

millennium

**ANNUAL
REPORT
2021**



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.

Note: Photographs of team members in this report without masks were taken outside of time periods or in locations where masks were not required at the time the photograph was taken.



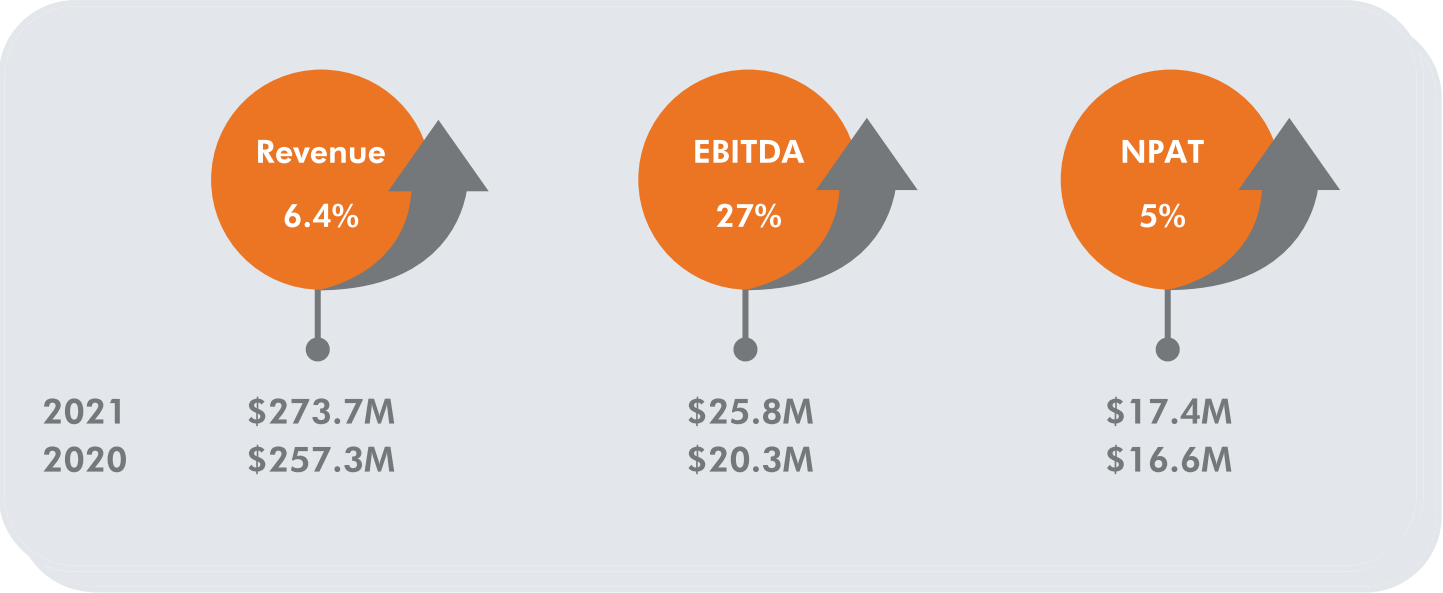
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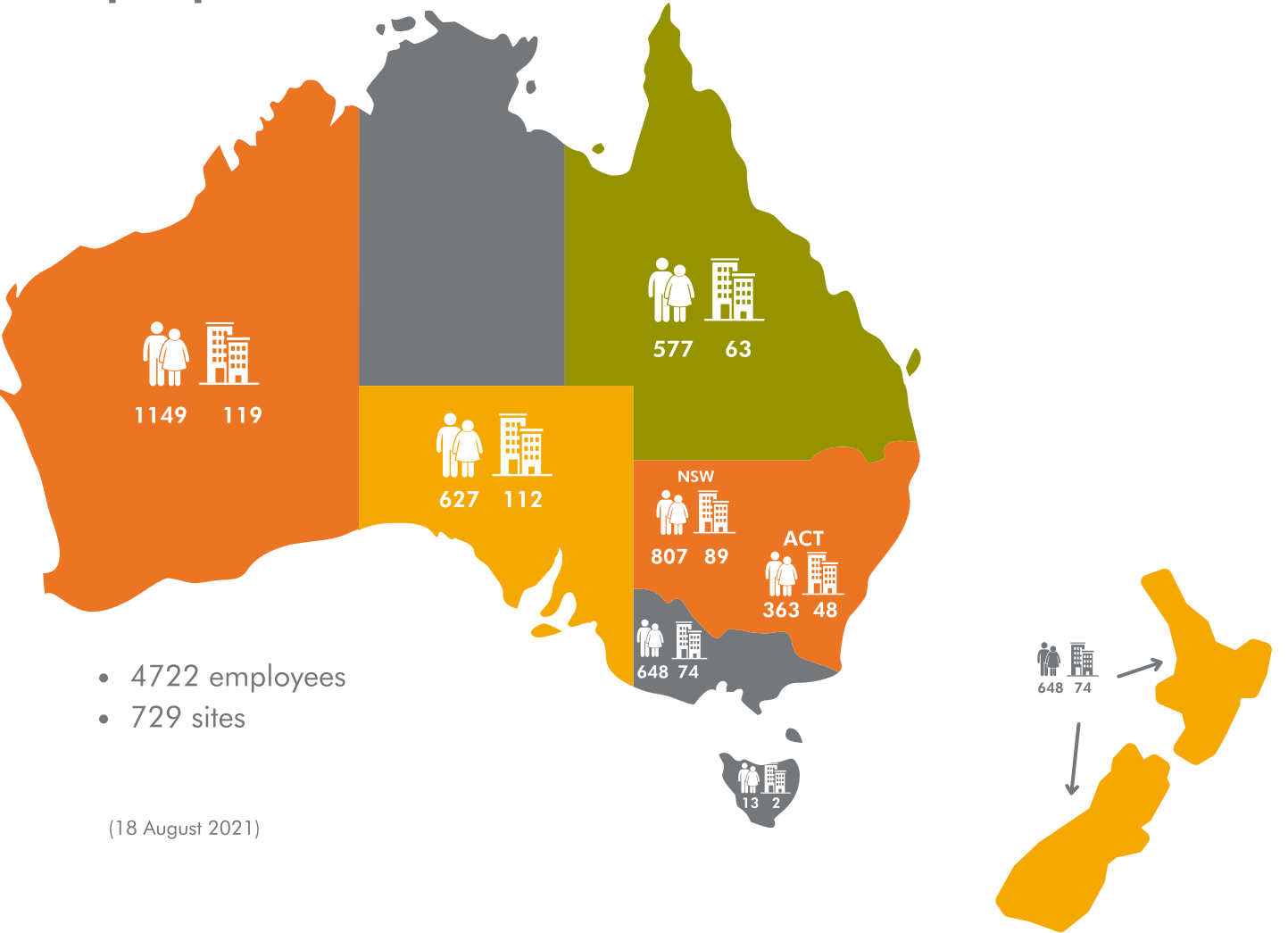


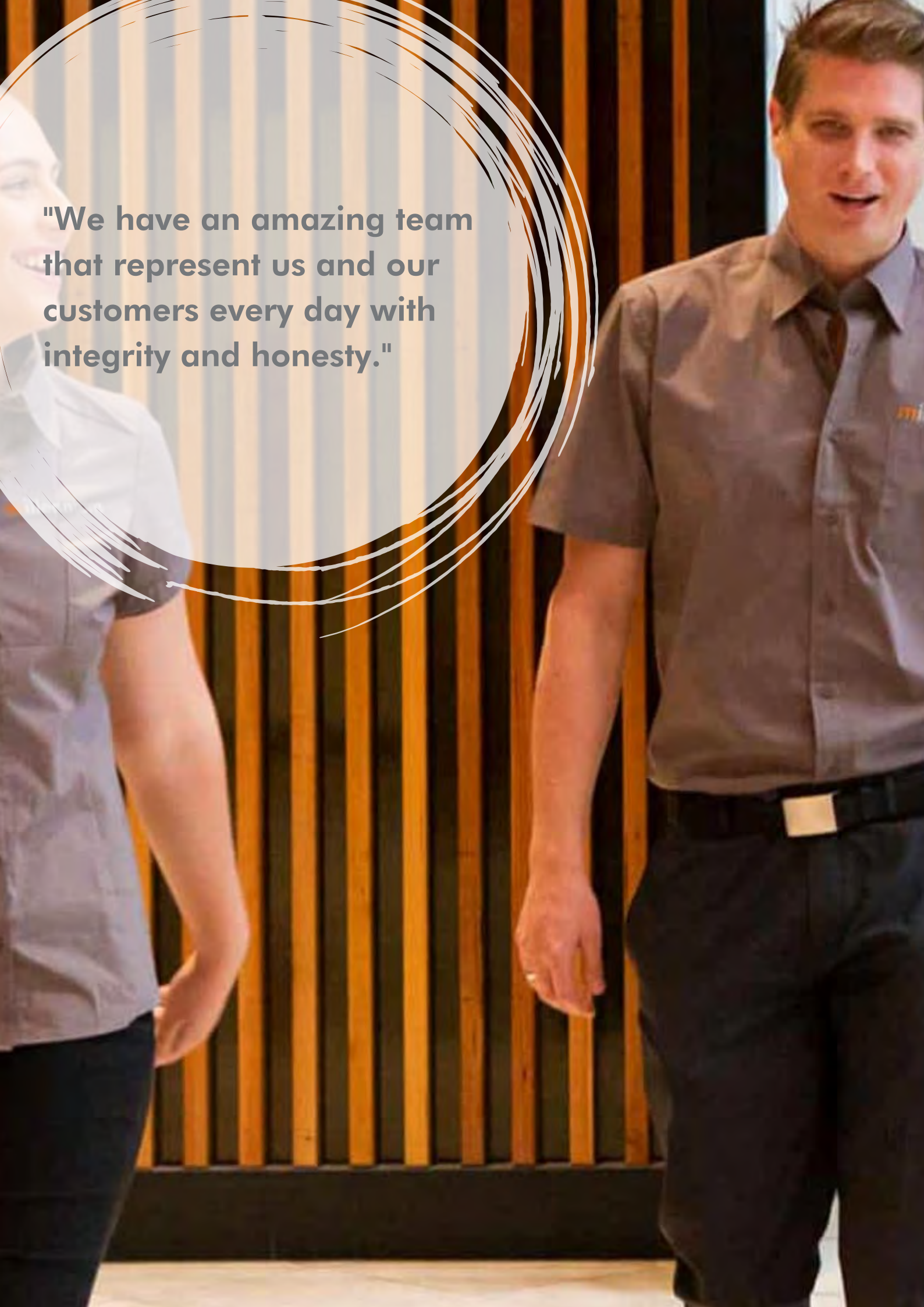
2021 Highlights

Financial performance (statutory)



Our people





**"We have an amazing team
that represent us and our
customers every day with
integrity and honesty."**

Chairman and CEO Message



Millennium is a people business. The character, commitment, and flexibility of our 4,700 strong, directly employed team has been challenged again this year. As frontline workers providing essential cleaning, security and property services in high traffic public areas, the professionalism and dedication of our team to delivering outstanding services has been exceptional.

We have an amazing team that represent us and our customers every day with integrity and honesty. We will continue to maintain the highest standards of compliance, safety, and customer service.

The health and wellbeing of our team, our clients and their customers has remained our highest priority. In FY21 the Lost Time Injury Frequency Rate was 51% lower than FY20 and 62% lower than the industry benchmark. Driven by our Safety-First culture, which supports both physical and mental wellbeing, our team has continued to deliver a highly flexible range property services to current and new clients, confidently and safely.

"The Company's rapid response capability, flexible and collaborative approach and recognised industry experience have delivered increased market confidence which has resulted in renewals and an expansion of services with several existing clients."

FINANCIAL PERFORMANCE

Revenue for the year ending 30 June 2021 increased by 6.4% to \$273.7 million, this was substantially due to the Group winning new specialised projects and adhoc services as part of the Group's diversification growth strategy and winning new projects or contracts at market competitive margins. Growth in the higher margin COVID-19 project and adhoc services within the Security segment contributed \$11.8m or 4.6% to the Group's increase in total revenue compared to the previous year. Also, we experienced a less severe impact from COVID-19 Government restrictions in the current financial year compared with FY20.

Statutory earnings before interest, tax, depreciation, and amortisation (EBITDA) improved by \$5.5m or 27% to \$25.8m compared to \$20.3m in the prior year, reflecting the resilience of our business. The increase in gross margin of \$8.2m in the current financial year, stems from the Group's renewed focus on winning quality new contracts, retaining contracts at a market competitive gross margin and growth in higher margin COVID-19 project and adhoc services.

Pleasingly, the Company substantially improved its balance sheet position as at 30 June 2021 compared to 30 June 2020 with total gross debt reducing by \$28.8m from \$36.4m to \$7.6m. Net debt as at 30 June 2021 was \$0.3m. This significant strengthening of the balance sheet positions Millennium well to pursue its growth agenda.

Work has continued on the digital evolution of our business that will accelerate efficiencies across our various business units, whilst providing a more agile technology platform that can scale quickly to explore further opportunities for simplification and automation.

Our workforce management system is now in use across 76% of our workforce. This technology has returned both productivity and financial benefits, whilst reducing risk by systematically ensuring payment of employees in accordance with the appropriate Modern Award conditions. Completion of the rollout is now expected by December 2021.

GROWTH AND EXPANSION

The Australian and New Zealand commercial cleaning and security markets are estimated to be worth \$13 billion, and \$7 billion respectively, creating attractive opportunity for potential growth.

COVID-19 has heightened community awareness and expectation around hygiene and security services. With this, there is an emerging opportunity for business development across target industry sectors of education, transport, commercial properties, Government, and health/aged care, where clients value partnerships with companies with strong corporate governance, as well as an absolute dedication to customer service and transparency.

The Company's rapid response capability, flexible and collaborative approach and recognised industry experience have delivered increased market confidence which has resulted in renewals and an expansion of services with several existing clients.

In line with our growth strategy, pleasingly we have welcomed new clients, and renewed and expanded contracts both within the retail sector which has traditionally accounted for a large majority of our revenue but also in other sectors such as education, government, and commercial sectors. Notable growth was achieved in New Zealand and Western Australia where we commenced providing Security Services with contracts for a large commercial business and at two major Perth shopping centres.

We have also secured contracts for fully integrated service management, which we believe presents the Group with significant potential business opportunity through provision of an expanded service offering in future. We have commenced a three-year contract with AMP Capital for the fully integrated service management of their recently redeveloped flagship retail, entertainment, and dining precinct in Karrinyup, Perth.

In April 2021, Millennium's West Australian based business formerly known as Airlite adopted the Millennium brand. Beyond the retirement of the Airlite brand we will continue to look for opportunities to further simplify, consolidate, integrate and leverage the WA business.

There is still more work to be done to realise our full potential for our employees, clients, and shareholders. Supporting our growth agenda in FY22 we will be working to optimise our organisation structure, our business development approach, and our operating efficiency to support sustainable growth of the Group.

Market expectations around ethical business practices and good corporate governance are higher than ever. Our board led governance program continues to focus strongly on ensuring the business meets its legal, social and ethical obligations.

