McMillanShakespeareGroup

McMillan Shakespeare Limited
ABN 74 107 233 983 AFSL No. 299054
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Manager, Company Announcements
ASX Limited

Via E-lodgement

Dear Sir/Madam

McMillan Shakespeare Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, together with the media release, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half year ended 31 December 2010.

This information should be read in conjunction with McMillan Shakespeare Limited's 2010 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully
McMillan Shakespeare Limited

Paul McCluskey
Chief Financial Officer and Company Secretary

Half-year ended 31 December 2010
(Previous corresponding period: Half-Year ended 31 December 2009)

McMillan Shakespeare Group of Companies

ABN 74 107 233 983

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The McMillan Shakespeare Group of Companies

Results for announcement to the market

APPENDIX 4D – Half-year Report

McMillan Shakespeare Limited
ABN 74 107 233 983

1. Details of the reporting period and the previous corresponding period	
	Current period: 1 July 2010 to 31 December 2010 Previous corresponding period: 1 July 2009 to 31 December 2009

2. Results for announcement to the market			
	Key information	**Percentage change**	**Half-Year ended 31 December 2010 $'000**
2.1	Revenues from ordinary activities	Up 213.2% to	136,661
2.2a	Profit after income tax	Up 82.8% to	20,526
2.3	Net profit after income tax attributable to members of the parent entity	Up 82.8% to	20,526
	Dividends	**Amount per share**	**Franked amount per share**
2.4	Interim dividend	$0.16	$0.16
2.5	Record date for determining entitlements to the dividend	18 March 2011	
2.6	***Commentary on results for the period*** Net profit after income tax for the half-year ended 31 December 2010 was $20,526,000. The Group result represents an 83% increase on the previous corresponding period's result of $11,228,000. The recently acquired asset management segment contributed revenue of $82,683,000 and net profit after income tax of $6,606,000. Basic earnings per share as shown in the financial statements was 30.3 cents per share (2009: 16.6 cents) and on a diluted basis was 29.2 cents (2009: 16.6 cents). Refer to the accompanying December 2010 Half-Year Results Announcement for more details on the financial results.		

APPENDIX 4D – Half-year Report

3. Net tangible assets per share			
		31 December 2010 **$**	31 December 2009 $
	Ordinary shares	**0.91**	0.34

4. Control gained or lost over entities during the period		
	Name of entities where control was gained during the period	**Date control gained**
	None	N/A
	Name of entities where control was lost during the period	**Date control lost**
	None	N/A

5. Dividend			
	Dividends	**Amount per share** **Cents**	**Franked amount per share** **Cents**
	Final dividend in respect of the financial year ended 30 June 2010 per share	14.0	14.0
	Interim dividend	16.0	16.0
	The record date for determining entitlement to the interim dividend is 18 March 2011. The interim dividend is payable on 31 March 2011.		

6. Dividend reinvestment plans	
	None

7. Investment in associates and joint ventures	
	None

8. Foreign entities	
	None

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HALF YEAR RESULTS ANNOUNCEMENT
McMILLAN SHAKESPEARE LIMITED

McMillan Shakespeare Limited (ASX:MMS) today released its results for the half-year ended 31 December 2010, with a reported after tax profit of $20.5m.

Highlights of the operating results were:

	1HFY10 $000 Group Remuneration Services ("Original" business)	1HFY11 $000 Group Remuneration Services ("Original" business)	1HFY11 $000 Asset Management	1HFY11 $000 Unallocated	1HFY11 $000 Total
Revenue from operating activities	43,098	53,618	82,683	-	136,301
Expenses	27,235	32,123	73,209	-	105,332
Pre tax profit from operating activities	15,863	21,495	9,474	-	30,969
Operating margin	36.8%	40.1%	11.5%		22.7%
Tax	4,770	6,474	2,868	-	9,341
Segment net profit after tax	11,093	15,021	6,606	-	21,628
Interest income	541	-	-	360	360
Interest and borrowing costs on parent company debt	-	-	-	(1,184)	(1,184)
Public company costs	(348)	-	-	(475)	(475)
Integration	-	-	-	(276)	(276)
Tax on unallocated items	(58)	-	-	473	473
Net profit after tax	11,228	15,021	6,606	(1,102)	20,526
NPAT Growth					83%
Normalised ROE [1]	38%				43%
Basic earnings per share (cents)	16.6				30.3
Diluted earnings per share (cents)	16.6				29.2
Interim dividend declared per share (cents)	10.0				16.0

Note 1: Normalised ROE excludes the retained earnings impact of the profit recognised on acquisition as a result of the business combination of ILA.

