

1. Company details

Name of entity:	Millennium Services Group Limited
ABN:	11 607 926 787
Reporting period:	For the six months ended 31 December 2021
Previous period:	For the six months ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities for the period	Declined	2.4% to	131,723
Profit / (loss) from ordinary activities after tax, for the period, attributable to the owners of Millennium Services Group Limited	Declined	88.7% ^(a) to	1,933
Profit / (loss) for the period attributable to the owners of Millennium Services Group Limited	Declined	88.7% ^(a) to	1,933

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the 2020 financial year	-	-
Interim dividend for the 2021 financial year	-	-
Final dividend for the 2021 financial year	-	-

No interim dividend has been declared for the current period.

Comments

The consolidated entity recorded profit after income tax of \$1,933,000; (31 December 2020: \$17,051,000). For a brief explanation of the results for the period, please refer to the Directors' report, the notes to the attached half year Consolidated Financial Statements and comments below.

(a) The profit after tax in the previous corresponding period ('pcp') of \$17.1m included a net benefit of \$12.1m (after income tax) of COVID-19 government grants and wage subsidies in Australia (Job Keeper) less incremental wage top ups associated with the government grants. The pcp also included recognition of \$4.0m of deferred tax assets not previously recognised in relation to deductible temporary differences.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(19.52)</u>	<u>(27.38)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for 2021 financial year	-	-
No interim dividend has been declared for the current period	-	-

Previous period

Final dividend for 2020 financial year	-	-
Interim dividend for 2021 financial year	-	-

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Significant influence gained over investee 2 PM Records Pty Ltd (trading as Codee Cleaning Services) on 8 December 2021 (see Note 9 to the Financial Statements).

9. Foreign entities

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

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

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Consolidated Financial Statements of Millennium Services Group Limited for the half year ended 31 December 2021 are attached.

12. Signed



Signed _____

Stuart Grimshaw
Chairman

Date: 24 February 2022

Millennium Services Group Limited

ABN 11 607 926 787

Half Year Financial Report

31 December 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 period ended 31 December 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
 Royce Galea – Executive Director, Integrated Services
 Rohan Garnett – Independent, Non-Executive Director
 Darren Perry – Independent, Non-Executive Director

Principal activities

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

Dividends

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

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

No dividend declared or payable in respect of the reporting years ended 30 June 2020 and 30 June 2021.

No interim dividend has been declared for the current period.

Review of operations

Revenue for the six months ending 31 December 2021 declined 2.4% to \$131.7 million (2021: \$135.0m) substantially due:

- to a \$4.9m decline in contract revenue compared to the previous corresponding period, stemming from the discontinuation of the QIC Limited contract in September 2021; which was partially offset by
- an increase of \$1.6m in higher margin adhoc revenue related to COVID-19 project and adhoc services.

The Group's profit after income tax expense for the current period amounted to \$1.9m; which included \$0.9m (after-tax) of non-recurring integration, transaction and due diligence costs. The current period profit after tax represents a \$15.1m decline compared to the previous corresponding period's profit of \$17.1m. The profit after tax in the previous corresponding period included a net benefit of \$12.1m (after income tax) of COVID-19 government grants and wage subsidies in Australia (Job Keeper) less incremental wage top ups associated with the government grants. The previous corresponding period also included recognition of \$4.0m of deferred tax assets not previously recognised in relation to deductible temporary differences, which resulted in an effective tax rate of 9.1%. Excluding the impact of the \$4.0m deferred tax asset, the effective tax rate in the prior period was 30.4%. The effective tax rate in the current period is 34.1% due to increase in non-deductible share based payments expense.

Earnings before interest, tax, depreciation and amortisation (EBITDA) declined by \$16.4m or 74% to \$5.7m compared to an EBITDA of \$22.1m in the previous corresponding period. Factors leading to the EBITDA decline in the current period comprise:

- an increase in gross margin of \$1.1m. Group's gross margin percentage improved from 14.8% to 15.9%;
- a net decrease of \$17.0m in COVID-19 government grant income, less incremental wage top ups associated with the government grants; and
- an increase in overhead expenditure amounting to \$0.5m, comprising:
 - \$1.2m of non-recurring integration, transaction and due diligence costs; offset by
 - \$0.5m lower public liability expenses and
 - \$0.2m savings in other overheads.