In FY21 we added two new non-Executive Directors to the Board further strengthening the group responsible for governance, strategic guidance, and effective oversight of Millennium management.

The Millennium Executive Team and the Board are proud of what the team has achieved together in FY21 and the way we have looked after each other, our clients, and the community along the way.

We are grateful for the support that our clients have shown our team and we remain committed to continuing to help them provide outstanding experiences for their customers.

Finally, and most importantly, thank you to the Millennium team members for their hard work this year, we look forward to working together and building on these strong foundations.

A handwritten signature in black ink, appearing to read 'Scott Alomes', with a stylized, elongated flourish extending to the right.

Scott Alomes
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Stuart Grimshaw', with a stylized, looped flourish.

Stuart Grimshaw
Chairman & Non-Executive Director

Our business

Purpose

We are a trusted partner to businesses across Australia and New Zealand delivering class-leading property services making places and spaces better for people.

Values

Service

We care for the needs of our clients and the community and our people are driven to provide outstanding customer experiences.

Integrity

We are committed to doing the right thing, acting responsibly and ethically, being transparent and respectful to all our stakeholders.

Teamwork

We put the organisation ahead of individual and division results, we understand that united we are stronger.

Accountability

We take responsibility for delivering outcomes.

With a team of more than 4,700 we serve sectors including commercial, retail, industrial, events and education.

Our team provides cleaning, security and other property services at more than 700 client sites. Our clients choose integrated or independent services to suit their needs.

Our head office is in Melbourne with regional offices in Auckland, Wellington, Christchurch, Sydney, Perth, Brisbane, Adelaide, Canberra and Townsville.

We provide the assurance and peace of mind of working with a publicly listed company (ASX:MIL) with a strong adherence to corporate compliance and an unwavering commitment to producing tailored solutions and exceptional customer experiences for our clients. We've been doing this successfully since 2003.

Services

Integrated
Services



Maintenance

Security



Cleaning

Fully Integrated Service Provider – Karrinyup Shopping Centre, WA

In July 2021 Millennium won a contract with AMP Capital for the fully integrated service management of their recently redeveloped flagship retail, entertainment and dining precinct in Karrinyup, Perth.

The revamp expands the centre from 60,000 square metres to 109,000 square metres.

The centre will provide a world-class shopping, leisure and residential destination for Perth and Millennium is entrusted with services including; cleaning, security, gardening, concierge, valet parking and building maintenance. Millennium has been working at Karrinyup during the redevelopment and will scale-up our services with full launch by Christmas 2021.

To ensure excellent customer experience onsite we have appointed a Service Delivery Manager from a 5-star hospitality background to encourage the entire team to go above and beyond with every interaction.

The Karrinyup Integrated Service Provider contract is for a three-year term.

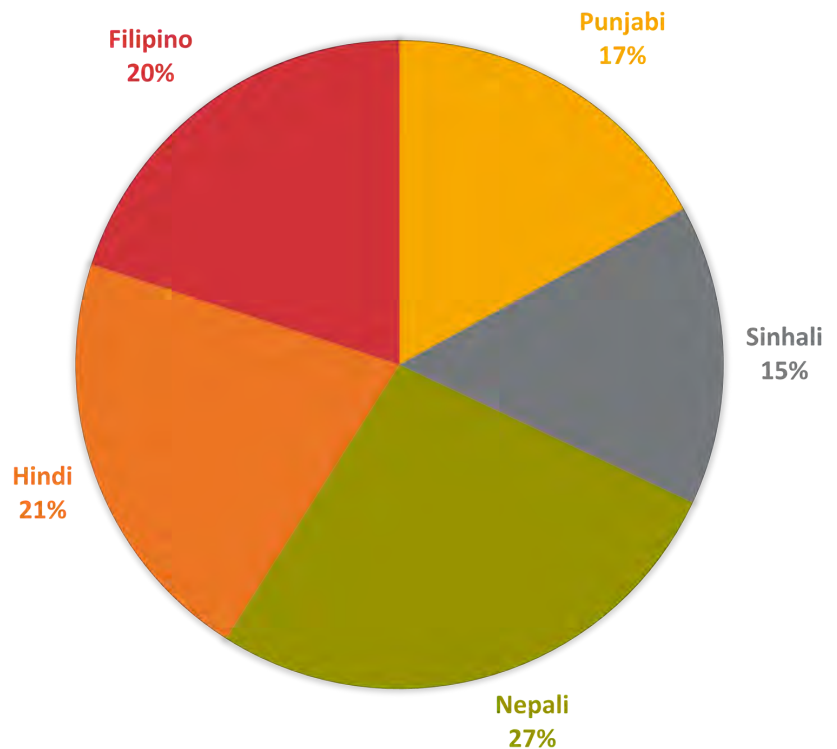
Our approach

Our people are our difference

Our people are the frontline and foundation of our business. They come from all walks of life and proudly represent over 35 different nationalities. Our gender split across the workforce is approximately 47% female to 53% male. Our diversity is something we celebrate because we know that Australia is a diverse country and in order to understand and serve our clients and Australian communities, we should aim to reflect this in our workforce.

A survey of team members in June showed the top five languages apart from English spoken at home were: Nepali, Hindi, Filipino, Punjabi and Sinhali.

We are proud to employ people from all kinds of backgrounds. This includes providing job opportunities for new immigrants, people returning to work from periods of unemployment, or people with learning difficulties who can be employed in entry level cleaning jobs.



**Millennium Team: Top 5 languages spoken at home other than English
2 July 2021**



The capability and commitment of our people underpins our ability to serve our clients and meet their needs every day. Usually this is done behind the scenes, quietly and consistently. In October 2020 one of our security guards from a shopping centre in Canberra, went above and beyond all reasonable expectations and was awarded the Australian Security Medal of Valour for his heroic actions.

**Ahmad Kishani was awarded the
Australian Security Medal of Valour,
October 2020**



Ahmad Kishani is a dedicated and experienced member of the South Point – Tuggeranong Security Team. On the 26th August 2020 Ahmad was attending the Centre whilst off duty when at 1044 hours he observed a vehicle at the Car Park Exit Boom Gate located off Pitman Street making unusual sounds as it appeared stuck against the exit ticket machine. The car had in fact just been involved in an accident hitting the ticketing machine along the driver's side.

Ahmad swiftly moved across to investigate noticing an elderly female driver trapped inside, the driver's door was jammed against the ticketing machine and suddenly smoke began appearing from under the car. Ahmad immediately moved to open the passenger door whilst calling 000, at this time there was a small explosion and a significant amount of flames began emanating from the engine bay.

His intent at this time was on ensuring the safety and wellbeing of the elderly driver with little regard to his personal safety. The driver was in shock and unable to free herself from her seatbelt or move.

Ahmad acted quickly, reaching inside of the car trying to free the driver when there was a further explosion; loud this time with flames leaping all over and above the front of the car. The heat at this time became intense, it was an extremely dangerous and frightening situation. Ahmad continued to act decisively, reaching across the front of the car freeing the trapped driver from her seat belt then dragging her across the interior and out the passenger door to safety. Moments later the entire car was totally engulfed in flames. Video footage of the incident revealed the raw selfless courage of Ahmad in the most difficult and dangerous of circumstances.

Ahmad displayed bravery and heroism rescuing the elderly woman driver from serious harm and potential death.

Community

As part of fulfilling our broader responsibility to society, we are committed to being a positive member of the communities in which we operate and being transparent and respectful to all stakeholders in these communities.

We partner with social enterprises, clients and suppliers sharing our expertise to help address specific needs in the community. Our support takes many shapes and forms ranging from team member blood donations, volunteering and flood clean-up efforts to our continued support of major charities such as Challenge Cancer and the Mirabel Foundation.

Our number one priority in this space in 2021/22 is to continue the work we have already started building relationships, respect and trust; and improving participation and inclusion of Indigenous & Torres Strait Islander peoples.

Journey to Reconciliation

Our indigenous employment policy (2016) focuses on encouraging employment opportunities and advancing participation of Indigenous Australians in the workplace. Building on this, in our Aboriginal & Torres Strait Island Engagement Policy we have outlined our commitment to building our understanding, respect and cultural awareness and looking for opportunities to partner with Aboriginal and Torres Strait Islander suppliers. For example, we are currently sourcing cleaning chemicals in WA from indigenous supplier, Wirrpanda Supplies.

To formalise and advance our commitment to and our passion for reconciliation both internally and in the communities in which we operate, we have commenced work on the development of our first formal Reconciliation Action Plan (RAP) which will be finalised by the end of the 2021/22 financial year.



Safety first

Our Safety-First culture encompasses physical and mental wellness. It is fundamental to how we operate.

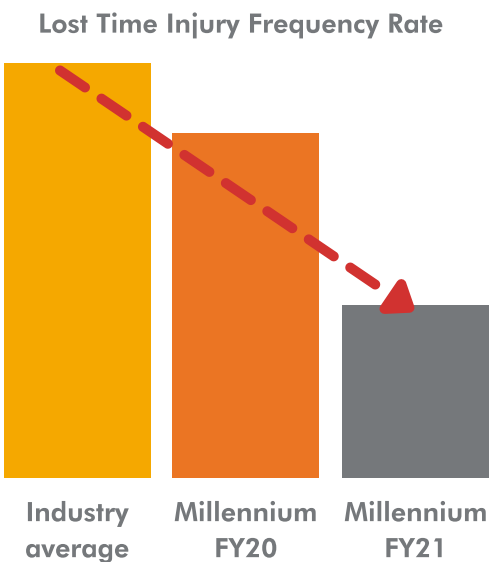
We want everyone - our team, our clients and everyone we interact with - to go home, or work from home, safely every day.

In FY21 the Lost Time Injury Frequency Rate was 51% lower than FY20 and 62% lower than the industry benchmark.

Driven by our Safety-First culture, which supports both physical and mental wellbeing, our team has continued to confidently and safely deliver a highly flexible range property services to current and new clients.

This year has included a heavy focus on managing health and safety impacts and risks related to COVID-19. In addition to ensuring physical safety we have maintained regular communication to keep team members informed about restrictions and through our leaders maintaining contact and connection with people while working from home.

Safety and wellbeing awareness programs centred around events like Mindful May and RU OK? Day have helped draw attention to mental health and start critical conversations across the business.



Consultation and collaboration with clients has driven a number of health and safety improvement initiatives this year, and at a local level, zone based safety committees are fostering grass roots continuous improvement with a focus on early intervention and prevention.

In the first quarter of 2021 we launched a pilot program across almost 30 Westfield sites, to build and boost SafetyFirst culture encouraging employees to share ideas to make work safer and acknowledge team safety performance achievements.

In addition to our focus on team members safety we are also concerned about how our activities contribute to making places safer for site visitors. The most obvious and significant way we do this, is through provision of security services but we can also impact safety outcomes through cleaning services, which are an important factor in preventing slips, trips and falls.

In FY21 we expanded use of Elite ID location verification system across our business. This technology includes functionality for reporting and tracking of risks and incidents and also audits compliance with agreed rotation schedules for our team members. Beyond the primary benefit of improved safety outcomes this expansion and improved compliance will assist to reduce public liability claims.

Good governance is good business

Millennium is committed to maintaining the highest standards of integrity and corporate governance as the foundation to operating a sustainable and resilient business.

Our Board led governance program ensures that the business meets its legal, social and ethical obligations. Our services are delivered to internationally recognised compliance standards. We are accredited to:

- ISO 45001: 2018 for Safety Management Systems
- ISO 9001: 2015 for Quality Management Systems and
- ISO 14001: 2015 for Environmental Management Systems

New technologies including use of robotic equipment, wireless tracking systems, biometric & facial recognition, digital time and attendance systems and improved online interfaces enable better service delivery for clients.



COVID-19

Ensuring the safety of our team and helping protect the community

Early in the pandemic, our cleaners and security officers were identified as 'essential workers' delivering highly valued services throughout the community. Our team has taken up the challenge and adapted to the new operating environment with courage and pride.

Our first priority has been to take actions necessary to help protect our people and the community from the virus. We continue to promote good hygiene practices and review our cleaning processes and products and ensure our people are wearing masks and any other appropriate personal protective equipment.

Our ability to leverage our strong supply chain relationships and national capability, and manage employee risks as frontline workers, enabled quick responses to changing market dynamics.

Continuing to serve and protecting jobs

With the majority of our team working in spaces such as shopping centres, schools and commercial buildings, rolling government restrictions across our geographic footprint have resulted in the need to stand down our people when clients have had to scale back operations.

Fortunately, with the assistance of government grants we have been able to retain our experienced workforce and quickly remobilise as restrictions have eased.

We have introduced new specialist services such as deep cleaning and sanitisation; and in some cases redefined existing roles to better align with customer expectations.

In the final quarter of FY21 we began actively encouraging our team members to consider COVID-19 vaccination to increase protection and help prevent spread of the virus and avoid lockdowns.



Responding to new client and community needs

The pandemic has resulted in a stronger community and business focus on hygiene standards, and the introduction of social distancing measures which in some cases requires security services for enforcement.

This has presented an opportunity for our business to provide skilled and professional cleaners and security officers to meet these needs. In our security segment we increased revenue by 30% compared with the previous year, primarily driven by new pandemic related security requirements.

The professionalism, attitude and skill that our team has exhibited throughout the pandemic has clearly demonstrated the value of working with a well governed organisation with an engaged workforce.

Department of Health Victoria

Throughout FY21 Millennium has been the primary supplier of qualified security officers providing security and safety for the Department of Health, COVID testing stations in Victoria.

Our team undertook Government infectious control training, Health Department site specific inductions and maintains stringent health measures to provide premium security services 24 hours a day. The Victorian State Security Manager has led our team, coordinating services across up to 30 sites, working closely and in partnership with Department of Health.

"We want to thank you for the hard work and dedication you and the team at Millennium have demonstrated in response to the recent outbreaks in Victoria. The Testing System has responded with care, agility and commitment to keeping Victorians safe. We want to acknowledge you who have made it possible to achieve this..."

Victorian Health Department, June 2021

Business Sustainability

We believe that how we work is as important as what we do.

Our business sustainability approach focusses on three key areas: getting the business fundamentals right for customers and shareholders; being a good employer and fulfilling our broader responsibilities to society.

Customer

- Engaging to understand expectations
- Delivering on our promises
- Delivering services to internationally recognized standards (ISO) for Quality, Environment and Occupational Health & Safety

Profitability

- Profitability is the foundation for continuing to provide our services for clients and the community and providing employment to more than 4,000 people.