Review of Operations

As envisaged in our August results presentation the focus for 1HFY11 was on post-acquisition consolidation; the integration of the Interleasing business; maintaining momentum in the Group Remuneration Services business; and the disciplined prioritisation of tasks and opportunities.

Our business again produced pleasing results for shareholders but at the same time, significant investment was made in our future:

- The consolidated result of 83% growth in NPAT and EPS on PCP, demonstrates the value the Interleasing acquisition has delivered to shareholders.

- The Group Remuneration Services business produced revenue growth of 24% and NPAT growth of 35%. Revenue growth was driven by new business wins, improving participation rates and cross-sales within the business units. There was some improvement in average yield too.

- The Asset Management business, despite its steep run-off curve when purchased in April 2010, is now growing its assets under management. Credit losses have been <$25,000, and residual value performance has been pleasing. The business contributed NPAT of $6.6m which was 32% of the Group result.

- Other than the upgrade of IT systems, integration activities will largely be completed by end of Q3FY11.

- The January Brisbane floods forced our Queensland business (200 people) to evacuate its premises. We immediately invoked our disaster recovery plan which saw operations seamlessly move to our disaster recovery sites in both Brisbane and Melbourne. We successfully ran the business from these sites for two weeks until we could re-enter our Brisbane office. All salary packaging payments continued to be paid throughout this period. We floated funds from our own reserves to cover mortgage and other payments for employees whose employers could not remit funds due to the floods. This was a vivid demonstration to customers of the benefits of a comprehensive DR/BCP process.

- Customer satisfaction and productivity metrics continued to improve. New business wins, cross-sales and our new business pipeline were all pleasingly strong.

In all, a very satisfactory first half. Our post-acquisition business is settling into its rhythm. A new, different and more capable organisation is emerging from the combination of the Group Remuneration Services business with Interleasing.

The company has declared a fully franked interim dividend of 16.0 cents per share. The record date is 18 March 2011 and the dividend will be paid on 31 March 2011.

Yours faithfully,
MCMILLAN SHAKESPEARE LIMITED

Ronald Pitcher, AM
Chairman
Melbourne, 15 February 2011

Michael Kay
Managing Director

For more information, please contact:

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About McMillan Shakespeare

McMillan Shakespeare is considered a market leader in the provision of remuneration programs. Its services include remuneration policy design, salary packaging benefit administration, motor vehicle lease management and taxation recording. McMillan Shakespeare also provides a full fleet management service, including the procurement of motor vehicles and finance and the management of fuel card and service maintenance programs.

DIRECTORS' REPORT

The Directors of McMillan Shakespeare Limited (the Company) present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during the half-year ended 31 December 2010 (the Group or consolidated entity).

The names of the Directors of the Company during the half-year and until the date of this report are as follows:

Mr R. Pitcher, AM
Mr M. Kay
Mr J. Bennetts
Mr R. Chessari
Mr G. McMahon
Mr A. Podesta

The above named Directors held office for the entire period.

Review of Operations

A review of the operations of the consolidated entity during the half-year ended 31 December 2010 and the results of these operations are set out in the attached results announcement.

Results

The consolidated net profit for the half-year ended 31 December 2010 attributable to the members of the Company after providing for income tax was $20,525,814.

Dividend

On 15 February 2011, the Board of Directors declared a fully franked dividend of 16.0 cents per ordinary share. The record date is 18 March 2011 and the dividend will be paid on 31 March 2011.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of *the Corporations Act* 2001 (Cth) is included on page 8 of the half-year financial report.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act* 2001 (Cth).