The Cleaning segment revenue declined by 7.6% over the previous corresponding period to \$99.6m from \$107.8m, a majority of the decline was due to the dis-continuation of the QIC Limited contract. However, there was a significant improvement in gross margin from \$15.5m to \$16.1m; the gross margin percentage improved from 14.4% to 16.2%. The Security segment revenue increased by 18.0% over the previous corresponding period to \$32.1m from \$27.2m, with gross margin increasing from \$4.4m to \$4.9m; the gross margin percentage declined marginally from 16.2% to 15.3%.

The Group's gross margin growth of \$1.1m and improvement in gross margin percentage by 1.1% to 15.9% in the current period, stems from the Group's focus on winning quality new contracts, retaining contracts at market competitive gross margins 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 such as the recent investment in Codee, an Indigenous owned business. 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.

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 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.

Except for the above, no other matter or circumstance has arisen since 31 December 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.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



Stuart Grimshaw
Chairman

24 February 2022

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 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 review.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)

ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit and Assurance

Melbourne, Victoria

24 February 2022

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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 24 February 2022. The directors have the power to amend and reissue the financial statements.

Millennium Services Group Limited
Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 December 2021



	Note	Consolidated	
		December 2021 \$'000	December 2020 \$'000
Revenue		131,723	134,977
Other income	4	921	24,661
Share of profit of equity-accounted investee, net of tax	9	-	-
Expenses			
Raw materials and consumables used		(23,439)	(19,340)
Employee benefits expense		(96,667)	(111,959)
Depreciation	4	(2,330)	(2,250)
Other expenses		(6,825)	(6,234)
Finance costs	4	(449)	(1,104)
Profit before income tax expense for the half year		2,934	18,751
Income tax expense	5	(1,001)	(1,700)
Profit after income tax expense for the half year attributable to the owners of Millennium Services Group Limited		1,933	17,051
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		44	(16)
Other comprehensive income/(loss) for the half year, net of tax		44	(16)
Total comprehensive income for the half year attributable to the owners of Millennium Services Group Limited		1,977	17,035
		Cents	Cents
Basic earnings / (loss) per share		4.16	37.13
Diluted earnings / (loss) per share		4.13	37.13

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

		Consolidated	
	Note	31 December 2021 \$'000	30 June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	1,376	7,338
Trade and other receivables		24,436	18,032
Inventories		1,139	1,136
Other		2,134	2,193
Total current assets		<u>29,085</u>	<u>28,699</u>
Non-current assets			
Property, plant and equipment		7,480	7,017
Intangibles	7	7,470	7,470
Deferred tax	8	7,393	8,541
Equity-accounted investee	9	1,113	-
Right-of-use assets	12	1,605	2,989
Other		137	137
Total non-current assets		<u>25,198</u>	<u>26,154</u>
Total assets		<u>54,283</u>	<u>54,853</u>
Liabilities			
Current liabilities			
Trade and other payables		16,855	17,290
Borrowings	10	8,947	5,523
Current tax liabilities		4,559	4,661
Provisions	11	19,352	22,610
Lease liabilities	12	814	860
Total current liabilities		<u>50,527</u>	<u>50,944</u>
Non-current liabilities			
Deferred tax		-	5
Borrowings	10	1,270	2,123
Provisions	11	1,535	1,658
Lease liabilities	12	937	2,388
Total non-current liabilities		<u>3,742</u>	<u>6,174</u>
Total liabilities		<u>54,269</u>	<u>57,118</u>
Net assets / (deficiency)		<u>14</u>	<u>(2,265)</u>
Equity			
Issued capital	13	19,067	19,067
Reserves		(7,997)	(8,343)
Accumulated losses		(11,056)	(12,989)
Total equity / (deficiency)		<u>14</u>	<u>(2,265)</u>

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

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total deficiency \$'000
Consolidated				
Balance at 1 July 2020	18,967	(8,520)	(30,346)	(19,899)
Profit after income tax expense for the period	-	-	17,051	17,051
Other comprehensive income / (loss) for the period, net of tax	-	(16)	-	(16)
Total comprehensive income/(loss) for the period	-	(16)	17,051	17,035
Share based payments	-	162	-	162
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance at 31 December 2020	18,967	(8,374)	(13,295)	(2,702)
Consolidated				
Balance at 1 July 2021	19,067	(8,343)	(12,989)	(2,265)
Profit after income tax expense for the period	-	-	1,933	1,933
Other comprehensive income / (loss) for the period, net of tax	-	44	-	44
Total comprehensive income/(loss) for the period	-	44	1,933	1,977
Share based payments	-	302	-	302
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance at 31 December 2021	19,067	(7,997)	(11,056)	14

