Annual Report 2013

McMillan Shakespeare Limited
Australia's leading provider of workplace benefits.

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ANNUAL GENERAL MEETING

The Annual General Meeting of the members of McMillan Shakespeare Limited A.B.N. 74 107 233 983 will be held on 22 October 2013 at 10:00 am at the State Library of Victoria, Ground Floor, 328 Swanston Street, Melbourne, Victoria in the Experimedia room.

CORPORATE DIRECTORY

Directors
Ronald Pitcher, AM (Chairman)
Michael Kay (Managing Director)
John Bennetts
Ross Chessari
Graeme McMahon
Anthony Podesta

Company Secretary
Mark Blackburn

Registered Office
Level 21, 360 Elizabeth Street
Melbourne Victoria 3000
Tel: +61 3 9097 3000
Fax: +61 3 9097 3060

Auditor
Grant Thornton Audit Pty Ltd
The Rialto, Level 30,
525 Collins Street
Melbourne Victoria 3000

Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Tel: +61 3 9415 4000

Website
www.mmsg.com.au

DIRECTORS' REPORT

The directors of McMillan Shakespeare Limited (**Company** or **MMS**) present this report on the consolidated entity, consisting of the Company and the entities that it controlled at the end of, and during, the financial year ended 30 June 2013 (**Group** or **Consolidated Group**).

DIRECTORS

As at the date of this Annual Report, the Directors of the Company are Mr Ronald Pitcher AM (independent Chairman), Mr Michael Kay (Managing Director and Chief Executive Officer), Mr John Bennetts (Non-Executive Director), Mr Ross Chessari (Non-Executive Director), Mr Graeme McMahon (independent Non-Executive Director) and Mr Anthony Podesta (Non-Executive Director) (**Directors**). Each Director held office as a Director throughout the financial year ended 30 June 2013. Details of the qualifications, experience and special responsibilities of the Directors at the date of this Annual Report are set out on pages 4 and 5.

The Directors that are noted above as independent Directors, as determined in accordance with the Company's definition of independence, have been independent at all times throughout the financial year ended 30 June 2013.

DIRECTORS' MEETINGS

The number of meetings held by the board of Directors (**Board**) (including meetings of committees of the Board) and the number of meetings attended by each of the Directors during the financial year ended 30 June 2013 were as follows:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
Director	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Mr R. Pitcher, AM (Chairman)	10	10	5	5	4	4
Mr M. Kay (Managing Director and CEO)	10	10	-	-	-	-
Mr J. Bennetts	10	9	5	5	4	4
Mr R. Chessari	10	10	-	-	4	4
Mr G. McMahon	10	9	5	5	4	4
Mr A. Podesta	10	10	-	-	-	-

PRINCIPAL ACTIVITIES

The principal activities of the Company and its controlled entities during the course of the financial year ended 30 June 2013 was the provision of remuneration, asset management and finance services to public and private organisations predominantly in Australia.

In the opinion of the Directors, there were no significant changes in the nature of the activities of the Company and its controlled entities during the course of the financial year ended 30 June 2013 that are not otherwise disclosed in this Annual Report.

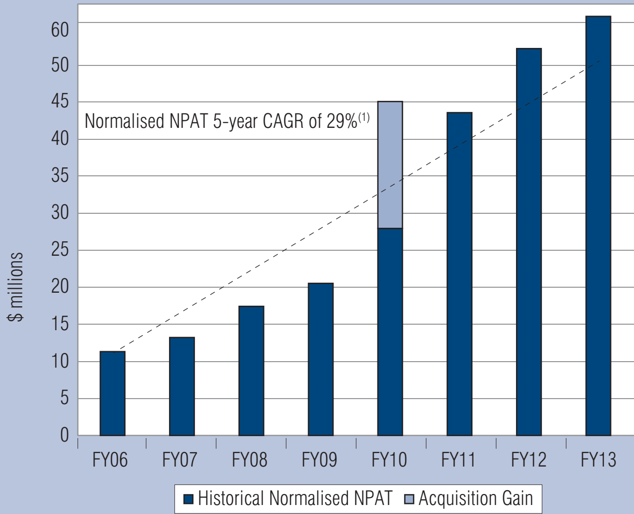
RESULTS

Details of the results for the financial year ended 30 June 2013 are as follows:

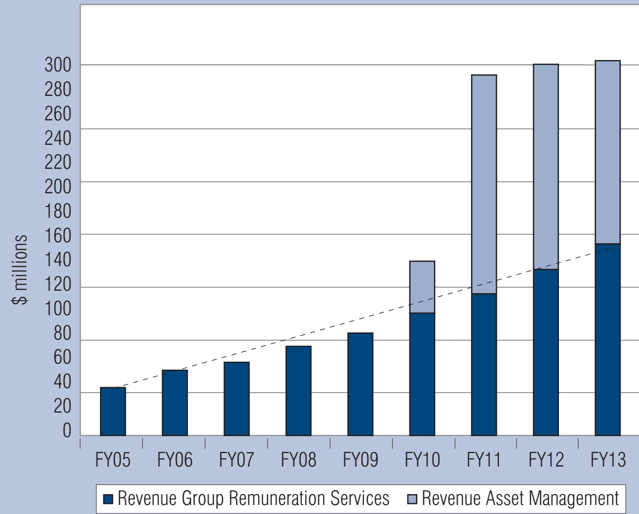
Results	**2013**	**2012**
Net profit after income tax (**NPAT**)	$62,163,519	$54,305,163
Basic earnings per share	83.4 cents	76.6 cents
Earnings per share on a diluted basis	81.9 cents	74.1 cents

Financial Highlights

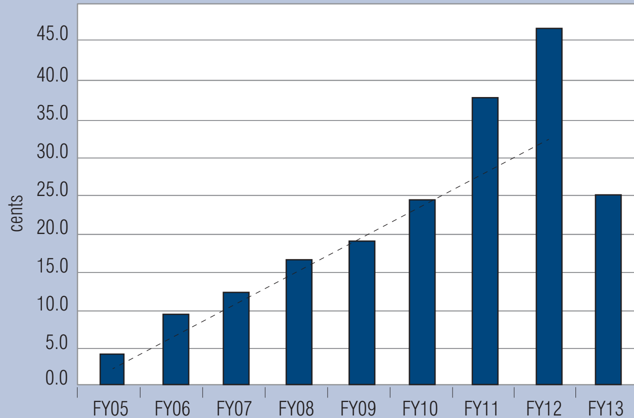
NPAT performance



Revenue performance

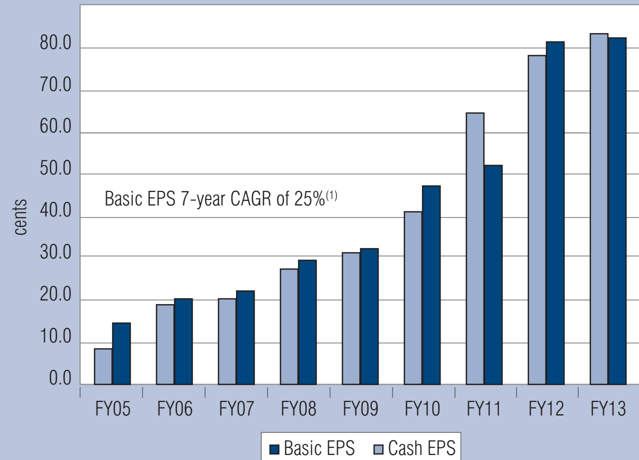


Total dividends per share

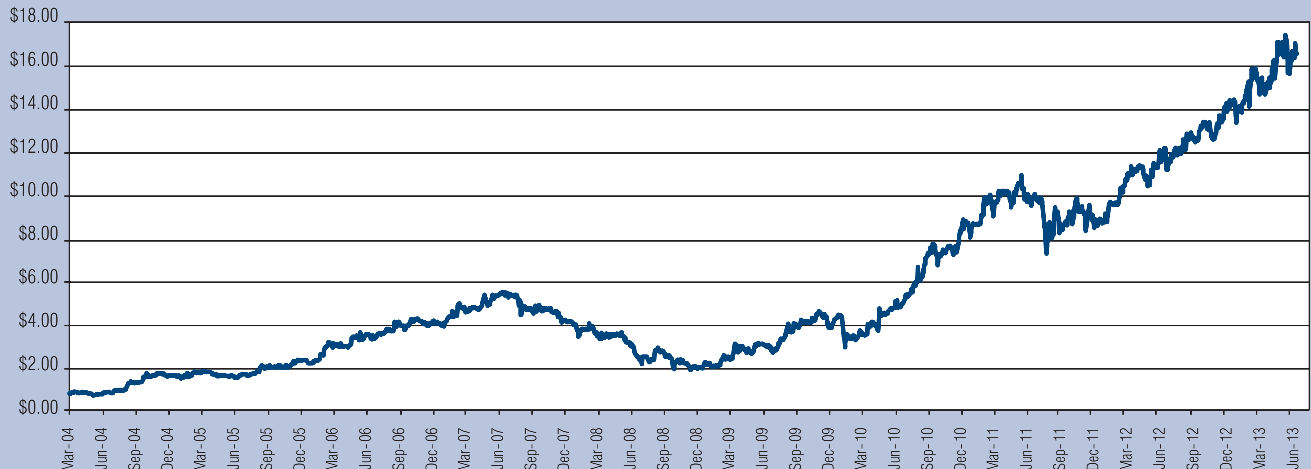


Note: Due to the uncertainty in relation to the proposed legislation changes to FBT on novated leases, a final dividend has not been declared in respect of the financial year ended 30 June 2013.

Normalised earnings per share (EPS) (2)



McMillan Shakespeare Limited
Share price - March 04 to June 13



1 *NPAT and EPS CAGR is normalised to exclude the profit recognised on acquisition of Interleasing (Australia) Limited in FY10 ($17M profit after tax).*

2 *Normalised EPS excludes the profit recognised on acquisition of Interleasing (Australia) Limited. Cash EPS includes CAPEX but excludes the investment in Fleet growth.*

DIVIDENDS

Details of dividends declared and/or paid by the Company during the financial year ended 30 June 2013 are as follows:

Dividends	2013 $	2012 $
Final dividend for the financial year ended 30 June 2012 of 25.0 cents (2011: 22.0 cents) per ordinary share paid on 12 October 2012 fully franked at the tax rate of 30% (2011: 30%).	18,630,991	15,027,150
Interim dividend for the financial year ended 30 June 2013 of 24.0 cents (2012: 22.0 cents) per ordinary share paid on 28 March 2013 fully franked at the tax rate of 30% (2012: 30%).	17,885,752	16,395,272
Total	36,516,743	31,422,422

The proposed changes by the Labor government to the treatment of fringe benefits tax (FBT) on motor vehicles if enacted are expected to materially and adversely impact the Group Remuneration Services segment and consequently, the Group's operations and financial circumstances. Under the circumstances, the Directors have not declared a final dividend in respect of the financial year ended 30 June 2013.

REVIEW OF OPERATIONS

This review is written in a climate of great uncertainty. Investors will be well aware of the Rudd Labor Government's 16 July 2013 announcement of proposed changes to the treatment of FBT on motor vehicles, see McMillan Shakespeare ASX notice dated 24 July 2013. Until the election is held on September 7 and the winner declared (and perhaps even after that should Labor win), there is no reasonable basis to make any comment on the effect of the 16 July announcement on the novated leasing component of the Group Remuneration Services business and our business more generally. Accordingly, this review will confine itself to the 2013 Financial Year.

FY13 was another successful year for the McMillan Shakespeare Group:

- NPAT increased by 15% to $62.2m. Included in that number is a $410,000 loss posted in the UK joint venture which commenced business on 1 February 2013.
- In the Group Remuneration Services segment, NPAT increased by 16% to $46.8m. Revenue increased by 14% to $156m. The EBITDA margin expanded to 45% and EBIT to 42.7%.
- The Asset Management segment (ex UK) delivered a 5% increase in profit to $15m. A pleasing result given the decrease in remarketing profits foreshadowed in our August 2012 outlook. Assets under finance increased by 17% to $307m. The growth in the second half was fairly flat. This was driven by a combination of increased competition in panel arrangements and an increase in customers putting vehicles into inertia (i.e. keeping them after the lease has expired) due to ongoing economic uncertainty.
- Our UK Joint Venture (announced to the market in February 2013) is making pleasing progress. 2014 will be an important year for the consolidation of this business, the launch of new products and services and the setting of a platform for long term profitable growth.
- McMillan Shakespeare has set up a UK finance facility, provided in GBP by one of our Australian bankers. The finance company is owned 100% by McMillan Shakespeare and will be one of a panel of providers to the UK joint venture. As credit markets remain tight in the UK, we anticipate being able to fund good quality credit risks at margins significantly better than currently available in Australia.
- The new asset management system was successfully delivered. This new platform is expected to support the business for at least 10 years.
- Phase one of the renewal of our salary packaging systems was also successfully delivered. Phase two will be completed in the second half of FY14. These systems developments are expected simultaneously to improve our service delivery and reduce our expense base.
- Headcount increased from 758 to 834.
- Our latest staff survey has seen engagement increase from 80% to 84%. This places our business in the 'high performance' category.

In summary, 2013 was a productive and successful year for the McMillan Shakespeare Group. Our core business performed well, notwithstanding generally adverse economic conditions and falling interest rates materially reducing our interest income. The UK Joint Venture has got off to a pleasing start and is expected to be a productive investment in the long term profitable growth of our Group.