People

- Prioritising safety and wellbeing of our people
- Fair pay and labour practices
- Supporting Diversity & Inclusion
- Cleaning Accountability Framework member advocating for improved labour practices in the industry

Supply Chain

- Applying a Supplier Code of Conduct across our supply chain ensuring our partners' business practices align to our sustainable procurement standards especially in relation to anti-corruption, labour management, the Modern Slavery Act and environmental impact



Environment

- Understanding and minimising our environmental footprint
- Complying with laws and regulations and maintaining Environmental Management System accreditation
- Partnering with clients and suppliers to develop innovative and improved practices
- Diversion of waste to landfill and reducing use of harmful chemicals

Community

- Partnering with clients, social enterprises and suppliers to help with community needs
- Providing local job opportunities
- Reconciliation Action Plan
- Australian Network on Disability member

Guarding against Modern Slavery

Modern slavery is a term used to describe serious violation of human dignity and human rights for commercial gain. On 23 March 2021 Millennium submitted its first Modern Slavery Statement, setting out the actions taken by Millennium to identify, assess, and address modern slavery risks across our operations and supply chains in the twelve months ending 30 June 2020.

All of our top 100 suppliers, have completed a new Approved Supplier Application that includes key points from the Modern Slavery Act.

In 2021 we joined the Property Council of Australia's Informed 365 platform which will help us to proactively manage sustainability in our supply chain by helping us to systematically track, monitor and engage with suppliers around modern slavery risks.

Leading best practice employment practices

Millennium is proud to be a long-term supporter of the Cleaning Accountability Framework (CAF), and to have achieved certification to the CAF 3 Star Standard in one of our long-standing client properties. A CAF Star rating on a building provides assurance to investors, building owners and their tenants that cleaning services at that building are being procured, managed, and delivered in a manner that foregrounds respect for cleaners' labour rights.

Millennium is dedicated to ensuring we employ in accordance with the Fair Work Australia Modern Award for Cleaning and supports CAF in its mission to improve labour practices in the cleaning industry.



A photograph of a modern multi-story office building with a glass facade at night. The interior lights are on, revealing office spaces with desks, chairs, and plants. The building is reflected in a large, stylized circular graphic in the upper left corner. In the bottom right corner, there are several overlapping orange and red circular lines.

Corporate Directory

30 June 2021

Directors

Stuart Grimshaw – Independent, Non-Executive Chairman
Rohan Garnett – Independent, Non-Executive Director
Darren Perry – Independent, Non-Executive Director
Royce Galea – Executive Director, Integrated Services

Company secretary

Jo-Anne Dal Santo

Registered office

Millennium Services Group Limited
Level 1, 205-211 Forster Road
Mount Waverley, Victoria 3149

Principal place of business

Millennium Services Group Limited
Level 1, 205-211 Forster Road
Mount Waverley, Victoria 3149

Share register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067 Australia

Auditor

Moore Australia 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

www.millenniumsg.com

Corporate Governance Statement

Refer to www.millenniumsg.com/investor/governance/

Directors' Report 30 June 2021



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Millennium Services Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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:

Stuart Grimshaw

Independent, Non-Executive Chairman (appointed as Independent, Non-Executive Director effective 24 November 2020; appointed as Chairman on 1 March 2021)

Roger Smeed

Independent, Non-Executive Chairman (resigned 28 February 2021)

Darren Boyd

Chief Executive Officer and Managing Director (resigned 14 May 2021)

Royce Galea

Executive Director, Integrated Services

Rohan Garnett

Independent, Non-Executive Director (appointed 24 November 2020)

Darren Perry

Independent, Non-Executive Director (appointed 5 March 2021)

Principal activities

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

Dividends

	Consolidated	
	2021 \$'000	2020 \$'000
No dividend declared or payable in respect of the year ended 30 June 2020	-	-
No dividend declared or payable in respect of the year ended 30 June 2021	-	-
	<hr/>	<hr/>
	-	-
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No interim dividend was declared for the current period.

Review of operations

Revenue for the year ending 30 June 2021 increased by 6.4% to \$273.7 million (2020: \$257.3m) substantially due:

- to the Group winning new specialised projects or adhoc services as part Group's diversification growth strategy and winning new projects or contracts at market competitive margins. Growth in the higher margin COVID-19 project and adhoc services within the Security segment contributed \$11.8m or 4.6% to the Group's increase in total revenue compared to the previous year; and
- a less severe impact from COVID-19 Government restrictions in the current financial year. In second half of the 2020 financial year the Group experienced a 30% reduction in revenue in the month of April 2020 due COVID-19 Government restrictions; however, this had rebounded to a less than 3% reduction by October 2020 compared to the March 2020 month.

The Group's profit after income tax expense for the current year amounted to \$17.4m; which included:

- \$24.7m of COVID-19 government grants and wage subsidies in Australia (Job Keeper) less (\$7.3m) of incremental wage top ups associated with the government grants; before income tax, with the after income tax impact of the net subsidies being \$12.1m; and
- recognition of \$4.0m of deferred tax assets not previously recognised in relation to deductible temporary differences.

The current year profit after tax represents a \$0.8m improvement compared to the prior year's profit of \$16.6m. The prior year's profit after tax included \$24.6m of COVID-19 government grants and wage subsidies in Australia (Job Keeper) and New Zealand, less (\$8.4m) of incremental wage top ups associated with the government grants; before income tax. The after income tax impact of the net subsidies in prior year was \$11.3m. Further, the prior year profit after income tax included the recognition of \$8.7m of deferred tax assets and tax losses not previously recognised.

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved by \$5.5m or 27% to \$25.8m compared to an EBITDA of \$20.3m in the prior year. EBITDA improvements in the current year were driven by:

- an increase in gross margin of \$8.2m;
- a decrease of \$1.1m of incremental wage top ups associated with the COVID-19 government grants paid to eligible employees. COVID-19 government grants paid to eligible employees are recognised as overheads in the Head Office segment; offset by
- an increase in overhead expenditure amounting to (\$3.8m). The \$3.8m increase in overheads comprised:
 - \$1.3m of bonuses or short-term incentives, of which \$0.6m related to the FY2020 financial year but were approved and paid in the current year and \$0.7m were accrued for the current year;
 - \$0.8m of public liability expenses;
 - \$0.4m of post June 2020 quarter COVID-19 lockdown return to office costs relating to information technology, advertising and office supplies; and
 - \$1.3m of non-recurring expenses comprising advisory fees, integration costs and termination payments.

Contract revenue was negatively impacted by COVID-19 restrictions in the first quarter of the financial but returned to pre COVID-19 levels in the second quarter. Offsetting the decline in contract revenue was growth in higher margin COVID-19 project and adhoc services.

The Cleaning segment's revenue increased by 1.7% over the prior year to \$216.9m from \$213.3m, with gross margin increasing from \$26.0m to \$30.3m; the gross margin percentage improved from 12.2% to 14.0%. The Security segment revenue increased by 29.1% over the prior year to \$56.8m from \$44.0m, with gross margin increasing from \$4.8m to \$8.7m; the gross margin percentage improved from 10.9% to 15.3%.

The gross margin growth in the current financial year, with the easing of COVID-19 Government restrictions after the June 2020 quarter, stems from the Group's renewed focus on winning quality new contracts, retaining contracts at a market competitive gross margin and growth in higher margin COVID-19 project and adhoc services.

The Board and Executives will continue to focus on targeting contract performance, maintaining labour controls with the automated time and attendance system, continued overhead consolidation and retaining contracts at market competitive rates. The Company is also continuing its growth strategy that includes diversification into new sectors. Millennium is well positioned to maximise on opportunities presented by the COVID-19 pandemic driven by factors such as higher levels of hygiene standards, and social distancing measures which have provide increased security opportunities. These opportunities present an excellent opportunity to accelerate the diversified growth strategy.

The Group completed refinancing its borrowing facilities with the ANZ Bank in October 2020 for a further two-year term expiring 31 October 2022. The Company substantially reduced its borrowing as at 30 June 2021 compared to 30 June 2020 with total debt reducing by \$28.8m from \$36.4m to \$7.6m (refer to note 18). Net debt as at 30 June 2021 was \$0.3m.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

COVID-19 has created unprecedented uncertainty in the economic environment that the Group operates within. As at the date of this financial report, there were ongoing Government COVID-19 related regulatory restrictions across some major states in Australia. In the event that the COVID-19 pandemic is more severe or prolonged than anticipated, and the Australian and New Zealand Governments re-implement tighter restrictions, this may have material effect on the financial position and performance of the Company. As at the date of this financial report, an estimate of the future effects of the COVID-19 pandemic on the Company's financial performance and/or financial position cannot be made, as the impact will depend on the magnitude and duration of Government restrictions with the full range of monetary impact.

In August 2021, the Group was notified that it was unsuccessful in retaining its Cleaning and Security contracts with QIC Limited which accounted for \$28.2m of the Group's revenue for the 2021 financial year. With planned cost savings and reductions, most of which will be achieved in the second half of the 2022 financial year, this will have a negative impact on the Group's profit after tax for the 2022 financial year of approximately \$0.5m.

Except for the above, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

Name:

Stuart Grimshaw

Title:

Chairman, Independent Non-Executive Director (appointed as Independent, Non-Executive Director effective 24 November 2020; appointed as Chairman on 1 March 2021)

Qualifications:

Mr Grimshaw has a Bachelor of Commerce and Administration degree from Victoria University in Wellington, New Zealand, an MBA from Melbourne University and has completed the Program for Management Development at Harvard Business School.

Experience and expertise:

Mr Grimshaw has a long and distinguished career in financial services. Most recently he was Chief Executive Officer and Board Member of EZCORP a Nasdaq listed company which he originally joined in November 2014 as Executive Chairman. Prior to joining EZCORP, he was Managing Director and Chief Executive Officer of Bank of Queensland Limited (ASX: BOQ). During his 30-year career in financial services, Mr Grimshaw held a wide variety of Senior Executive roles at various banking and finance companies including Caledonia Investments Pty Ltd, Commonwealth Bank of Australia, National Australia Bank and the ANZ Bank. He has also served as non-executive chairman of the board of directors of Cash Converters International Limited.

Mr Grimshaw is also a former Olympian representing New Zealand in Field Hockey at the 1984 Olympics.

Other current directorships:

NIL

Former directorships (last 3 years):

CEO and Board member at EZCORP a Nasdaq listed company; Director at CashConverters International Ltd.

Interests in shares:

NIL

Interests in options:

NIL

Name:

Rohan Garnett

Title:

Independent Non-Executive Director (appointed 24 November 2020)

Qualifications:

Mr Garnett holds a First Class Honours degree in Economics from Sydney University.

Experience and expertise:

Mr Garnett is presently Executive Manager, Group Asset management at Qantas Airways. Mr Garnett has held senior Australian and international management positions with Qantas, Jetstar and British Airways.

Mr Garnett has served as a non-executive director on a number of boards and is an experienced company director. Mr Garnett brings significant organisational and marketing skills that will assist the Company in its planned business improvement, optimisation and expansion activities.

Other current directorships:

NIL

Former directorships (last 3 years):

NIL

Interests in shares:

NIL

Interests in options:

NIL

Name:

Darren Perry

Title:

Independent Non-Executive Director (appointed 5 March 2021)

Qualifications:

Mr Perry holds a Bachelor of Arts and Bachelor of Laws (with Honours) from the University of Sydney.

Experience and expertise:

Mr Perry has a long and distinguished career in corporate law, specialising in corporate governance, employment and industrial relations. He is currently Department Chair – International and Managing Partner – Australia at Seyfarth Shaw LLP, an AMLA 100 international law firm with 17 offices globally and over 900 lawyers. Mr Perry brings with him significant expertise across a wide range of human resources and legal issues.

Mr Perry has worked extensively with companies around corporate governance, executive contracts and remuneration and handling disputes relating to senior executives. He has been at the forefront of advising major employers on collective bargaining strategies, responses to industrial action, and major workplace projects including automation and compliance reviews. Mr Perry regularly works with major corporations and sponsors on planning and implementing the people aspects of mergers and acquisitions.

Mr Perry is an experienced company director, both in the private and not-for-profit sectors.

Other current directorships:

NIL

Former directorships (last 3 years):

NIL

Interests in shares:

NIL

Interests in options:

NIL

Name:

Royce Galea

Title:

Executive Director, Integrated Services

Qualifications:

Mr Galea holds Diplomas in Frontline Management and Cleaning Services Supervision from Sydney Technical College.

Experience and expertise:

Mr Galea has over 30 years' experience in the cleaning industry, in particular major retail cleaning. He is a major shareholder in the Company.

Mr Galea was the joint founder of Millennium Hi-Tech Group Pty Limited, prior to it becoming part of the Millennium Services Group Limited IPO. Established in 2003, Millennium Hi-Tech Group operated a highly successful and profitable business focussing on providing cleaning, security and facilities management services to major shopping centres, commercial and state and government buildings in NSW, the ACT and South Australia.

Other current directorships:

NIL

Former directorships (last 3 years):

NIL

Interests in shares:

6,820,362 fully paid ordinary shares

Interests in options:

NIL

Name:

Roger Smeed

Title:

Chairman, Independent Non-Executive Director (resigned 28 February 2021)

Qualifications:

Mr Smeed is a Fellow of the Australian Institute of Company Directors (FAICD) and a Fellow of the Australian Institute of Management (FAIM). He has been a Justice of the Peace for over 25 years.

Experience and expertise:

Mr Smeed has extensive experience at Board level, including with companies that specialise in large scale retail and commercial cleaning, security and facilities management.

Mr Smeed was previously Chair of Millennium Hi-Tech Group Pty Limited, which merged into the listed Millennium Services Group company at the Initial Public Offering (IPO). He is an experienced director with both ASX listed and private companies. He is Chairman of a successful consultancy practice that provides corporate and commercial advice.

Other current directorships:

NIL

Former directorships (last 3 years):

NIL

Interests in shares:

500,000 fully paid ordinary shares

Interests in options:

NIL

Name:

Darren Boyd

Title:

Chief Executive Officer and Managing Director (resigned 14 May 2021)

Qualifications:

Mr Boyd holds an MBA (Deakin University), a Degree in Accounting (Charles Sturt University), is a CPA and a Graduate of the Australian Institute of Company Directors (GAICD).

Experience and expertise:

Mr Boyd is a results driven senior executive who brings broad commercial experience acquired through a number of leadership positions with respected services businesses across Australia and the Asia Pacific region.

Previous roles have included positions as Managing Director - ANZ and PNG of the UK based, LSE listed services conglomerate G4S (formerly Group 4 Securicor) directly overseeing 5000+ staff; Divisional General Manager, Spotless Group; Chief Operating Officer, Regis Health Care; and providing strategic planning advice to the national services and facilities management group OCS.

Mr Boyd has proven strengths in finance, marketing, business development and strategic planning. In his previous roles he has developed a strong understanding of efficiently managing, and significantly improving the profitability of large-scale service-based businesses. Mr Boyd's track record of being an effective leader in managing people and guiding businesses through significant change speaks for itself.

Other current directorships:

NIL

Former directorships (last 3 years):

NIL

Interests in shares:

NIL

Interests in options:

NIL

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

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Chief Executive Officer

Mr Scott Alomes (appointed 7 June 2021)

Mr Alomes was appointed as Chief Executive Officer on 7 June 2021. Mr. Alomes recently finished a five-year period at U.S. Nasdaq listed company EZCORP Inc where he was the Chief Human Resources Officer as well as managing the Canadian lending operations of the Company. EZCORP employs over 5,000 people across six countries and he was instrumental in developing the HR strategy and platform that aligned with the cultural changes EZCORP was undergoing. His experience across many industries and geographies will benefit the Group as it moves into the next phase of its evolution.