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

	Note	Consolidated	
		December 2021 \$'000	December 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		138,910	146,782
Receipt of government grants	4	832	31,715
Payments to suppliers and employees (inclusive of GST)		(142,364)	(140,898)
Incremental wage top ups associated with the COVID-19 government grants	4	-	(7,338)
		(2,622)	30,261
Interest received		1	-
Interest and other finance costs paid		(440)	(1,105)
Income taxes paid		(20)	-
Net cash generated from / (used in) operating activities		(3,081)	29,156
Cash flows from investing activities			
Payments for property, plant and equipment		(874)	(1,194)
Investment in equity-accounted investee	9	(1,113)	-
Investment in term deposit		-	(48)
Proceeds from disposal of property, plant and equipment		88	5
Net cash used in investing activities		(1,899)	(1,237)
Cash flows from financing activities			
Proceeds from / (repayments of) trade finance facility		-	(5,060)
Repayments of equipment finance	10	(633)	(591)
Repayment of borrowings	10	(3,729)	(12,264)
Repayments of principal on lease liabilities	12	(627)	(482)
Net cash from / (used in) financing activities		(4,989)	(18,397)
Net increase / (decrease) in cash and cash equivalents		(9,969)	9,522
Cash and cash equivalents at the beginning of the financial period		7,338	(7,398)
Effects of exchange rate changes on cash and cash equivalents		5	3
Cash and cash equivalents at the end of the financial period, less overdraft facility utilised		(2,626)	2,127

		Consolidated		
		December 2021 \$'000	June 2021 \$'000	December 2020 \$'000
Cash on hand and overdraft utilisation				
Cash and cash equivalents at the end of the financial period	6	1,376	7,338	3,259
Overdraft facility utilised at the end of the financial period	10	(4,002)	-	(1,132)
Cash and cash equivalents at the end of the financial period, less overdraft facility utilised		(2,626)	7,338	2,127

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

Note 1. Significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its controlled entities (referred to as "the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half year.

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group has applied the following standards for the first time for the annual reporting period commencing 1 July 2021:

AASB 12 Disclosure of Interests in Other Entities; and
AASB 128 Investments in Associates and Joint Ventures.

The standards adopted above do not have any impact on amounts recognised in prior periods; their application is required due to the Group acquiring an interest in an equity-accounted investee in the current reporting period.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activities and the settlement of liabilities in the normal course of business despite reporting an excess of current liabilities over current assets by \$21,442,000 as at 31 December 2021 (30 June 2021: \$22,245,000).

The excess of current liabilities over current assets is primarily due to annual leave entitlements of \$14,869,000 for the Group's 4,400 staff which are not expected to be settled wholly within 12 months after the end of the reporting period but are shown entirely as a current liability. Historically, annual leave drawn is around 75% 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 Group's profit after income tax expense of \$1,933,000 for the period ended 31 December 2021;
- The Group's access to \$13,183,000 of unused financing facilities as at 31 December 2021 (see note 10);
- 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 Group's profitability and gross margins since the 2021 financial year compared to prior years; 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 14, events after the reporting period.

Note 1. Significant accounting policies (continued)

Interests in equity-accounted investees

The Group's interest in an equity-accounted investee comprises its interest in an associate. An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of the investee. Interests in associates are accounted for using the equity method. The interests are initially recognised at cost. Subsequent to initial recognition, the Group's consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases (refer to note 9).

Note 2. Critical accounting judgements, estimates and assumptions

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

Goodwill and other indefinite life intangible assets

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

Recovery of deferred tax assets

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

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

Revenue Categorisation

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

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

Operating segment information

Consolidated – 31 December 2021	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Revenue				
Sales to external customers	99,631	32,092	-	131,723
Other income	-	-	921	921
Total revenue and other income	<u>99,631</u>	<u>32,092</u>	<u>921</u>	<u>132,644</u>
Gross margin	16,092	4,897	-	20,989
Other income				920
Overheads			(16,197)	(16,197)
EBITDA				5,712
Depreciation				(2,330)
Interest revenue				1
Finance costs				(449)
Profit before income tax expense				2,934
Income tax expense				(1,001)
Profit after income tax expense				<u>1,933</u>
Segment assets	37,454	8,999	7,830	54,283
Segment liabilities	26,605	8,195	19,469	54,269
Net Assets / (Liabilities)	<u>10,849</u>	<u>804</u>	<u>(11,639)</u>	<u>14</u>

