221,948
Damien Gray <sup>(6)</sup>	26,636	–	2,530	–	–	29,166
	704,500	34,215	58,965	11,440	339,541	1,148,661

(1) Non-Executive Directors were appointed 27 October 2015.

(2) Fees were paid to Strategic Vision Australia Pty Ltd, an entity associated with Mr Anderson.

(3) & (4) Remuneration for the period ended 1 November 2015 to 30 June 2016 and includes long service leave provisions.

(5) Mr Forster resigned with effect from 15 July 2016.

(6) Mr Gray was appointed with effect from 30 May 2016.

(7) Mr Galea and Mr Lidbury sacrificed a portion of their 2016 earnings and at 30 June 2016 each owed the Company \$31,358 in respect of forgone salary and fees to be repaid.

### Service agreements

The Executive Directors and the senior management of the Group noted above have entered into independent executive employment agreements with the Company.

There are variations between each of the respective executive employment agreements in relation to, for example, remuneration and leave entitlements. However, the following terms below are uniform between each of the executive agreements:

- 1) The executive employee must perform their duties to the best of their ability and knowledge; during ordinary business hours and at other times reasonably necessary to fulfil their duties.
- 2) The executive employee is eligible to participate in a 'Short-Term Incentive Plan' and the 'Long-Term Incentive Plan', on terms to be determined by the Company from time to time.
- 3) The Company may terminate the employment of the executive employee by providing, in general, three months written notice, except in the case of Stephen Lidbury (Executive Director of Security) and Royce Galea (Director of Operations), which each require a notice period of one year.
- 4) The executive employee is subject to a 12-month restraint period in acting for a competitor, on standard terms, from the point in time their employment with the Company ceases.

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

#### Mark Baldwin

Managing Director

*Agreement commenced: 28 August 2016*

Mr M Baldwin is the Company's Executive Managing Director under a contract of employment which commenced on 28 August 2015. Under the contract Mr Baldwin is entitled to \$300,000 per annum plus statutory superannuation and a \$12,000 car allowance, along with related minor benefits. The contract does not have any fixed term and may be terminated by the Company or Mr Baldwin on reasonable notice. No payments or retirement benefits are payable on termination.

#### Stephen Lidbury

Executive Director of Security

*Agreement commenced: 19 November 2015*

Mr S Lidbury is the Company's Executive Director of Security under a contract of employment which commenced on 19 November 2015. Under the contract Mr Lidbury is entitled to \$202,000 per annum plus statutory superannuation and a \$48,000 car allowance, along with related minor benefits. The contract has a fixed term of three years from the commencement date and may be terminated by the Company or Mr Lidbury with one year's notice. No payments or retirement benefits are payable on termination.

#### Royce Galea

Director of Operations

*Agreement commenced: 19 November 2015*

Mr R Galea is the Company's Director of Operations under a contract of employment which commenced on 19 November 2015. Under the contract Mr Galea is entitled to \$202,000 per annum plus statutory superannuation and a \$48,000 car allowance, along with related minor benefits. The contract has a fixed term of three years from the commencement date and may be terminated by the Company or Mr Galea with one year's notice. No payments or retirement benefits are payable on termination.

#### Damien Gray

Chief Financial Officer and Company Secretary

*Agreement commenced: 30 May 2016*

Mr D Gray is the Company's Chief Financial Officer and Company Secretary under a contract of employment which commenced on 30 May 2015. Under the contract Mr Gray is entitled to \$319,000 per annum plus statutory superannuation, along with related minor benefits. The contract does not have any fixed term and may be terminated by the Company or Mr Gray on reasonable notice. No payments or retirement benefits are payable on termination.

#### Richard Forster

Chief Financial Officer and Company Secretary  
(resigned with effect 15 July 2016)

*Agreement commenced: 28 August 2015*

Mr R Forster was the Company's Chief Financial Officer and Company Secretary under a contract of employment which commenced on 28 August 2015 and concluded on 15 July 2016. Under the contract Mr Forster was entitled to \$220,000 per annum plus statutory superannuation and a \$14,400 car allowance, along with related minor benefits. No payments or retirement benefits were payable on Mr Forster's resignation.

Key management personnel have no entitlement to termination payments, other than accrued leave balances, in the event of removal for misconduct.

## DIRECTORS' REPORT (CONTINUED)

For the period ended 30 June 2016

### Share-based compensation

#### Issue of shares

Shares in the Company were granted to various members of staff across the consolidated entity during the listing process in November 2015.

As part of that share grant, shares were issued to certain executives and members of key management personnel as part of compensation during the financial year ended 30 June 2016. No shares were issued to non-executive directors.