Company secretary

Ms Jo-Anne Dal Santo

Ms Dal Santo is a Fellow of the Governance Institute of Australia and of the Institute of Company Secretaries and Administrators and has served as Company Secretary to a number of ASX listed companies providing company secretarial and corporate advisory services to boards and companies across a variety of industries both in Australia and internationally.

Meetings of directors

The number of meetings (including meetings of committees of directors) of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

Total meetings held	Board 21		Audit Committee 6		People & Risk Committee 4	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Stuart Grimshaw	8	8	4	4	1	1
Rohan Garnett	8	8	4	4	1	1
Darren Perry	5	5	1	0	1	1
Royce Galea	21	21	5	5	3	3
Roger Smeed	16	15*	5	5	3	3
Darren Boyd	18	18	5	5	3	3

*Excluded from one meeting due to a conflict of interest.

Remuneration report (audited)

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 paragraph 17 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 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 Chief Executive Officer, the Executive Director and the Chief Financial Officer.

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:

- A** Principles used to determine the nature and amount of remuneration
- B** Details of remuneration
- C** Executive employment agreements
- D** Share based compensation
- E** Additional disclosures relating to key management personnel

A **PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION**

Remuneration levels are set to attract or retain, as appropriate, qualified and experienced directors and senior executives. From time to time and as required, the Board will seek independent professional advice on the appropriateness of remuneration packages.

Use of remuneration consultants

The Company did not engage a remuneration consultant during the current or previous financial years.

Short-Term Incentive Scheme

The Short-Term Incentive Scheme ("Scheme") for eligible employees commenced from the 2018 financial year.

The Scheme, subject to the achievement of Board approved performance metrics (including financial performance delivery against a Board approved Budget), is designed to deliver cash incentives ranging from 20% to 30% (inclusive of superannuation) of relevant employees' fixed annual remuneration. \$721,000 of short-term incentives were accrued under the scheme for the 2021 financial year (2020: \$nil).

Long-Term Incentive Scheme

There were no awards under the Long-Term Incentive Plan ("LTIP") during the current or previous financial years.

On 24 August 2020, 1,000,000 options were granted to the Chief Financial Officer, Mr Michael Constable, as a discretionary award. The options expire two years after the vesting date and the exercise price is \$0.20 per option. The vesting of the first tranche of 500,000 options was subject to Mr Constable's continued employment with the Company to 1 January 2021; while the vesting of the second tranche of 500,000 options is subject to his continued employment with the Company to 1 January 2022 and not being in a period of notice. The first tranche of 500,000 options vested on 1 January 2021 and were exercised on 2 March 2021, with the Company issuing 500,000 ordinary shares to Mr Constable.

Voting and comments made at the company's 2020 Annual General Meeting ('AGM')

At the 24 November 2020 AGM, 99.42% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

B
DETAILS OF REMUNERATION

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

	Short-term benefits		Post-employment benefits	Long-term employment benefits	Share-based payments	
	Cash salary & fees	Other	Super-annuation	LSL	Equity settled	Total
	\$	\$	\$	\$	\$	\$
2021						
Non-Executive Directors:						
Stuart Grimshaw (1)	74,917	-	2,280	-	-	77,197
Roger Smeed (2)	152,000	144,000	-	-	-	296,000
Rohan Garnett (3)	60,273	-	-	-	-	60,273
Darren Perry (4)	33,333	-	3,167	-	-	36,500
Executive Directors:						
Darren Boyd (5)	569,269	104,750	40,167	-	-	714,186
Royce Galea	350,000	102,750 ⁽⁶⁾	33,250	13,486	-	499,486
Other Key Management Personnel:						
Scott Alomes (7)	15,577	-	1,480	-	-	17,057
Michael Constable	358,250	82,125 ⁽⁸⁾	25,000	1,750	212,055	679,180
	1,613,619	433,625	105,344	15,236	212,055	2,379,879

(1) Mr Grimshaw was appointed as Independent, Non-Executive Director effective 24 November 2020 and appointed as Chairman on 1 March 2021.

(2) Mr Smeed resigned 28 February 2021. Fees were paid to Roger Smeed & Associates Pty Limited, a company associated with Mr Smeed. Mr Smeed's other benefits comprised \$144,000 of retirement benefits.

(3) Mr Garnett was appointed 24 November 2020. Fees were paid to Garnett Brothers Pty Ltd, a company associated with Mr Garnett.

(4) Mr Perry was appointed 5 March 2021.

(5) Mr Boyd resigned 14 May 2021. Mr Boyd's other benefits comprised \$104,750 of short-term incentives.

(6) Mr Galea's other benefits comprised \$54,750 of short-term incentives and \$48,000 of allowances.

(7) Mr Alomes commenced as Chief Executive Officer on 7 June 2021.

(8) Mr Constable's other benefits comprised \$82,125 of short-term incentives.

	Short-term benefits		Post-employment benefits	Long-term employment benefits	Share-based payments	
	Cash salary & fees	Other	Super-annuation	LSL	Equity settled	Total
	\$	\$	\$	\$	\$	\$
2020						
Non-Executive Directors:						
Roger Smeed (1)	144,000	100,000*	-	-	-	244,000
Executive Directors:						
Darren Boyd	375,000	-	25,000	1,014	-	401,014
Royce Galea	250,000	48,000	21,003	4,167	-	323,170
Other Key Management Personnel:						
Michael Constable	352,750	-	30,500	1,124	-	384,374
	<u>1,121,750</u>	<u>148,000</u>	<u>76,503</u>	<u>6,305</u>	<u>-</u>	<u>1,352,558</u>

*Fees for additional services.

(1) Fees were paid to Roger Smeed & Associates Pty Limited, a company associated with Mr Smeed

C **EXECUTIVE EMPLOYMENT 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, 3 months written notice. Individual executive employment terms may stipulate termination notice periods ranging between 3 to 6 months. Details of executives' employment terms are noted below.
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 executive employment agreements. Details of these agreements are as follows:

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

Name:
Scott Alomes

Title:
Chief Executive Officer

Agreement commenced:
7 June 2021

Details:
Mr Alomes is the Company's Chief Executive Officer under a contract of employment which commenced on 7 June 2021. Under the contract Mr Alomes is entitled to fixed remuneration of \$225,000 per annum plus superannuation, along with related minor benefits. Mr Alomes is eligible to participate in the Company's short-term and long-term incentive schemes. Mr Alomes's annual variable remuneration is capped at 20% of his fixed remuneration under the short-term incentive scheme and 100% of his fixed remuneration under the long-term incentive scheme (subject to shareholder approval). The contract may be terminated initially with one week's notice within the first 6 months and then with 3 months' notice thereafter.

Name:
Darren Boyd

Title:
Chief Executive Officer and Managing Director (resigned 14 May 2021)

Agreement commenced:
7 February 2019

Details:
Mr Boyd was the Company's Managing Director and Chief Executive Officer under a contract of employment which commenced on 7 February 2019. Under the contract Mr Boyd was entitled to \$400,000 per annum inclusive of superannuation, along with related minor benefits. Mr Boyd resigned effective 14 May 2021.

Name:
Michael Constable

Title:
Chief Financial Officer

Agreement commenced:
15 October 2018

Details:
Mr Constable is the Company's Chief Financial Officer under a contract of employment which commenced on 15 October 2018. Under the contract Mr Constable is entitled to \$383,250 per annum inclusive of superannuation, along with related minor benefits. The contract may be terminated by the Company or Mr Constable with six months' notice. No payments or retirement benefits are payable on termination.

Name:
Royce Galea

Title:
Executive Director, Integrated Services

Agreement commenced:
1 July 2020

Details:
Mr R Galea is the Company's Executive Director under a contract of employment which commenced on 1 July 2020. Under the contract Mr Galea is entitled to \$350,000 per annum plus statutory superannuation and a \$48,000 car allowance, along with related minor benefits. The contract may be terminated by the Company or Mr Galea with six months' notice.

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

D

SHARE-BASED COMPENSATION

Issue of shares

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 30 June 2021 on the exercise of options granted to Mr Michael Constable. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
24/08/2020	\$0.20	500,000

There were no ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

Options

On 24 August 2020, 1,000,000 options were granted to the Chief Financial Officer, Mr Michael Constable. The options expire two years after the vesting date and the exercise price is \$0.20 per option. The vesting of the first tranche of 500,000 options was subject to Mr Constable's continued employment with the Company to 1 January 2021; while the vesting of the second tranche of 500,000 options is subject to his continued employment with the Company to 1 January 2022 and not being in a period of notice. The first tranche of 500,000 options vested on 1 January 2021 and were exercised on 2 March 2021, with the Company issuing 500,000 ordinary shares to Mr Constable.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are summarised in the table below. The options carry no dividend or voting rights.

Grant date	Number of options	Vesting date	Exercise date	Expiry date	Exercise price	Value per option at grant date	Tenure conditions achieved	% vested
24/08/2020	500,000	01/01/2021	02/03/2021	01/01/2023	\$0.20	\$0.252	yes	100%
24/08/2020	500,000	01/01/2022	n/a	01/01/2024	\$0.20	\$0.272	to be determined	n/a

There were 500,000 options over ordinary shares granted to directors and other key management personnel as part of compensation during the year that had not vested as at 30 June 2021.

Additional information

The earnings of the consolidated entity for the year to 30 June 2021 and the prior period to 30 June 2020 are summarised below:

	2021 \$'000	2020 \$'000
Sales revenue	273,682	257,308
EBITDA	25,761	20,336
EBIT	20,700	14,435
Profit / (loss) after income tax	17,357	16,586

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021 \$'000	2020 \$'000
Share price at financial year end (\$)	0.55	0.37
Basic earnings per share (cents per share)	37.66	36.11
Diluted earnings per share (cents per share)	37.40	36.11

E ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

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	Disposals/ other	Balance at the end of the period
<i>Ordinary shares</i>					
Roger Smeed	911,728	-	-	(411,728)	500,000
Royce Galea	6,820,362	-	-	-	6,820,362
Michael Constable (1)	-	-	500,000	-	500,000
	7,732,090	-	500,000	(411,728)	7,820,362

(1) Acquired on exercise of 500,000 options that were granted and vested during the year.

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:

Options over ordinary shares	Balance at the start of the period	Received as part of remuneration	Acquired	Disposals/ other	Balance at the end of the period
Michael Constable (1)	-	1,000,000	-	(500,000)	500,000
	-	1,000,000	-	(500,000)	500,000

This concludes the remuneration report, which has been audited.

Shares under option

There were 500,000 options over ordinary shares granted to directors and other key management personnel as part of compensation during the year that had not vested as at 30 June 2021, (2020: nil).

No person entitled to exercise 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

500,000 ordinary shares of Millennium Services Group Limited were issued during the year ended 30 June 2021 on the exercise of 500,000 options, (2020: nil).

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 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.

Shares under option

There were 500,000 options over ordinary shares granted to directors and other key management personnel as part of compensation during the year that had not vested as at 30 June 2021, (2020: nil).

No person entitled to exercise 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

500,000 ordinary shares of Millennium Services Group Limited were issued during the year ended 30 June 2021 on the exercise of 500,000 options, (2020: nil).

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

During the year, Moore Australia Audit (Vic), the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. These non-audit services included taxation compliance and corporate transaction services. The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001.

Details of the amounts paid to the auditor of the Group, for audit and non-audit services provided during the year are set out at note 28.

Officers of the company who are former partners of Moore Australia Audit (Vic)

There are no officers of the company who are former partners of Moore Australia 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 Australia 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



Stuart Grimshaw
Chairman

16 August 2021



Moore Australia 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 year ended 30 June 2021, 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 Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

A handwritten signature in black ink, appearing to read 'Andrew Johnson', written over a horizontal line.

ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

16 August 2021

Financial Statements

30 June 2021



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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, 205-211 Forster Road
Mount Waverley, Victoria 3149

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 16 August 2021. The directors have the power to amend and reissue the financial statements.

Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2021



		Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
	Note		
Revenue	5	273,682	257,308
Other income	6	24,684	24,594
Expenses			
Raw materials and consumables used		(40,054)	(34,239)
Employee benefits expense		(219,954)	(216,973)
Depreciation expense	7	(5,061)	(5,901)
Other expenses		(12,596)	(10,346)
Finance costs	7	(1,785)	(3,180)
Profit before income tax expense		18,916	11,263
Income tax benefit / (expense)	8	(1,559)	5,323
Profit after income tax expense for the year attributable to the owners of Millennium Services Group Limited		17,357	16,586
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss Foreign currency translation		(35)	(107)
Other comprehensive income/(loss) for the year, net of tax		(35)	(107)
Total comprehensive income for the year attributable to the owners of Millennium Services Group Limited		17,322	16,479
	Note	30 June 2021 \$'000	30 June 2020 \$'000
Basic earnings per share	37	37.66	36.11
Diluted earnings per share	37	37.40	36.11

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

		Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
ASSETS			
Current assets	Note		
Cash and cash equivalents	9	7,338	1,795
Trade and other receivables	10	18,032	29,844
Inventories	11	1,136	1,243
Other	12	2,193	2,465
Total current assets		28,699	35,347
Non-current assets			
Property, plant and equipment	13	7,017	8,594
Intangibles	14	7,470	7,470
Right-of-use assets	23	2,989	2,868
Deferred tax assets	15	8,541	7,439
Other	16	137	137
Total non-current assets		26,154	26,508
Total assets		54,853	61,855
LIABILITIES			
Current liabilities			
Trade and other payables	17	17,290	16,295
Borrowings*	18	5,523	36,406
Current tax liabilities	19	4,661	-
Provisions	20	22,610	22,429
Lease liabilities	23	860	823
Total current liabilities		50,944	75,953
Non-current liabilities			
Borrowings	21	2,123	-
Deferred tax liabilities	22	5	2,116
Provisions	20	1,658	1,532
Lease liabilities	23	2,388	2,153
Total non-current liabilities		6,174	5,801
Total liabilities		57,118	81,754
Net assets / (deficiency)		(2,265)	(19,899)
EQUITY			
Issued capital	24	19,067	18,967
Reserves	24	(8,343)	(8,520)
Accumulated losses		(12,989)	(30,346)
Total equity / (deficiency)		(2,265)	(19,899)

*Refer to note 18 on the classification of borrowings as current liabilities as at 30 June 2020.

