McMillanShakespeareGroup

McMillan Shakespeare Limited
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30 August 2011

Manager Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

By E-lodgement

Appendix 4E - Preliminary final report and accompanying announcement

This release contains an announcement to the Australian Stock Exchange Limited (**ASX**) regarding the full year results for McMillan Shakespeare Limited for the year ended 30 June 2011, which is given to ASX Limited under listing rule 4.3A of the ASX Listing Rules.

Yours faithfully
McMillan Shakespeare Limited

Paul McCluskey
Chief Financial Officer and Company Secretary

Appendix 4E

Preliminary Final Report Provided Under Listing Rule 4.3A

McMillan Shakespeare Group of Companies

Year Ended 30 June 2011 - (Previous corresponding period: Year Ended 30 June 2010)

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The McMillan Shakespeare Group of Companies

APPENDIX 4E
Preliminary Final 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 30 June 2011 Previous corresponding period: 1 July 2009 to 30 June 2010

2. Results for announcement to the market

	Key information	**Percentage change**	**Year ended 30 June 2011 $'000**
2.1	Revenues from continuing operations	Up 105% to	271,305
2.2a	Profit after income tax before net Gain on Business Combination	Up 56% to	43,460
2.2b	Profit from ordinary activities after income tax attributable to members	Down 3% to	43,460
2.3	Net profit after income tax attributable to members	Down 3% to	43,460
	Dividends	**Amount per security**	**Franked amount per security**
2.4	Final dividend	$0.22	$0.22
2.5	Record date for determining entitlements to the dividend	30 September 2011	

2.6 **Commentary on results for the financial year**

Net profit after income tax for the year ended 30 June 2011 was $43,460,000 representing a 56% increase on the previous year's result of $27,905,000 (excluding the Gain from Business Combination of $17,055,000). The decline in net profit after income tax was 3% compared to the previous year's result of $44,960,000 that included the Gain from the Business Combination.

The Asset Management segment acquired with Interleasing (Australia) Limited and its controlled entities on 1 April 2010 contributed revenue of $158,890,000 and net profit after income tax of $13,460,000 for the full year compared to three months in FY10 of $38,882,000 and $3,209,000 respectively.

Basic earnings per share as shown in the financial statements was 64.0 cents per share (2010: 66.5 cents per share) and on a diluted basis was 61.2 cents per share (2010: 66.5 cents per share). The 2010 basic and diluted earnings per share excluding the Gain on Business Combination was 41.2 cents per share.

Refer to the accompanying 2011 Results Announcement for more details on the financial results.

3. Consolidated Income Statement	
	Refer Attachment A

4. Consolidated Balance Sheet	
	Refer Attachment A

5. Consolidated Cash Flow Statement	
	Refer Attachment A

6. Statement of changes in equity	
	Refer Attachment A

7. Dividend			
	Dividends	**Amount per security**	**Franked amount per security**
	Final dividend (payable on 14 October 2011)	$0.22	$0.22
	Interim dividend	$0.16	$0.16
	Total dividend (interim *plus* final)	$0.38	$0.38

8. Dividend reinvestment plan	
	There is no dividend reinvestment plan in operation.

9. Net tangible assets per security			
		Year ended 30 June 2011 $	Year ended 30 June 2010 $
	Ordinary shares	**1.10**	0.75

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

11. Investment in associates and joint ventures	
	Not applicable.

12. Other information	
	None.

13. Foreign entities	
	Not applicable.

14. Commentary on results for the period	
	Refer Review of Operations attached

15. Audit	
	This report is based on accounts which are currently in the process of being audited.

APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED AND CONTROLLED ENTITIES
ABN 74 107 233 983

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
Revenue and other income		
Remuneration services	**111,797**	92,139
Non-operating interest income	**767**	1,001
Asset management services	**158,741**	38,882
Total revenue and other income	**271,305**	132,022
Expenses		
Employee and director benefits expenses	**55,336**	41,347
Depreciation, amortisation and impairment	**68,061**	19,307
Leasing and vehicle management expenses	**52,434**	13,063
Technology and communication expenses	**5,594**	3,422
Property and corporate expenses	**4,942**	2,698
Finance costs	**11,278**	3,149
Consulting costs	**1,541**	1,278
Marketing costs	**2,671**	2,573
Other expenses	**7,250**	5,282
Total expenses	**209,107**	92,119
Profit before income tax expense and gain on business combination	**62,198**	39,903
Gain on business combination	**-**	20,991
Acquisition costs	**-**	(5,707)
Profit before income tax	**62,198**	55,187
Income tax expense	**(18,738)**	(10,227)
Profit attributable to members of the parent entity	**43,460**	44,960
Other comprehensive income		
Changes in fair value of cash flow hedges	**(306)**	-
Income tax on other comprehensive income	**92**	-
Other comprehensive income (loss) net of tax	**(214)**	-
Total comprehensive income for the period	**43,246**	44,960
Basic earnings per share (cents)	**64.0**	66.5
Diluted earnings per share (cents)	**61.2**	66.5

