

### 1. Company details

<b>Name of entity:</b>	Millennium Services Group Limited
<b>ABN:</b>	11 607 926 787
<b>Reporting period:</b>	For the six months ended 31 December 2022
Previous period:	For the six months ended 31 December 2021

### 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities for the period	Declined	1.6% to	129,619
Profit / (loss) from ordinary activities after tax, for the period, attributable to the owners of Millennium Services Group Limited	Declined	134.1% to	(660)
Profit / (loss) for the period attributable to the owners of Millennium Services Group Limited	Declined	134.1% to	(660)

#### Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the 2021 financial year	-	-
Interim dividend for the 2022 financial year	-	-
Final dividend for the 2022 financial year	-	-

No interim dividend has been declared for the current period.

#### Comments

The consolidated entity recorded a loss after income tax of (\$660,000) for the half year to December 2022; (31 December 2021: profit \$1,933,000). For a brief explanation of the results for the period, please refer to the Directors' report and the notes to the attached half year Consolidated Financial Statements.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(21.87)</u>	<u>(19.52)</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 2022 financial year	-	-
No interim dividend has been declared for the current period	-	-

### Previous period

Final dividend for 2021 financial year	-	-
Interim dividend for 2022 financial year	-	-

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Refer to Note 9 to the Financial Statements – Equity-accounted investee.

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## 9. Foreign entities

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

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

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## 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.

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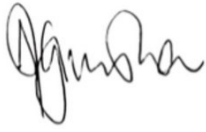
## 11. Attachments

### Details of attachments (if any):

The Consolidated Financial Statements of Millennium Services Group Limited for the half year ended 31 December 2022 are attached.

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12. Signed



Signed \_\_\_\_\_

**Stuart Grimshaw**  
Chairman

Date: 23 February 2023

**Millennium Services Group Limited**

ABN 11 607 926 787

**Half Year Financial Report**

31 December 2022

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 2022.

### 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 – Chief Executive Officer and Managing Director  
 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 2022	December 2021
\$'000	\$'000

No dividend declared or payable in respect of the reporting years ended 30 June 2021 and 30 June 2022.

-	-
-	-

No interim dividend has been declared for the current period.

### Review of operations

Revenue for the six months ending 31 December 2022 declined 1.6% to \$129.6 million (December 2021: \$131.7m) substantially due:

- to a \$9.9m (or 46.9%) decline in higher margin adhoc and project revenue compared to the previous corresponding period, stemming from the effective completion in June 2022 of Victorian Government Project work associated with COVID-19 testing stations; which was partially offset by
- the Group winning \$7.8m (or 7.1%) of net new long-term contracts at market competitive margins.

The Group announced in November 2022 that it had been successful in winning new long-term contracts with ISPT, Newcastle Airport and JVL Investment Group, among others with a combined value of \$20m per annum, further strengthening the Group's stable and long-term contract book.

Earnings before interest, tax, depreciation and amortisation (EBITDA) declined by \$3.5m or 61.4% to \$2.2m compared to an EBITDA of \$5.7m in the previous corresponding period. Gross profit decline was \$2.9m of the \$3.5m EBITDA reduction. Factors leading to the gross profit decline in the current period comprise:

- successful completion of higher margin Victorian Government COVID-19 related project work;
- the impact of the much higher than expected Fair Work National Wage increase in June 2022 and associated timing delays in not being able to pass on revised costs in some key contracts until contract anniversary dates reached in subsequent months; and
- general labour market shortages arising from the COVID-19 pandemic contributing to additional temporary labour costs around overtime and sick leave.

Corrective labour cost management initiatives began to substantially improve gross margins in the second quarter of this financial year. Gross margin percentage for the July to September 2022 quarter was 12.8% whilst in the October to December 2022 quarter, gross margin percentage increased to 15.1%.