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

Consolidated	Issued Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2019	18,967	(8,413)	(46,932)	(36,378)
Profit after income tax expense for the year	-	-	16,586	16,586
Other comprehensive loss for the year, net of tax	-	(107)	-	(107)
Total comprehensive income / (loss) for the year	-	(107)	16,586	16,479
Share based payments	-	-	-	-
Balance at 30 June 2020	18,967	(8,520)	(30,346)	(19,899)

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	18,967	(8,520)	(30,346)	(19,899)
Profit after income tax expense for the year	-	-	17,357	17,357
Other comprehensive loss for the year, net of tax	-	(35)	-	(35)
Total comprehensive income / (loss) for the year	-	(35)	17,357	17,357
Transactions with owners in their capacity as owners: exercise of options, proceeds received	100	-	-	100
Share based payments	-	212	-	212
Balance at 30 June 2021	19,067	(8,343)	(12,989)	(2,265)

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

		Consolidated	
	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	6	306,613	280,452
Receipt of government grants		31,715	17,502
Payments to suppliers and employees (inclusive of GST)		(288,703)	(286,723)
Incremental wage top ups associated with the COVID-19 government grants		(7,338)	(8,383)
		<u>42,287</u>	<u>2,848</u>
Interest received		1	8
Interest and other finance costs paid		(1,851)	(3,230)
Income taxes refunded / (paid)		(111)	496
		<u></u>	<u></u>
Net cash from operating activities	36	<u>40,326</u>	<u>122</u>
Cash flows from investing activities			
Payments for property, plant and equipment	13	(2,152)	(2,185)
Investment in term deposit		(48)	-
Proceeds from disposal of property, plant and equipment		39	35
		<u></u>	<u></u>
Net cash used in investing activities		<u>(2,161)</u>	<u>(2,150)</u>
Cash flows from financing activities			
Proceeds from / (repayments of) trade finance facility	18	(5,060)	5,060
Repayments of equipment finance	18	(1,233)	(1,737)
Repayment of borrowings	18	(16,354)	(3,411)
Repayments of principal on lease liabilities	23	(880)	(787)
Proceeds from exercise of options	24	100	-
		<u></u>	<u></u>
Net cash used in financing activities		<u>(23,427)</u>	<u>(875)</u>
Net increase / (decrease) in cash and cash equivalents		14,738	(2,903)
Cash and cash equivalents at the beginning of the financial year		(7,398)	(4,489)
Effects of exchange rate changes on cash and cash equivalents		(2)	(6)
		<u></u>	<u></u>
Cash and cash equivalents at the end of the year, less overdraft facility utilised		<u>7,338</u>	<u>(7,398)</u>

		Consolidated	
	Note	2021 \$'000	2020 \$'000
Cash on hand and overdraft utilisation			
Cash and cash equivalents at the end of the financial year	9	7,338	1,795
Overdraft facility utilised at the end of the financial year	18	-	(9,193)
Cash and cash equivalents at the end of the financial year, less overdraft facility utilised		<u>7,338</u>	<u>(7,398)</u>

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business;
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material;
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform;
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia; and
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Reporting period

The reporting period is for the year ended 30 June 2021, and the comparative information covers the year ended 30 June 2020.

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 3.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities and the settlement of liabilities in the normal course of business despite reporting a net asset deficiency of \$2,265,000 as at 30 June 2021 (30 June 2020: net deficiency \$19,899,000) and an excess of current liabilities over current assets by \$22,245,000 as at 30 June 2021 (30 June 2020: \$40,606,000).

The net asset deficiency first arose in the 2019 financial year due to non-cash impairments of goodwill and intangibles that amounted to \$26,819,000.

In the following 2 years:

- The Group's profit after income tax expense has been \$17,357,000 for the year ended 30 June 2021 and \$16,586,000 for the year ended 30 June 2020;
- Total Borrowings have reduced from \$36,406,000 as at 30 June 2020 to \$7,646,000 as at 30 June 2021; and
- Net assets deficiency has reduced from (\$36,378,000) as at 30 June 2019 to (\$19,899,000) as at 30 June 2020 and further reduced to (\$2,265,000) as at 30 June 2021.

The excess of current liabilities over current assets is due primarily to annual leave entitlements of \$17,708,000 for the Group's 5,000 staff which is not expected to be settled wholly within 12 months after the end of the reporting period but is shown entirely as a current liability. Annual leave drawn is around 70% to 85% of each year's accrual and is paid as part of the Group's normal operating cycle.

In determining that the going concern basis is appropriate, the Directors have had regard to:

- The debt facilities with the ANZ Bank which were refinanced in October 2020 for a further two-year term expiring in October 2022 without taking on any new borrowings. The Group had access to \$20,130,000 of unused financing facilities as at 30 June 2021 (see note 18);
- The Group's cash flow forecast, and budget for the next 12 months show positive operating cash flows. This is supported by improvements in the current year's profitability and gross margins compared to the prior year; and

- The Group's high level of contracted revenue into the future and understanding of its very high contract retention rates in recent years.

Should the business not be able to operate under its normal business activities, the Group may not be able to pursue its business objectives and will have difficulty continuing to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements. Comments on the COVID-19 pandemic are included at note 35, events after the reporting period.

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 2021 and the results of all subsidiaries for the year 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 is responsible for the allocation of resources to operating segments and assessing their performance.

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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into Australian dollars as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue and other income

The Group recognises revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. For service or performance obligations satisfied over time, the Group measures the progress of its obligations over a contract service period to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers are 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 Group's performance and the customer's payment. In effect, the consolidated entity recognises revenue from the provision of services over the period the contractually agreed tasks or service obligations are completed.

Revenue generated by the Group is categorised into the following reportable segments:

- **Cleaning segment:** represents the provision of comprehensive cleaning services to large retail shopping centres, commercial properties, government buildings and education facilities. Included within the segment are ancillary services such as maintenance and gardening.
- **Security segment:** the Group's security services are primarily provided to clients in the large retail shopping centre and commercial property sectors, and COVID-19 testing centres to help ensure and maintain a safe and secure environment for their clients, tenants and customers.

Revenue from the provision of cleaning and security services to customers is recognised when the performance obligations are delivered to customers over time. Once a contract has been entered into, the Group has an enforceable right to payment for work completed to date. Therefore, revenue is recognised over time. Revenue from these services is based on the price stipulated in the enforceable contracts, and there are no discounts for services provided. Additional billings are recognized when the performance obligations are delivered over time and are included within the sales to external customers.

Trade receivables are recognised as cleaning and security services are provided over contractually stipulated time periods. The Group's right to consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within normal credit terms of 30 days.

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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants that compensate the Group for expenses incurred are recognised in profit or loss; within 'Other income'; on a systematic basis in the periods in which the expenses are recognised. The Group self-assessed that it was eligible to access the Australian Government COVID-19 related grants (Job Keeper) up to 30 September 2020. There were no unfulfilled conditions or other contingencies attaching to these government grants and the Group received payment of all eligible Job Keeper grants by October 2020, (refer to note 6).

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 amount 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.

Tax consolidation

Millennium Services Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it formed an income tax consolidated group effective from 1 November 2015.

The income tax consolidated group has entered a tax sharing and funding arrangement whereby each Company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution, to the head entity.

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, 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 10 for further information about the group's accounting for trade receivables and note 26 for a description of the group's impairment policies.

Other receivables are recognised at amortised cost, less loss allowance.

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

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 26 for further details.

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	Shorter of 5 years and remaining lease term
Plant and equipment	3 to 5 years
Motor vehicles	5 to 7 years
Computer equipment	3 to 5 years
Office equipment	4 to 5 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.

Leases

The Group adopted AASB 16 Leases with an initial application date of 1 July 2019. The standard replaces AASB 117 Leases and for lessees will eliminate the classifications of operating leases and finance leases. The Group applied the simplified transition approach when transitioning to the new standard. Under this approach, comparative reporting periods were not restated prior to first adoption.

All the 'right-of-use' (ROU) assets were measured at the amount of the lease liability on adoption date 1 July 2019 (after adjustments for any prepaid or accrued lease expenses). The details on the right-of-use assets and lease liabilities at the end of the reporting period are disclosed at note 23.

In applying AASB 16 for the first time in the previous financial year, the Group used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Subject to exceptions, a ROU asset has been capitalised in the statement of financial position, measured at 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 ROU asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease has been 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 has been 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).

For classification within the statement of cash flows, the lease payments are 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.

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.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 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

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 liability 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 cost 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 cost 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 equity-settled awards are 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 is 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.

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.

NOTE 2. 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 2021. The consolidated entity's assessment is that the standards and interpretations are either not relevant to the consolidated entity or are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTE 3. 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 at 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.

Impairment of receivables

For estimating the impairment of trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 26 further details.

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 the higher of their fair value less costs of disposal and their value-in-use. These calculations require the use of assumptions, including their fair values, estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

Employee benefits provision

As discussed in note 1, the liability 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.

Provision for public liability claims

Companies within the Group had at the end of the reporting period a number of public liability claims made against it in relation to incidents occurring at facilities cleaned by the company. These claims are part of normal business activity for companies of this nature. As required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the Group recognises a provision for public liability claims based on the best estimate of the expenditure required to settle the claims at the end of the reporting period. The estimates of the amounts required to settle claims are determined by the judgement of the management of the Group, supplemented by experience of similar transactions. The evidence considered includes any additional evidence provided by events after the reporting period.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

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

Cleaning segment:

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

Security segment:

The Group's security services are primarily provided to clients in the large retail shopping centres, commercial property sectors and COVID-19 testing centres to help ensure and maintain a safe and secure environment for their clients, tenants and customers.

Head Office:

is not an operating segment, it represents Group overheads, corporate head office, Group tax balances, financing, payroll and treasury functions. Government grants recognised and the application of those grants is disclosed under Head Office.

Revenue categorisation:

Revenue is generated by the Group and is categorised into the reportable segments disclosed below. Sales to external customers are recognised when the performance obligations are delivered over time. Once a contract has been entered into, the Group has an enforceable right to payment for work completed to date. Therefore, revenue is recognised over time. Additional billings are recognised when the performance obligations are delivered over time and are included within the sales to external customers.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Operating segment information

	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Consolidated - 2021				
Revenue				
Sales to external customers	216,856	56,826	-	273,682
Other income	-	-	24,684	24,684
Total revenue and other income	216,856	56,826	24,684	298,366
Gross margin	30,277	8,734	-	39,011
Other income			24,683	24,683
Overheads			(37,933)	(37,933)
EBITDA				25,761
Depreciation				(5,061)
Interest revenue				1
Finance costs				(1,785)
Profit before income tax expense				18,916
Income tax expense				(1,559)
Profit after income tax benefit				17,357
Segment assets	37,505	7,870	9,478	54,853
Segment liabilities	29,346	7,323	20,449	57,118
Net Assets / (Liabilities)	8,159	547	(10,971)	(2,265)

	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Consolidated - 2020				
Revenue				
Sales to external customers	213,339	43,969	-	257,308
Other income	-	-	24,586	24,586
Total revenue and other income	213,339	43,969	24,586	281,894
Gross margin	26,021	4,779	-	30,800
Other income	-	-	24,586	24,586
Overheads			(35,050)	(35,050)
EBITDA				20,336
Depreciation				(5,901)
Interest revenue				8
Finance costs				(3,180)
Profit before income tax expense				11,263
Income tax expense				5,323
Profit after income tax benefit				16,586
Segment assets	40,375	6,550	14,930	61,855
Segment liabilities	32,471	6,418	42,865	81,754
Net Assets / (Liabilities)	7,904	132	(27,935)	(19,899)

Assets used jointly by reportable segments are allocated on the basis of revenues earned by individual reportable segments.

NOTE 5. REVENUE

	Consolidated	
	2021 \$'000	2020 \$'000
Provision of services	273,682	257,308

NOTE 6. OTHER INCOME

	Consolidated	
	2021 \$'000	2020 \$'000
Government grants income (a)	24,661	21,801
: Australian Federal Government	-	234
: Queensland State Government	-	2,521
: New Zealand Government	24,661	24,556
Net gain/(loss) on disposal of property, plant and equipment	22	30
Interest income	1	8
Other income	24,684	24,594

(a) For the year ended 30 June 2021, the Group recognised government grant income of \$24,661,000 as part of the Australian Government's COVID-19 relief measures via the Job Keeper program. The Group self-assessed that it was eligible to access the Job Keeper program up to 30 September 2020. There were no unfulfilled conditions or other contingencies attaching to these government grants and the Group received payment of all eligible Job Keeper grants by October 2020. Total grants cash receipts for the current financial year amounted to \$31,715,000 including \$7,054,000 receivable at 30 June 2020.

For the year ended 30 June 2020, the Group recognised government grant income of \$24,556,000 as part of Australian and New Zealand government COVID-19 relief measures. As at 30 June 2020, \$7,054,000 of government grants were receivable related to the Australian Government COVID-19 Job Keeper program for the month of June 2020. There were no unfulfilled conditions or other contingencies attaching to these grants. These June 2020 month grants were received in July 2020.

NOTE 7. EXPENSES

	Consolidated	
	2021	2020
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Impairment		
Impairment of receivables	131	149
Finance costs		
Interest expense – borrowings	1,518	2,961
Interest expense – lease liabilities	267	219
	1,785	3,180
Rental expenses		
Short term leases	3,216	3,058
Incremental wage top ups associated with COVID-19 government grants	7,338	8,383
Depreciation		
Depreciation – property, plant and equipment (note 13)	4,030	5,006
Depreciation – right-of-use assets (note 23)	1,031	895
Total depreciation	5,061	5,901

NOTE 8. INCOME TAX EXPENSE

	Consolidated	
	2021	2020
	\$'000	\$'000
Income tax expense		
Deferred tax - origination and reversal of temporary differences	(3,213)	(5,362)
Current tax expense /(benefit) - Australia	4,623	18
Tax losses not recognised in prior year, recognised at beginning of current year	-	(2,532)
Tax losses not utilised in current year	-	2,033
Current tax expense - New Zealand	359	435
Under / (over) provision in prior year – current tax	(210)	85
Aggregate income tax expense / (benefit)	1,559	(5,353)
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(1,102)	(7,246)
Increase/(decrease) in deferred tax liabilities (note 22)	(2,111)	1,884
Deferred tax - origination and reversal of temporary differences	(3,213)	(5,362)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	18,916	11,263
Income tax expense / (benefit) at the statutory tax rate of 30%	5,675	3,379
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	(153)	
Deferred tax asset recognised in relation to unused tax losses	-	43
Deferred tax asset recognised in relation to temporary differences	(4,000)	(2,532)
Black hole deduction from equity	-	(6,143)
Employee share scheme	64	(39)
Difference in tax rate in New Zealand	(27)	-
Income tax expense / (benefit)	1,559	(5,323)
The applicable weighted average effective tax rates are as follows:	8.2%	(47.3%)

	Consolidated	
	2021	2020
	\$'000	\$'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 15)	-	39

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2021 \$'000	2020 \$'000
Cash at the bank	7,338	1,795

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021 \$'000	2020 \$'000
Trade receivables	17,892	22,678
Less: loss allowance (note 26)	(980)	(822)
	<u>16,912</u>	<u>21,856</u>
Other receivables	1,120	934
Government grants receivable (a)	-	7,054
	<u>18,032</u>	<u>29,844</u>

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Details about the group's impairment policies and the calculation of the loss allowance are provided in note 26. The expected loss rates used in the current and prior financial year have been adjusted to consider the potential impact of COVID-19 on Australian GDP and unemployment rates that may affect the Group's large retail shopping centre customers' ability to settle the receivables.

Trade receivables from related parties amounted to nil as at 30 June 2021 (30 June 2020: nil).