STRATEGY AND PROSPECTS

The Labor Government's surprise announcement on FBT on motor vehicles is having an adverse affect on our business, at least in the short term. If the Coalition wins the election, it would appear from their policy statements, we should be able to move back to business as usual. In the meantime, we will work hard to convince Labor to change its mind. As soon as possible after the declaration of the election winner, we will further update the market on the prospects of the novated leasing component of our Remuneration Services segment and the business more generally.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year ended 30 June 2013 that are not otherwise disclosed in this Annual Report.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to reporting date, the Federal Government announced proposed legislative changes to the treatment of fringe benefits tax (FBT) on motor vehicles. The proposed change is expected to lead to an unknown and unquantifiable decrease in demand for novated leases and an adverse impact to the company's business overall. The proposed changes require the passing of legislation to become effective and if enacted will have a material adverse impact on the future earnings of the Company. The Company is working through various scenarios, including the potential structural changes to internal departments should the proposed legislation changes be enacted as law.

LIKELY DEVELOPMENTS

Other than the information otherwise disclosed in this Annual Report, information as to the likely developments in the operations of the Company and its controlled entities and the expected results of those operations in subsequent years has not been included in this Annual Report because the Directors believe, on reasonable grounds, they are wholly dependent on the outcome of the general election on 7 September 2013.

DIRECTORS' EXPERIENCE & SPECIAL RESPONSIBILITIES

Name: **Ronald Pitcher** *AM, FCA, FCPA*

Appointed: 4 February 2004

Positions: Chairman of the Board
Member of the Audit Committee
Chairman of the Remuneration Committee

Age: 74

Mr Pitcher is a Chartered Accountant with over 45 years experience in the accounting profession and the provision of business advisory services. Mr Pitcher was formerly a director of National Can Industries Limited (since 1994) and is a director of Reece Australia Limited (since 2003). Under the Company's definition of independence, Mr Pitcher is considered to be independent.

Name: **Michael Kay** *LLB*

Appointed: 15 July 2008

Positions: Managing Director and Chief Executive Officer

Age: 55

Before joining the Company in May 2008, Mr Kay was the Chief Executive Officer of Australian Associated Motor Insurers Limited (**AAMI**). Mr Kay joined AAMI in 1993, and before rising to the position of Chief Executive Officer in 2006, he served as General Manager, Southern Region (comprising Victoria, Tasmania and South Australia) and Executive Chairman, Corporate Affairs and then, from 2002, as the Chief Operating Officer. Before joining AAMI, Mr Kay practised for 10 years as a solicitor.

Mr Kay is a director of RAC Insurance and a former member of the Commonwealth Consumer Affairs Advisory Council, the Administrative Law Committee of the Law Council of Australia, the Victorian Government Finance Industry Council and the Committee for Melbourne.

Mr Kay holds a Bachelor of Laws from the University of Sydney.

Name: **Anthony Podesta** *B Ed (Bus), MTMA, FTIA, MAICD*

Appointed: 1 December 2003

Positions: Non-Executive Director

Age: 57

Mr Podesta founded the McMillan Shakespeare business in 1988 and has been instrumental in the growth of its operations. Having commercialised the novated lease concept for employees to salary package a motor vehicle, Mr Podesta has been instrumental in the development of the outsourced salary packaging administration industry in Australia. Mr Podesta was named the Ernst & Young 2012 Australian Entrepreneur of the year. Mr Podesta is a fellow of the Taxation Institute of Australia and a member of the Australian Institute of Company Directors. Mr Podesta stepped down from his executive responsibilities effective 17 August 2010. Mr Podesta is the company's largest shareholder and is on the Board as a Non-Executive Director.

Name: **John Bennetts** *B Ec, LLB*

Appointed: 1 December 2003

Positions: Non-Executive Director
Member of the Audit Committee
Member of the Remuneration Committee

Age: 50

Mr Bennetts is an experienced investor and a founder and director of a number of companies, including being a former director of Cellestis Limited and private equity investment firm, Mooroolbark Investments Pty Limited (**M-Group**). He has also provided advisory services to a range of companies in Australia and Asia. Prior to the establishment of the M-Group, he was Group Legal Counsel and Company Secretary of Datacraft Limited. Before joining Datacraft Limited, he practised as a solicitor.

Name: **Ross Chessari** *LLB, M Tax*

Appointed: 1 December 2003

Positions: Non-Executive Director
Member of the Remuneration Committee

Age: 53

Mr Chessari is a founder and director of the investment manager, SciVentures Investments Pty Limited (**SciVentures**). Prior to founding SciVentures, Mr Chessari was the Managing Director of ANZ Asset Management and the General Manager of ANZ Trustees.

Name: **Graeme McMahon** *FCPA, FRAS, FCIT*

Appointed: 18 March 2004

Positions: Non Executive Director
Chairman of the Audit Committee
Member of the Remuneration Committee

Age: 73

Mr McMahon has extensive experience from various industries having previously been the Managing Director and Chief Executive Officer of Ansett Australia Group and a director of SSSR Holdings Pty Limited and Expo Hire (Aust.) Pty Limited. Mr McMahon was also previously a member of the Council at La Trobe University, a member of the Queensland Australian Football League Commission and the Chairman of the Essendon Football Club for seven years. He is a Fellow of the CPA of Australia and a Fellow of the Royal Aeronautical Society. Under the Company's definition of independence, Mr McMahon is considered to be independent.

COMPANY SECRETARY

Mark Blackburn: Chief Financial Officer and Company Secretary

Mark Blackburn, Dip Bus (Acct), CPA, GAICD joined McMillan Shakespeare Group as Chief Financial Officer in October 2011. Mr Blackburn commenced as Company Secretary on 26 October 2011.

Mr Blackburn has over 30 years experience in finance, working across a broad range of industries for companies such as WMC, Ausdoc, Laminex Industries, AAMI/Promina and Olex Cables. In particular, he has public company experience in financial management and advice, management of financial risks, management of key strategic projects, acquisitions and establishing joint ventures. Prior to his employment with McMillan Shakespeare Group, Mr Blackburn was Chief Financial Officer of AUSDOC Group Ltd, IOOF Holdings Ltd and iSelect Pty Ltd.

REMUNERATION REPORT

Overview

The Group's remuneration policies and practices are designed to align the interests of staff and shareholders while attracting and retaining staff members who are critical to its growth and success. The Board maintains a Remuneration Committee whose objectives are to oversee the formulation and implementation of remuneration policy and make recommendations to the Board on remuneration policies and packages applicable to the Directors and executives. For further details of the composition and responsibilities of the Remuneration Committee, please refer to the Corporate Governance Statement.

Remuneration Structure – Non-Executive Directors

The Non-Executive Directors are remunerated for their services from the maximum aggregate amount approved by the shareholders of the Company on 19 October 2010 for that purpose ($600,000 per annum). The Board sets the fees for the Chairman and the other Non-Executive Directors. No additional fees are paid for participation in Board committees.

The Board's policy is to remunerate the Chairman and the Non-Executive Directors at market rates for comparable companies for the time and commitment involved in meeting their obligations.

Neither the Chairman nor the other Non-Executive Directors received or were entitled to any performance related remuneration or options with respect to the financial years ended 30 June 2013 and 30 June 2012. There is no direct link between the remuneration of the Chairman or any other Non-Executive Director and the short term results of the Group because the primary focus of the Board is on the long term strategic direction and performance of the Group.

There are no termination payments payable to the Chairman or the other Non-Executive Directors on their retirement from office other than payments relating to the accrued superannuation entitlements included in their remuneration.

Remuneration Structure – Executive Directors and Senior Executives

Overview

In setting its remuneration arrangements, reference has been made to the current employment market in which the Group operates. The components of remuneration for each executive comprise fixed remuneration (including superannuation and benefits) and long-term equity-linked performance incentives (in the form of options). The Remuneration Committee reviews the fixed remuneration component of each executive's remuneration each year (or on promotion). For the financial year commencing July 2013 the Remuneration Committee has reviewed remuneration based on an analysis of the Top 500 Report (Director and Senior Executive Remuneration) 2013, and *Hewitt The Australian Top Executive Remuneration Report*s for organisations with Annual Revenue $251-$500 Million and 301-1,000 employees.

Fixed Remuneration

The fixed remuneration component comprises salary, superannuation and, in some cases, non-cash benefits, such as motor vehicle lease payments and car parking benefits.

Fixed remuneration reflects the duties, responsibilities and performance levels of the relevant executive, general market conditions and comparable remuneration offered in related industry sectors. No element of the fixed remuneration component is at risk.

Neither the Chief Executive Officer nor the Chief Financial Officer are remunerated separately for acting as an officer of the Company or any of its controlled entities.

Short-term Incentives

The Company does not generally offer contracted cash bonuses as part of a short term incentive program. No contracted cash based short-term incentives were paid to (or were forfeited by) any executives during the financial year ended June 2013.

The Remuneration Committee also has the authority to issue discretionary (as to both award and amount) cash bonuses as a reward for out-performance compared to budgeted targets. Such bonuses were paid to the majority of individual executives in relation to the year ended 30 June 2012 but not for the financial year ended 30 June 2013.

Long-term Incentives

From time to time the Company issues options to certain executives and employees under the McMillan Shakespeare Limited Employee Option Plan. Two types of options have been granted under this plan, performance options and voluntary options.

The Board believes that the use of options is the most appropriate form of long-term equity-based performance incentive to reinforce alignment with shareholder interests. All options issued have an exercise price (or strike price) and only become valuable to the extent that the share price rises above the exercise price. Given that options are issued at or above the prevailing market price at the date that the Board approved the grant (other than as disclosed in this Annual Report), it is implied that increased shareholder wealth is required.

The use of NPAT or earnings per share growth targets for the performance option entitlements have been adopted to align the long term interests of the executives with shareholders and ensure appropriate behaviours are adopted for the long term benefit of all stakeholders. The use of earnings per share growth targets for the performance option entitlements has historically been adopted to align the long term interests of the executives with shareholders and ensure appropriate behaviours are adopted for the long term benefit of all stakeholders. However, the Board has determined that use of NPAT targets for the options issued in the financial year ended 30 June 2012 and 30 June 2013 is a more appropriate measure than EPS targets. This was due to the high number of options (6,442,155) that vested in the year ended 30 June 2012 which materially reduced the EPS metric. These vesting options represented over 9% of the shares on issue. Recognising that NPAT targets are not an appropriate measure of performance when there is a change in the capital structure of the Company, the NPAT targets may be adjusted to take account of such changes e.g. an increase in NPAT targets would be made for increased earnings derived from option proceeds or an acquisition where additional shares were issued.

No executive can enter into a transaction that is designed or intended to hedge the executive's exposure to any unvested option. Executives will be required to provide declarations to the Board on their compliance with this policy from time to time.

Performance Options

Performance options over unissued ordinary shares in the Company are granted for no consideration and are, other than as disclosed in this Annual Report, granted at or above market prices prevailing when the Board approved the issue. Performance options carry no dividend or voting rights. Once exercised, each option is converted into one fully paid ordinary share in the Company.

The Remuneration Committee recommends to the Board the number of performance options to be granted on the basis of the position, duties and responsibilities of the relevant executive.

As at 30 June 2013, the Company had made fourteen offers of performance options in March 2004, December 2004, April 2005, August 2005, February 2007, December 2007, July 2008, November 2008, August 2009 and May 2010, August 2011, October 2011, March 2012 and July 2012. Many of the performance options issued have vested or expired prior to the financial year ended 30 June 2012. No options vested during the financial ended 30 June 2013.

Details of total current performance options granted but have not vested are as follows.