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McMILLAN SHAKESPEARE LIMITED AND CONTROLLED ENTITIES
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**15,034**	16,757
Trade receivables	**6,444**	4,346
Other receivables	**7,587**	5,342
Finance lease receivables	**3,748**	2,957
Inventory	**1,477**	1,809
Prepayments	**1,489**	2,122
Total current assets	**35,779**	33,333
Non-current assets		
Property, plant and equipment	**219,440**	209,829
Capitalised software development	**3,794**	1,886
Goodwill on acquisition	**33,292**	33,292
Contract rights	**2,763**	3,727
Finance lease receivables	**4,200**	6,269
Deferred tax assets	**1,240**	126
Total non-current assets	**264,729**	255,129
Total assets	**300,508**	288,462
Current liabilities		
Trade payables	**13,561**	10,766
Borrowings	**2,949**	7,949
Sundry creditors and accruals	**22,136**	23,125
Receivables in advance	**3,282**	2,398
Maintenance instalments received in advance	**6,306**	8,653
Current tax liabilities	**6,752**	8,431
Employee benefits	**4,023**	3,184
Other	**-**	117
Total current liabilities	**59,009**	64,623
Non-current liabilities		
Borrowings	**126,539**	133,964
Employee benefits	**448**	458
Total non-current liabilities	**126,987**	134,422
Total liabilities	**185,996**	199,045
Net assets	**114,512**	89,417
Equity		
Contributed equity	**25,053**	23,066
Reserves	**1,320**	1,284
Retained earnings	**88,139**	65,067
Total equity	**114,512**	89,417

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	$'000	$'000
Cash flows from operating activities		
Cash receipts from customers	**264,627**	132,863
Cash payments to suppliers and employees	**(126,605)**	(74,231)
Proceeds from sale of assets under lease	**43,646**	11,792
Payments for lease assets	**(113,181)**	(25,262)
Interest received	**767**	1,050
Interest paid	**(12,294)**	(914)
Income taxes paid	**(21,438)**	(9,156)
Net cash from operating activities	**35,522**	36,142
Cash flows from investing activities		
Proceeds from sale of plant and equipment	**8**	30
Acquisition of subsidiary, net of cash acquired	**-**	(166,143)
Acquisition expenses	**(216)**	(4,744)
Payment for capitalised software	**(2,694)**	(1,635)
Acquisition of plant and equipment	**(2,875)**	(3,451)
Net cash used in investing activities	**(5,777)**	(175,943)
Cash flows from financing activities		
Equity contribution	**1,755**	360
Proceeds from borrowings	**5,000**	142,006
Payment of borrowing costs	**(108)**	-
Repayment of borrowings	**(17,727)**	-
Dividends paid	**(20,388)**	(13,855)
Net cash (used in) / provided by financing activities	**(31,468)**	128,511
Net decrease in cash and cash equivalents	**(1,723)**	(11,290)
Cash and cash equivalents at beginning of year	**16,757**	28,047
Cash and cash equivalents at end of year	**15,034**	16,757

APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	$'000	$'000
Retained Earnings		
Retained earnings at the beginning of the period	**65,067**	33,962
Profit for the period	**43,460**	44,960
Dividends paid	**(20,388)**	(13,855)
Retained earnings at the end of the period	**88,139**	65,067
Reserves		
Option Reserve		
Option reserve at the beginning of the period	**1,284**	804
Option expense	**482**	549
Transfer to share capital	**(232)**	(69)
Option reserve at the end of the period	**1,534**	1,284
Hedging Reserve		
Other comprehensive income for period, net of tax	**(214)**	-
Hedging reserve at the end of the period	**(214)**	-
Total Reserves	**1,320**	1,284
Share Capital		
Share capital at the beginning of the period (67,677,977 fully paid shares)	**23,066**	22,637
Issue of 403,833 (2010: 241,124) fully paid shares on exercise of options	**1,755**	360
Transfer on exercise of options	**232**	69
Share capital at the end of the period		
(68,081,810 fully paid shares)	**25,053**	23,066

APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED AND CONTROLLED ENTITIES
ABN 74 107 233 983

1. Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The preliminary final report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary final report covers the consolidated group of McMillan Shakespeare Limited and its controlled entities (Economic entity or Group). McMillan Shakespeare Limited is a listed public company, incorporated and domiciled in Australia.