The Group's loss after income tax expense for the current period amounted to \$0.7m; which included \$0.3m (after-tax) of non-recurring integration and transaction costs. The current period loss after tax represents a \$2.6m decline compared to the previous corresponding period's profit of \$1.9m due to the EBITDA decline of \$2.5m after income tax.

The Cleaning segment revenue increased by 8.1% over the previous corresponding period to \$107.7m from \$99.6m, due to the Group winning new long-term contracts such as ISPT at market competitive margins. Cleaning segment gross margin declined from \$16.1m to \$15.4m; the gross margin percentage declined from 16.2% to 14.3%, due to the much higher than expected Fair Work National Wage increase in June 2022, associated timing delays in not being able to pass on revised costs in some key contracts until contract anniversary dates in subsequent months and general labour market shortages noted previously.

The Security segment revenue declined by 31.8% over the previous corresponding period to \$21.9m from \$32.1m, with gross margin decreasing from \$4.9m to \$2.7m; the gross margin percentage declined from 15.3% to 12.2%. The Security segment was impacted by the successful completion in June 2022 of higher margin adhoc project revenue earned from Victorian Government Project associated with COVID-19.

Given the success around the Group's priority of winning new long-term contracts and renewing its existing major long-term contracts, the Board and Executives will continue to focus on continuing its organic growth strategy and diversification into new sectors following its increased investment into Business Development personnel in the previous financial year.

The Company reduced its net debt\* from \$4.0m as at 30 June 2022 to \$3.8m as at 31 December 2022 and fully repaid the ANZ bank term debt facility in October 2022.

*\*Defined as total borrowings on balance sheet less cash on hand.*

### 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

The ANZ Bank facilities, originally expiring on 28 February 2023, have been extended to 29 February 2024.

No other matter or circumstance has arisen since 31 December 2022 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



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**Stuart Grimshaw**  
Chairman

23 February 2023

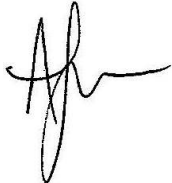
**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF MILLENNIUM SERVICES GROUP LIMITED AND CONTROLLED  
ENTITIES**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



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



**ANDREW JOHNSON**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

23 February 2023

Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	23
Independent auditor's review report to the members of Millennium Services Group Limited	24

### 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 3, 631 Springvale Road  
Mulgrave, Victoria 3170

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 23 February 2023. The directors have the power to amend and reissue the financial statements.



	Note	Consolidated	
		December 2022 \$'000	December 2021 \$'000
<b>Revenue</b>		129,619	131,723
Other income	4	49	921
Share of profit of equity-accounted investee, net of tax	9	75	-
<b>Expenses</b>			
Raw materials and consumables used		(19,509)	(23,439)
Employee benefits expense		(101,769)	(96,667)
Depreciation	4	(2,182)	(2,330)
Other expenses		(6,194)	(6,825)
Finance costs	4	(901)	(449)
<b>Profit / (loss) before income tax expense for the half year</b>		(812)	2,934
Income tax benefit / (expense)	5	152	(1,001)
<b>Profit / (loss) after income tax expense for the half year attributable to the owners of Millennium Services Group Limited</b>		(660)	1,933
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation		42	44
Other comprehensive income/(loss) for the half year, net of tax		42	44
<b>Total comprehensive income / (loss) for the half year attributable to the owners of Millennium Services Group Limited</b>		(618)	1,977
		<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share		(1.42)	4.16
Diluted earnings / (loss) per share		(1.42)	4.13