Details of shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2016 are set out below:

Name	Date	Shares	Issue price	\$
Mark Baldwin	19 November 2015	100,000	\$2.25	225,000
Richard Forster	19 November 2015	20,000	\$2.25	45,000

#### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial period or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry	Exercise price	Fair value per option at grant date
19 November 2015	19 November 2017	Upon ceasing employment	\$2.93	\$0.128
19 November 2015	19 November 2018	Upon ceasing employment	\$3.38	\$0.113
19 November 2015	19 November 2019	Upon ceasing employment	\$3.71	\$0.114

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the period ended 30 June 2016 are set out below:

Name	Number of options granted during the period 2016	Number of options vested during the period 2016
Peter Anderson	1,200,000	–
Greg McCormack	600,000	–
Stephen Williams	600,000	–

### Additional information

The earnings of the consolidated entity since listing are summarised below:

	2016 \$'000
Sales revenue	105,401
EBITDA	4,147
EBIT	2,396
Profit after income tax	707



The factors that are considered to affect Total Shareholder Return ('TSR') are summarised below:

2016

Share price at financial year end (\$)	1.06
Basic earnings per share (cents per share)	1.61
Diluted earnings per share (cents per share)	1.61

#### Additional disclosures relating to key management personnel

##### Shareholdings

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

	Balance at the start of the period	Received as part of remuneration	Acquired at IPO	Disposals/ other	Balance at the end of the period
<i>Ordinary shares</i>					
Peter Anderson	–	–	200,000	–	200,000
Mark Baldwin	–	100,000	–	–	100,000
Stephen Williams	–	–	22,222	–	22,222
Greg McCormack	–	–	200,000	–	200,000
Stephen Lidbury	–	–	6,892,837	–	6,892,837
Royce Galea	–	–	6,892,837	–	6,892,837
Richard Forster*	–	45,000	20,000	–	65,000
	–	145,000	14,227,896	–	14,372,896

\* resigned with effect from 15 July 2016.

##### Option holdings

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

	Balance at the start of the period	Received as part of remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the period
<i>Options over ordinary shares</i>					
Peter Anderson	–	1,200,000	–	–	1,200,000
Greg McCormack	–	600,000	–	–	600,000
Stephen Williams	–	600,000	–	–	600,000
	–	2,400,000	–	–	2,400,000

*This concludes the remuneration report, which has been audited.*

## DIRECTORS' REPORT (CONTINUED)

For the period ended 30 June 2016

### Shares under option

Unissued ordinary shares of Millennium Services Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19 November 2015	Upon ceasing employment	\$2.93	800,000
19 November 2015	Upon ceasing employment	\$3.38	800,000
19 November 2015	Upon ceasing employment	\$3.71	800,000
			2,400,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

### Shares issued on the exercise of options

There were no ordinary shares of Millennium Services Group Limited issued on the exercise of options during the period ended 30 June 2016 and up to the date of this report.

### Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-audit services

There were no non-audit services provided during the financial period by the auditor.

### Officers of the Company who are former partners of Moore Stephens Audit (Vic)

There are no officers of the Company who are former partners of Moore Stephens Audit (Vic).

### Rounding of amounts

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

### Auditor's independence declaration

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

### Auditor

Moore Stephens Audit (Vic) continues in office in accordance with section 327 of the Corporations Act 2001. This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Mark Baldwin

Director

26 August 2016

## MOORE STEPHENS

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 LIMITED & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the period ended 1 November 2015 to 30 June 2016, 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 AUDIT (VIC)**  
ABN 16 847 721 257



**GEORGE S DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

26 August 2016





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## General information

The financial statements cover Millennium Services Group Limited as a consolidated entity consisting of Millennium Services Group Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Millennium Services Group Limited's functional and presentation currency.

Millennium Services Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Millennium Services Group Limited  
Level 1, TOKH Corporate Centre  
459 Toorak Road  
Toorak VIC 3142

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2016. The Directors have the power to amend and reissue the financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 June 2016

	Note	Consolidated 2016 \$'000
<b>Revenue</b>	5	105,401
Other income	6	20
<b>Expenses</b>		
Raw materials and consumables used		(20,512)
Employee benefits expense		(71,562)
Depreciation and amortisation expense	7	(1,751)
Transaction expenses		(4,550)
Other expenses		(4,641)
Finance costs	7	(412)
<b>Profit before income tax expense</b>		1,993
Income tax expense	8	(1,286)
<b>Profit after income tax expense for the period attributable to the owners of Millennium Services Group Limited</b>		707
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation		13
Other comprehensive income for the period, net of tax		13
<b>Total comprehensive income for the period attributable to the owners of Millennium Services Group Limited</b>		720
		<b>Cents</b>
Basic earnings per share	38	1.61
Diluted earnings per share	38	1.61

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

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	Consolidated 2016 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	9	6,723
Trade and other receivables	10	8,178
Inventories	11	770
Other	12	885
Total current assets		16,556
<b>Non-current assets</b>		
Property, plant and equipment	13	8,273
Intangibles	14	9,633
Deferred tax	15	3,664
Other	16	59
Total non-current assets		21,629
<b>Total assets</b>		38,185
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	17	7,679
Borrowings	18	1,807
Income tax	19	1,100
Employee benefits		6,315
Other	20	4,250
Total current liabilities		21,151
<b>Non-current liabilities</b>		
Borrowings	21	3,001
Deferred tax	22	291
Employee benefits		1,268
Total non-current liabilities		4,560
<b>Total liabilities</b>		25,711
<b>Net assets</b>		12,474
<b>Equity</b>		
Issued capital	23	18,967
Reserves	24	(7,200)
Retained profits		707
<b>Total equity</b>		12,474