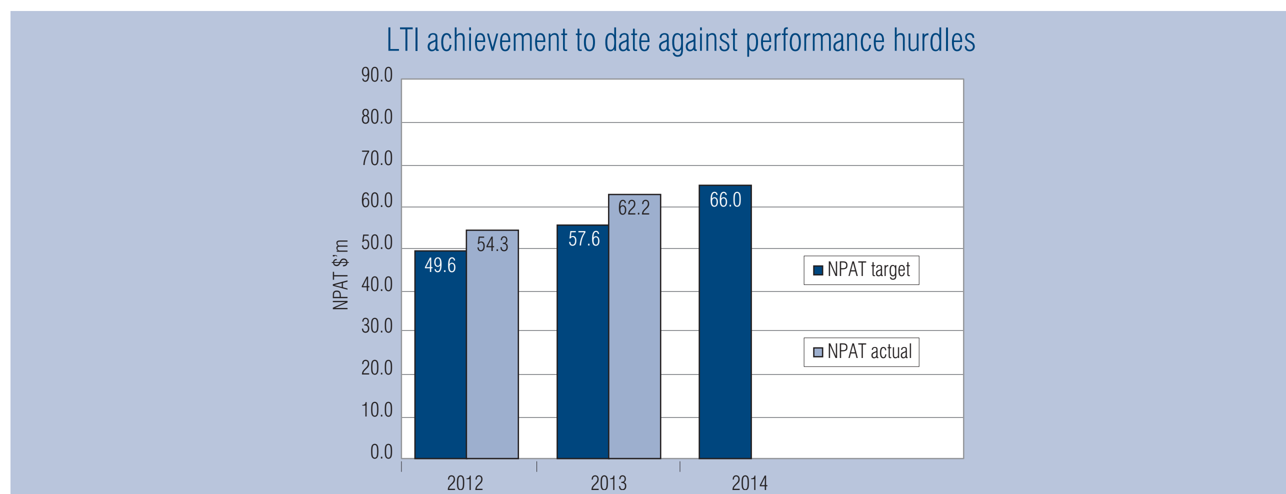
Options & issue date	Expiry	Conditions	Vesting details
537,634 (May 2010)		The entitlement is subject to the completion of a 36 month contract ending 30 September 2014 and the achievement of predetermined NPAT targets as described below.	Entire issue vests and is exercisable (subject to the achievement of the conditions) on 1 October 2014.
1,831,540 (August 2011) and 352,942 (October 2011) and 31,250 (March 2012)	The options expire four years from the relevant date of issue.	The entitlement to exercise these options is subject to continuity of employment and the achievement of predetermined targets, of which 100% is based on NPAT growth targets over three years. The NPAT growth will be based on the actual NPAT achieved for the year ending 30 June 2011 (the 'Base Year'). The NPAT growth target will be based on compounding growth targets from the Base year. In the event that the NPAT target in any one year is not achieved, at the end of the three year period ending 30 June 2014 the actual compound NPAT over the three year period will be calculated, and if the total exceeds the compound NPAT target for the three year period, then the executives will be entitled to exercise all the options which have not been forfeited. The Board retains the right to adjust the NPAT targets in the event of a change in the capital structure of the Company that impacts earnings per share. Any change to the NPAT targets will be made having regard to the actual NPAT impact of the change to the capital structure. In the event that the executives take unpaid leave for a period exceeding three months during any of the year ending 30 June 2012, 2013 or 2014, the vesting criteria outlined above with respect to the financial performance of the Company and the executives continued employment will be determined on a pro rata basis to reflect the period of their continuous service during the relevant financial year, unless the Board in its discretion determine otherwise. The performance hurdles are as follows. **Performance Hurdles** / **Vesting portion** FY2012 NPAT growth not less than 12.5% — 33.34% FY2013 NPAT growth not less than 15.0% — 33.33% FY2014 NPAT growth not less than 15.0% — 33.33%	The entire issue vests upon the adoption of the Company's Annual Report for the financial year ended 30 June 2014.

Options & issue date	Expiry	Conditions	Vesting details
121,331 (July 2012)	The options expire three years from the relevant date of issue.	The entitlement to exercise these options is subject to continuity of employment and the achievement of predetermined targets, of which 100% is based on NPAT growth targets over two years. The NPAT growth will be based on the actual NPAT achieved for the year ending 30 June 2012 (the 'Base Year'). The NPAT growth target will be based on compounding growth targets from the Base year. In the event that the NPAT target in any one year is not achieved, at the end of the two year period ending 30 June 2014 the actual compound NPAT over the two year period will be calculated, and if the total exceeds the compound NPAT target for the two year period, then the executive will be entitled to exercise all the options which have not been forfeited. The Board retains the right to adjust the NPAT targets in the event of a change in the capital structure of the Company that impacts earnings per share. Any change to the NPAT targets will be made having regard to the actual NPAT impact of the change to the capital structure. In the event that the executives take unpaid leave for a period exceeding three months during any of the year ending 30 June 2013 or 2014, the vesting criteria outlined above with respect to the financial performance of the Company and the executive continued employment will be determined on a pro rata basis to reflect the period of their continuous service during the relevant financial year, unless the Board in its discretion determine otherwise. The performance hurdles are as follows.	The entire issue vests upon the adoption of the Company's Annual Report for the financial year ended 30 June 2014.

Performance Hurdles	Vesting portion
FY2013 NPAT growth not less than 15.0%	50.0%
FY2014 NPAT growth not less than 15.0%	50.0%

No performance options vested during the financial year ended 30 June 2013.

In respect of the May 2010, August 2011, October 2011 and March 2012 performance options, actual NPAT performance for the financial years ending 30 June 2012 and 2013 have outperformed the respective applicable NPAT targets using the 2011 base year NPAT of $43.5m. The NPAT targets for FY12, FY13 and FY14 have been increased from their initial targets to reflect the increased profit the Group has derived from the change in the capital structure of the Company following the receipt of $29.7m of share capital from the exercise of employee share options and $0.6m of premiums received on the issue of voluntary options. The amount of the increase in NPAT targets is based on the lower interest expense that the Group is benefiting from compared to if the options exercise proceeds and option premium were not otherwise received. The increase in NPAT target in FY12 is $0.7m and $1.4m for both FY13 and FY14. The following graph illustrates the actual NPAT performance compared to the NPAT performance targets for FY12 and FY13.



Voluntary Options

To provide executives with an additional opportunity to invest in MMS the Board first granted voluntary options in the year ended 30 June 2012 when 314,578 options were issued at $1.32 each and expire on 30 September 2015 (the consideration was set at a 25% discount to the fair value of the options on grant date) up to an investment limit of $50,000 per executive. The maximum discount to any one executive is therefore, limited to $16,666.

The entitlement to exercise the voluntary options is not contingent upon continued employment with the Company nor are there performance hurdles. However, if the executive leaves employment before 31 August 2014, the executive will forfeit 25% of their entitlement for $1 (the amount forfeited being equal to the 25% discount to the fair market value that applied to the acquisition price of the option at the date of the conditional offer and acceptance). The vesting date of these options is upon adoption of the Company's FY 2014 Annual Report. No performance hurdles are attached to these options as the executive has paid $50,000 for the purchase of these options (representing 75% of the fair value of the options on grant date).

Retirement Benefits - Executives

No contracted retirement benefits are in place with any of the Company's executives. Retirement benefits may be provided by the Company to executives (including executive directors) from time to time if approved by shareholders (or otherwise provided in accordance with the *Corporations Act* 2001 (Cth)).

Remuneration Details

The senior executives specified in the Remuneration Report as key management personnel (as defined in AASB124 Related Party disclosures) have, either directly or indirectly, authority and responsibility for planning, directing and controlling the activities of the Group. The Directors do not believe that any other senior employees of the Company or its controlled entities are required to be identified.

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

The key management personnel of the Group are the Directors of McMillan Shakespeare Limited and the executives listed in the table below.

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments		
	Cash salary/ fees[1]	Cash Bonus	Other Benefits[2]	Super	Termination Benefits[3]	Long Service Leave	Options[4]	Total Remuneration	Percentage of Remuneration as options
2013	$	$	$	$	$	$	$	$	%
Non-Executive Directors									
Mr R. Pitcher, AM (Chairman)	175,560	-	-	15,800	-	-	-	191,360	-
Mr J. Bennetts (Non-Executive Director)	70,642	-	-	6,358	-	-	-	77,000	-
Mr R. Chessari (Non-Executive Director)	70,642	-	-	6,358	-	-	-	77,000	-
Mr G. McMahon (Non-Executive Director)	83,021	-	-	20,979	-	-	-	104,000	-
Mr A. Podesta (Non-Executive Director)	52,000	-	-	25,000	-	-	-	77,000	-
Executive Director									
Mr M. Kay (CEO and Managing Director)[5]	1,001,595	-	7,895	25,000	-	73,972	464,239	1,572,701	30%
Other key management personnel									
Mr G. Kruyt (Chief Operating Officer)[6]	377,095	-	4,871	16,470	-	20,095	85,592	504,123	17%
Mr P. Lang (Group Executive, Customers and Corporate Affairs)[7]	265,743	-	32,751	16,470	-	16,130	81,552	412,646	20%
Mr M. Blackburn (Group CFO and Company Secretary)[10]	479,145	-	76,336	25,000	-	292	203,460	784,233	26%
Mr M. Salisbury (Managing Director, Remuneration Services)[8]	278,238	-	17,492	19,581	-	21,229	75,830	412,370	18%
Mr A. Tomas (Managing Director, Fleet and Financial Products)[9]	392,863	-	88,531	25,000	-	4,020	91,869	602,283	15%
2012									
Non-Executive Directors									
Mr R. Pitcher, AM (Chairman)	167,431	-	-	15,069	-	-	-	182,500	-
Mr J. Bennetts (Non-Executive Director)	64,220	-	-	5,780	-	-	-	70,000	-
Mr R. Chessari (Non-Executive Director)	64,220	-	-	5,780	-	-	-	70,000	-
Mr G. McMahon (Non-Executive Director)	60,844	-	-	37,635	-	-	-	98,479	-
Mr A Podesta (Non-Executive Director)	7,729	-	-	62,271	-	-	-	70,000	-
Executive Director									
Mr M. Kay (CEO and Managing Director)[5]	970,334	75,000	15,282	50,000	-	4,328	516,036	1,630,980	32%
Other key management personnel									
Mr G. Kruyt (Chief Operating Officer)[6]	286,578	85,000	42,264	15,775	-	24,911	67,893	522,421	13%
Mr P. Lang (Group Executive, Customers and Corporate Affairs)[7]	252,675	60,000	24,200	15,775	-	11,344	64,864	428,858	15%
Mr M. Blackburn (Group CFO and Company Secretary)[10]	214,474	40,000	181,985	29,851	-	32	162,609	628,951	26%
Mr M. Salisbury (Managing Director, Remuneration Services)[8]	232,752	50,000	9,040	18,899	-	2,073	33,983	346,747	10%
Mr A. Tomas (Managing Director, Fleet and Financial Products)[9]	437,615	300,000	76,702	25,020	-	95	114,707	954,139	12%

In the case of redundancy, the company Redundancy Policy will apply to the extent that the payment is greater than the payment made to an executive on termination.

1 *The amounts shown for the Non-Executive Directors reflect directors' fees only. The amounts shown for the executives reflect cash salary and annual leave entitlements.*

2 *Other benefits reflect motor vehicle packaging payments, investment loan repayments, education expenses, travel benefits and/or car parking benefits.*

3 *Other than as disclosed in this Annual Report, termination benefits include all annual leave and, where applicable, long service leave entitlements that accrued during the financial years ended 30 June 2012 and 30 June 2013.*

4 *The equity value comprises the value of options issued. No shares were issued to any Director (and no options were granted to any Director) during the financial years ended 30 June 2013 and 30 June 2012. The value of options issued to executives (as disclosed above) are the assessed fair values (less any payments for the options) at the date that the options were granted to the executives, allocated equally over the period from when the services are provided to vesting date. Fair values at grant date are determined using a binomial option pricing model that takes into account the exercise price, the expected term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.*

The model inputs for options granted to executives during the financial years ended 30 June 2013 and 30 June 2012 included:

Model inputs	**30 June 2013 (July 2012)**	**30 June 2012 (March 2012)**	**30 June 2012 (October 2011)**	**30 June 2012 (August 2011)**	**30 June 2012 (August 2011) (ii)**	**30 June 2012 (August 2011) (i)**
Consideration payable upon grant	*Nil*	*Nil*	*Nil*	*Nil*	*$1.32*	*Nil*
Exercise price	*$11.42*	*$9.29*	*$8.54*	*$7.31*	*$7.31*	*$7.31*
Grant date	*24 July 2012*	*14 March 2012*	*26 October 2011*	*16 August 2011*	*16 August 2011*	*16 August 2011*
Expected life	*2.2 years*	*2.8 years*	*3.0 years*	*3.2 years*	*3.2 years*	*3.2 years*
Share price at grant date	*$11.42*	*$9.29*	*$8.54*	*$7.31*	*$7.31*	*$8.54*
Expected price volatility	*40%*	*42%*	*34%*	*40%*	*40%*	*34%*
Expected dividend yield	*4.0%*	*4.1%*	*4.4%*	*5.3%*	*5.3%*	*4.4%*
Risk-free interest rate	*2.2%*	*3.7%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*

(i) *These options were granted to Mr M. Kay in August 2011 and subsequently approved by shareholders at the Annual General Meeting on 25 October 2011.*

(ii) *This option issue was for voluntary options whereas the other issues were performance options.*

5 *The current employment agreement between Mr Kay and the Company commenced on 9 September 2011 and is for a fixed term ending 31 August 2014. The agreement provides for termination of employment by either party without cause on the provision of six months' written notice (or, with respect to the Company, payment in lieu). The agreement may also be terminated by the Company for cause without notice or any payment. Mr Kay served as an executive at all times during the financial year ended 30 June 2013.*

6 *The current employment agreement between Mr Kruyt and the Company commenced on 3 October 2011 and is ongoing. The agreement provides for termination of employment by either party on the provision of six months' written notice (or, with respect to the Company, payment in lieu). The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Kruyt served as an executive at all times during the financial year ended 30 June 2013.*

7 *The current employment agreement between Mr Lang and the Company commenced on 12 September 2011 and is ongoing. The agreement provides for termination of employment by either party on the provision of six months' written notice (or, with respect to the Company, payment in lieu). The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Lang served as an executive at all times during the financial year ended 30 June 2013.*

8 *The employment agreement between Mr Salisbury and the Company commenced on 1 July 2008 and is ongoing. The agreement provides for termination of employment by either party with 12 weeks' notice. The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Salisbury served as an executive at all times during the financial year ended 30 June 2013.*