		Consolidated	
	Note	31 December 2022 \$'000	30 June 2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	3,633	1,934
Trade and other receivables		18,930	17,271
Inventories		1,450	1,236
Other		1,758	1,766
Total current assets		<u>25,771</u>	<u>22,207</u>
<b>Non-current assets</b>			
Property, plant and equipment		6,896	6,818
Intangibles	7	7,470	7,470
Deferred tax	8	8,286	7,818
Equity-accounted investee	9	1,326	1,251
Right-of-use assets	12	2,919	1,682
Other		108	123
Total non-current assets		<u>27,005</u>	<u>25,162</u>
<b>Total assets</b>		<b><u>52,776</u></b>	<b><u>47,369</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		20,398	15,008
Borrowings	10	6,327	4,699
Current tax liabilities		373	2,742
Provisions	11	19,475	19,962
Lease liabilities	12	875	660
Total current liabilities		<u>47,448</u>	<u>43,071</u>
<b>Non-current liabilities</b>			
Deferred tax		316	-
Borrowings	10	1,065	1,210
Provisions	11	1,575	1,489
Lease liabilities	12	2,244	1,184
Total non-current liabilities		<u>5,200</u>	<u>3,883</u>
<b>Total liabilities</b>		<b><u>52,648</u></b>	<b><u>46,954</u></b>
<b>Net assets</b>		<b><u>128</u></b>	<b><u>415</u></b>
<b>Equity</b>			
Issued capital	13	19,167	19,067
Reserves		(7,611)	(7,884)
Accumulated losses		(11,428)	(10,768)
<b>Total equity</b>		<b><u>128</u></b>	<b><u>415</u></b>

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

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity / (deficiency) \$'000
<b>Consolidated</b>				
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
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	-	-	-	-
Balance at 31 December 2021	<u>19,067</u>	<u>(7,997)</u>	<u>(11,056)</u>	<u>14</u>
<b>Consolidated</b>				
Balance at 1 July 2022	19,067	(7,884)	(10,768)	415
Profit / (loss) after income tax expense for the period	-	-	(660)	(660)
Other comprehensive income / (loss) for the period, net of tax	-	42	-	42
Total comprehensive income/(loss) for the period	-	42	(660)	(618)
Share based payments	-	231	-	231
<b>Transactions with owners in their capacity as owners:</b>				
Exercise of options, proceeds received	100	-	-	100
Dividends paid	-	-	-	-
Balance at 31 December 2022	<u>19,167</u>	<u>(7,611)</u>	<u>(11,428)</u>	<u>128</u>

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

Note	Consolidated	
	December 2022 \$'000	December 2021 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	141,516	138,910
Receipt of government grants	22	832
Payments to suppliers and employees (inclusive of GST)	(135,321)	(142,364)
	6,217	(2,622)
Interest received	14	1
Interest and other finance costs paid	(901)	(440)
Income taxes paid	(2,369)	(20)
Net cash generated from / (used in) operating activities	2,961	(3,081)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,225)	(874)
Investment in equity-accounted investee	-	(1,113)
Proceeds from disposal of property, plant and equipment	34	88
Net cash used in investing activities	(1,191)	(1,899)
<b>Cash flows from financing activities</b>		
Proceeds from / (repayments of) trade finance facility	5,443	-
Repayments of equipment finance	(319)	(633)
Repayment of borrowings	(2,566)	(3,729)
Repayments of principal on lease liabilities	(483)	(627)
Proceeds from exercise of options	100	-
Net cash from / (used in) financing activities	2,175	(4,989)
Net increase / (decrease) in cash and cash equivalents	3,945	(9,969)
Cash and cash equivalents at the beginning of the financial period	(324)	7,338
Effects of exchange rate changes on cash and cash equivalents	12	5
Cash and cash equivalents at the end of the financial period, less overdraft facility utilised	<b>3,633</b>	<b>(2,626)</b>

	Note	Consolidated		
		December 2022 \$'000	June 2022 \$'000	December 2021 \$'000
<b>Cash on hand and overdraft utilisation</b>				
Cash and cash equivalents at the end of the financial period	6	3,633	1,934	1,376
Overdraft facility utilised at the end of the financial period	10	-	(2,258)	(4,002)
Cash and cash equivalents at the end of the financial period, less overdraft facility utilised		<b>3,633</b>	<b>(324)</b>	<b>(2,626)</b>

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 2022, 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 2022 annual financial report for the financial year ended 30 June 2022.