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

## STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2016

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 November 2015	–	(7,283)	–	(7,283)
Profit after income tax expense for the period	–	–	707	707
Other comprehensive income for the period, net of tax	–	13	–	13
Total comprehensive income for the period	–	13	707	720
Share-based payments	–	70	–	70
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	18,967	–	–	18,967
Balance at 30 June 2016	18,967	(7,200)	707	12,474

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



# STATEMENT OF CASH FLOWS

For the period ended 30 June 2016

	Note	Consolidated 2016 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)		116,379
Payments to suppliers and employees (inclusive of GST)		(111,188)
		5,191
Interest received		8
Interest and other finance costs paid		(412)
Transaction costs		(2,075)
Income taxes paid		(2,367)
Net cash from operating activities	37	345
<b>Cash flows from investing activities</b>		
Payment for purchase of business, net of cash acquired	34	(9,187)
Payments for property, plant and equipment	13	(2,455)
Proceeds from disposal of property, plant and equipment		92
Net cash used in investing activities		(11,550)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	23	17,500
Proceeds from borrowings		2,000
Repayment of lease liabilities		(800)
Share issue transaction costs		(730)
Repayment of borrowings		(417)
Proceeds from the release of security deposits		731
Payment of vendor-related pre-offer adjustments		(1,400)
Net cash from financing activities		16,884
Net increase in cash and cash equivalents		5,679
Cash and cash equivalents at the beginning of the financial period		1,026
Effects of exchange rate changes on cash and cash equivalents		18
Cash and cash equivalents at the end of the financial period	9	6,723

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

### New, revised or amending Accounting Standards and Interpretations adopted

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

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

### Reporting period

The Company was incorporated on 1 November 2015, and this financial report covers the period from that date to 30 June 2016. For this reason, there is no comparative information.

The Directors have chosen to apply the pooling of interests method as this provides the most relevant and reliable information to users of the financial statements. As such these financial statements recognise the assets and liabilities of all the Group entities immediately after the restructure on 17 November 2015 at existing book values. The Directors have also elected not to disclose comparative information in these financial statements and have reset the equity of the acquired entities by establishing a pre-restructure accumulated losses reserve within equity attributable to the owners of the parent entity.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for 'for-profit' oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Millennium Services Group Limited ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the period then ended. Millennium Services Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

## Note 1. Significant accounting policies (continued)

### Foreign currency translation

The financial statements are presented in Australian dollars, which is Millennium Services Group Limited's functional and presentation currency.

### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

### 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.

### 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.

### Interest

Interest revenue is recognised as interest accrues using the effective interest method.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

### 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 are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

### Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3 to 5 years
Plant and equipment	3 to 7 years
Motor vehicles	8 years
Computer equipment	3 to 4 years
Office equipment	8 years

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

## Note 1. Significant accounting policies (continued)

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

### Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being seven years.

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### Employee benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date, are measured at the amounts expected to be paid when the liabilities are settled.



### *Other long-term employee benefits*

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Dividends**

Dividends are recognised when declared during the financial period and no longer at the discretion of the Company.

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

## Note 1. Significant accounting policies (continued)

### Business combinations (continued)

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Millennium Services Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Rounding of amounts

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

#### AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will

be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

#### **AASB 15 Revenue from Contracts with Customers**

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

#### **AASB 16 Leases**

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate

of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

### **Note 2. Critical accounting judgements, estimates and assumptions**

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

#### **Share-based payment transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### **Provision for impairment of receivables**

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

## Note 1. Significant accounting policies (continued)

### Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

### Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### Recovery of deferred tax assets

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

### Employee benefits provision

As discussed in note 1, the liabilities for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting are retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

### Accounting for restructuring

On 17 November 2015, the Group restructured under the newly created entity Millennium Services Group Limited ('MSG') and listed on the stock exchange on 19 November 2015. The parties who controlled the acquired entities pre-restructure also now control MSG post-restructure and listing. As a result, this transaction is scoped out of AASB 3: Business Combinations as a combination of entities or businesses under common control. Therefore, no goodwill has been recognised on MSG's acquisition of the Millennium entities.

While this situation is not covered specifically by Australian Accounting Standards, the Directors have chosen to apply the pooling of interests method (rather than the acquisition method) as this provides the most relevant and reliable information to users of the financial statements. As such, these financial statements recognise the assets and liabilities of all the Group entities immediately after the restructure on 17 November 2015 at existing book values. The Directors have also elected not to disclose comparative information in these financial statements and have reset the equity of the acquired entities by establishing a pre-restructure accumulated losses reserve within equity attributable to the owners of the parent.