9 *The current employment agreement between Mr Tomas and the Company commenced on 3 October 2011 and is for a fixed term ending 30 September 2014. The agreement provides for termination of employment by either party without cause with six month's notice in writing (in the case of the Company, subject to a termination payment). The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Tomas served as an executive at all times during the financial year ended 30 June 2013. Included in the 2012 cash bonus is $250,000 that was paid during the year ended 30 June 2012 pursuant to the completion of the Interleasing STI program which was established to reward certain achievements in relation to the acquisition of Interleasing (Australia) Limited. (see page 6).*

10 *The employment agreement between Mr Blackburn and the Company commenced on 10 October 2011 and is for a five year fixed term. The agreement provides for termination of employment by either party without cause on the provision of six months' written notice (or, with respect to the Company, payment in lieu). The agreement may also be terminated by the Company for cause without notice or any payment. Mr Blackburn served as an executive during the financial year ended 30 June 2013.*

Remuneration at risk

The relevant proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2013	2012	2013	2012	2013	2012
Executive Directors						
Mr M. Kay	71%	64%		4%	29%	32%
Key management personnel						
Mr G. Kruyt	83%	71%	-	16%	17%	13%
Mr P. Lang	80%	71%	-	14%	20%	15%
Mr M. Blackburn	74%	68%	-	6%	26%	26%
Mr M. Salisbury	82%	76%	-	14%	18%	10%
Mr A. Tomas	85%	57%	-	31%	15%	12%

Consequences of performance on shareholders' wealth

In addition to the links between remuneration and shareholder value discussed above, when reviewing the Group's performance and benefits for shareholder wealth, and the link to the remuneration policy, the following indices are generally considered:

Indices	2013	2012	2011	2010	2009
Net profit attributable to Company members	$62,163,519	$54,305,163	$43,460,470	$44,959,784	$20,522,752
NPAT growth (1)	14.5%	25.0%	55.7%	36.0%	18.2%
Dividends paid	$36,516,743	$31,422,422	$20,388,246	$13,854,604	$11,827,100
Share price as at 30 June	$16.18	$11.82	$9.58	$4.69	$2.92
Earnings per share	83.4 cents	76.6 cents	64.0 cents	66.5 cents	30.4 cents

1 *NPAT growth in 2011 and 2010 have excluded the gain on acquisition of Interleasing (Australia) Limited in April 2010 of $17,055,000.*

Net profit is considered as part of the financial performance targets in setting short term incentives. Dividends, changes in share price, return on equity and earnings per share are all taken into account when setting the 'at risk' components of executive remuneration.

The overall level of executive compensation takes into account the performance of the Group over a number of years. The Group's profit from ordinary activities after tax and earnings per share has grown at a compound annual growth rate (**CAGR**) of 29% per annum over the period from 1 July 2008 until 30 June 2013 (excluding the gain on business combination). Over the same period the average return on equity (**RoE**) exceeded 35%.

Option Details

No options were granted to, exercised by or lapsed with respect to Directors during the financial years ended 30 June 2013 or 30 June 2012. The terms and conditions of each grant of options to executives affecting their remuneration in the financial year ended 30 June 2013 and each relevant previous or future financial year are as follows:

Grant Date	Expiry Date	Share price at valuation date	Exercise Price	Value per option at grant date[1]	Date Exercisable
28 May 2010	1 October 2015	$3.42	$3.42	$0.930	100% after 1 October 2014
16 August 2011	30 September 2015	$7.31	$7.31	$1.759	100% after 7 September 2014
16 August 2011[(2)]	30 September 2015	$8.54	$7.31	$2.310	100% after 7 September 2014
25 October 2011	30 September 2015	$8.54	$8.54	$1.870	100% after 7 September 2014
14 March 2012	30 September 2015	$9.29	$9.29	$2.400	100% after 7 September 2014
24 July 2012	30 September 2015	$11.42	$11.42	$2.555	100% after 7 September 2014

1 *Reflects the value at grant date for options granted as part of remuneration calculated in accordance with AASB 2: Share-based Payment.*
2 *These options were issued to the Managing Director on 16 August 2011 and valued on the day of approval by shareholders at the Annual General Meeting on 25 October 2011.*

Details of the options over ordinary shares in the Company provided as remuneration to each director and key management personnel of the parent entity and the Group are set out below. When exercisable each option is convertible into one ordinary share of McMillan Shakespeare Limited.

Name	Year of grant	Type of option	Number of options granted	Value of options granted during the year [1]	Number of options vested during year	Vested %	Number of options forfeited/ lapsed during the year [2, 3]	Forfeited or lapsed %	Year in which options may vest [3]	Maximum value of options to vest [4]
Executive Directors										
Mr M. Kay	2012	Performance	682,206	-	-	-	-	-	2015	$669,119
Mr M. Kay	2012	Voluntary	37,900	-	-	-	-	-	2015	$15,944
Key management personnel										
Mr G. Kruyt	2012	Performance	159,637	-	-	-	-	-	2015	$119,227
Mr G. Kruyt	2012	Voluntary	37,901	-	-	-	-	-	2015	$7,078
Mr P. Lang	2012	Performance	151,655	-	-	-	-	-	2015	$113,266
Mr P. Lang	2012	Voluntary	37,901	-	-	-	-	-	2015	$7,078
Mr M. Blackburn	2012	Performance	352,942	-	-	-	-	-	2015	$293,932
Mr M. Salisbury	2013	Performance	31,311	$80,000	-	-	-	-	2015	$47,330
Mr M. Salisbury	2012	Performance	85,276	-	-	-	-	-	2015	$63,690
Mr A. Tomas	2010	Performance	537,634	-	-	-	-	-	2015	$162,927
Mr A. Tomas	2012	Voluntary	37,901	-	-	-	-	-	2015	$7,078

1 *Reflects the value at grant date for options granted as part of remuneration during the financial year ended 30 June 2012 calculated in accordance with AASB 2: Share-based Payment.*
2 *Reflects the value at lapse date for options that were granted as part of remuneration and lapsed during the financial year ended 30 June 2013.*
3 *25% of the voluntary options will be forfeited for $1 if the executive leaves employment before 31 August 2014.*
4 *There is no minimum value attached to the options to vesting date.*

No person holding an option has or had, by virtue of the option, a right to participate in a share issue of any other corporation.

UNISSUED SHARES

At the date of this Annual Report, unissued ordinary shares of the Company under option are:

Option class	No. of unissued ordinary shares	Exercise price	Expiry date
Performance Options	537,634	$3.42	1 October 2015
Performance Options	1,831,540	$7.31	30 September 2015
Voluntary Options	314,578	$7.31	30 September 2015
Performance Options	352,942	$8.54	30 September 2015
Performance Options	31,250	$9.29	30 September 2015
Performance Options	121,331	$11.42	30 September 2015

DIRECTORS' INTERESTS

At the date of this Annual Report, the relevant interest of each Director in the securities issued by the Company and its controlled entities, as notified by the Directors to the Australian Stock Exchange Limited (**ASX**) in accordance with section 205G(1) of the *Corporations Act* 2001 (Cth), is as follows:

Director	Options	Ordinary shares
Mr R. Pitcher, AM (Chairman)	-	25,100
Mr M. Kay (Managing Director)	720,106	811,904
Mr J. Bennetts	-	3,993,025
Mr R. Chessari	-	6,050,941
Mr G. McMahon	-	122,000
Mr A. Podesta	-	7,235,000

No Director has, during the financial year ended 30 June 2013, become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors shown in the Remuneration Report or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a controlled entity with the Director or an entity in which the Director has a substantial financial interest or a firm in which the Director is a member.

ENVIRONMENTAL REGULATIONS

The Directors believe that the Company and its controlled entities have adequate systems in place for the management of relevant environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Company and its controlled entities.

INDEMNIFICATION AND INSURANCE

Under the Company's Constitution, the Company indemnifies the Directors and officers of the Company and its wholly-owned subsidiaries to the full extent permitted by law against any liability and all legal costs in connection with proceedings incurred by them in their respective capacities.

The Company has also entered into a Deed of Access, Indemnity and Insurance with each Director, each Company Secretary, and each responsible manager under the licenses which the Company holds (**Deed**), which protects individuals acting as officeholders during their term of office and after their resignation. Under the Deed, the Company also indemnifies each officeholder to the full extent permitted by law.

The Company has a Directors & Officers Liability Insurance policy in place for all current and former officers of the Company and its controlled entities. The policy affords cover for loss in respect of liabilities incurred by Directors and officers where the Company is unable to indemnify them and covers the Company for indemnities provided to its Directors and officers. This does not include liabilities that arise from conduct involving dishonesty. The Directors have not included the details of premium paid with respect to this policy for the year ended 30 June 2013 as such disclosure is not permitted under the terms of the policy. The details of premium paid with respect to this policy for the 12 months to May 2014 is $71,408.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor of the Company, Grant Thornton Audit Pty Ltd and its related practices, for non-audit services provided, during the financial year ended 30 June 2013, are disclosed in Note 4 to the Financial Statements.

The Company's policy is that the external auditor is not to provide non-audit services unless the Audit Committee has approved that work in advance, as appropriate.

The Audit Committee has reviewed a summary of non-audit services provided during the financial year ended 30 June 2013 by Grant Thornton Audit Pty Ltd. Given that the only non-audit services related to client contract audits and review of banking covenant compliance, the Audit Committee has confirmed that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act* 2001 (Cth). This has been formally advised to the Board. Consequently, the Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices did not compromise the auditor independence requirements of the *Corporations Act* 2001 (Cth).

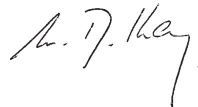
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act* 2001 (Cth), is set out on page 65 of this Annual Report.

CORPORATE GOVERNANCE PRACTICES

A Corporate Governance Statement is set out on pages 15 to 19 of this Annual Report.

Signed in accordance with a resolution of the Directors.



Ronald Pitcher, AM
Chairman

Michael Kay
Managing Director

27 August 2013

Melbourne, Australia

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

This statement outlines the corporate governance policies and practices formally adopted by the Company. These policies and practices are in accordance with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (ASX Principles), unless otherwise stated.

ROLE OF THE BOARD

The role of the Board is to provide strategic guidance for the Group and effective oversight of management. The Board operates in accordance with the Company's Constitution, Board Charter and Delegated Authority Matrix, which describe the Board's composition, functions and responsibilities and designates authority reserved to the Board and that delegated to management. The Board charter can be accessed on the Company's website (www.mmsg.com.au).

COMPOSITION OF THE BOARD

As at the date of this Annual Report, the Directors are as follows:

Name	Position	Appointment
Mr R. Pitcher, AM	Independent Chairman	4 February 2004
Mr M. Kay	Managing Director and Chief Executive Officer	15 July 2008
Mr J. Bennetts	Non-Executive Director	1 December 2003
Mr R. Chessari	Non-Executive Director	1 December 2003
Mr G. McMahon	Independent Non-Executive Director	18 March 2004
Mr A. Podesta	Non-Executive Director	1 December 2003

Each Director is a senior executive with the skills and experience necessary for the proper supervision and leadership of the Company. As a team, the Board brings together a broad range of qualifications and experience in remuneration services, financial services, finance, accounting, law, sales and marketing and public company affairs. Details of the Directors, their experience and their special responsibilities with respect to the Company are set out in the Directors' Report.

The Board considers a Director independent if that person is free of management and other business relationships that could materially interfere, or could reasonably be perceived to materially interfere, with the exercise of objective and independent judgement. More information can be obtained from the Group's Policy on the Independence of Directors which can be accessed on the Company's website. The Chairman determines the relevant materiality thresholds on a case by case basis with reference to both quantitative and qualitative bases.

The ASX Guidelines recommend that a listed company should have a majority of directors who are independent. The Board, as currently composed, does not comply with this recommendation. Mr Chessari and Mr Bennetts currently hold, through their controlled entities, approximately 8.1% and 5.4% respectively of the shares in the Company. These Directors have participated in the growth and development of McMillan Shakespeare and have a significant interest in the Company's continued success. Given their history and skills, the Board believes that it is appropriate for each of these Directors to remain on the Board.

Despite stepping down as CEO in the year ended 30 June 2008, and resigning as an Executive Director on 17 August 2010, Mr Podesta continues as a Director of the Company. As the founder of the Company, and with over 20 years experience in the remuneration services industry, Mr Podesta brings a wealth of experience and an in-depth knowledge of the Group's operations and customers to the Board. As the Company's largest shareholder, he also has a significant interest in the Company's continued success. As such, the Board believes that it is appropriate for Mr Podesta to remain on the Board as a non-independent Director.

The Company believes that the Board, as currently composed, has the necessary skills and motivation to ensure that it continues to perform strongly notwithstanding that its overall composition does not specifically meet the ASX Principles. Details of the experience of the Directors is contained in the Directors' Report.

The Chairman is responsible for leading the Board ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationships with the Company's senior executives.

The Chief Executive Officer is responsible for implementing Group strategies and policies. The Board Charter specifies that these are separate roles to be undertaken by separate people.

BOARD PRACTICES

The Board meets regularly to evaluate, control, review and implement the Company's operations and objectives. The Directors receive monthly reports from the Chief Executive Officer, the Chief Financial Officer and operational managers. A Director, subject to prior approval of the Chairman or, in the absence of that approval, the Board may seek independent professional advice (including legal advice) at the Company's expense to assist them in carrying out their duties and responsibilities.