There were no related party receivables as at 30 June 2021 and 30 June 2020.

(a) As at 30 June 2020, \$7,054,000 of government grants were receivable related to the Australian Government COVID-19 Job Keeper program for the month of June 2020. There were no unfulfilled conditions or other contingencies attaching to these grants. These June 2020 month grants were received in July 2020.

NOTE 11. CURRENT ASSETS - INVENTORIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Consumables and sanitisers - at cost	1,136	1,243

NOTE 12. CURRENT ASSETS - OTHER

	Consolidated	
	2021	2020
	\$'000	\$'000
Consumables and sanitisers - at cost	2,193	2,465

NOTE 13. NON- CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2021	2020
	\$'000	\$'000
Leasehold improvements - at cost	499	298
Less: Accumulated depreciation	(306)	(271)
	193	27
Plant and equipment - at cost	27,137	25,621
Less: Accumulated depreciation	(22,305)	(18,953)
	4,832	6,668
Motor vehicles - at cost	3,082	2,852
Less: Accumulated depreciation	(1,954)	(1,723)
	1,128	1,129
Computer equipment - at cost	2,554	2,086
Less: Accumulated depreciation	(1,755)	(1,391)
	799	695
Office equipment - at cost	702	686
Less: Accumulated depreciation	(637)	(611)
	65	75
	7,017	8,594

Reconciliations

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

Consolidated	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Plant & equipment \$'000	Leasehold improvements \$'000	Total \$'000
Balance at 1 July 2019	1,408	222	524	9,115	86	11,355
Additions	202	86	540	1,357	-	2,185
Effect of movement in exchange rates	-	-	-	(18)	-	(18)
Disposals	(5)	-	-	-	-	(5)
Additions through hire purchase	71	-	-	12	-	83
Depreciation expense	(547)	(233)	(369)	(3,798)	(59)	(5,006)
Balance at 30 June 2020	1,129	75	695	6,668	27	8,594
Additions	68	16	468	1,520	80	2,152
Effect of movement in exchange rates & other movements	-	-	-	(5)	121	116
Disposals	(17)	-	-	-	-	(17)
Additions through hire purchase	202	-	-	-	-	202
Depreciation expense	(254)	(26)	(364)	(3,351)	(35)	(4,030)
Balance at 30 June 2021	1,128	65	799	4,832	193	7,017

During the 2021 financial year the Group acquired motor vehicles, plant and equipment with a carrying amount of \$202,000 (2020: \$83,000) via finance leases. The equipment financing transactions are non-cash transactions and excluded from the payments for property, plant and equipment within the Statement of Cash Flows.

The ANZ bank loan is secured over motor vehicles and equipment with a carrying value of \$6,824,000 as at 30 June 2021 (2020: \$8,567,000).

NOTE 14. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2021 \$'000	2020 \$'000
Goodwill - at cost, less impairments	7,470	7,470
Patents and trademarks - at cost, less impairments	-	734
Less: Accumulated amortisation	-	(734)
	-	-
Customer contracts - at cost, less impairments	-	6,274
Less: Accumulated amortisation	-	(6,274)
	-	-
	7,470	7,470

Reconciliations

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

Consolidated	Customer contracts \$'000	Goodwill \$'000	Trademarks \$'000	Total \$'000
Balance at 1 July 2019	-	7,470	-	7,470
Amortisation expense	-	-	-	-
Balance at 30 June 2020	-	7,470	-	7,470
Amortisation expense	-	-	-	-
Balance at 30 June 2021	-	7,470	-	7,470

Impairment testing of Goodwill

Goodwill is not amortised and is tested at least annually for impairment. Goodwill has been allocated to the consolidated entity's cash generating units ("CGUs") according to the Cleaning and Security business segments. A summary of goodwill allocated to CGUs at the end of the of the current and previous financial period is presented below:

	Consolidated	
	2021 \$'000	2020 \$'000
Goodwill allocation to CGUs		
Cleaning CGU	7,470	7,470
Security CGU	-	-
	<u>7,470</u>	<u>7,470</u>

Calculation Methodology

The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use. Impairment testing is undertaken at least annually, to assess if the carrying amounts of the CGUs are supported by their recoverable amounts.

Security CGU

All goodwill and intangibles within the Security CGU were impaired in the financial year ending 30 June 2019.

Cleaning CGU

Impairment testing was undertaken on the Cleaning CGU by comparing its recoverable amount to its carrying amount as at 30 June 2021. Management conducted sensitivity analysis using the value in use model and is of the view that there are no reasonable possible changes in variables that would indicate impairment of goodwill as at 30 June 2021. Value in use is calculated using a discounted cash flow model covering a 5-year period with an appropriate terminal growth rate at the end of that period. The model utilised cash flow forecasts and extrapolations based on the EBITDA budget for the 2022 financial year that has been reviewed by management and the Board.

Management has based its cash flow projections on the following key assumptions as at 30 June 2021:

- Cash flow forecasts are based on the Cleaning segment's EBITDA budget for the 2022 financial year. An assumption in the financial year 2022 budget was the gradual and phased easing of COVID-19 restrictions in Victoria and New South Wales by October 2021, allowing for a return to June 2021 quarter trading conditions by October 2021. Cash flows for a further four years have been extrapolated such that the forecast compound annual growth rate (CAGR) is 0.5% (June 2020: 0.8% to 1.0%) for years 1 to 5. The value in use model CAGR assumption was stress tested to a (0.5%) decline; no impairment of goodwill was evident from the test.
- Conservative terminal growth rates of 0.5% (30 June 2020: 0.5%), stress tested to 0.0% with no indication of any impairment of goodwill; and
- Pre-tax discount rate of 16.2% (30 June 2020: 17.7%) which approximates the CGUs' weighted average cost of capital (pre-tax). The value in use model discount rate assumption was stress tested to a 18.2%; no impairment of goodwill was evident from the test.

NOTE 15. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	Consolidated	
	2021	2020
	\$'000	\$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	294	247
Property, plant and equipment	-	362
Employee benefits	6,672	6,944
Superannuation payable	376	1,059
Other accruals	492	177
Provisions	420	399
AASB 16 Leases	77	33
Blackhole expenditure - profit and loss	74	49
Investments	136	136
Deferred tax asset not recognised	-	(4,000)
Unused tax losses	-	2,033
Deferred tax asset	8,541	7,439
Movements:		
Opening balance	7,439	232
Credited to profit or loss (note 8)	1,102	7,246
Credited/(charged) to equity (note 8)	-	(39)
Closing balance	8,541	7,439

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets of \$8,541,000 were recognised by the Group as at 30 June 2021 due to the probability of future taxable income being generated to utilise the temporary differences. Total deferred tax assets of \$4,000,000 in relation to deductible temporary differences were not recognised as at 30 June 2020.

NOTE 16. NON-CURRENT ASSETS - OTHER

	Consolidated	
	2021 \$'000	2020 \$'000
Security deposits	137	137

NOTE 17. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2021 \$'000	2020 \$'000
Trade payables	4,689	3,236
GST payable	2,034	1,709
Accrued expenses	8,495	6,098
Other payables	2,072	5,252
	17,290	16,295

Refer to note 26 for further information on financial instruments.

NOTE 18. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2021 \$'000	2020 \$'000
ANZ interchangeable loan facility	3,600	18,137
Trade finance facility	-	5,060
Hire purchase	910	2,291
Bank overdraft utilised	-	9,193
Other borrowings	1,013	1,725
	5,523	36,406

Borrowings classified as current liabilities as at 30 June 2020

As at 30 June 2020, the debt facilities were due to be refinanced with the ANZ Bank (the 'Lender') in October 2020. As a consequence, the Group did not have an unconditional right to defer settlement of its loans for at least 12 months after the 30 June 2020 reporting date. Hence borrowings were classified as current liabilities as at 30 June 2020. If the refinancing was effective on 30 June 2020, and the Group had an unconditional right to defer settlement of its loans for at least 12 months after that date; \$13,350,000 of the ANZ inter-changeable and hire purchase borrowings would have been classified as non-current borrowings.

Refinancing completed in October 2020

The Group completed refinancing its borrowing facilities with the Lender in October 2020 for a further two-year term expiring 31 October 2022. The Group met the required financing covenants for the September 2020, December 2020, March 2021 and June 2021 quarters.

If the refinancing was effective on the 30 June 2020 and the Group had an unconditional right to defer settlement of its loans for at least 12 months after the relevant reporting dates; current borrowings would have been presented as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
ANZ interchangeable loan facility	3,600	5,828
Trade finance facility	-	5,060
Hire purchase	910	1,250
Bank overdraft utilised	-	9,193
Other borrowings	1,013	1,725
	<u>5,523</u>	<u>23,056</u>

Refer to note 26 for further information on financial instruments.

The borrowings above are secured liabilities, refer to Note 21 for security details. The loan facility drawdowns and repayments that occurred during the current financial period are summarised below.

	ANZ inter- changeable loan facility \$'000	Trade finance facility \$'000	Hire purchase \$'000	Bank overdraft \$'000	Other borrowings \$'000	Total \$'000
Consolidated Balance at 1 July 2020						
Drawdown for working capital requirements	18,137	5,060	2,291	9,193	1,725	36,406
Equipment financing	-	-	-	-	2,878	202
Repayments of borrowings	-	-	202	-	-	(31,840)
Balance at 30 June 2021	(12,764)	(5,060)	(1,233)	(9,193)	(3,590)	7,646
	<u>5,373</u>	<u>-</u>	<u>1,260</u>	<u>-</u>	<u>1,013</u>	
Current liabilities	3,600	-	910	-	1,013	5,523
Non-current liabilities	1,773	-	350	-	-	2,123
Balance at 30 June 2021	<u>5,373</u>	<u>-</u>	<u>1,260</u>	<u>-</u>	<u>1,013</u>	<u>7,646</u>

Financing arrangements

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

	Consolidated	
	2021 \$'000	2020 \$'000
Total facilities		
ANZ Bank interchangeable loan facility	5,373	18,137
Asset finance facility (hire purchase)	1,401	2,064
Overdraft facility (a)	7,000	10,000
Trade finance facility	12,000	13,000
Standby letter of credit and guarantee facility	1,350	1,170
Electronic payway facility	500	500
Commercial card facility	325	325
	<u>27,949</u>	<u>45,196</u>

	Consolidated	
	2021 \$'000	2020 \$'000
Used at the reporting date		
ANZ Bank interchangeable loan facility	5,373	18,137
Asset finance facility (hire purchase)	1,058	2,064
Overdraft facility	-	9,193
Trade finance facility	-	5,060
Standby letter of credit and guarantee facility	1,286	1,170
Electronic payway facility	-	-
Commercial card facility	102	114
	<u>7,819</u>	<u>35,738</u>

Unused at the reporting date		
Interchangeable loan facility	-	-
Asset finance facility (hire purchase)	343	-
Overdraft facility (a)	7,000	807
Trade finance facility	12,000	7,940
Standby letter of credit and guarantee facility	64	-
Electronic payway facility	500	500
Commercial card facility	223	211
	<u>20,130</u>	<u>9,458</u>

(a) Overdraft facility limit reduces to \$4,500,000 on 1 July 2021.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt:

	Consolidated	
	2021 \$'000	2020 \$'000
Cash and cash equivalents	7,338	1,795
Borrowings – repayable within one year	(5,523)	(36,406)
Borrowings – repayable after one year	(2,123)	-
Net debt	(308)	(34,611)
Cash and cash equivalents	7,338	1,795
Gross debt – fixed interest rates	(2,273)	(1,725)
Gross debt – variable interest rates	(5,373)	(34,681)
Net debt	(308)	(34,611)

	Other assets	Liabilities from financing activities				
	Cash and cash equivalents \$'000	Hire Purchase liabilities due within 1 year \$'000	Hire Purchase liabilities due after 1 year \$'000	Borrowings / Trade finance / Overdraft due within 1 year \$'000	Borrowings due after 1 year \$'000	Total \$'000
Net debt as at 1 July 2020	1,795	(2,291)	-	(34,115)	-	(34,611)
Facilities refinanced to October 2022	-	1,041	(1,041)	12,309	(12,309)	-
Cash flows	5,545	374	859	17,193	10,536	34,507
Acquisitions – finance leases	-	(34)	(168)	-	-	(202)
Foreign exchange adjustments	(2)	-	-	-	-	(2)
Net debt as at 30 June 2021	7,338	(910)	(350)	(4,613)	(1,773)	(308)

NOTE 19. CURRENT TAX LIABILITIES

	Consolidated	
	2021 \$'000	2020 \$'000
Current tax liabilities	4,661	-

NOTE 20. PROVISIONS

	Consolidated	
	2021 \$'000	2020 \$'000
Annual leave and long service leave	22,649	22,363
Other provisions	338	268
Provision for public liability claims	1,281	1,330
	<u>24,268</u>	<u>23,961</u>
Current	22,610	22,429
Non-current	<u>1,658</u>	<u>1,532</u>
	<u>24,268</u>	<u>23,961</u>

Consolidated	Annual leave and long service leave \$'000	Public liability claims \$'000	Other \$'000	Total \$'000
Balance at 1 July 2020	22,363	1,330	268	23,961
Arising / (reversed) during the year	15,316	1,215	120	16,651
Utilised / paid during the year	(15,030)	(1,264)	(50)	(16,344)
Balance at 30 June 2021	<u>22,649</u>	<u>1,281</u>	<u>338</u>	<u>24,268</u>
Current	21,293	1,281	36	22,610
Non-current	1,356	-	302	1,658

Provision for public liability claims

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

NOTE 21. NON- CURRENT LIABILITIES - BORROWINGS

This section sets out an analysis of net debt and the movements in net debt:

	Consolidated	
	2021 \$'000	2020 \$'000
ANZ Bank interchangeable loan facility	1,773	-
Hire purchase	350	-
	<u>2,123</u>	<u>-</u>

Borrowings classified as current liabilities as at 30 June 2020, refer to note 18.

If the refinancing was effective on 30 June 2020, and the Group had an unconditional right to defer settlement of its loans for at least 12 months after that date; the non-current borrowings would have been presented as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
ANZ Bank interchangeable loan facility	1,773	12,309
Hire purchase	350	1,041
	<u>2,123</u>	<u>13,350</u>

Refer to note 26 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
ANZ interchangeable loan facility	5,373	18,137
Trade finance facility	-	5,060
Hire purchase	1,260	2,291
Bank overdraft utilised	-	9,193
	<u>6,633</u>	<u>34,681</u>

Details of security

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 Bank and the trade finance provider.