## Note 3. Change in accounting policy

The Group has changed its accounting policy with regards to the depreciation of plant and equipment for the period ending 30 June 2016. The Group is now depreciating property, plant and equipment using the straight-line method (previously diminishing balance method). This method has been chosen to better reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If the diminishing balance method had been used for the period ending 30 June 2016 the depreciation charge would have been \$2.093 million for the Group; this would have resulted in a profit before income tax of \$1.192 million.

## Note 4. Operating segments

### Identification of reportable operating segments

The consolidated entity is organised into five operating segments: Victoria, Queensland, South Australia, New South Wales and Other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Other segments represents a combination of New Zealand and head office.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

### Operating segment information

Consolidated 30 June 2016	New South Wales \$'000	Victoria \$'000	South Australia \$'000	Queensland \$'000	New Zealand \$'000	Head Office \$'000	Total \$'000
<b>Revenue</b>							
Sales to external customers – cleaning	40,958	13,353	14,062	18,362	1,428	–	88,163
Sales to external customers – security	11,672	1,201	–	3,453	180	–	16,506
Other revenue	725	–	–	–	–	20	745
<b>Total revenue</b>	<b>53,355</b>	<b>14,554</b>	<b>14,062</b>	<b>21,815</b>	<b>1,608</b>	<b>20</b>	<b>105,414</b>
<b>Gross margin</b>	<b>10,934</b>	<b>2,524</b>	<b>2,197</b>	<b>2,616</b>	<b>281</b>	<b>20</b>	<b>18,574</b>
<b>EBITDA</b>						(14,426)	4,148
Depreciation and amortisation							(1,751)
Interest revenue							8
Finance costs							(412)
<b>Profit before income tax expense</b>							1,993
Income tax expense							(1,286)
<b>Profit after income tax expense</b>							707



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

	Consolidated 2016 \$'000
<b>Note 5. Revenue</b>	
<i>Sales revenue</i>	
Provision of services	105,393
<i>Other revenue</i>	
Interest	8
Revenue	105,401
<b>Note 6. Other income</b>	
Net gain on disposal of property, plant and equipment	20
<b>Note 7. Expenses</b>	
Profit before income tax includes the following specific expenses:	
<i>Impairment</i>	
Impairment of receivables	63
<i>Rental expense relating to operating leases</i>	
Minimum lease payments	1,605

## Note 8. Income tax expense

### *Income tax expense*

Deferred tax – origination and reversal of temporary differences	(385)
Current tax expense – Australia	1,745
Current tax revenue – New Zealand	(36)
Deferred tax expense revenue relating to the over provision in the prior period	(38)
Aggregate income tax expense	1,286

### *Deferred tax included in income tax expense comprises:*

Increase in deferred tax assets (note 1.5)	(628)
Increase in deferred tax liabilities (note 22)	243
Deferred tax – origination and reversal of temporary differences	(385)

### *Numerical reconciliation of income tax expense and tax at the statutory rate*

Profit before income tax expense	1,993
Tax at the statutory tax rate of 30%	598
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	
Other permanent differences	256
Tax effect of non-deductible gifts	48
Black hole deduction from equity	(39)
Deductible equity expenses	(17)
Employee share scheme	476
Deferred tax revenue relating to prior years	(38)
Difference in tax rate in New Zealand	2
Income tax expense	1,286

### *Amounts credited directly to equity*

Deferred tax assets (note 1.5)	(156)
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

	Consolidated 2016 \$'000
<b>Note 9. Current assets – cash and cash equivalents</b>	
Cash at bank	6,723
<b>Note 10. Current assets – trade and other receivables</b>	
Trade receivables	7,355
Less: Provision for impairment of receivables	(159)
	7,196
Other receivables	633
Loans to related parties	349
	8,178
<i>Impairment of receivables</i>	
The ageing of the impaired receivables provided for above is as follows:	
1 to 30 days	18
31 to 60 days	8
61 to 90 days	4
Over 90 days	129
	159
<i>Past due but not impaired</i>	
Customers with balances past due but without provision for impairment of receivables amount to \$2,694,563 as at 30 June 2016.	
The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.	
The ageing of the past due but not impaired receivables is as follows:	
1 to 30 days	857
31 to 60 days	801
61 to 90 days	319
Over 90 days	717
	2,694
<b>Note 11. Current assets – inventories</b>	
Consumables – at cost	770
<b>Note 12. Current assets – other</b>	
Prepayments	885

Consolidated  
2016  
\$'000

### Note 13. Non-current assets – property, plant and equipment

Property – at cost	109
Plant and equipment – at cost	11,669
Less: Accumulated depreciation	(4,954)
	6,715
Motor vehicles – at cost	1,686
Less: Accumulated depreciation	(518)
	1,168
Computer equipment – at cost	485
Less: Accumulated depreciation	(288)
	197
Office equipment – at cost	207
Less: Accumulated depreciation	(123)
	84
	8,273