PERFORMANCE REVIEW

The Board has delegated the responsibility for evaluating the performance of the Board, the Directors and the Board Committees to the Chairman. The performance evaluation includes the examination of the performance of the Board and the individual Directors against the Board Charter. The evaluation may establish goals and objectives for the Board and provide any recommendations for improvement to Board performance as it sees fit. The Chairman undertook the performance appraisal of the Board, the individual Directors and the Board Committees with respect to the financial year ended 30 June 2013 in July 2013.

The Board has delegated the responsibility for evaluating the performance of executive management to the Remuneration Committee and CEO.

Given the size of the Company's operations, the Board has decided against the establishment of a separate nomination committee at this time. As such, the responsibility for the selection and nomination of new Directors remains with the full Board.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, which is structured so that the committee is chaired by an independent director and consists of at least three members all of whom are Non-Executive Directors. Details of names and relevant qualifications of the Directors appointed to the Remuneration Committee, the number of meetings of the committee held during the year ended 30 June 2013 and the attendance record for each relevant member can be found in the Directors' Report.

The Remuneration Committee is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent expert and adviser as it considers appropriate in order to ensure that its responsibilities can be carried out effectively. The Remuneration Committee has a documented charter approved by the Board. The charter can be accessed on the Company's website.

The CEO carries out half-yearly performance reviews with each member of the senior executive team, comparing the individual's performance against their agreed performance targets. This process was completed for the year ended 30 June 2013 with the CEO's report to the July 2013 meeting of the Remuneration Committee. The Remuneration Committee has evaluated the performance of the Chief Executive Officer for the year ended 30 June 2013, taking account of the performance of the Group and other non-financial outcomes.

The ASX Principles recommend that the majority of members of the Remuneration Committee should be independent. The Remuneration Committee, as currently composed, does not comply with this recommendation.

At present, the Remuneration Committee is comprised of four members, two of whom are not independent. Mr Chessari and Mr Bennetts have participated in the growth and development of McMillan Shakespeare and have a significant interest in the Company's continued success. Given their management experience and skills, the Board believes that it is appropriate for each of these Directors to remain members of the Remuneration Committee.

AUDIT COMMITTEE

The Board has established an Audit Committee, which is structured so that the committee is chaired by an independent director and consists of at least three members, all of whom are Non-Executive Directors. Details of the names and relevant qualifications of the Directors appointed to the Audit Committee, the number of meetings of the committee held during the year ended 30 June 2013 and the attendance record for each relevant member can be found in the Directors' Report.

The Audit Committee is empowered to investigate any matter brought to its attention and has direct access to any employee, the independent auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be performed effectively. The Audit Committee has a documented charter approved by the Board. The charter can be accessed on the Company's website.

The Board believes that during the financial year ended 30 June 2013, the Audit Committee had appropriate financial expertise with all members being financially literate and having a deep understanding of the industry in which the Company operates.

The external auditor together with the Chief Executive Officer and Chief Financial Officer are invited to attend the meetings. The Audit Committee also meets with the external auditor twice a year without management to provide the auditor the opportunity to provide feedback on the conduct of the audit and management.

The Company has adopted procedures for the selection and appointment of the external auditor, and the rotation of external audit engagement partners in line with the *Corporations Act* 2001 (Cth).

FINANCIAL REPORTING & RISK MANAGEMENT

Given the nature and size of the Company's operations, the Board has decided against the establishment of a separate Board risk management committee at this time, and risk management remains a direct responsibility of the full Board. As such, the Board has ultimate responsibility for the integrity of the Company's financial reporting. As part of the Group's risk management processes, senior management attend a monthly Risk and Compliance Committee, which is supported by internal control processes for identifying, evaluating and managing significant financial, operational and compliance risks to the achievement of the Company's objectives, which are subject to Board oversight from time to time. In addition, an independent external party has been appointed to provide internal audit services as required from time to time.

The Company has reviewed its formal Risk Management Policy and Framework during the year, and the Credit Committee and Interest Committee met on a monthly basis during the year. The Risk Management Policy and Framework are accessible to all staff on the Group's intranet and identify the material risks affecting the Company and the manner in which each of those risks will be managed. A copy of the Company's Risk Management Policy can be accessed on the Company's website.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clear lines of accountability and delegation of authority. Adherence to the Director and Employee Codes of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Directors have received and considered written representations from the Chief Executive Officer and the Chief Financial Officer in accordance with the ASX Principles. The written representations confirmed that:

- the financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the Company and its controlled entities and are in accordance with all relevant accounting standards; and
- the above statement is founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board and that compliance and control is operating efficiently and effectively in all material respects.

The Company's external auditor has been invited to attend the Annual General Meeting and be available to answer questions from the members of the Company about the conduct of the audit and the preparation and content of the Independent Audit Report.

REMUNERATION POLICY

The Company's remuneration policy is structured to ensure that the reward for performance is competitive and appropriate for the results delivered. Further, it aims to ensure that remuneration packages properly reflect the duties and responsibilities and level of performance of the staff member and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Non-executive Directors are remunerated by way of fees and do not participate in profit or incentive schemes and do not generally receive options, incentive payments or retirement benefits other than statutory superannuation.

Executive remuneration generally comprises the following elements:

- fixed remuneration, including superannuation and benefits, which is set at a level that reflects the marketplace for each position;
- long-term equity-linked performance incentives, in the form of share options, which incorporate exercise restrictions based on continuity of employment and the achievement of certain individual and financial performance hurdles.

Cash bonuses may also be issued at the discretion of the Board. The Company does not generally offer contracted cash bonuses as part of a short term incentive program, but may do so in special circumstances.

Further details of the Company's remuneration policies and practices in relation to the Directors and executives can be found in the Directors' Report under the heading 'Remuneration Report'.

COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

The Company's commitment to communicating with its shareholders is embodied in its Shareholder Communication Policy and its Continuous Disclosure Policy, which contain policies and procedures on information and disclosure to facilitate continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. While the Company's commitment to communicating with its Shareholder's is unchanged, given the uncertainty in respect of proposed changes to the FBT treatment of motor vehicles, the Company has suspended all communication with investment analysts, Shareholders, the press etc until after the election, unless the position becomes clearer beforehand. As soon as possible after the declaration of the election winner, the Company will update the market on the prospects of the novated leasing component of our Group Remuneration Services segment and the business more generally. The Company will, of course, continue to provide updates and guidance to Shareholders and the market on material changes in relation to its operations and financial circumstances. The Company's Continuous Disclosure Policy and the Shareholder Communication Policy can be accessed on the Company's website.

In addition to the distribution of the Annual Report, information is communicated to shareholders via the Company's website on *www.mmsg.com.au*.

ETHICS AND CODES OF CONDUCT

The Company has adopted a Director Code of Conduct that applies to the Directors of the Company. The Director Code of Conduct reflects the commitment of the Company to ethical standards and practices. The Director Code of Conduct can be reviewed on the Company's website.

The Company has also adopted an extensive Employee Code of Conduct that applies to all employees of the Company, which acknowledges the need for, and continued maintenance of, the highest standard of ethics and seeks to ensure that employees act honestly, transparently, diligently and with integrity. A summary of the Employee Code of Conduct can be accessed on the Company's website.

The Company has also implemented a policy on securities trading that binds all of the Group's officers and employees. In addition to ensuring that all

officers and employees are aware of the legal restrictions on trading in the Company's securities whilst in possession of unpublished price-sensitive information, the policy also places restrictions on when Directors and employees can deal in the Company's securities and requires the Directors and certain employees to notify the Company Secretary upon dealing in the Company's securities. The policy can be accessed on the Company's website.

The Company has adopted a Whistleblower Policy, which is designed to ensure that employees of the Group can raise concerns in good faith regarding actual or suspected improper conduct or malpractice in the Group, without fear of reprisal or feeling threatened by doing so. The policy can be accessed on the Company's website.

The Company has an Equal Opportunity & Diversity Policy which assists in confirming the Company's commitment to a diverse workforce, ensuring there is ongoing development and implementation of relevant plans, programs and initiatives to recognise and promote diversity, and in establishing the process for appropriate reporting. The policy can be accessed on the Company's website.

The Board encourages and supports the Company's commitment to ensuring a work environment that provides equal opportunity for all. Equal opportunity protects the principle that every person has the right to be treated fairly. The Company fosters an environment which encourages and values diversity in the workplace. The Company applies merit based policies and practices, and believes that the application of these achieves diversity outcomes.

A number of targeted measurable objectives have been approved by the Board in order to assist monitoring and application of the Company's approved policies. The details of the measureable objectives selected for the financial year ended 30 June 2013 and the report against them is contained below.

Objective 1

Appropriate action to be taken on any complaints, breaches or recommendations on issues related to EEO or diversity as set out in the Company's EEO & Diversity Policy ('Diversity Recommendations'). The Company will take action within one week of Diversity Recommendation being raised.

The Company Diversity related issues, complaints or breaches could be raised by way of the Whistleblower Policy (either as a complaint or a recommendation), the incident and breach reporting policy, under the EEO & Diversity policy, or other related policies (for example, as part of performance management).

Objective 2

100% Diversity Recommendations are to be disclosed in summary form to the Risk & Compliance Committee and the Board.

Report against Objectives 1 and 2

No complaints relating to gender diversity discrimination or harassment were received during the period (April 2012 to February 2013).

Objective 3

Bi-annual review to be conducted by the Risk & Compliance Committee and the Board of the workplace gender profile:

a. As part of the lodgement by MMS of its annual report to the Workplace Gender Equity Agency on their workplace program for women; and

b. As part of the annual review by the Board of talent and succession planning.

Report against Objective 3

The Board confirms it has considered the workplace gender profile bi-annually, including reviewing the workplace profile submitted to the Workplace Gender Equity Agency and as part of the Company's talent and succession planning process. The Company's Risk & Compliance Committee has considered the workplace gender profile.

The Company's workplace gender profile as at March 2013 is set out below:

	Women		Men		Casual			%	
	Full Time	Part Time	Full Time	Part Time	Women	Men	Total	Women	Men
Senior Executives	2	-	11	-	-	-	13	15%	85%
Senior Management/ Specialists	8	-	18	1	-	-	27	30%	70%
Managers/Specialists	30	2	51	2	-	-	85	38%	62%
Team Leaders	21	-	16	-	-	-	37	62%	38%
Admin/Support Staff	81	15	48	1	4	1	150	67%	33%
Sales Staff	79	7	116	-	-	-	202	43%	57%
Service Staff	150	30	118	9	1	2	310	58%	42%
Total	371	54	378	13	5	3	824	52%	48%

There are currently no female directors on the Company Board. In Board appointments, the Company is committed to merit based selection. In selecting new Directors, the Board has regard to skills, experience and perspectives represented on the Board. The Board has developed an appointment process which takes diversity of background into account (in addition to skills and experience) to fit and enhance the Board's skill mix.

Objective 4

There will be an Annual Review by the Board of the EEO & Diversity Policy and the measurable objectives.

Reporting against Objective 4

The Board confirms it has undertaken an annual review of the EEO & Diversity Policy, and to the extent it deems necessary or appropriate, changes have been made. The MMSG Parental Leave and Flexible Working Arrangements policies have also been reviewed and updated to the extent deemed necessary to reflect legislative changes effective 1 July 2013. The Board has reviewed the measureable objectives for the financial year ended 30 June 2013, and is in the process of reviewing and agreeing measureable objectives for the 2014 financial year.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group		Parent Entity	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revenue and other income	3	330,064	302,030	39,736	16,884
Employee and director benefit expenses		(74,244)	(65,676)	(549)	(557)
Depreciation and amortisation expenses and impairment	4(a)	(79,968)	(71,766)	-	-
Leasing and vehicle management expenses		(47,396)	(50,850)	-	-
Consulting expenses		(2,485)	(2,523)	(279)	(49)
Marketing expenses		(3,089)	(3,004)	-	-
Property and corporate expenses		(6,470)	(5,346)	(196)	(262)
Technology and communication expenses		(7,642)	(7,319)	-	-
Other expenses		(8,421)	(7,811)	(26)	-
Finance costs	4(a)	(11,042)	(10,385)	-	(766)
Share of equity accounted joint venture loss		(410)	-	-	-
Profit before income tax		88,897	77,350	38,686	15,250
Income tax (expense) / benefit	5(a)	(26,734)	(23,045)	274	438
Profit attributable to members of the parent entity		62,163	54,305	38,960	15,688
Other comprehensive income					
Items that may be re-classified subsequently to profit or loss:					
Changes in fair value of cash flow hedges		381	(1,135)	-	-
Exchange differences on translating foreign operations		(74)	(3)	-	-
Income tax on other comprehensive income		(90)	339	-	-
Total other comprehensive profit / (loss) for the year		217	(799)	-	-
Total comprehensive income for the year		62,380	53,506	38,960	15,688
Basic earnings per share (cents)	6	83.4	76.6		
Diluted earnings per share (cents)	6	81.9	74.1		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated Group		Parent Entity	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets					
Cash and cash equivalents	8	57,239	54,420	528	7,319
Trade and other receivables	9	18,184	18,914	403	72
Finance lease receivables	10	4,195	6,043	-	-
Inventory		4,844	1,980	-	-
Prepayments		4,602	3,238	-	-
Total current assets		89,064	84,595	931	7,391
Non-current assets					
Finance lease receivables	10	10,382	9,518	-	-
Other financial assets	11	427	-	107,000	102,230
Investment in joint venture	12	-	-	-	-
Property, plant and equipment	13	296,751	252,966	-	-
Deferred tax assets	14	367	1,683	176	160
Intangible assets	15	50,232	42,449	-	-
Total Non-current assets		358,159	306,616	107,176	102,390
TOTAL ASSETS		447,223	391,211	108,107	109,781
Current liabilities					
Trade and other payables	16	56,147	56,333	34,689	42,491
Derivative financial instruments		1,057	1,438	-	-
Current tax liability	17	6,487	4,323	6,487	4,323
Provisions	18	5,820	4,830	-	-
Total current liabilities		69,511	66,924	41,176	46,814
Non-current liabilities					
Provisions	18	552	425	-	-
Borrowings	19	181,725	155,811	-	-
Total Non-current liabilities		182,277	156,236	-	-
TOTAL LIABILITIES		251,788	223,160	41,176	46,814
NET ASSETS		195,435	168,051	66,931	62,967
Equity					
Issued capital	20(a)	56,456	56,456	56,456	56,456
Reserves		2,311	573	3,107	1,586
Retained earnings		136,668	111,022	7,368	4,925
TOTAL EQUITY		195,435	168,051	66,931	62,967