The preliminary final report of McMillan Shakespeare Limited and its controlled entities complies with all International Financial Reporting Standards (IFRS) in their entirety.

Reporting Basis and Conventions

The preliminary final report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

2. Earnings per share

	Economic entity	
	2011	2010
	'000	'000
Net profit	**$43,460**	$44,960
Earnings used to calculate basic and diluted earnings per share (EPS)	**$43,460**	$44,960
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**67,903**	67,592
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	**70,991**	67,592

3. Contingent liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

	Economic entity	
	2011	2010
	$'000	$'000
Guarantees issued for the performance of contractual obligations – a term deposit supports these guarantees.	**623**	573
Guarantee provided for the performance of a contractual obligation not supported by a term deposit.	**20**	20
Guarantees provided in respect of property leases.	**3,953**	4,118
	4,596	4,711

4. 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.

The Group acquired the Interleasing group of companies which has been consolidated as part of the Group from 1 April 2010.

4. Segment reporting (cont'd)

The following is an analysis of the Group's revenue and results from operations by reportable segment.

	Segment revenue		Segment profit	
	2011 **$'000**	2010 $'000	**2011** **$'000**	2010 $'000
Group Remuneration Services	**111,648**	92,139	**45,268**	35,830
Asset Management	**158,890**	38,882	**19,299**	4,573
Total for segment operations	**270,538**	131,021	**64,567**	40,403
Corporate administration and directors' fees			**(831)**	(710)
Integration costs			**(491)**	-
Interest expense			**(1,814)**	(791)
Interest income			**767**	1,001
Profit before tax from continuing operations			**62,198**	39,903
Net gain on business combination before tax			**-**	15,284
Profit before tax for the year			**62,198**	55,187

Segment assets and liabilities

	30 June 2011	30 June 2010
	$'000	$'000
Segment assets		
Group Remuneration services	**61,401**	54,368
Asset Management	**222,833**	217,211
Segment assets	**284,234**	271,579
Unallocated assets(1)	**16,274**	16,883
Consolidated assets per statement of financial position	**300,508**	288,462
Segment liabilities		
Group Remuneration services	**27,079**	25,010
Asset Management	**135,299**	136,309
Segment liabilities	**162,378**	161,319
Unallocated liabilities(2)	**23,618**	37,726
Consolidated liabilities per statement of financial position	**185,996**	199,045

(1) Unallocated assets comprise cash and cash equivalents of the Group, maintained as part of the centralised treasury and funding function and deferred tax asset.
(2) Unallocated liabilities comprise tax liabilities of the Group and parent entity loans that are employed by the whole group.

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30 August 2011

McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983
Preliminary Final Report
Announcement of full year results for the year ended 30 June 2011

McMillan Shakespeare Limited (ASX:MMS) today released its preliminary results for the year ended 30 June 2011, with a reported preliminary after tax profit of $43.5m (unaudited). This compares to the previous year's result of $45.0m that included the after tax profit from the Business Combination of $17.1m, and compares to $27.9m excluding this impact.

Highlights of the operating results were:

	FY10 **$000** Group Remuneration Services "Original business"	**FY11** **$000** Group Remuneration Services "Original business"	**% Change**	**FY10(1)** **$000** Asset Management	**FY11(1)** **$000** Asset Management	**% Change**	**FY10(1)** **$000** Total	**FY11** **$000** Total
Revenue from operating activities	92,139	111,648	21%	38,882	158,890	309%	131,021	270,538
Expenses	56,309	66,380	18%	34,309	139,591	307%	90,618	205,971
Pre tax profit from operating activities	35,830	45,268	26%	4,573	19,299	322%	40,403	64,567
Operating margin	38.9%	40.5%		11.8%	12.1%		30.8%	23.9%
Tax	10,785	13,610	26%	1,364	5,839	328%	12,149	19,449
Segment net profit after tax	25,045	31,658	26%	3,209	13,460	320%	28,254	45,118
Unallocated items								
Interest income							1,001	767
Interest and borrowing costs on parent company debt							(791)	(1,814)
Public company costs							(709)	(831)
Integration							-	(491)
Tax on unallocated items							150	711
Profit after tax from operating activities	25,045	31,658		3,209	13,460		27,905	43,460
Growth							36%	56%
After tax profit arising from acquisition							17,055	-
Net profit after tax							44,960	43,460
NPAT growth							119.1%	-3.3%
Normalised ROE(2)							42%	43%
Basic earnings per share (cents)							66.52	64.00
Normalised basic earnings per share (cents)(2)							41.23	64.00
Diluted earnings per share (cents)							41.23	61.22
Final dividend declared per share (cents)							14.00	22.00

(1) The Asset Management segment represents the financial performance since the acquisition of ILA (effective 1 April 2010)
(2) Normalised FY2010 ROE and EPS exclude the profit recognised as a result of the business combination of ILA.