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

Consolidated – 31 December 2020	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
Revenue				
Sales to external customers	107,806	27,171	-	134,977
Other income	-	-	24,661	24,661
Total revenue and other income	<u>107,806</u>	<u>27,171</u>	<u>-</u>	<u>159,638</u>
Gross margin	15,486	4,442	-	19,928
Other income				24,661
Overheads			(22,484)	(22,484)
EBITDA				22,105
Depreciation				(2,250)
Finance costs				(1,104)
Profit before income tax expense				18,751
Income tax expense				(1,700)
Profit after income tax expense				<u>17,051</u>
Segment assets	40,055	7,950	10,464	58,469
Segment liabilities	32,292	7,794	21,085	61,171
Net Assets / (Liabilities)	<u>7,763</u>	<u>156</u>	<u>(10,621)</u>	<u>(2,702)</u>

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

Note 4. Other Income and Expenses

	Consolidated December 2021 \$'000	December 2020 \$'000
Profit before income tax includes the following specific other income and expenses:		
Other Income		
Government grants income	832	24,661
Net gain on disposal of property, plant and equipment	88	-
Interest income	1	-
	<u>921</u>	<u>24,661</u>

For the period ended 31 December 2021, the Group recognised government grant income of \$832,000 as part of the New Zealand Government's Covid-19 Wage Subsidy program. There were no unfulfilled conditions or other contingencies attaching to these government grants and the Group received payment of all the New Zealand grants by September 2021.

For the period ended 31 December 2020, 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.

Impairment of receivables	30	328
Incremental wage top ups associated with COVID-19 Australian Government grants	-	7,338
Incremental cost of not standing down New Zealand staff (due to COVID-19 New Zealand Government grants)	567	-
Finance costs		
Interest expense - borrowings	484	988
Interest expense / (adjustment) – lease liabilities	(35)	116
Total finance costs	<u>449</u>	<u>1,104</u>
Depreciation		
Depreciation – property, plant and equipment	1,816	1,722
Depreciation – right-of-use assets	514	528
Total depreciation	<u>2,330</u>	<u>2,250</u>

Note 5. Income tax expense

	Consolidated December 2021 \$'000	December 2020 \$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit / (loss) before income tax expense	<u>2,934</u>	<u>18,751</u>
Income tax expense / (benefit) at the statutory tax rate of 30%	880	5,625
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	30	26
Recognition of deferred tax asset in relation to temporary deductible differences not recognised as at 30 June 2020(a)	-	(4,000)
Share based payments expense	91	49
Income tax expense / (benefit)	<u>1,001</u>	<u>1,700</u>
The applicable weighted average effective tax rates are as follows:	34.1%	9.1%
(a) The effective rate for the period ending 31 December 2021, excluding recognition of \$4.0m deferred tax asset	-	30.4%

Note 6. Current assets - cash and cash equivalents

	Consolidated December 2021 \$'000	June 2021 \$'000
Cash at bank	1,376	7,338

Note 7. Non-current assets – intangibles

	Consolidated December 2021 \$'000	June 2021 \$'000
Goodwill - at cost, less impairments	7,470	7,470

Reconciliations

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

Consolidated	Goodwill \$'000
Balance at 1 July 2021	7,470
Impairment	-
Balance at 31 December 2021	7,470

Impairment testing of Goodwill

Goodwill is not amortised and is tested at least annually for impairment. Impairment testing was conducted as at 30 June 2021 and there have been no impairment indicators in the current reporting period. The cash flow forecasts used for impairment testing at 30 June 2021, were based on the EBITDA budget for the 2022 financial year that had been reviewed by management and the Board. Goodwill has been allocated to the consolidated entity's cash generating units ("CGUs") according to the Cleaning and Security business segments. A summary of goodwill allocated to CGUs at the end of the of the current and previous financial period is presented below:

	Consolidated December 2021 \$'000	June 2021 \$'000
Goodwill allocation to CGUs		
Cleaning CGU	7,470	7,470
Security CGU	-	-
	7,470	7,470

Note 8. Non-current assets - deferred tax

	Consolidated	
	December 2021 \$'000	June 2021 \$'000
Deferred tax asset comprises:		
Temporary differences – attributable to employee benefits	5,706	6,672
Temporary differences – attributable to other items	1,687	1,869
Unused tax losses	-	-
Deferred tax asset	<u>7,393</u>	<u>8,541</u>

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

Note 9. Equity-accounted investee

The Group attained significant influence over 2 PM Records Pty Ltd (trading as Codee Cleaning Services, 'Codee') on 8 December 2021. The investee has share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

Codee is an Indigenous owned business, providing cleaning and maintenance services to a broad range of customers including government, schools, retail and commercial sectors in Western Australia. The investment in Codee supports the Group's commitment to build a more diverse workplace and to work in partnership with Aboriginal and Torres Strait Islander organisations and peoples.