- Millennium Hi-Tech Group Pty Limited
- Millennium Cleaning (Qld) Pty Limited
- Millennium Cleaning (Vic) Pty Limited
- Millennium Cleaning (NSW) Pty Limited
- Millennium Group (NZ) Pty Limited
- Millennium Hi-Tech Holdings Pty Limited
- Millennium Hi-Tech (SA) Pty Limited
- Millennium Services Group Limited
- Millennium Services Group Operations Pty Limited
- Millennium Management Services (Aust) Pty Limited
- Millennium Security Specialist Services Pty Limited
- Millennium Cleaning Specialist Services Pty Limited
- Millennium Cleaning (TAS) Pty Limited
- Millennium Cleaning (WA) Pty Limited (previously: Airlite Cleaning Pty Limited)
- Millennium Management Services (WA) Pty Limited (previously: Airlite Management Services Pty Limited)

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2021 \$'000	2020 \$'000
Equipment and motor vehicles	6,824	8,567

NOTE 22. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	5	-
Government grants receivable (note 10)	-	2,116
	<hr/>	<hr/>
Deferred tax liability	5	2,116
	<hr/>	<hr/>
Movements:		
Opening balance	2,116	232
Charged/(credited) to profit or loss (note 8)	(2,111)	1,884
	<hr/>	<hr/>
Closing balance	5	2,116
	<hr/>	<hr/>

NOTE 23. RIGHT OF USE (ROU) ASSETS AND LEASE LIABILITIES – AASB 16 LEASES

(a) ROU assets

The movements in the recognised ROU assets from 1 July 2020 to 30 June 2021 are as follows:

Consolidated	Plant and Equipment \$'000	Land and Buildings \$'000	Total \$'000
Right-of-use assets as at 1 July 2019	-	2,805	2,805
Additions, exercise of lease extension options	-	361	361
Additions, new equipment leases	597	-	597
Depreciation	(13)	(882)	(895)
Right-of-use assets as at 1 July 2020	<hr/> 584	<hr/> 2,284	<hr/> 2,868
Addition of leased premises and exercise of lease extension options	-	1,152	1,152
Depreciation	(161)	(870)	(1,031)
Right-of-use assets as at 30 June 2021	<hr/> 423	<hr/> 2,566	<hr/> 2,989

(b) Lease liabilities

The Group's lease liabilities predominately relate to office premises across Australia and New Zealand, ranging in lease terms from 1 to 5 years. The Group's leases may have extension options to manage operational flexibility. These options are exercisable only by the Group and not the respective lessor. The lease agreements are negotiated individually and do not impose any covenants on the Group. In assessing the lease term for calculating the present value of the lease payments, options are only included in the lease term if the lease is reasonably certain to be extended.

The movement in lease liabilities from 1 July 2020 to 30 June 2021 are presented below. The Group did not access any COVID-19 related rent concessions.

	Consolidated	
	2021	2020
	\$'000	\$'000
Lease liability at beginning of financial year	2,976	2,805
Additions of leased premises and exercise of office premise lease extension options	1,152	361
Additions, new equipment leases	-	597
Interest expense (at incremental borrowing costs of 7.5%, (2020: 7.6%))	267	219
Payments on lease liabilities	(1,147)	(1,006)
Lease liability at end of financial year	3,248	2,976
Lease liabilities - current	860	823
Lease liabilities – non-current	<u>2,388</u>	<u>2,153</u>

NOTE 24. EQUITY

(a) Issued capital

	2021 Shares	2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid	<u>46,428,259</u>	<u>45,928,259</u>	<u>19,067</u>	<u>18,967</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	30 June 2020	45,928,259		18,967
Exercise of options – proceeds received	2 March 2021	<u>500,000</u>	\$0.20	<u>100</u>
Balance	30 June 2021	<u>46,428,259</u>		<u>19,067</u>

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.

Options

Information relating to options issued and exercised during the financial year and options outstanding at the end of the reporting period, is set out in note 38.

Share buy-back

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

Capital risk management

The consolidated entity's objectives when managing capital is 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 risk management

The consolidated entity's objectives when managing capital is 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 market capitalisation plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. The Group monitors capital using gearing ratio among other metrics. 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.

	Consolidated	
	2021 \$'000	2020 \$'000
Interest bearing loans and borrowings	7,646	36,406
Less: cash and short-term deposits	(7,338)	(1,795)
Net debt	308	34,611
Market capitalisation (share price \$0.55/share on 30/06/2021 & \$0.37 on 30/06/2020)	25,536	16,993
Capital, (market capitalisation plus net debt)	25,844	51,604
Gearing ratio	1.2%	67.1%

The consolidated entity is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. As at 30 June 2021, the Group had total debt obligations of \$7,662,000 (30 June 2020: 30,678,000) owing to the ANZ Bank (the 'Lender'). The Group met the required financing covenants for the September 2020, December 2020, March 2021 and June 2021 quarters.

The Group completed refinancing its borrowing facilities with the Lender in October 2020 for a further two-year term expiring 31 October 2022. The Group's unrestricted access to total financial facilities is disclosed at note 18.

(b) Reserves

	Consolidated	
	2021 \$'000	2020 \$'000
Foreign currency reserve	(135)	(100)
Share-based payments reserve	314	102
Pre-restructure accumulated losses	(8,522)	(8,522)
	<u>(8,343)</u>	<u>(8,520)</u>

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.

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, and the pre-structure accumulated losses have been recognised in this reserve.

Movements in reserves

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

Consolidated	Pre-restructure losses \$'000	Share based payments \$'000	Foreign currency \$'000	Total \$'000
Balance at 1 July 2019	(8,522)	102	7	(8,413)
Share based payments	-	-	-	-
Foreign currency translation	-	-	(107)	(107)
Balance at 30 June 2020	(8,522)	102	(100)	(8,520)
Share based payments	-	212	-	212
Foreign currency translation	-	-	(35)	(35)
Balance at 30 June 2021	<u>(8,522)</u>	<u>314</u>	<u>(135)</u>	<u>(8,343)</u>

NOTE 25. EQUITY - DIVIDENDS

No dividends were paid during the current and previous financial period:

No dividend declared or payable in respect of the year ended 30 June 2021

No dividend declared or payable in respect of the year ended 30 June 2020

No interim dividend was declared for the current year.

Consolidated	
2021	2020
\$'000	\$'000
-	-
-	-
-	-

NOTE 26. FINANCIAL RISK MANAGEMENT

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

Consolidated	Pre- restructure losses \$'000	Share based payments \$'000	Foreign currency \$'000	Total \$'000
Assets / Liabilities denominated in				
New Zealand dollars	6,501	5,784	4,182	4,839

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 - 2021						
Assets / Liabilities denominated in	25%	-	(464)	25%	-	773
New Zealand dollars						

	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Consolidated - 2020						
Assets / Liabilities denominated in	25%	-	(189)	25%	-	315
New Zealand dollars						

Price risk

The consolidated entity is not exposed to any significant price risk. The impact of COVID-19 on the Group's price risk is mitigated due to the Group's diversified supplier base.

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.

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

Consolidated	Weighted average Interest rate %	Balance \$'000	Weighted average Interest rate %	Balance \$'000
ANZ interchangeable loan facility	2.99%	5,373	3.05%	18,137
Net exposure to cash flow interest rate risk		<u>5,373</u>		<u>18,137</u>

An analysis by remaining contractual maturities in shown is 'liquidity and interest rate risk management' below.

Consolidated - 2021	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity, net of tax	Basis points change	Effect on profit before tax	Effect on equity, net of tax
ANZ Facility	100	(54)	(38)	100	54	38

Consolidated - 2020	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity, net of tax	Basis points change	Effect on profit before tax	Effect on equity, net of tax
ANZ Facility	100	(181)	(127)	100	181	127

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Risk management

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and regions.

Impairment of financial assets

The Group's material financial assets that are subject to the expected credit loss model are:

- Trade receivables from the provision of cleaning and security services.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Contract assets relating to unbilled, satisfied performance obligations in relation to cleaning and security services were immaterial as at 30 June 2021 and 30 June 2020.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates used in current financial year were based on the payment profiles of sales over a period of 6 months before 30 June 2021 considering any potential impact of COVID-19 and the corresponding credit losses experienced within the 6 months. The expected loss rates used in the prior financial year were based on the payment profiles of sales over a period of 6 months before 30 June 2020 considering any potential impact of COVID-19 and the corresponding credit losses experienced within the same period. While there were national COVID-19 restrictions imposed by the government, especially in the last quarter of the June 2020 financial year; these restrictions were comparatively less onerous for the Group's customers in the second half of the June 2021 financial year.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that Australian GDP and unemployment rate as relevant factors that impact the Group's large retail shopping centre customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances as at 30 June 2021 and 30 June 2020 were determined as follows for trade receivables:

30 June 2021		More than	More than	More than	More than	
\$'000	Current	30 days	60 days	60 days	60 days past	Total
		past due	past due	past due	due	
Expected loss rate	1%	4%	7%	75%	90%	
Gross carrying amount – trade receivables	15,720	1,077	157	523	415	17,892
Loss allowance	159	43	11	393	374	980

30 June 2020		More than	More than	More than	More than	
\$'000	Current	30 days	60 days	60 days	60 days past	Total
		past due	past due	past due	due	
Expected loss rate	1.25%	5%	8%	75%	100%	
Gross carrying amount – trade receivables	19,741	2,219	231	166	321	22,678
Loss allowance	247	111	18	125	321	822

The closing loss allowances for trade receivables as at 30 June 2021 reconcile to the opening loss allowances as follows:

	Consolidated Trade Receivables	
	2021 \$'000	2020 \$'000
Balance at beginning of financial year	822	674
Receivables written off during the year as uncollectable	(131)	(149)
Increase in loss allowance recognised in profit or loss during the year	289	297
Balance at end of financial year	980	822

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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	
	2021 \$'000	2020 \$'000
Interchangeable loan facility	-	-
Asset finance facility (hire purchase)	343	-
Overdraft facility (a)	7,000	807
Trade finance facility	12,000	7,940
Standby letter of credit and guarantee facility	64	-
	500	500
Electronic payway facility	223	211
Commercial card facility	20,130	9,458

(a) Overdraft facility limit reduces to \$4,500,000 on 1 July 2021

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturities for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

The tables below include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	17,290	-	-	-	17,290
Current tax liabilities	-	4,661	-	-	-	4,661
<i>Interest-bearing - fixed</i>						
Lease liabilities	7.50%	1,093	850	1,715	218	3,876
Hire purchase	5.26%	951	214	159	-	1,324
Other short-term borrowings	2.11%	1,028	-	-	-	1,028
<i>Interest-bearing - variable</i>						
Trade finance facility	8.80%	-	-	-	-	-
ANZ Bank overdraft	7.13%	-	-	-	-	-
ANZ loan facility	2.99%	3,707	1,800	-	-	5,507
Total non-derivatives		28,730	2,864	1,874	218	33,686

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated - 2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	16,295	-	-	-	16,295
<i>Interest-bearing - fixed</i>						
Lease liabilities	7.60%	1,033	755	1,288	541	3,617
Other short-term borrowings	3.17%	1,771	-	-	-	1,771
<i>Interest-bearing - variable</i>						
Hire purchase	5.10%	2,388	-	-	-	2,388
Trade finance facility	15.90%	5,127	-	-	-	5,127
ANZ Bank overdraft	7.27%	9,249	-	-	-	9,249
ANZ loan facility	3.05%	18,690	-	-	-	18,690
Total non-derivatives		54,553	755	1,288	541	57,137

Fair value of financial instruments

The fair values of cash, receivables, trade payables, other payables and current tax payables approximate their carrying amounts due to their short-term maturity.

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

Stuart Grimshaw – appointed as Independent, Non-Executive Director effective 24 November 2020; appointed as Chairman on 1 March 2021
 Royce Galea – Executive Director, Integrated Services
 Rohan Garnett – Independent, Non-Executive Director, appointed 24 November 2020
 Darren Perry – Independent, Non-Executive Director, appointed 5 March 2021
 Roger Smeed – resigned 28 February 2021
 Darren Boyd – resigned 14 May 2021

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:

Scott Alomes (Chief Executive Officer) – appointed 7 June 2021
 Michael Constable (Chief Financial Officer)

Compensation

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

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	2,047,244	1,269,750
Post-employment benefits	105,344	76,503
Long-term benefits	15,236	6,305
Share-based payments	212,055	-
	<u>2,379,879</u>	<u>1,352,558</u>

NOTE 28. REMUNERATION OF AUDITORS

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

	Consolidated	
	2021	2020
	\$	\$
Audit services - Moore Australia Audit (Vic)		
Audit or review of the financial statements	<u>152,000</u>	<u>150,000</u>
Other services - Moore Australia		
Taxation services	61,000	57,000
Other services	<u>9,000</u>	<u>22,300</u>
	<u>70,000</u>	<u>79,300</u>

NOTE 29. CONTINGENT ASSETS

The Group is not aware of any material contingent assets at 30 June 2021.

NOTE 30. CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities at 30 June 2021.

NOTE 31. COMMITMENTS

Finance leases

	Consolidated			
	2021 \$,000	Present value	2020 \$,000*	Present value
Minimum payment				
Within one year	951	910	2,388	2,291
After one year but not less than five years	373	350	-	-
More than five years	-	-	-	-
Total minimum lease payments	1,324	1,260	2,388	2,291
Less amounts representing finance charges	(64)	-	(97)	-
Present value of minimum lease payments	1,260	1,260	2,291	2,291

* Borrowings were classified as current liabilities as at 30 June 2020 (refer to note 18).

The Group has finance leases and hire purchase contracts for various items of plant and equipment. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are disclosed above.

NOTE 32. RELATED PARTY TRANSACTIONS

Parent entity

Millennium Services Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

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

Transactions with related parties

Wages and other benefits of \$402,168 were paid to Mr Stephen Lidbury, a substantial shareholder of the company, for the year ended 30 June 2021 (2020: \$321,973). Office rent of \$43,200 was paid in the current financial year on normal commercial terms to an entity related to Mr Stephen Lidbury (2020: \$43,200).

Consulting fees of \$370,450 were paid to Wayne and Eileen Crewes Pty Ltd, an entity associated with a substantial shareholder of the Company for the year ended 30 June 2021; (2020: \$318,000 paid to Tomi-Sasha Holdings Pty Limited, an entity associated with the same substantial shareholder of the Company).

Wages and other benefits of \$101,436 were paid to a close family member of the controller of Wayne and Eileen Crewes Pty Ltd, in the family member's capacity as an employee of the Group, for the year ended 30 June 2021 (2020: \$99,477).

Consulting fees of \$90,000 were paid to Jungle Capital Pty Ltd, an entity associated with Mr Stuart Grimshaw, the Company's Chairman for corporate and strategic advisory services. The \$90,000 fees relate to the period commencing from Mr Grimshaw's appointment to the Board on 24 November 2020 to 30 June 2021 (2020: nil).

Receivables from Related Parties

No amounts were receivable from related parties as at 30 June 2021 and 30 June 2020.