REVIEW OF OPERATIONS

Operations overview

MMS again made pleasing progress during the financial year ending 30 June, 2011. In last year's report, we informed shareholders that FY11 would be a year of consolidation and, in particular, of ensuring a smooth integration of the Interleasing acquisition. In the context of this task and the headwinds experienced in the retail sector of the Australian economy, shareholders can be well pleased with the result delivered by MMS. Here is a selection of the highlights and activities conducted during FY11:

- MMS again delivered excellent financial results. Revenue growth over PCP was 105% and NPAT before the profit recognised from the business combination with Interleasing increased by 56%. Both segments performed strongly with Group Remuneration Services delivering revenue growth of 21% and NPAT growth of 26%. Our new segment, Asset Management, exceeded our expectations in delivering NPAT of $13.5 million, aided to some extent by a strong second hand car market. Our growth was engendered by increasing participation rates and cross-sales within our existing customer group as well as the acquisition of numerous new employer customers.

- The delivery of excellent customer service metrics underpinned our performance. All business units performed in excess of our benchmarks.

- Interleasing has proved to be a good acquisition and strategic fit as evidenced by its profitability and the number of cross-sell opportunities which have emerged since the acquisition.

- The performance of our group through the Queensland floods in January 2011 was outstanding. We were forced out of our office for two weeks. Within three hours of evacuation, the business was fully operational at our disaster recovery sites. All salary packaging payments were made and we floated a significant amount of our own funds to assist some of our employer clients whose businesses were similarly disrupted.

- Credit and Treasury were well managed. Credit losses for FY11 were less than $25,000 and were fully recovered from asset disposal proceeds i.e. net credit losses were nil on a funded fleet book of more than $200m. Additionally, we pursued our finance strategy, extending our funding lines to 2014 and on better terms. We are also well advanced in setting up alternative funding mechanisms, thus ensuring plenty of flexibility and capacity to support our intended growth.

- The Federal Government's acceptance of the Henry Review's recommendations relating to the treatment of FBT on novated leases was reflected in changes announced in the May 2011 Federal Government budget. These changes are not expected to have any deleterious effect on our business.

- The integration of Interleasing is complete save for IT and telephony. It is expected that the IT & telephony integration will be complete by the end of FY12. Additionally, we are well advanced with the preparations for the upgrade of the asset management system. This work is expected to be completed in the first half of FY13.

- Supporting all of these activities has been the ongoing development of our people: more sophisticated recruitment and development; comprehensive induction and training programs; leadership development and executive development. Staff numbers increased from 501 to 627 during the course of the year.

In summary, the combination of the results achieved, the levels of service delivered to our customers and the investments made in the business and its people should set a platform for another year of profitable growth in FY12.

Strategy and Prospects

FY11 has provided MMS with confirmation of our strategic direction. The Interleasing acquisition has made our value proposition broader and more compelling to current and prospective customers, particularly those in the private sector. It has delivered a pleasing number of new business customers and cross-sales to existing customers. Additionally, there are a number of opportunities currently under development that we believe will make our value proposition even more compelling.

FY12 will be a year where we attempt to harvest the benefits of a fully integrated Interleasing. We will benefit from the learnings of the last 12 months and concentrate our efforts on winning new business, gaining the benefits from contracts implemented over the past 12 months and the ongoing task of raising participation rates and cross-sales from existing customers. As always, the fundamental driver of our growth will be continuing to deliver exceptional service. This not only reinforces our customers' decision to do business with us, but also attracts new customers.

Aside from the traditional sensitivities (interest rates; the second hand car market; car sales volumes; key contract tenders), the current issues with the potential to impact the rate of profitable growth of our business in FY12 are consumer confidence and the pressures being felt by the retail sector. That said, as we demonstrated through the global financial crisis, our business seems better placed than most to weather the effects of a slower economy.

Dividend

The Company has declared a fully franked final dividend of 22 cents per share bringing the total dividend for the year ended 30 June 2011 to 38 cents per share, representing an increase of 58% over the total dividend for the prior year. The record date for the dividend is 30 September 2011 and it is payable on 14 October 2011.

In accordance with Listing Rule 3.13.1 of the ASX Listing Rules, the Company also wishes to advise that its Annual General Meeting will be held on Tuesday, 25 October 2011 at 10:00am.

For more information, please contact:

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