#### Reconciliations

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

Consolidated	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Plant and equipment \$'000	Property \$'000	Total \$'000
Balance at 1 November 2015	762	64	119	3,634	109	4,688
Additions	51	9	104	2,291	–	2,455
Additions through business combinations (note 34)	395	25	50	1,240	–	1,710
Disposals	(1)	–	–	(91)	–	(92)
Additions through hire purchase	67	–	–	736	–	803
Depreciation expense	(106)	(14)	(76)	(1,095)	–	(1,291)
Balance at 30 June 2016	1,168	84	197	6,715	109	8,273

Consolidated  
2016  
\$'000

### Note 14. Non-current assets – intangibles

Goodwill – at cost	3,792
Customer contracts – at cost	6,301
Less: Accumulated amortisation	(460)
	5,841
	9,633

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

### Note 14. Non-current assets – intangibles (continued)

#### Reconciliations

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

Consolidated	Customer contracts \$'000	Goodwill \$'000	Total \$'000
Balance at 1 November 2015	–	–	–
Additions through business combinations (note 34)	6,301	3,792	10,093
Amortisation expense	(460)	–	(460)
Balance at 30 June 2016	5,841	3,792	9,633

The Group is still accounting for business combinations on a provisional basis and there are no indicators that the goodwill is impaired. The Group will perform an impairment test on the goodwill at the next financial year end when the provisional numbers will have been finalised.

	Consolidated 2016 \$'000
<b>Note 15. Non-current assets – deferred tax</b>	
<i>Deferred tax assets comprises temporary differences attributable to:</i>	
Amounts recognised in profit or loss:	
Impairment of receivables	60
Employee benefits	2,231
Superannuation payable	585
Other accruals	72
Black hole expenditure – profit and loss	424
Investments	136
Black hole expenditure – equity	156
Deferred tax assets	3,664
<i>Movements:</i>	
Opening balance	2,795
Credited to profit or loss (note 8)	628
Credited to equity (note 8)	156
Additions through business combinations (note 34)	68
Charge to retained earnings	(20)
Deferred tax under/over provisions	37
Closing balance	3,664
<b>Note 16. Non-current assets – other</b>	
Security deposits	59



## Note 17. Current liabilities – trade and other payables

### Unsecured

Trade payables	3,966
GST payable	1,138
Other payables	2,575
	7,679

Refer to note 26 for further information on financial instruments.

## Note 18. Current liabilities – borrowings

### Secured

ANZ interchangeable loan facility	667
Hire purchase	1,140
	1,807

Refer to note 26 for further information on financial instruments.

### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

#### Total facilities

Interchangeable loan facility	15,000
Asset finance facility (hire purchase)	5,000
Overdraft facility	4,000
Standby letter of credit or guarantee facility	2,000
Electronic payway facility	500
Commercial card facility	100
	26,600

#### Used at the reporting date

Interchangeable loan facility	1,833
Asset finance facility (hire purchase)	581
Overdraft facility	–
Standby letter of credit or guarantee facility	860
Electronic payway facility	–
Commercial card facility	–
	3,274

#### Unused at the reporting date

Interchangeable loan facility	13,167
Asset finance facility (hire purchase)	4,419
Overdraft facility	4,000
Standby letter of credit or guarantee facility	1,140
Electronic payway facility	500
Commercial card facility	100
	23,326

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

	Consolidated 2016 \$'000
<b>Note 19. Current liabilities – income tax</b>	
Provision for income tax	1,100
<b>Note 20. Current liabilities – other</b>	
Deferred consideration	500
Contingent consideration	1,500
Accrued expenses	2,250
	4,250
<b>Note 21. Non-current liabilities – borrowings</b>	
<i>Secured</i>	
ANZ interchangeable loan facility	1,164
Hire purchase	1,837
	3,001
Refer to note 26 for further information on financial instruments.	
<i>Total secured liabilities</i>	
The total secured liabilities (current and non-current) are as follows:	
ANZ interchangeable loan facility	1,831
Hire purchase	2,977
	4,808
<i>Details of security</i>	
Facilities are held through a corporate guarantee and indemnity, a general security agreement and a security sharing deed between each of the following entities and the ANZ.	
– Millennium Hi-Tech Group Pty Ltd	
– Millennium Cleaning (Qld) Pty Ltd	
– Millennium Cleaning (Vic) Pty Ltd	
– Millennium Group (NZ) Ltd	
– Millennium Hi-Tech Holdings Pty Ltd	
– Millennium Hi-Tech SA (Pty) Ltd	
– Millennium Services Group Limited	
<i>Assets pledged as security</i>	
The carrying amounts of assets pledged as security for current and non-current borrowings are:	
Motor vehicles and equipment	3,081

## Note 22. Non-current liabilities – deferred tax

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Property, plant and equipment	243
Property, plant and equipment – prior under/over provision charged to retained earnings	48
Deferred tax liability	291
Movements:	
Charged to profit or loss (note 8)	243
Under/over provision relating to prior years – charged to retained earnings	48
Closing balance	291

### Consolidated

2016  
Shares      2016  
\$'000

## Note 23. Equity – issued capital

Ordinary shares – fully paid	45,928,259	18,967
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Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 November 2015	17,382,825		–
Group restructure – shares issued to vendors	18 November 2015	12,252,538	\$0.00	–
Public issue of shares	18 November 2015	15,385,640	\$2.25	34,618
Group restructure – cash paid to vendors	18 November 2015	–	\$0.00	(17,118)
Employee share issue	18 November 2015	907,256	\$2.25	2,041
Cost of capital raising		–	\$0.00	(574)
Balance	30 June 2016	45,928,259		18,967

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding-up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Share buy-back

There is no current on-market share buy-back.

### Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

### Note 23. Equity – issued capital (continued)

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial period.

	Consolidated 2016 \$'000
<b>Note 24. Equity – reserves</b>	
Foreign currency reserve	13
Share-based payments reserve	70
Pre-restructure accumulated losses	(7,283)
	(7,200)

#### Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

#### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

#### Pre-restructure accumulated losses

In November 2015, the Group restructured under the newly created entity Millennium Services Group Limited ('MSG'), and the pre-structure accumulated losses have been recognised in this reserve.

#### Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Pre- restructure losses \$'000	Share- based payments \$'000	Foreign currency \$'000	Total \$'000
Balance at 1 November 2015	(7,283)	–	–	(7,283)
Share-based payments	–	70	–	70
Foreign currency translation	–	–	13	13
Balance at 30 June 2016	(7,283)	70	13	(7,200)

## Note 25. Equity – dividends

A Final Dividend of \$0.044 per share (fully franked) is declared in respect of the reporting period ended 30 June 2016.

## Note 26. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

### Market risk

#### Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity's exposure is limited to its operations in New Zealand.

The carrying amounts of the consolidated entity's foreign currency denominated assets and liabilities at the reporting date were as follows:

	Assets 2016 \$'000	Liabilities 2016 \$'000
Consolidated		
New Zealand dollars	934	484

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

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Consolidated – 2016						
New Zealand dollar	25%	–	112	25%	–	(112)

#### Price risk

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

#### Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

### Note 26. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2016	
	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>		
ANZ Facility	3.47%	1,833
Net exposure to cash flow interest rate risk		1,833

An analysis by remaining contractual maturities is shown in the liquidity and interest rate risk management sections of this report.

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
<b>Consolidated – 2016</b>						
ANZ Facility	100	(18)	(18)	100	18	18

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits.

As at 30 June 2016, the consolidated entity recognises a provision for impairment of receivables of \$159,467.

#### Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 2016 \$'000
Interchangeable loan facility	13,167
Asset finance facility (hire purchase)	4,419
Overdraft facility	4,000
Standby letter of credit or guarantee facility	1,140
Electronic payway facility	500
Commercial card facility	100
	23,326

#### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 27. Key management personnel disclosures

### Directors

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

Peter Anderson

Gregory McCormack

Stephen Williams

Mark Baldwin

Stephen Lidbury

### Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial period:

Royce Galea

Richard Forster

Damien Gray

### Compensation

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

	Consolidated 2016 \$'000
Short-term employee benefits	738,715
Post-employment benefits	58,965
Long-term benefits	11,440
Share-based payments	339,541
	1,148,661

## Note 28. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by Moore Stephens Audit (Vic), the auditor of the Company, and its network firms:

	Consolidated 2016 \$
<i>Audit services – Moore Stephens Audit (Vic)</i>	
Audit or review of the financial statements	166,500
<i>Other services – Moore Stephens</i>	
Taxation services	34,000
Other services	39,673
	73,673

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

### Note 29. Contingent assets

Millennium Services Group Limited 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 Limited, 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 note 30 of these financial statements.

### Note 30. Contingent liabilities

Companies within the Group had at the end of the reporting period a number of public liability claims made against them 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 30 June 2016, 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 Limited 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 31. Commitments

	Consolidated 2016 \$'000
<i>Lease commitments – operating</i>	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	2,435
One to five years	2,864
	5,299

Lease commitments are predominately related to storage agreements.

### Note 32. Related party transactions

#### Parent entity

Millennium Services Group Limited is the parent entity.

#### Subsidiaries

Interests in subsidiaries are set out in note 35.

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

#### Key management personnel

Wages and other benefits paid to a close family member of Royce Galea in their capacity as an employee of the Group amounted to \$86,551 for the period ended 30 June 2016.

All other disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Director's report.

#### Transactions with related parties

Office rent of \$20,276 was paid on normal commercial terms to an entity related to Stephen Lidbury.

Consulting fees of \$128,611 were paid to an entity related to Tomi-Sasha Holdings Pty Ltd, a shareholder of the Company.

Wages and other benefits of \$135,352 were paid to close family members of the controller of Tomi-Sasha Holdings Pty Ltd, in their capacity as employees of the Group, for the period ended 30 June 2016.

### Loans from related parties

The following were receivable at 30 June 2016:

Tomi-Sash Holdings Pty Ltd and related parties**	\$22,991
Stephen Crewes*	\$120,000
Jeffrey Crewes**	\$143,531
Stephen Lidbury***	\$31,358
Royce Galea***	\$31,358

\* Paid in full 18 August 2016.

\*\* Paid in full by 24 August 2016.