Contingent liabilities in respect of the associate amounted to \$278,000 as at 31 December 2021. These contingent liabilities relate to further consideration payable by the Group for the 49% ownership interest in the investee; subject to Codee achieving specific revenue targets for the twelve months ending 31 December 2022 and for the six months ending 30 June 2023. There are no commitments in respect of the associate entity as at 31 December 2021.

The table below summarises information about the Group's associate as at 31 December 2021.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount* \$'000	
		December 2021	June 2021			December 2021	June 2021
2 PM Records Pty Ltd	Australia	49%	0%	Associate	Equity method	1,113	-

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

Reconciliation of carrying amount of investee:

Opening investment in associate – 8 December 2021	1,113
49% share of profit after tax from 8 December 2021 to 31 December 2021 (-immaterial)	-
Closing carrying amount of investee	1,113

Note 10. Borrowings

Current liabilities - borrowings

	Consolidated	
	December 2021 \$'000	June 2021 \$'000
ANZ interchangeable loan facility	3,573	3,600
Hire purchase	748	910
Bank overdraft utilised	4,002	-
Other borrowings	624	1,013
	<u>8,947</u>	<u>5,523</u>

Non-current liabilities - borrowings

	Consolidated	
	December 2021 \$'000	June 2021 \$'000
ANZ interchangeable loan facility	-	1,773
Hire purchase	1,270	350
	<u>1,270</u>	<u>2,123</u>

Financing Covenants – ANZ Bank

The Group met the required financing covenants for the September 2021 and December 2021 quarters.

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

Consolidated	ANZ inter- changeable loan facility \$'000	Hire purchase \$'000	Bank Overdraft \$'000	Other borrowings \$'000	Total \$'000
Balance at 1 July 2021	5,373	1,260	-	1,013	7,646
Drawdown - working capital	-	-	4,002	1,540	5,542
Equipment financing	-	1,391	-	-	1,391
Repayments of borrowings	(1,800)	(633)	-	(1,929)	(4,362)
Balance at 31 December 2021	<u>3,573</u>	<u>2,018</u>	<u>4,002</u>	<u>624</u>	<u>10,217</u>
Current liabilities	3,573	748	4,002	624	8,947
Non-current liabilities	-	1,270	-	-	1,270
	<u>3,573</u>	<u>2,018</u>	<u>4,002</u>	<u>624</u>	<u>10,217</u>

Note 10. Borrowings (continued)

Financing arrangements

As at the reporting date, the Group had unrestricted access to the following lines of credit with the ANZ Bank and trade finance provider:

	Consolidated	
	December	June
	2021	2021
	\$'000	\$'000
Total facilities		
Interchangeable loan facility	3,573	5,373
Asset finance facility (hire purchase)	2,056	1,401
Overdraft facility	4,500	7,000
Trade finance facility	12,000	12,000
Standby letter of credit and guarantee facility	1,380	1,350
Electronic payway facility	500	500
Commercial card facility	325	325
	<u>24,334</u>	<u>27,949</u>
Used at the reporting date		
Interchangeable loan facility	3,573	5,373
Asset finance facility (hire purchase)	2,018	1,058
Overdraft facility	4,002	-
Trade finance facility	-	-
Standby letter of credit and guarantee facility	1,371	1,286
Electronic payway facility	-	-
Commercial card facility	187	102
	<u>11,151</u>	<u>7,819</u>
Unused at the reporting date		
Interchangeable loan facility	-	-
Asset finance facility (hire purchase)	38	343
Overdraft facility	498	7,000
Trade finance facility	12,000	12,000
Standby letter of credit and guarantee facility	9	64
Electronic payway facility	500	500
Commercial card facility	138	223
	<u>13,183</u>	<u>20,130</u>