NOTE 33. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity, Millennium Services Group Limited. The majority of the profit or loss of the parent entity comprises Group overheads, corporate head office costs and dividends from subsidiaries.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$'000	\$'000
Profit / (loss) after income tax	10,142	(10,615)
Total comprehensive profit / (loss)	10,142	(10,615)

Statement of financial position

	Parent	
	2021	2020
	\$'000	\$'000
Total current assets	22,828	20,589
Total assets	38,807	37,920
Total current liabilities	55,072	70,440
Total liabilities	63,951	73,518
Equity		
Issued capital	19,067	18,967
Share-based payments reserve	314	102
Accumulated losses, net of dividends paid	(44,525)	(54,667)
Total equity / (deficiency)	(25,144)	(35,598)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

A deed of cross guarantee between Millennium Services Group Limited and its subsidiaries in Note 34 (except Millennium Group (NZ) Pty Limited) was enacted in the 2016 financial year. The deed was updated in the 2017 financial year to include Millennium Cleaning (WA) Pty Limited (previously: Airlite Cleaning Pty Limited) and Millennium Management Services (WA) Pty Limited (previously: Airlite Management Services Pty Limited).

The deed was further updated in the 2019 financial year to include the small proprietary companies incorporated in the 2018 financial year. The Group is relieved 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 each entity listed in Note 34 Interest in Subsidiaries, other than Millennium Group (NZ) Pty Limited. As Millennium Group (NZ) Pty Limited is not material compared to the Group, the aggregate totals for each category, relieved under the deed for the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Financial Position approximate the level of support guaranteed.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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.

Parent Company's Investment in Subsidiary Companies

The carrying value of the parent company's investment in subsidiaries as at 30 June 2021 was \$7,486,000 (2020: \$7,486,000), net of the impairment.

NOTE 34. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business / Country of incorporation	Consolidated	
		2021 %	2020 %
Millennium Group (NZ) Pty Limited	New Zealand	100.00	100.00
Millennium Hi-Tech Group Pty Limited (a)	Australia	100.00	100.00
Millennium Hi-Tech Holdings Pty Limited (a)	Australia	100.00	100.00
Millennium Hi-Tech (SA) Pty Limited (a)	Australia	100.00	100.00
Millennium Cleaning (Qld) Pty Limited (a)	Australia	100.00	100.00
Millennium Cleaning (Vic) Pty Limited (a)	Australia	100.00	100.00
Millennium Services Group Operations Pty Limited (a)	Australia	100.00	100.00
Millennium Cleaning (WA) Pty Limited (previously: Airlite Cleaning Pty Limited) (a)	Australia	100.00	100.00
Millennium Management Services (WA) Pty Limited (previously: Airlite Management Services Pty Limited) (a)	Australia	100.00	100.00
Millennium Management Services (Aust) Pty Limited (a)	Australia	100.00	100.00
Millennium Security Specialist Services Pty Limited (a)	Australia	100.00	100.00
Millennium Cleaning Specialist Services Pty Limited (a)	Australia	100.00	100.00
Millennium Cleaning (TAS) Pty Limited (a)	Australia	100.00	100.00
Millennium Cleaning (NSW) Pty Limited (a)	Australia	100.00	100.00

(a) These wholly owned companies are subject to a deed of cross guarantee as at 30 June 2021 and 30 June 2020.

NOTE 35. EVENTS AFTER THE REPORTING PERIOD

COVID-19 has created unprecedented uncertainty in the economic environment that the Group operates within. As at the date of this financial report, there were ongoing Government COVID-19 related regulatory restrictions across some major states Australia. In the event the COVID-19 pandemic is more severe or prolonged than anticipated, and the Australian and New Zealand Governments re-implement tighter restrictions, this may have material effect on the financial position and performance of the Company. As at the date of this financial report, an estimate of the future effects of the COVID-19 pandemic on the Company's financial performance and/or financial position cannot be made, as the impact will depend on the magnitude and duration of Government restrictions with the full range of monetary impacts unknown.

In August 2021, the Group was notified that it was unsuccessful in retaining its Cleaning and Security contracts with QIC Limited which accounted for \$28.2m of the Group's revenue for the 2021 financial year. With planned cost savings and reductions, most of which will be achieved in the second half of the 2022 financial year, this will have a negative impact on the Group's profit after tax for the 2022 financial year of approximately \$0.5m.

Except for the above, no other matter or circumstance has arisen since 30 June 2021 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 36. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Profit after income tax expense for the period	17,357	16,586
Adjustments for:		
Depreciation	5,061	5,901
Net loss/(gain) on disposal of property, plant and equipment	(22)	(30)
Share-based payments	212	-
Net foreign exchange differences	(35)	(101)
Change in operating assets and liabilities:		
Decrease/(increase) in inventories	107	(428)
Decrease/(increase) in net deferred tax assets	(3,213)	(5,323)
Increase/(decrease) in trade and other payables	1,136	(7,228)
Increase/(decrease) in income tax payable	4,661	409
Increase/(decrease) in employee benefits and employee entitlements provisions	166	(2,306)
Decrease / (increase) in government grants receivable	7,054	(7,054)
Decrease/(increase) in trade and other receivables	4,758	(3,221)
Decrease in other assets	3,084	2,917
Net cash from operating activities	40,326	122

NOTE 37. EARNINGS PER SHARE

	Consolidated	
	2021 \$'000	2020 \$'000
Profit after income tax attributable to the owners of Millennium Services Group Limited	17,357	16,586
	Number '000s	Number '000s
Weighted average number of ordinary shares used in calculating basic earnings per share	46,093	45,928
Weighted average number of ordinary shares used in calculating diluted earnings per share	46,411	45,928
	Cents	Cents
Basic earnings per share	37.66	36.11
Diluted earnings per share	37.40	36.11

There were no exercisable options as at 30 June 2021 and 30 June 2020.

Reconciliation of weighted average number of shares used in the calculation of basic and diluted earnings per share:

	Consolidated	
	2021 Number '000s	2020 Number '000s
Shares on issue as at 1 July	45,928	45,928
Add: effect of shares issued	165	-
Weighted average number of shares used in the calculation of basic earnings per share	46,093	45,928
Add: effect of potential conversion of performance rights / options to ordinary shares	318	-
Weighted average number of shares used in the calculation of diluted earnings per share	46,411	45,928

NOTE 38. SHARE-BASED PAYMENTS

On 24 August 2020, 1,000,000 options were granted to the Chief Financial Officer, Mr Michael Constable, as a discretionary award.

The summary of options granted is set out below:

Options Grant date	Vesting date (lapse if leaves office)	Exercise price	Balance at the start of period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of period
24/08/2020	01/01/2021	\$0.20	-	500,000	(500,000)	-	-
24/08/2020	01/01/2022	\$0.20	-	500,000	-	-	500,000
Total options			-	1,000,000	(500,000)	-	500,000

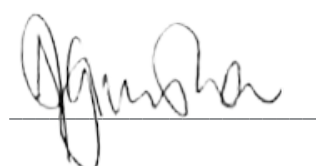
The weighted average remaining contractual life of options outstanding at the end of 30 June 2021 was 2.5 years (2020: nil).

In accordance with a resolution of the Directors of Millennium Services Group Limited, the Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 44 to 97, and the remuneration report on pages 33 to 39 in the Directors' report are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; comply with Corporations Regulations 2001, and
 - b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated Group;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, the Company and its wholly owned Australian subsidiaries, as detailed in Note 34 to the financial statements, have entered into a deed of cross guarantee. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees the debts of each other. In the directors' opinion, there are reasonable grounds to believe that the Company and the subsidiaries to which the deed of cross guarantee applies, as detailed in Note 34 to the financial statements will, as a Group, be able to meet any liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee.

On behalf of the Directors



Stuart Grimshaw
Chairman

16 August 2021



Moore Australia Audit (VIC)

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Millennium Services Group Limited & Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER 1 – Going Concern

Refer to Note 1 – Significant Accounting Policies – Going Concern

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 1 Significant Accounting Policies – Going Concern.

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections, which included current and expected operational levels and any known changes. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

Our audit work included, but was not restricted to, the following:

- Obtaining and evaluating management's assessment of the Group's ability to continue as a going concern;
- Reviewing management's assumptions and judgements in the cash flow forecasts to assess whether current cash levels along with expected cash inflows and expenditure can sustain the operations of the Group for a period of at least 12 months from the date of authorisation of the financial report.
- Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions, including assessing the ability of the Group to utilise existing funding facilities.
- Evaluating directors' plans for future actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year-end through discussion with the Audit Committee and management; and
- Assessing the adequacy of the Group's going concern disclosure in the Financial Report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements



KEY AUDIT MATTER 2 – Goodwill and Intangible Assets

Refer to Note 14 Non-Current Assets – Intangibles

As at 30 June 2021 the Group has recorded total Intangible Assets of \$7,470m.

Australian Accounting Standards state that goodwill and other intangible assets that have an indefinite useful life are required to be tested at least annually for impairment.

We have focussed on this area due to the size of the balance, the Directors' assessment of the value in use of the Group's CGU's requiring significant judgements about the future results of the Group and the discount rates applied to future cash flows being inherently uncertain.

Our audit work included, but was not restricted to, the following:

- Evaluating management's cash flow forecasts including testing of the integrity and mathematical accuracy of the underlying calculations and ensuring that they were consistent with the latest board approved budgets.
- Challenging management's key assumptions, including growth rates and discount rates used in the model, through a combination of comparison to historical results, market data and industry research.
- Testing the assumptions used by management, analysing the impact on the value in use calculation by performing sensitivity analysis on the EBITDA growth rate, WACC and terminal value growth rate used within a reasonably foreseeable range.
- Assessing the adequacy of the Group's disclosure of the assumptions used in respect to the value in use calculations.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Financial Report

The directors of the Group's parent 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 39 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Millennium Services Group Limited and Controlled Entities, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the parent Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

A handwritten signature in black ink, appearing to read 'AJ', with a long horizontal stroke extending to the right.

ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

16 August 2021

2021 Annual Report – Shareholder Information

Additional Securities Exchange Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 24 September 2021 (Reporting Date).

Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's Business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Millennium's website (<http://millenniumsg.com/investor/governance/>) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Millennium and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Millennium's website (<http://millenniumsg.com/investor/governance/>).

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total issued securities capital in relevant class
MR STEPHEN MICHAEL LIDBURY & MRS JOANNE LIDBURY <LIDBURY FAMILY S/FUND AC>	Fully Paid Ordinary Shares	6,873,768	14.81%
ROYCE GALEA PTY LTD AND ASSOCIATED ENTITIES	Fully Paid Ordinary Shares	6,820,362	14.69%
3 STANHOPE STREET PTY LTD <NATIONAL PROPERTY TRUST> AND ASSOCIATED ENTITIES	Fully Paid Ordinary Shares	5,853,601	12.61%
MJ SECURITIES PTY LTD <THE MJS SUPER FUND A/C>	Fully Paid Ordinary Shares	2,391,422	5.15%
MR WILLIAM DAVID COPLAND & MRS SUSAN MARY COPLAND <DAVID COPLAND SUPER FUND A/C>	Fully Paid Ordinary Shares	2,440,000	5.26%

Number of holders

As at the Reporting Date, the number of holders in each class of equity securities is as follows:

Class of Equity Securities	Number of Equity Securities held	% of total issued securities capital in relevant class
Fully Paid Ordinary Shares	46,428,259	1,337

Voting rights of equity securities

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 1,337 holders of a total of 46,428,259 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	828	263,269	0.57
1,001 – 5,000	149	474,588	1.02
5,001 – 10,000	103	824,601	1.77
10,001 – 100,000	196	6,670,174	14.37
100,001 – 999,999,999	61	38,195,627	82.27
Totals	1,337	46,428,259	100.00

Less than marketable parcels of ordinary shares (UMP Shares)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
45,928,259	243,826	808	0.52

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Rank	Name of Holder	Balance as at Reporting Date	%
1	MR STEPHEN MICHAEL LIDBURY + MRS JOANNE LIDBURY <LIDBURY FAMILY S/FUND A/C>	6,873,768	14.81
2	ROYCE GALEA PTY LTD	4,592,837	9.89
3	MR WILLIAM DAVID COPLAND + MRS SUSAN MARY COPLAND <DAVID COPLAND SUPER FUND A/C>	2,780,000	5.99
4	WAYNE AND EILEEN CREWES PTY LTD <W & E CREWES FAMILY A/C>	2,633,336	5.67
5	MR ROYCE JOSEPH GALEA + MS LEANNE MARGARET BUTLIN <GALEA SUPER FUND A/C>	2,227,525	4.80
6	MR PETER MCKENZIE ANDERSON + MRS LAURA CASTEEL ANDERSON <STRATEGIC VISION S/F A/C>	1,788,000	3.85
7	MJ SECURITIES PTY LTD <THE MJS SUPER FUND A/C>	1,360,000	2.93
8	3 STANHOPE STREET PTY LTD <NATIONAL PROPERTY A/C>	1,135,213	2.45
9	DALLMOUNT PTY LTD <LABELMAKERS S/F A/C>	1,008,662	2.17
10	WAYNE AND EILEEN CREWES PTY LTD <WAYNE AND EILEEN CREWES A/C>	774,744	1.67
11	TRYGELA PTY LTD	611,310	1.32
12	MR SCOTT MICHAEL ANDERSON + MS SALLY LOUISE BROWN <ABETHA HOLDINGS S/FUND A/C>	600,000	1.29
13	M J SECURITIES PTY LTD <THE MJS SUPER FUND A/C>	592,274	1.28
14	MR MICHAEL JOHN SHEEHY <MS CAPITAL A/C>	560,058	1.21
15	STRATEGIC VISION EQUITIES P/L <STRATEGIC VISION EQ UNIT AC>	502,000	1.08
16	MR MICHAEL SCOTT CONSTABLE <COOPS AND MICK FAMILY A/C>	500,000	1.08
17	JR MICAH PTY LTD <JR MICAH SUPER FUND A/C>	500,000	1.08
18	MR PETER MARK LEWIS	500,000	1.08
19	MR STEPHEN BRIAN CREWES + MRS SARAH LOUISE CREWES <S & S CREWES FAMILY S/F A/C>	413,468	0.89
20	ROGER SMEED & ASSOCIATES PTY LIMITED <R F INVESTMENT A/C>	400,000	0.86
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		30,353,195	65.38
Total Remaining Holders Balance		16,075,064	34.62

Company Secretary

The Company's Secretary is Ms Jo-Anne Dal Santo who was appointed to the role on the 12 October 2018.

Registered Office

The address and telephone number of the Company's registered office are:

Street Address: Level 1, 205-211 Forster Road

Mount Waverley Victoria 3149

Telephone: +61 (0)3 9296 2095

Share Registry

The address and telephone number of the Company's share registry,

Computershare Investor Services, are:

Street Address: Yarra Falls, 452 Johnston Street

Abbotsford Victoria 3000

Telephone: 1300 787 272

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX). The Company was admitted to the official list of the ASX on 19 November 2015 (ASX issuer code: MIL).

Other Information

The Company is not currently conducting an on-market buy-back.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

The background of the entire page is a photograph of a modern, brightly lit interior space, likely a lounge or office area. It features large windows, lush green plants in pots, and contemporary furniture including a white sofa and a large white planter. The scene is reflected on a highly polished, dark floor. Overlaid on the left side of the image are several white, curved, brushstroke-like lines that sweep across the frame. In the bottom right corner, there are several overlapping circles in shades of orange and red, some with solid centers and others as outlines.

millennium

Millennium Services Group Limited
Level 1, 205-211 Forster Road
Mount Waverley, Victoria 3149