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group

2013	Note	Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Cash flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Equity as at beginning of year		56,456	111,022	1,586	(1,010)	(3)	168,051
Profit attributable to members of the parent entity		-	62,163	-	-	-	62,163
Other comprehensive income after tax		-	-	-	270	(53)	217
Total comprehensive income for the period		-	62,163	-	270	(53)	62,380
Transactions with owners in their capacity as owners:							
Issue of shares and options		-	-	-	-	-	-
Transfer on exercise of options		-	-	-	-	-	-
Option expense		-	-	1,521	-	-	1,521
Dividends paid	7	-	(36,517)	-	-	-	(36,517)
Equity as at 30 June 2013		56,456	136,668	3,107	(740)	(56)	195,435
2012							
Equity as at beginning of year		25,053	88,139	1,534	(214)	-	114,512
Profit attributable to members of the parent entity		-	54,305	-	-	-	54,305
Other comprehensive income after tax		-	-	-	(796)	(3)	(799)
Total comprehensive income for the period		-	54,305	-	(796)	(3)	53,506
Transactions with owners in their capacity as owners:							
Issue of shares and options		30,088	-	-	-	-	30,088
Transfer on exercise of options		1,315	-	(1,315)	-	-	-
Option expense		-	-	1,367	-	-	1,367
Dividends paid	7	-	(31,422)	-	-	-	(31,422)
Equity as at 30 June 2012		56,456	111,022	1,586	(1,010)	(3)	168,051

Parent Entity

2013	Note	Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Cash flow Hedge Reserve $'000	Total $'000
Equity as at beginning of year		56,456	4,925	1,586	-	62,967
Profit attributable to members of the parent entity		-	38,960	-	-	38,960
Other comprehensive income after tax		-	-	-	-	-
Total comprehensive income for the period		-	38,960	-	-	38,960
Transactions with owners in their capacity as owners:						
Option expense		-	-	1,521	-	1,521
Dividends paid	7	-	(36,517)	-	-	(36,517)
Equity as at 30 June 2013		56,456	7,368	3,107	-	66,931
2012						
Equity as at beginning of year		25,053	20,659	1,534	-	47,246
Profit attributable to members of the parent entity		-	15,688	-	-	15,688
Other comprehensive income after tax		-	-	-	-	-
Total comprehensive income for the period		-	15,688	-	-	15,688
Transactions with owners in their capacity as owners:						
Issue of shares		30,088	-	-	-	30,088
Transfer on exercise of options		1,315	-	(1,315)	-	-
Option expense		-	-	1,367	-	1,367
Dividends paid	7	-	(31,422)	-	-	(31,422)
Equity as at 30 June 2012		56,456	4,925	1,586	-	62,967

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group		Parent Entity	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash flows from operating activities					
Receipts from customers		321,966	276,610	-	-
Payments to suppliers and employees		(134,390)	(112,015)	(1,459)	(785)
Proceeds from sale of assets under lease		46,051	52,343	-	-
Payments for assets under lease		(174,434)	(163,620)	-	-
Interest received		2,674	1,391	138	94
Interest paid		(10,974)	(9,164)	-	(730)
Dividends received		-	-	39,598	16,734
Income taxes (paid) / received		(23,367)	(25,517)	(1)	1
Net cash from operating activities	22	27,526	20,028	38,276	15,314
Cash flows from investing activities					
Payment for capitalised software	15(b)	(8,041)	(3,370)	-	-
Payments for plant and equipment		(2,329)	(1,830)	-	-
Proceeds from the sale of plant and equipment		743	-	-	-
Payments for contract rights		(3,446)	-	-	-
Payments for joint venture investment / subsidiary investments		(337)	-	(493)	-
Payments for joint venture subordinated loans		(500)	-	-	-
Net cash used in investing activities		(13,910)	(5,200)	(493)	-
Cash flows from financing activities					
Equity contribution		-	30,088	-	30,088
Dividends paid by parent entity	7	(36,517)	(31,422)	(36,517)	(31,422)
Proceeds from borrowings		26,000	61,000	-	-
Repayment of borrowings		-	(35,000)	-	(17,000)
Payment of borrowing costs		(280)	(108)	-	-
(Repayments) / proceeds to / from controlled entities		-	-	(8,057)	9,833
Net cash (used in) / provided by financing activities		(10,797)	24,558	(44,574)	(8,501)
Net increase / (decrease) in cash and cash equivalents		2,819	39,386	(6,791)	6,813
Cash and cash equivalents at beginning of year		54,420	15,034	7,319	506
Cash and cash equivalents at end of year	8	57,239	54,420	528	7,319

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information

The financial report of McMillan Shakespeare Limited and its controlled entities for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 August 2013 and covers McMillan Shakespeare Limited ('the Company" or the "parent entity") as an individual entity as well as "the Consolidated Group", consisting of McMillan Shakespeare Limited and its subsidiaries ('the Group") as required by the *Corporations Act 2001*.

The financial report is presented in Australian dollars, which is the Consolidated Group's functional and presentation currency.

McMillan Shakespeare Limited is a company limited by shares and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange.

(b) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB), and *Corporations Act 2001*. McMillan Shakespeare Limited is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of these financial statements are presented below and have been applied consistently unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Compliance with IFRS

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with IFRSs.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year.

Subsidiaries are entities over which the Consolidated Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions are eliminated. Unrealised losses are also eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity, including the value of options issued by the Company on behalf of its subsidiaries in relation to employee remuneration.

(ii) Joint ventures

The Consolidated Group has an interest in a joint venture, where by contractual agreement, the joint venture partners jointly control the economic activities and key decisions of the joint venture entity. The arrangement requires unanimous consent of the parties for key strategic, financial and operating policies that govern the joint venture. The Consolidated Group's interest in the joint venture entity is accounted for using the equity method after initially recognising the investment at cost.

Under the equity method, the post-acquisition share of profits and losses of the joint venture entity is recognised in profit and loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses exceeds its interest in the joint venture entity, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture entity. The Consolidated Group's share of intra-group balances, transactions and unrealised gains or losses on such transactions between the Group and the joint venture are eliminated.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Where equity instruments are issued, the value of the equity instruments is their published market price on the date of exchange unless, in rare circumstances, it can be demonstrated that the published price on the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Consolidated Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(h)(i)). If the cost of acquisition is less than the Consolidated Group's share of the fair value of the net assets acquired, the gain is recognised in profit or loss. If the initial accounting for a business combination is incomplete by the time of reporting the period in which the business combination occurred, provisional estimates are used for items for which accounting is incomplete. These provisional estimates are adjusted in a measurement period that is not to exceed one year from the date of acquisition to reflect the information it was seeking about facts and circumstances that existed at the date of acquisition that had they been known would have affected the amounts recognised at that date.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to the present value at the date of the exchange using the entity's incremental borrowing rate as the discount rate.

(e) Income tax

(i) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the entities in the Group operate and generate taxable income.

(ii) Deferred tax

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those rates which are enacted or substantially enacted. Deferred tax is not recognised if they arise from the initial recognition of goodwill. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amounts and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax on items that are accounted for in other comprehensive income or equity are recognised in other comprehensive income and equity respectively. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the deferred taxes relate to the same taxable entity and the same taxing authority.

(iii) Tax consolidation

The Company and its wholly-owned Australian resident entities are members of a tax consolidated group under Australian taxation law. The Company is the head entity in the tax consolidated group. Entities within the tax consolidated group have entered into a tax funding agreement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, the Company and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the head entity.

(iv) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances) or a tax credit under the Incentive regime in Australia in relation to eligible Research & Development expenditure. The Consolidated Group accounts for such allowances as a reduction in income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits.

(f) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for classification as held for sale is satisfied when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, is expected to successfully complete the sale within one year from the date of classification.

A discontinued operation represents a major line of business or geographical area of operations that has been disposed of or is classified as held for sale, or is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. Discontinued operations are excluded from the results of continuing operations and presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20% – 40%
Software	20% – 33%
Motor vehicles under operating lease	25% – 33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period.

Motor vehicles no longer held under an operating lease are classified as inventory.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of the business combination over the Consolidated Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (refer Note 15(c)). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any impairment is recognised immediately in the statement of profit or loss and other comprehensive income and cannot be subsequently reversed.

(ii) Capitalised software development costs

Software development costs are capitalised when it is probable that future economic benefits attributable to the software will flow to the entity through revenue generation and / or cost reduction. Development costs include external direct costs for services, materials and licences and internal labour related costs directly involved in the development of the software. Capitalised software development costs are amortised from the date of commissioning on a straight line basis over three to five years, during which the benefits are expected to be realised

(iii) Contract rights

Contract rights acquired and amounts paid for contract rights are recognised at the value of consideration paid plus any expenditure directly attributable to the transactions. Contracts are amortised over the life of the contract, and reviewed annually for indicators of impairment in line with the Consolidated Group's impairment policy (refer Note 1(i)).

(iv) Intangible assets acquired in a business combination

Any potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(i) Impairment of assets

At each reporting date, the Consolidated Group reviews the carrying amount of its tangible (including operating lease assets) and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the affected assets are evaluated. An impairment loss is recognised in profit or loss for the amount that the asset's carrying value exceeds the recoverable amount. The recoverable amount of an asset is determined as the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing fair value, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of cash inflows from other assets (cash-generating units). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For assets other than goodwill where impairment losses previously recognised no longer exist or have decreased, the amount is reversed to the extent that the asset's carrying amount does not exceed the recoverable amount, nor the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Goodwill is tested for impairment annually and whenever there is indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Operating lease assets are reviewed for impairment on an ongoing basis and at reporting date using both internal and external sources of information.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(j) Financial instruments

Recognition and de-recognition

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

(i) Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

(ii) Loans and receivables

Trade and other receivables

All receivables are classified as 'loans and receivables' under the requirements of AASB 139 Financial Instruments: Recognition and Measurement and are recognised initially at fair value, and subsequently at amortised cost, less provision for impairment. All trade and other receivables are classified as current as they are due for settlement within the agreed credit terms of settlement which are usually no more than 30 days from the date of recognition. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Loan receivables

Loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, where their maturities are less than 12 months from reporting date and in non-current assets if longer.

Loan receivables that have the ability to convert to a specified amount of equity shares of the borrower in restitution for defaulting loan repayments are designated as available-for-sale financial assets. These assets are measured at fair value at inception and subsequently, marked to market at reporting date with the movement taken to reserves. In measuring fair value at reporting date, the net present value of the loan is calculated using market interest rates at reporting date, or if it is probable that the loan receivable will be converted to shares of the borrower, the market value of the underlying shares attributable to the loan receivable is used.

(iii) Other financial assets

Investments in subsidiaries are carried at cost and adjusted for any share based payments in the separate financial statements of the Company, under AASB 127: Consolidated and Separate Financial Statements.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any other category of financial assets. They include investments and debt instruments such as subordinated loans that may be convertible to equity. Available-for-sale financial assets are included in non-current assets unless the investment matures or is intended to be disposed of within twelve months of the end of the reporting period.

(v) Other financial liabilities

Trade and other payables

Trade and other payables, including accruals, and borrowings are recorded initially at fair value, and subsequently at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and that allocates interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Trade and other payables are non-interest bearing.

Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or expire pursuant to its commitments. The difference between its carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(vi) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Impairment conditions are objective evidence of one or more events occurring after the initial recognition of the financial asset that affects estimated future cash flows of the investment.

(vii) Impairment of trade and other receivables

The collectability of receivables is reviewed on an ongoing basis and debts that are determined as not collectable are written off and expensed. An allowance for impairment is provided for when there is objective evidence that the Consolidated Group will not be able to collect all amounts due according to the original terms of the receivables. The provision consists of allowances for specific doubtful amounts.

The allowance account for receivables is used to record impairment losses unless the Consolidated Group is satisfied that there is no possible recovery of the amount, at which point it is written off directly against the amount owing. The impairment loss and any subsequent reversal thereof, is recognised in the Statement of Profit or Loss within other expenses. There have been no amounts recorded for impairment for the parent entity.