### 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.

### 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 \$21,677,000 as at 31 December 2022 (30 June 2022: \$20,864,000).

The excess of current liabilities over current assets is primarily due to annual leave entitlements of \$14,961,000 for the Group's 4,500 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 95% to 100% 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 access to \$11,784,000 of unused financing facilities as at 31 December 2022 (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 in the second quarter of the 2023 financial year compared to the first quarter of the financial 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.
- The Group's ANZ Bank facilities, originally expiring on 28 February 2023, have been extended to 29 February 2024.

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.

## 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 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 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 2022	Cleaning \$'000	Security \$'000	Head Office \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	107,708	21,911	-	129,619
Other income	-	-	49	49
<b>Total revenue and other income</b>	<u>107,708</u>	<u>21,911</u>	<u>49</u>	<u>129,668</u>
<b>Gross margin</b>	15,420	2,668	-	18,088
Other income				35
Overheads			(15,941)	(15,941)
<b>EBITDA</b>				2,182
Depreciation				(2,182)
Interest revenue				14
Finance costs				(901)
Share of profit of equity-accounted investee, net of tax				75
<b>Profit / (loss) before income tax expense</b>				(812)
Income tax benefit				152
<b>Profit / (loss) after income tax expense</b>				<u>(660)</u>
<b>Segment assets</b>	36,399	5,985	10,392	52,776
<b>Segment liabilities</b>	31,472	5,937	15,239	52,648
<b>Net Assets / (Liabilities)</b>	<u>4,927</u>	<u>48</u>	<u>(4,847)</u>	<u>128</u>

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

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

**Note 4. Other Income and Expenses**

	Consolidated	
	December 2022 \$'000	December 2021 \$'000
Profit before income tax includes the following specific other income and expenses:		
<b>Other Income</b>		
Government grants income	22	832
Net gain on disposal of property, plant and equipment	13	88
Interest income	14	1
	49	921

For the period ended 31 December 2022, the New Zealand Government grants of \$22,000 recognised and received, were not material to the Group's operations.

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.

<b>Impairment of receivables</b>	58	30
<b>Incremental cost of not standing down New Zealand staff (due to COVID-19 New Zealand Government grants)</b>	-	567
<b>Finance costs</b>		
Interest expense - borrowings	763	484
Interest expense / (adjustment) – lease liabilities	138	(35)
Total finance costs	901	449
<b>Depreciation</b>		
Depreciation – property, plant and equipment	1,661	1,816
Depreciation – right-of-use assets	521	514
Total depreciation	2,182	2,330

**Note 5. Income tax expense**

	Consolidated	
	December 2022 \$'000	December 2021 \$'000
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>		
Profit / (loss) before income tax expense	(812)	2,934
Income tax expense / (benefit) at the statutory tax rate of 30%	(244)	880
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other permanent differences	45	30
Share of profit of equity-accounted investee, net of tax	(22)	-
Share based payments expense	69	91
Income tax expense / (benefit)	(152)	1,001
The applicable weighted average effective tax rates are as follows:	(18.7%)	34.1%



**Note 6. Current assets - cash and cash equivalents**

	Consolidated December 2022 \$'000	June 2022 \$'000
Cash at bank	3,633	1,934

**Note 7. Non-current assets – intangibles**

	Consolidated December 2022 \$'000	June 2022 \$'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 as at 1 July 2022	7,470
Impairment	-
Balance as at 31 December 2022	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 2022 and there have been no impairment indicators in the current reporting period. The cash flow forecasts used for impairment testing at 30 June 2022, were based on the EBITDA budget for the 2023 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 2022 \$'000	June 2022 \$'000
<b>Goodwill allocation to CGUs</b>		
Cleaning CGU	7,470	7,470
Security CGU	-	-
	7,470	7,470