Ronald Pitcher, AM
Chairman
Melbourne, 15 February 2011

Michael Kay
Managing Director

Grant Thornton
ABN 13 871 256 387

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Auditor's Independence Declaration
To The Directors of McMillan Shakespeare Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of McMillan Shakespeare Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett
Director - Audit & Assurance Services

Melbourne, 15 February 2011

Grant Thornton
ABN 13 871 256 387

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Independent Auditor's Review Report
To the Members of McMillan Shakespeare Limited

We have reviewed the accompanying half-year financial report of McMillan Shakespeare Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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. As the auditor of McMillan Shakespeare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of McMillan Shakespeare Limited for the half-year ended 31 December 2010 included on McMillan Shakespeare Limited's web site. The Company's directors are responsible for the integrity of McMillan Shakespeare Limited's web site. We have not been engaged to report on the integrity of McMillan Shakespeare Limited's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett
Director - Audit & Assurance Services

Melbourne, 15 February 2011

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements for the six month period ended 31 December 2010 and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors.

Ronald Pitcher, AM
Chairman
Melbourne, 15 February 2011

Michael Kay
Managing Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-year ended 31 Dec 2010 $'000	Half-year ended 31 Dec 2009 $'000
Revenue from continuing operations	**136,661**	43,639
Expenses		
Employee and director benefits expenses	(27,050)	(18,960)
Depreciation and amortisation	(34,114)	(1,448)
Vehicle expenses	(28,841)	-
Consulting costs	(824)	(1,028)
Marketing costs	(1,455)	(1,586)
Property and corporate expenses	(2,468)	(1,047)
Technology and communication expenses	(2,730)	(1,459)
Other expenses	(3,570)	(2,055)
Finance costs	(6,215)	-
	(107,267)	**(27,583)**
Profit before income tax expense	**29,394**	**16,056**
Income tax expense	(8,868)	(4,828)
Net profit for the period	**20,526**	**11,228**
Other comprehensive income		
Net value loss from hedging	(84)	-
Income tax	25	-
Other comprehensive income (loss) net of tax	**(59)**	**-**
Total comprehensive income for the period	**20,467**	**11,228**
Basic earnings per share (cents)	30.28	16.61
Diluted earnings per share (cents)	29.21	16.61

Notes to the financial statements are annexed.

McMILLAN SHAKESPEARE LIMITED
(ABN 74 107 233 983)
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31-Dec 2010 $'000	30-Jun 2010 $'000
Current assets		
Cash and cash equivalents	13,708	16,757
Trade and other receivables	13,468	10,247
Inventory	1,206	1,809
Prepayments	2,143	2,122
Total current assets	30,525	30,935
Non current assets		
Trade and other receivables	5,092	6,269
Assets under operating lease	204,672	202,471
Property, plant and equipment	7,980	7,358
Goodwill	33,292	33,292
Software	2,985	1,886
Contract rights	3,227	3,727
Deferred tax assets	121	126
Total non current assets	257,369	255,129
Total assets	287,894	286,064
Current liabilities		
Trade and other payables	36,994	33,891
Maintenance instalments received in advance	6,310	8,653
Current tax liability	5,135	8,431
Provisions	3,361	3,184
Borrowings	7,949	7,949
Other liabilities	737	117
Total current liabilities	60,486	62,225
Non current liabilities		
Provisions	354	458
Borrowings	125,443	133,964
Total non current liabilities	125,797	134,422
Total liabilities	186,283	196,647
Net assets	101,611	89,417

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	31-Dec 2010 $'000	30-Jun 2010 $'000
Equity		
Contributed equity	24,259	23,066
Reserves	1,256	1,284
Retained earnings	76,096	65,067
Total equity	101,611	89,417

Notes to the financial statements are annexed.

**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-year ended 31 Dec 2010 $'000	Half-year Ended 31 Dec 2009 $'000
Cash flows from operating activities		
Cash receipts from customers	118,125	51,143
Cash payments to suppliers and employees	(56,416)	(31,791)
Proceeds from sale of assets under lease	25,548	-
Payments for assets under lease	(53,236)	-
Interest received	342	555
Interest paid	(4,834)	-
Income taxes paid	(12,130)	(3,907)
Net cash from operating activities	17,399	16,000
Cash flows from investing activities		
Payments for plant and equipment	(1,523)	(2,472)
Payments for software	(1,418)	(463)
Acquisition expenses	(340)	-
Net cash used in investing activities	(3,281)	(2,935)
Cash flows from financing activities		
Proceeds from share issue	1,057	-
Borrowings repaid	(8,727)	-
Dividends paid by parent entity	(9,497)	(7,096)
Net cash used in financing activities	(17,167)	(7,096)
Net increase in cash and cash equivalents	(3,049)	5,970
Cash and cash equivalents at the beginning of the half year	16,757	28,047
Cash and cash equivalents at the end of the half year	13,708	34,016