(viii) Impairment of available for sale equity securities

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment revaluation reserve within equity. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(k) Employee benefits

(i) Salaries and wages, annual leave and long service leave

Liabilities for employee benefits arising from services rendered by employees to reporting date which are expected to be settled within twelve months after the end of the reporting date have been recognised and are measured at the amounts expected to be paid when the liabilities are settled. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Annual leave and long service leave liabilities are included in provisions and other employee liabilities are included in other payables.

(ii) Superannuation

The amount charged to the Statement of Comprehensive Income in respect of superannuation represents the contributions made by the Consolidated Group to superannuation funds.

(iii) Bonuses

A liability for employee benefits in the form of bonuses is recognised in employee benefits. This liability is based upon pre-determined plans tailored for each participating employee and is measured on an ongoing basis during the financial period. The amount of bonuses is dependent on the outcomes for each participating employee. An additional amount is included where the Board has decided to pay discretionary bonuses for exceptional performance.

(l) Revenue

Revenue is recognised at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Consolidated Group and can be reliably measured. Amounts disclosed as revenue are shown net of returns, trade allowances and duties, amortisation of pre-paid fee discounts included in deferred contract establishment costs and taxes paid. The following specific criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue from services provided is recognised when the service is provided to the customer..

(ii) Interest

Revenue from interest is recognised as interest accrues using the effective interest rate method. The effective interest rate method uses the rate that exactly discounts the estimated future cash flows over the expected life of the financial asset

(iii) Dividends

Revenue from dividends is recognised when the Consolidated Group's right to receive payment is established.

(iv) Lease revenue (property, plant and equipment)

Operating lease rental revenue is made up of operating lease interest and the principal that forms the net investment in the leased asset. Interest included in operating lease instalments is calculated on a straight-line basis for each customer contract based on the effective rate method using the interest rate in the lease contract, the net investment value of the leased asset and the residual value. The principal portion upon receipt reduces the net investment in the leased asset.

(v) Sale of leased assets

Revenue includes the proceeds from the routine sale of motor vehicles previously leased and included within property, plant and equipment following the cessation of the rental of these assets by a customer.

(vi) Vehicle maintenance services

Revenues from maintenance service contracts are recognised for services rendered when it is probable that economic benefits from the transaction will flow to the Consolidated Group. When the amounts are uncollectable or recovery is not considered probable, an expense is recognised immediately. Revenue is recognised for each reporting period by reference to the stage of completion when the outcome of the service contracts can be estimated reliably. The stage of completion of service contracts is based on the proportion that costs incurred to date bear to total estimated costs. When the outcome cannot be measured reliably, revenue is deferred and recognised 60 days after the contract terminates.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

(n) Leasing

Leases are classified as finance leases whenever the terms of the contract transfers substantially all the risk and rewards of ownership to the lessee. All other contracts are classified as operating leases.

(i) Finance lease receivable portfolio

Lease contracts with customers are recognised as finance lease receivables at the Consolidated Group's net investment in the lease which equals the net present value of the future minimum lease payments. Finance lease income is recognised as income in the period to reflect a constant periodic rate of return on the Consolidated Group's remaining net investment in respect of the lease.

(ii) Operating lease portfolio – the Group as lessor

Lease contracts with customers other than finance leases are recognised as operating leases. The Consolidated Group's initial investment in the lease is added as a cost to the carrying value of the leased assets and recognised as lease income on a straight line basis over the term of the lease. Operating lease assets are amortised as an expense on a straight line over the term of the lease based on the cost less residual value of the lease.

(o) Share-based payments

The fair values of options granted are recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined using a binomial option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of the Company ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of options that will ultimately vest because of internal conditions attached to the options, such as the employees having to remain with the Consolidated Group until vesting date, or such that employees are required to meet internal targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

(p) Issued capital

Ordinary shares and premium received on issue of options are classified as issued capital within equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the business combination.

(q) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Consolidated Group, on or before the end of the financial year but not distributed at balance date.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

(ii) Diluted earnings per share

Earnings and the weighted average number of shares used in calculating basic earnings per share is adjusted for the following to calculate diluted earnings per share:

- the after-tax effect of interest and any other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

(t) Provisions

Provisions are recognised when the Consolidated Group has a present obligation (legal or constructive) as a result of a past event and where it is probable that the Consolidated Group is required to settle the obligation, and the obligation can be reliably estimated.

Provisions are measured at the present value of expenditure expected at settlement. The discount rate used to determine the present value reflects the current pre-tax market rate of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Restructurings

A restructuring provision is recognised when the Consolidated Group has developed a plan for the restructuring and has communicated with those affected that it will carry out the plan. The provision is measured based on the direct cost arising from and necessary to undertake the restructuring plan and not with the ongoing activities of the Group.

(u) Inventories

The inventory of motor vehicles is stated at the lower of cost and net realisable value. Following termination of the lease or rental contract the relevant assets are transferred from Assets under Operating Lease to Inventories at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.

(v) Operating cash flow

All cash flows other than investing or financing cash flows are classified as operating cash flows. As the asset management segment provides operating and finance leases for motor vehicles and equipment, the cash outflows to acquire the lease assets are classified as operating cash outflows. Similarly, interest received and interest paid in respect of the asset management segment are classified as operating cash flows.

(w) Borrowings

Borrowings are initially recorded at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method exactly discounts the estimated cash flows through the expected life of the borrowing. Transaction costs comprise fees paid for the establishment of loan facilities and are amortised over the term of the borrowing facilities.

(x) Derivative financial instruments

The Consolidated Group uses derivative financial instruments to manage its interest rate exposure to interest rate volatility and its impact on leasing product margins. The process to mitigate against the exposure seeks to have more control in balancing the spread between interest rates charged to lease contracts and interest rates and the level of borrowings assumed in its financing as required.

In accordance with the Consolidated Group's treasury policy, derivative interest rate products that can be entered into include interest rate swaps, forward rate agreements and options as cash flow hedges to mitigate both current and future interest rate volatility that may arise from changes in the fair value of its borrowings.

Derivative financial instruments are recognised at fair value at the date of inception and subsequently re-measured at fair value at reporting date. The resulting gain or loss is recognised in profit or loss unless the derivative or amount thereof is designated and effective as a hedging instrument, in which case the gain or loss is taken to other comprehensive income in the cash flow hedging reserve that forms part of equity. Amounts recognised in other comprehensive income are transferred to profit or loss and subsequently recognised in profit or loss to match the timing and relationship with the amount that the derivative instrument was intended to hedge.

(i) Hedge accounting

At the inception of the hedging instrument, the Group documents the relationship between the instrument and the item it is designated to hedge. The Group also documents its assessment at the inception of the hedging instrument and on an ongoing basis, whether the hedging instruments that are used have been and will continue to be highly effective in offsetting changes in the cash flows of the hedged items.

(ii) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

(iii) Non-trading derivatives

Non-trading derivative financial instruments include the Group's irrevocable option to purchase all of the shares owned by the partner in the joint venture entity. The financial instruments are measured at fair value initially and in future reporting dates. Fair value changes are recognised in profit or loss.

(y) Foreign currency translation

The consolidated financial statements of the Consolidated Group are presented in Australian dollars which is the functional and presentation currency. The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Differences resulting at settlement of such transactions and from the translation of monetary assets and liabilities at reporting date are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences are recognised as part of the fair value change of the non-monetary item.

(ii) Group companies

On consolidation of the financial results and affairs of foreign operations, assets and liabilities are translated at prevailing exchange rates at reporting date and income and expenses for the year at average exchange rates. The resulting exchange differences from consolidation are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(z) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

All significant judgements, estimates and assumptions made during the year have been considered for significance. Key assumptions used for value-in-use calculations to determine the recoverable amount of assets in impairment tests are discussed in Note 15(d).

Estimates of significance are used in determining the residual values of operating lease and rental assets at the end of the contract date and income from maintenance services, which is recognised on a percentage stage of completion. In determining residual values, critical judgements include the future value of the asset lease portfolio at the time of sale, economic and vehicle market conditions and dynamics. For income from maintenance contracts, judgement is made in relation to expected realisable margins. The estimates and underlying assumptions are reviewed on an ongoing basis.

No other judgements, estimates or assumptions are considered significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(aa) New accounting standards and interpretations

None of the new standards and amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show items of comprehensive income grouped into those that are not permitted to be re-classified to profit or loss in a future period and those that may have to be re-classified if certain conditions are met.

The following new accounting standards, amendments to standards and interpretations (Standards) have been issued and are effective for annual reporting periods beginning after 30 June 2013, but have not been applied in preparing this financial report. None of these are expected to have a significant effect on the financial report of the Consolidated Group unless otherwise noted in the Standards below. The Consolidated Group has not or does not plan to adopt these Standards early and the extent of their impact has not been fully determined unless otherwise noted below.

(i) AASB 9 Financial Instruments (effective for annual reporting periods on or after 1 January 2015)

AASB 9 to date introduces new requirements for the classification and measurement of financial assets and liabilities and for de-recognition of financial liabilities. It aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The changes in AASB 9 are not expected to materially affect the Group's accounting for financial assets, as there are no financial liabilities designated at fair value through profit or loss where the changes might have had an impact.

The Group will adopt the new standard at the operative date and accordingly, its first application will be in the financial statements for the annual reporting period ending 30 June 2014.

(ii) AASB 10 Consolidated Financial Statements (effective for annual reporting periods on or after 1 January 2013), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Venture Arrangements Standards'.

AASB 10 replaces all previous guidance on control and consolidation in AASB 127 'Consolidated and Separate Financial Statements'. It revises the definition of control and is now focused on having the exposure, or has rights, to variable returns from its involvement in the activities of the investee and has the ability to affect those returns through its power over the investee. The Group does not expect the new standard to have any significant impact on its composition in the context of the various entities that it currently controls.

The Group will adopt the new standard from the operative date and accordingly, its first application will be in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 11 Joint Arrangements (effective for annual reporting periods on or after 1 January 2013, AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Venture Arrangements Standards'.

This Standard replaces AASB 131 'Interests in Joint Ventures' and introduces a principles based approach to accounting for joint arrangements. The emphasis is no longer on the legal structure of the joint arrangement, but rather on how rights and obligations are shared by parties under the contractual agreement and then account for those rights and obligations in accordance with the type of joint arrangement entered into, being either joint operation or joint venture. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way under the current standard. Joint ventures will now be equity accounted and the choice available under the current standard for proportional consolidation will no longer be available.

The Group's investment in a joint venture partnership will be classified as a joint venture under the new rules and equity accounted as it is currently. AASB 11 will not have an impact on the amounts recognised in the financial statements.

The Group will adopt the new standard from the operative date and accordingly, its first application will be in the financial statements for the annual reporting period ending 30 June 2014.

(iv) AASB 12 Disclosure of Interest in Other Entities (effective for annual reporting periods on or after 1 January 2013) , AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Venture Arrangements Standards'.

AASB 12 integrates the required disclosures when applying the two new standards, AASB 10 and AASB 11. The standard requires increased disclosure of the nature and risks associated with interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Application of this standard will not affect the amounts recognised in the financial statements, but will have an impact on the type of information disclosed in relation to the Group's investments.

The Group will adopt the new standard from the operative date and accordingly, its first application will be in the financial statements for the annual reporting period ending 30 June 2016.

(v) AASB 128 Investments in Associates and Joint Ventures (2011) (effective for annual reporting periods on or after 1 January 2013), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Venture Arrangements Standards'.

Amendments in this standard supersedes AASB 128 'Investments in Associates' and prescribes the equity method of accounting for investments in associates and joint ventures and also how investments should be tested for impairment. The Group's investment in a joint venture is currently equity accounted and this standard is not expected to have any significant impact on the amounts recognised in the financial statements.

The Group will adopt the new standard from the operative date and accordingly, its first application will be in the financial statements for the annual reporting period ending 30 June 2014.

(vi) AASB 13 Fair Value Measurement (effective for annual reporting periods on or after 1 January 2013) and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The standard is broad and applies to both financial instruments and non-financial instruments for which other Australian Accounting Standards require or permit fair value measurements and disclosure. The Group does not anticipate the new standard to have a significant impact on the manner in which fair values are currently derived.

The Group will adopt the new standard from the operative date and accordingly, its first application will be in the financial statements for the annual reporting period ending 30 June 2014.

(vii) AASB 119 Employee Benefits (effective for annual reporting periods on or after 1 January 2013), AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119'.

The most significant changes in AASB 119 relate to the accounting for defined benefit plans for which the Consolidated Group has none. The standard also revised the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be settled wholly within twelve months after reporting date, and is likely to affect the measurement of annual leave. The impact on the Consolidated Group's measurement of annual leave provision is not considered significant given that most employee entitlements are managed for usage within twelve months from reporting date.

The Group will adopt the new standard from 1 July 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ab) Changes in accounting policies

In the current year, the Consolidated Group has adopted all of the new and revised Standards and Interpretations issues by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

There have been no significant effects on current, prior or future periods arising from the first time application of the standards in respect of presentation, recognition and measurement in the current year financial statements.

(ac) Parent entity accounts

In accordance with Class order CO10/654 the Consolidated Group will continue to include parent entity financial statements in the financial report.