**Note 8. Non-current assets - deferred tax**

	Consolidated	
	December 2022 \$'000	June 2022 \$'000
<b>Deferred tax asset comprises:</b>		
Temporary differences – attributable to employee benefits	6,573	6,262
Temporary differences – attributable to other items	1,076	1,556
Unused tax losses	637	-
Deferred tax asset	<u>8,286</u>	<u>7,818</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 has significant influence over 2 PM Records Pty Ltd (trading as Codee Cleaning Services, 'Codee'). 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 2022 (30 June 2022: \$278,000). 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. The investee attained the revenue target for the twelve months ending 31 December 2022, and the Group paid consideration of \$139,000 in January 2023. There are no commitments in respect of the associate entity as at 31 December 2022.

The table below summarises information about the Group's associate as at 31 December 2022.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount* \$'000	
		December 2022	June 2022			December 2022	June 2022
2 PM Records Pty Ltd	Australia	49%	49%	Associate	Equity method	1,326	1,251

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

**Reconciliation of carrying amount of investee:**

Balance as at 1 July 2022	1,251
49% share of profit after tax for the half year period to 31 December 2022	75
<b>Balance as at 31 December 2022</b>	<u><b>1,326</b></u>

**Note 10. Borrowings**

**Current liabilities - borrowings**

	Consolidated	
	December 2022 \$'000	June 2022 \$'000
ANZ bank interchangeable loan facility	-	1,773
Hire purchase	381	525
Bank overdraft utilised	-	2,258
Trade finance	5,443	-
Other borrowings	503	143
	<u>6,327</u>	<u>4,699</u>

**Non-current liabilities - borrowings**

	Consolidated	
	December 2022 \$'000	June 2022 \$'000
Hire purchase	1,065	1,210
	<u>1,065</u>	<u>1,210</u>

**Financing Covenants – ANZ Bank**

The Group met the required financing covenants for the September 2022 and December 2022 quarters. The ANZ Bank facilities, originally expiring on 28 February 2023, have been extended to 29 February 2024.

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	Trade Finance \$'000	Other borrowings \$'000	Total \$'000
Balance at 1 July 2022	1,773	1,735	2,258	-	143	5,909
Drawdown - working capital	-	-	(2,258)	5,443	1,153	4,338
Equipment financing	-	30	-	-	-	30
Repayments of borrowings	(1,773)	(319)	-	-	(793)	(2,885)
Balance at 31 December 2022	<u>-</u>	<u>1,446</u>	<u>-</u>	<u>5,443</u>	<u>503</u>	<u>7,392</u>
Current liabilities	-	381	-	5,443	503	6,327
Non-current liabilities	-	1,065	-	-	-	1,065
	<u>-</u>	<u>1,446</u>	<u>-</u>	<u>5,443</u>	<u>503</u>	<u>7,392</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 2022 \$'000	June 2022 \$'000
Total facilities		
Trade finance facility	12,000	12,000
Non-ANZ Bank - asset finance facility (hire purchase)	3,032	1,556
ANZ Bank - asset finance facility (hire purchase)	27	186
ANZ Bank interchangeable loan facility	-	1,773
ANZ Bank overdraft facility <sup>(a)</sup>	3,500	4,500
Standby letter of credit and guarantee facility	1,637	1,470
Electronic payway facility	-	500
Commercial card facility	325	325
	20,521	22,310
Used at the reporting date		
Trade finance facility	5,443	-
Non-ANZ Bank - asset finance facility (hire purchase)	1,419	1,549
ANZ Bank - asset finance facility (hire purchase)	27	186
ANZ Bank interchangeable loan facility	-	1,773
ANZ Bank overdraft facility <sup>(a)</sup>	-	2,258
Standby letter of credit and guarantee facility	1,637	1,460
Electronic payway facility	-	-
Commercial card facility	211	188
	8,737	7,414
Unused at the reporting date		
Trade finance facility	6,557	12,000
Non-ANZ Bank - asset finance facility (hire purchase)	1,613	7
ANZ Bank - asset finance facility (hire purchase)	-	-
ANZ Bank interchangeable loan facility	-	-
ANZ Bank overdraft facility <sup>(a)</sup>	3,500	2,242
Standby letter of credit and guarantee facility	-	10
Electronic payway facility	-	500
Commercial card facility	114	137
	11,784	14,896