\*\*\*Paid in full by 26 August 2016.

### Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

#### Statement of profit or loss and other comprehensive income

	Parent 2016 \$'000
Loss after income tax	(4,390)
Total comprehensive loss	(4,390)

#### Statement of financial position

	Parent 2016 \$'000
Total current assets	17,459
Total assets	18,272
Total current liabilities	2,067
Total liabilities	3,617
Equity	
Issued capital	18,967
Reserves	78
Accumulated losses	(4,390)
Total equity	14,655

#### Deed of Cross Guarantee

A deed of cross guarantee between Millennium Services Group Limited and its subsidiaries in note 35 (except Millennium Group (NZ) Ltd) was enacted during the financial year and relief was obtained from preparing financial statements for the subsidiaries under ASIC Class Order 98/1418. Under the deed, Millennium Services Group Limited guarantees to support the liabilities and obligations of its subsidiaries listed within the group. Millennium Services Group Limited and its controlled subsidiaries (except Millennium Group (NZ) Ltd) form the closed group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

### Note 33. Parent entity information (continued)

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016.

#### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016.

#### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

### Note 34. 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 30 June 2016 ACS contributed \$16.6 million to revenue and \$784,000 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.

Details of the acquisition are as follows:

	Fair value \$'000
Inventories	110
Property, plant and equipment	1,637
Customer contracts	3,052
Deferred tax asset	68
Employee benefits	(288)
Borrowings	(571)
Net assets acquired	4,008
Goodwill	3,792
Acquisition-date fair value of the total consideration transferred	7,800
Representing:	
Cash paid or payable to vendor	7,000
Contingent consideration	1,000
Receivable due from vendor with regard to long service leave liabilities	(200)
	7,800
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,000
Stamp duty on business acquisition	364
Net cash used	7,364



Millennium Services Group Limited acquired on 1 February 2016 the NCSA business. NCSA provided the Group with additional contracts primarily in the commercial and government cleaning market in the Australian Capital Territory.

From the date of acquisition to 30 June 2016 NCSA contributed \$3.6 million to revenue and \$1.4 million to profit before income tax of the Group. As the NCSA 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 reporting period.

Details of the acquisition are as follows:

	Fair value \$'000
Inventories	38
Plant and equipment	73
Customer contracts	3,248
Employee benefits	(336)
Net assets acquired	3,023
Goodwill	–
Acquisition-date fair value of the total consideration transferred	3,023
Representing:	
Cash paid or payable to vendor	2,000
Contingent consideration	500
Deferred consideration	500
Payable due to vendor with regards to leave liabilities	23
	3,023

### Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest 2016 %
Millennium Group (NZ) Ltd	New Zealand	100.00%
Millennium Hi-Tech Group Pty Ltd	Australia	100.00%
Millennium Hi-Tech Holdings Pty Ltd	Australia	100.00%
Millennium Hi-Tech (SA) Pty Ltd	Australia	100.00%
Millennium Cleaning (Qld) Pty Ltd	Australia	100.00%
Millennium Cleaning (Vic) Pty Ltd	Australia	100.00%
Millennium Services Group Operations Pty Ltd	Australia	100.00%

The subsidiaries entered into a deed of cross guarantee on 30 May 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2016

### Note 36. Events after the reporting period

Apart from the dividend declared as disclosed in note 25, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### Note 37. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2016 \$'000
Profit after income tax expense for the period	707
Adjustments for:	
Depreciation and amortisation	1,751
Net gain on disposal of property, plant and equipment	(20)
Share-based payments	70
Acquisition-related expenses	364
Tax on IPO black hole costs	155
Provision for doubtful debtors	63
Net foreign exchange differences	4
Employee share issue	2,041
Change in operating assets and liabilities:	
Increase in inventories	(414)
Increase in deferred tax assets	(570)
Decrease in trade and other payables	(3,115)
Decrease in provision for income tax	(671)
Increase in employee benefits	327
Increase in receivables and prepayments	(347)
Net cash from operating activities	345

### Note 38. Earnings per share

	Consolidated 2016 \$'000
Profit after income tax attributable to the owners of Millennium Services Group Limited	707
	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	43,931,253
Weighted average number of ordinary shares used in calculating diluted earnings per share	43,931,253
	Cents
Basic earnings per share	1.61
Diluted earnings per share	1.61

### Note 39. Share-based payments

The Board has adopted an 'Omnibus Equity Plan' ('Plan') through which it will determine appropriate long-term incentive mechanisms for employees, including Directors and senior management of the consolidated entity.