Note 11. Provisions

	Consolidated	
	December	June
	2021	2021
	\$'000	\$'000
Annual leave and long service leave	19,387	22,649
Other provisions	338	338
Provision for public liability claims	1,162	1,281
	<u>20,887</u>	<u>24,268</u>
Current liabilities	19,352	22,610
Non-current liabilities	1,535	1,658
	<u>20,887</u>	<u>24,268</u>

Note 11. Provisions (continued)

Consolidated	Annual leave and long service leave \$'000	Public liability claims \$'000	Other \$'000	Total \$'000
Balance at 1 July 2021	22,649	1,281	338	24,268
Arising during the period	7,347	508	-	7,855
Utilised / paid during the period	(10,609)	(627)	-	(11,236)
Balance at 31 December 2021	<u>19,387</u>	<u>1,162</u>	<u>338</u>	<u>20,887</u>
Current	18,154	1,162	36	19,352
Non-current	1,233	-	302	1,535

Provision for public liability claims

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

Note 12. Right of use (ROU) assets and Lease liabilities – AASB 16 Leases

(a) ROU assets

The movements in the recognised ROU assets from 1 July 2021 to the half year 31 December 2021 are as follows:

Consolidated	Plant and Equipment \$'000	Land and Buildings \$'000	Total \$'000
Right-of-use assets at 1 July 2021	423	2,566	2,989
Additions, exercise of lease extension options	-	79	79
Lease modifications, lease extension options cancelled	-	(949)	(949)
Depreciation	(81)	(433)	(514)
Right-of-use assets at 31 December 2021	<u>342</u>	<u>1,263</u>	<u>1,605</u>

(b) Lease liabilities

The movement in lease liabilities from 1 July 2021 to the half year 31 December 2021 is presented below. The Group did not access any COVID-19 related rent concessions.

Consolidated	\$'000
Lease liabilities at 1 July 2021	3,248
Additions, exercise of lease extension options	79
Lease modifications, lease extension options cancelled	(949)
Interest adjustment (at incremental borrowing costs of 7.5%)	(35)
Payments on lease liabilities	(592)
Lease liabilities at 31 December 2021	<u>1,751</u>
Lease liabilities - current	814
Lease liabilities - non-current	937

NOTE 13. Equity

Issued capital

	Consolidated			
	December 2021 Shares	June 2021 Shares	December 2021 \$'000	June 2021 \$'000
Ordinary shares - fully paid	46,428,259	46,428,259	19,067	19,067

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 and Performance Rights

Information relating to options and performance rights granted during the period and outstanding, or not exercised at the end of the reporting period, is set out below.

Grant date	Number of options or performance rights	Vesting date	Vesting conditions	Expiry date	Exercise price	Value per option at grant date	Vesting conditions achieved	% Vested
24/08/2020	500,000	01/01/2022	Tenure	01/01/2024	\$0.20	\$0.272	yes	100%
29/11/2021	295,000	31/12/2022	} Annual } Financial } Targets	31/01/2025	-	\$0.630	no	-
29/11/2021	295,000	31/12/2023		31/01/2025	-	\$0.630	no	-
29/11/2021	295,000	31/12/2024		31/01/2025	-	\$0.630	no	-
29/11/2021	885,000	31/12/2024	Relative TSR*	31/01/2025	-	\$0.405	no	-
29/11/2021	1,180,000	31/12/2024	Absolute TSR*	31/01/2025	-	\$0.285	no	-
29/11/2021	516,250	31/12/2024	High Performance Hurdle*	31/01/2025	-	\$0.198	no	-
07/12/2021	500,000	07/12/2021	} Advisory } Services	31/12/2024	\$0.90	\$0.172	yes	100%
07/12/2021	500,000	07/12/2021		31/12/2024	\$1.20	\$0.128	yes	100%
07/12/2021	500,000	07/12/2021		31/12/2024	\$1.40	\$0.108	yes	100%
Balance at 31/12/2021	5,466,250							

*Vesting conditions are related to certain Absolute and Relative Total Shareholder Return ('TSR') milestones over a 3-year performance period from 1 January 2022 to 31 December 2024.

Note 14. 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.

Except for the above, no other matter or circumstance has arisen since 31 December 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.

In the opinion of the Directors of Millennium Services Group Limited:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial period ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Stuart Grimshaw
Chairman

24 February 2022

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Millennium Services Group Limited and Controlled Entities (**the group**), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

- a. giving a true and fair view of the group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)

ABN 16 847 721 257



ANDREW JOHNSON

Partner

Audit and Assurance

Melbourne, Victoria

24 February 2022