(a) ANZ Bank overdraft facility reduces to \$2,800,000 on 28 February 2023.

**Note 11. Provisions**

	Consolidated	
	December 2022 \$'000	June 2022 \$'000
Annual leave and long service leave	19,660	19,958
Other provisions	316	268
Provision for public liability claims	1,074	1,225
	21,050	21,451
Current liabilities	19,475	19,962
Non-current liabilities	1,575	1,489
	21,050	21,451

**Note 11. Provisions (continued)**

Consolidated	Annual leave and long service leave \$'000	Public liability claims \$'000	Other \$'000	Total \$'000
Balance at 1 July 2022	19,958	1,225	268	21,451
Arising during the period	7,962	498	92	8,552
Utilised / paid during the period	(8,260)	(649)	(44)	(8,953)
Balance at 31 December 2022	19,660	1,074	316	21,050
Current	18,380	1,074	21	19,475
Non-current	1,280	-	295	1,575

**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 2022 to the half year 31 December 2022 are as follows:

Consolidated	Plant and Equipment \$'000	Land and Buildings \$'000	Total \$'000
Right-of-use assets at 1 July 2022	635	1,047	1,682
Additions, new leases	408	1,107	1,515
Additions, exercise of lease extension options	-	243	243
Depreciation	(155)	(366)	(521)
<b>Right-of-use assets at 31 December 2022</b>	<b>888</b>	<b>2,031</b>	<b>2,919</b>

**(b) Lease liabilities**

The movement in lease liabilities from 1 July 2022 to the half year 31 December 2022 is presented below. The Group did not access any COVID-19 related rent concessions.

Consolidated	\$'000
Lease liabilities at 1 July 2022	1,844
Additions, new leases	1,515
Additions, exercise of lease extension options	243
Interest expense (at incremental borrowing costs of 9.8%)	138
Payments on lease liabilities	(621)
<b>Lease liabilities at 31 December 2022</b>	<b>3,119</b>
Lease liabilities - current	875
Lease liabilities - non-current	2,244

**NOTE 13. Equity**

**Issued capital**

	<b>December 2022 Shares</b>	<b>Consolidated June 2022 Shares</b>	<b>December 2022 \$'000</b>	<b>June 2022 \$'000</b>
Ordinary shares - fully paid	46,928,259	46,428,259	19,167	19,067

**Movements in ordinary share capital**

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	30 June 2022	46,428,259		19,067
Exercise of options – proceeds received	3 November 2022	500,000	\$0.20	100
Balance	31 December 2022	46,928,259		19,167

**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.

**Note 14. Events after the reporting period**

The ANZ Bank facilities, originally expiring on 28 February 2023, have been extended to 29 February 2024.

No other matter or circumstance has arisen since 31 December 2022 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 2022 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



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**Stuart Grimshaw**  
Chairman

23 February 2023

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MILLENNIUM SERVICES GROUP LIMITED**

### **Report on the Half-Year Financial Report**

#### **Conclusion**

We have reviewed the accompanying half-year financial report of Millennium Services Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2022 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.

#### **Responsibility of the Directors for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 for the Review of the Half-Year Financial Report

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 22 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 other 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 AUDIT (VIC)**  
**ABN 16 847 721 257**



**ANDREW JOHNSON**  
**Partner**  
**Audit and Assurance**

Melbourne, Victoria

23 February 2023