Set out below are summaries of options granted under the plan:

2016 Grant date	Vesting date (lapse if leaves office)	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
19/11/2015	18/11/2017	\$2.93	–	800,000	–	–	800,000
19/11/2015	18/11/2018	\$3.38	–	800,000	–	–	800,000
19/11/2015	19/11/2019	\$3.71	–	800,000	–	–	800,000
			–	2,400,000	–	–	2,400,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.38 years.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/11/2015	18/11/2017	\$2.25	\$2.93	30.00%	5.00%	1.88%	\$0.128
19/11/2015	18/11/2018	\$2.25	\$3.38	30.00%	5.00%	1.88%	\$0.113
19/11/2015	18/11/2019	\$2.25	\$3.71	30.00%	5.00%	1.99%	\$0.114

## DIRECTORS' DECLARATION

30 June 2016


In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial period 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



**Mark Baldwin**  
Director

26 August 2016

## MOORE STEPHENS

Moore Stephens Audit (Vic)

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLENNIUM SERVICES GROUP LIMITED & CONTROLLED ENTITIES

#### Report on the Financial Report

We have audited the accompanying financial report of Millennium Services Group Limited & Controlled Entities (**the company**), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income for the period 1 November 2015 to 30 June 2016, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit, 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 date of this auditor's report.

**MOORE STEPHENS**

### *Auditor's Opinion*

In our opinion:

- a. the financial report of Millennium Services Group Limited & Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the period 1 November 2015 to 30 June 2016; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 5 to 12 of the directors' report for the period 1 November 2015 to 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the remuneration report of Millennium Services Group Limited & Controlled Entities for the period 1 November 2015 to 30 June 2016 complies with s300A of the *Corporations Act 2001*.



**MOORE STEPHENS AUDIT (VIC)**  
ABN 16 847 721 257



**GEORGE S DAKIS**  
**Partner**  
**Audit & Assurance Services**

Melbourne, Victoria

26 August 2016



## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 1 August 2016.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	803
1,001 to 5,000	222
5,001 to 10,000	179
10,001 to 100,000	277
100,001 and over	20
	1,501
Holding less than a marketable parcel	430

### Equity security holders

#### *Twenty largest quoted equity security holders*

The names of the 20 largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Tomi-Sasha Holdings Pty Ltd	6,893,557	15.01
Royce Galea Pty Ltd	6,892,837	15.01
Stephen Lidbury Pty Ltd	6,892,837	15.01
HSBC Custody Nominees	4,481,363	9.76
Citicorp Nominees Pty Limited	2,737,974	5.96
National Nominees Limited	1,903,156	4.14
J P Morgan Nominees Australia Limited	1,306,831	2.85
D J G Enterprises Pty Ltd	1,148,664	2.50
Trygela Pty Ltd	1,148,664	2.50
BNP Paribas Noms Pty Ltd	1,082,650	2.36
Citicorp Nominees Pty Limited – Colonial First State Inv A/C	440,512	0.96
Mrs Susan Hadden + Mrs Abby Falla	250,000	0.54
Mr John David Wheeler + Mr Glen Robert Wheeler	250,000	0.54
Mrs Jenny Elizabeth Gaudry	200,000	0.44
Mr Gregory Henry McCormack + Mrs Jocelyn Lorna Delafield McCormack	200,000	0.44
Strategic Vision Equities Pty Ltd	200,000	0.44
Dallmount Pty Ltd	170,025	0.37
Mr Wayne Crewes + Mrs Eileen Crewes	149,742	0.33
Mrs Kathryn Valerie Van Der Zwan	118,984	0.26
HSBC Custody Nominees (Australia) Limited	115,555	0.25
	36,583,351	79.67

## SHAREHOLDER INFORMATION (CONTINUED)

### *Unquoted equity securities*

There are no unquoted equity securities.

### **Substantial holders**

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Tomi-Sasha Holdings Pty Ltd	6,893,557	15.01
Royce Galea Pty Ltd	6,892,837	15.01
Stephen Lidbury Pty Ltd	6,892,837	15.01
HSBC Custody Nominees	4,481,363	9.76
Citicorp Nominees Pty Limited	2,737,974	5.96

### **Voting rights**

The voting rights attached to ordinary shares are set out below:

#### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## CORPORATE DIRECTORY

### Directors

**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 and Director of Security

**Company Secretary**

Damien Gray

**Registered office**

Millennium Services Group Limited  
ABN 11 607 926 787  
Level 1, TOKH Corporate Centre  
459 Toorak Road  
Toorak VIC 3142

**Principal place of business**

Millennium Services Group Limited  
Level 1, TOKH Corporate Centre  
459 Toorak Road  
Toorak VIC 3142

**Share register**

Computershare Investor Services Pty Limited  
Level 4  
60 Carrington Street  
Sydney NSW 2000 Australia

**Auditor**

Moore Stephens Audit (Vic)  
Level 18, 530 Collins Street  
Melbourne VIC 3000

**Stock exchange listing**

Millennium Service Group Limited shares are listed  
on the Australian Securities Exchange (ASX code: MIL)

**Website**

<http://www.millenniumsg.com>

**Corporate Governance Statement**

Refer to <http://www.millenniumsg.com>

A blurred background image of a modern office interior. In the foreground, a blue and black cleaning cart is visible, equipped with various cleaning supplies like spray bottles and cloths. The cart is on wheels and has a blue bag attached to the side. The background shows a bright, open-plan office space with glass partitions and modern furniture, though it is out of focus.

**millennium**

**Head Office**

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