Notes to the financial statements are annexed.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-year ended 31 Dec 2010 $'000	Half-year Ended 31 Dec 2009 $'000
Retained Earnings		
Retained earnings at the beginning of the period	65,067	33,962
Profit for the period	20,526	11,228
Dividends paid	(9,497)	(7,096)
Retained earnings at the end of the period	76,096	38,094
Reserves		
Option Reserve		
Option reserve at the beginning of the period	1,284	804
Option expense	167	264
Transfer to share capital	(136)	-
Option reserve at the end of the period	1,315	1,068
Hedging Reserve		
Other comprehensive income for period, net of tax	(59)	-
Hedging reserve at the end of the period	(59)	-
Total Reserves	**1,256**	**1,068**
Share Capital		
Share capital at the beginning of the period (67,677,977 fully paid shares)	23,066	22,637
Issue of 241,124 fully paid shares on exercise of options	1,057	-
Transfer on exercise of options	136	-
Share capital at the end of the period (67,919,101 fully paid shares)	24,259	22,637

Notes to the financial statements are annexed.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

McMillan Shakespeare Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia.

2. BASIS OF PREPARATION

The consolidated half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act* 2001 (Cth) and AASB 134 Interim Financial Reporting.

This half-year financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Company during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act* 2001 (Cth).

The consolidated half-year financial report was approved by the Board of Directors on 15 February 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies have been followed as those applied and discussed in the financial report for the financial year ended 30 June 2010.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

4. DIVIDENDS

On 15 February 2011, the Board of Directors declared a fully franked dividend of 16.0 cents per ordinary share. The record date is 18 March 2011 and the dividend will be paid on 31 March 2011.

	Half-year ended 31 December 2010		**Half-year ended 31 December 2009**	
	Cents per share	**Total $'000**	**Cents per share**	**Total $'000**
Recognised amounts				
Fully paid ordinary shares - Final dividend	14.0	9,497	10.5	7,096
Unrecognised amounts				
Fully paid ordinary shares - Interim dividend	16.0	10,880	10.0	6,758

5. CONTINGENT LIABILITIES

There was no material change in contingent liabilities from the last audited financial report for the year ended 30 June 2010.

6. CAPITAL COMMITTMENTS

There was no material change in capital commitments from the last audited financial report for the year ended 30 June 2010.

7. SEGMENT REPORTING

Reportable segments

McMillan Shakespeare Limited and its controlled entities operate predominantly within one geographical location, Australia. There are two reportable segments in “Group Remuneration Services” and “Asset Management”, in accordance with AASB8 “Operating Segments” based on aggregating the operating segments taking into account the nature of the business services and products sold and the associated business and financial risks and how they affect the pricing and rates of return.

Group Remuneration Services - This segment provides administrative services in respect of salary packaging and facilitates the settlement of motor vehicle novated leases for customers, but does not provide financing. The segment also provides ancillary services associated with motor vehicle novated lease products.

Asset Management - This segment provides financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment.

	Segment revenue		Segment profit	
	Half-year Dec 2010	Half-year Dec 2009	**Half-year Dec 2010**	Half-year Dec 2009
	$'000	$'000	**$'000**	$'000
Group Remuneration Services	**53,618**	43,639	**21,495**	15,863
Asset Management	**82,683**	-	**9,474**	-
Total for segment operations	**136,301**	43,639	**30,969**	15,863
Corporate administration and directors' fees			**(475)**	(348)
Integration costs			**(276)**	-
Net finance income			**(824)**	541
Profit before tax for the half year			**29,394**	16,056

8. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Subsequent to reporting date, the Company re-negotiated its borrowing arrangements for Interleasing (Australia) Limited to extend the original facility by two years to 31 March 2014, lower the borrowing rates and build in greater flexibility. The facility limit of $180m remains unchanged. The $26m MSL facility used for the purpose of acquiring the Interleasing group in April 2010, remains unchanged, including the expiry date of 31 March 2013.