(ad) Rounding of amounts

The Company is of a kind referred to in Class order CO98/100, issued by the Australian Securities and Investments 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, or in certain cases, the nearest dollar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

2 FINANCIAL RISK MANAGEMENT

The Consolidated Group's activities expose it to a variety of financial risk: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Group's overall risk management approach is to identify the risk exposures and implement safeguards which seek to manage these exposures and minimise potential adverse effects on the financial performance of the Consolidated Group. The Board is responsible for monitoring and managing the financial risks of the Consolidated Group. The Board monitors these risks through monthly board meetings, via regular reports from the Risk and Compliance Committee and ad hoc discussions with senior management, should the need arise. A top 20 risk report is presented to the Board monthly and the full risk register at least quarterly. The Credit and Treasury reports are provided to the Interest Committee and Credit Committee respectively, by the Group Treasurer and Credit Manager, including sensitivity analysis in the case of interest rate risk and aging / exposure reports for credit risk. These committee reports are discussed at Board meetings monthly, along with management accounts. All exposures to risk and management strategies are consistent with prior year, other than as noted below.

(a) Liquidity risk

Liquidity risk is the risk that the Consolidated Group will not be able to meet its financial obligations as they fall due.

Liquidity management strategy

The Asset Management business and the resultant borrowings exposes the Consolidated Group to potential mismatches between the refinancing of its assets and liabilities. The Consolidated Group's objective is to maintain continuity and flexibility of funding through the use of committed revolving bank club facilities based on common terms, asset subordination and surplus cash as appropriate to match asset and liability requirements.

The Consolidated Group's policy is to ensure that there is sufficient liquidity through access to committed available funds to meet at least twelve months of average net asset funding requirements. This level is expected to cover any short term financial market constraint for funds.

The Consolidated Group monitors monthly positive operating cash flows and forecasts cash flows for twelve month period. Significant cash deposits have been maintained which enable the Consolidated Group to settle obligations as they fall due without the need for short term financing facilities. The Chief Financial Officer and the Group Treasurer monitor the cash position of the Consolidated Group daily.

Financing arrangements

During the year the Consolidated Group increased its committed borrowing facilities for the Asset Management segment from $180m to $270m. The increased facility has been provided by the formation of a financing club with common terms and conditions. The Company believes that this initiative has improved liquidity, provides funding diversification and has achieved a lower cost. The maturity date for these facilities have been extended to 20 August 2015.

At reporting date, $182m of the committed revolving facilities were drawn down with the balance of $88m that can be drawn down at any time. The level and type of funding will be reviewed on an on-going basis to ensure they meet the Group's on-going requirements.

Maturities of financial liabilities

The table below analyses the Consolidated Group's and the parent entity's financial liabilities into relevant maturity groupings based on their contractual maturities and based on the remaining period to the expected settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

Consolidated Group – at 30 June 2013: Contractual maturities of financial liabilities

	Less than 6 mths	6-12 mths	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	57,204	-	-	-	-	57,204	57,204
Borrowings	3,070	2,735	5,039	182,819	-	193,663	181,725
	60,274	2,735	5,039	182,819	-	250,867	238,929

Consolidated Group – at 30 June 2012: Contractual maturities of financial liabilities

	Less than 6 mths	6-12 mths	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	57,771	-	-	-	-	57,771	57,771
Borrowings	3,235	2,973	5,759	160,212	-	172,179	155,811
	61,006	2,973	5,759	160,212	-	229,950	213,582

Parent – at 30 June 2013: Contractual maturities of financial liabilities

	Less than 6 mths	6-12 mths	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	34,689	-	-	-	-	34,689	34,689
Financial guarantee contracts	3,070	2,735	5,039	182,819	-	193,663	-
Borrowings	-	-	-	-	-	-	-
	37,759	2,735	5,039	182,819	-	228,352	34,689

Parent – at 30 June 2012: Contractual maturities of financial liabilities

	Less than 6 mths	6-12 mths	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	42,491	-	-	-	-	42,491	42,491
Financial guarantee contracts	3,235	2,973	5,759	160,212	-	172,179	-
	45,726	2,973	5,759	160,212	-	214,670	42,491

(b) Credit risk

Credit risk is the risk of financial loss to the Consolidated Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company and Consolidated Group have exposure to credit risk through the receivables' balances, customer leasing commitments and deposits with banks. The following carrying amount of financial assets represents the maximum credit exposure at reporting date.

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Total receivables	18,184	18,914	87	72
Deposits with banks	57,236	54,416	528	7,319
Finance lease receivables	14,577	15,561	-	-
Operating lease assets	287,749	244,023	-	-
	377,746	332,914	615	7,391

Lease assets of the Asset Management business represents future lease rentals that have yet to be invoiced. Such assets are secured against underlying assets.

Credit risk management strategy

Credit risk arises from cash and cash equivalents and deposits with banks as well as exposure from outstanding receivables and unbilled future rentals for leased vehicles. For deposits with banks, only independently rated institutions with upper investment-grade ratings are used in accordance with the Board approved Investment Policy.

Credit risk relating to the leasing of assets is managed pursuant to the Board approved Credit Policy by the Group CFO and the Group Treasurer and Credit Manager. The policy is reviewed annually and prescribes minimum criteria in the credit assessment process that includes credit risk of the customer, concentration risk parameters, type and intended use of the asset under lease and the value of the exposure. A two tiered Credit Committee structure is in place to stratify credit applications for assessment; a Local Credit Committee and an Executive Credit Committee reviewing applications based on volume, nature and value of the application. All minutes of the Credit Committee meetings are reported to the Board. The Board receives a monthly report from the Credit Committee and periodically reviews concentration limits that effectively spread the risks as widely as possible across asset classes, client base, industries and asset manufacturer. There are no significant concentrations of credit risk through the Consolidated Group's exposure to individual customers, industry sectors, asset manufacturers or regions.

Where customers are independently rated, these ratings are taken into account. If there is no independent official rating, management assesses the credit quality of the customer using the Group's internal risk rating, taking into account information from an independent national credit bureau, its financial position, business segment, past experience and other factors using an application scorecard or other risk-assessment tools. Collateral is also obtained where appropriate, as a means of mitigating risk of financial loss from defaults. The overall debtor aging position is reviewed monthly by the Board, as is the provision for any impairment in the trade receivables balance.

(c) Market risk

(i) Interest rate risk

The Consolidated Group's strong cash flow from operations and borrowings exposes the Consolidated Group to movements in interest rates where movements could directly affect the margins from existing contracts and the pricing of new contracts for assets leased and income earned from surplus cash.

Exposure to interest rate volatility is managed via the Consolidated Group's Treasury and pricing policies. The policies aim to minimise mismatches between the amortised value of lease contracts and the sources of financing to mitigate repricing and basis risk. Mismatch and funding graphs including sensitivity analysis, which are reported monthly to the Board along with the minutes of the monthly Interest Committee meetings.

Interest rate risk arises where movements in interest rates affect the net margins on existing contracts for assets leased. As the Consolidated Group carries significant cash and borrowings, movements in interest rates can affect net income to the Consolidated Group, particularly for the Consolidated Group Remuneration services segment.

Borrowings issued at variable rates expose the Consolidated Group to repricing interest rate risk. As at the end of the reporting period, the Consolidated Group had $182,000,000 (2012: $156,000,000) variable rate borrowings under long-term revolving facilities attributable to the Asset Management business and no borrowings for other Consolidated Group requirements. The weighted average interest rate was 4.06% (2012: 5.07%) for the $182,000,000 (2012: $156,000,000) which is used as an input to asset repricing decisions. An analysis of maturities is provided in note 2(a).

To mitigate the cash flow volatility arising from interest rate movements, the Group has entered into interest rate swaps with counterparties rated as AA- by Standard and Poors, to exchange, at specified periods, the difference between fixed and variable rate interest amounts calculated on contracted notional principal amounts. The contracts require settlement of net interest receivable or payable on a quarterly basis. These swaps are designated to hedge underlying borrowing obligations and match the interest-repricing profile of the lease portfolio in order to preserve the contracted net interest margin. At 30 June 2013, the Consolidated Group's borrowings for the Asset Management business of $182,000,000 (2012: $156,000,000) were covered by interest rate swaps at a fixed rate of interest of 4.72% (2012: 5.58%).

The Consolidated Group's interest rate risk also arises from cash at bank and deposits, which are at floating interest rates.

At reporting date, the Consolidated Group had the following variable rate financial assets and liabilities outstanding:

	30 June 2013 Consolidated Group		30 June 2012 Consolidated Group	
	Weighted average interest rate	Balance $'000	Weighted average interest rate	Balance $'000
Cash and deposits	4.08%	57,239	5.05%	54,420
Bank loans (Asset Management segment)	4.06%	(182,000)	5.07%	(156,000)
Interest rate swaps (notional amounts)	4.72%	192,000	5.58%	187,000
Net exposure to cash flow interest rate risk		67,239		85,420

Of the $192,000,000 (2012: $187,000,000) of swaps contracted at reporting date, $10,000,000 (2012: $39,000,000) are effective post balance date and designated as hedges against forecast future borrowings.

Sensitivity analysis – floating interest rates:

At 30 June 2013, the Consolidated Group's and parent entity's cash and cash equivalents give rise to credit and interest rate risk. If the Australian interest rate weakened or strengthened by 100 basis points, being the Consolidated Group's view of possible fluctuation, and all other variables were held constant, the Consolidated Group's post-tax profit for the year would have been $365,673 (2012: $597,940) higher or lower and the parent entity $3,700 (2012: $51,233) higher or lower, depending on which way the interest rates moved based on the cash and cash equivalents and borrowings balances at reporting date.

(ii) Foreign currency risk

The Consolidated Group's transactions are pre-dominantly denominated Australian dollars which is the functional and presentation currency.

(iii) Other market price risk

The Consolidated Group does not engage in any transactions that give rise to any other market risks.

(d) Asset risk

The Consolidated Group's exposure to asset risk is mainly from the residual value of assets under lease and the maintenance and tyre obligations to meet claims for these services sold to customers. Residual value is an estimate of the value of an asset at the end of the lease. This estimate, which is formed at the inception of the lease and any subsequent impairment, exposes the Consolidated Group to potential loss from resale if the market price is lower than the value as recorded in the books. The risk relating to maintenance and tyre services arises where the costs to meet customer claims over the contracted period exceed estimates made at inception.

The Consolidated Group continuously reviews the portfolio's residual values via a Residual Value Committee comprising experienced senior staff with a balance of disciplines and responsibilities, who measure and report all matters of risk that could potentially affect residual values and maintenance costs and matters that can mitigate the Consolidated Group from these exposures. The asset risk policy sets out a framework to measure and factor into their assessment such critical variables as used car market dynamics, economic conditions, government policies, the credit market and the condition of assets under lease.

At reporting date, the portfolio of motor vehicles under operating lease of $287,749,000 (2012: $244,023,000) included a residual value provision of $2,018,000 (2012: $1,907,000).

(e) Fair value measurements

The fair value of financial assets and financial liabilities is estimated for recognition and measurement for disclosure purposes.

The following table is an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels based on the degree to which the fair value is observable.

- Level 1: derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swap contracts – cash flow hedge	-	(1,057)	-	(1,057)
30 June 2012				
Liabilities				
Interest rate swap contracts – cash flow hedge	-	(1,438)	-	(1,438)

Refer to notes 8 to 10 for details of the fair value of assets and 16 to 19 for the fair value of liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
3 REVENUE				
Revenue from continuing operations				
Remuneration services[1]	155,855	137,284	-	-
Lease rental services	129,753	115,758	-	-
Proceeds from sale of leased assets	41,782	47,584	-	-
Dividends received	-	-	39,598	16,734
Interest – other persons	2,674	1,404	138	150
Total revenue	330,064	302,030	39,736	16,884
[1] Included in remuneration services revenue is interest income derived from the holding of trust funds	11,291	12,710	-	-
4 EXPENSES				
(a) Profit before income tax includes the following specific expenses				
Finance costs				
Interest – financial institutions	11,042	10,385	-	766
Depreciation and amortisation and impairment expense				
Software development	1,570	967	-	-
Contract rights acquired	928	928	-	-
Assets under operating lease	74,618	66,440	-	-
Plant and equipment	2,741	2,827	-	-
Residual value impairment loss	111	604	-	-
	79,968	71,766	-	-
Rental expense on operating leases				
Minimum lease payments	5,092	4,296	-	-
Superannuation				
Defined contribution superannuation expense	4,740	3,506	-	-
	$	$	$	$
(b) Auditor's remuneration				
Remuneration of the auditor (Grant Thornton Audit Pty Ltd) of the parent entity for:				
Audit or review of the financial statements	167,000	162,000	-	-
Audits for customer contracts	42,200	26,500	-	-
Agreed upon procedures:				
- review vehicle compliance and payroll systems	-	45,000	-	-
- review of borrowing covenant and compliance	1,900	-	-	-

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
5 INCOME TAX EXPENSE/(BENEFIT)				
(a) Components of tax expense / (benefit)				
Current tax expense / (benefit)	23,558	23,958	(260)	(470)
Adjustments for current tax of prior years	(129)	(510)	(14)	(2)
Deferred tax	3,305	(403)	-	34
Income tax expense / (benefit)	26,734	23,045	(274)	(438)
(b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense/(benefit) as follows:				
Profit before income tax	88,897	77,350	38,686	15,250
Prima facie tax payable on profit before income tax at 30% (2012: 30%)	26,793	23,205	11,606	4,575
Add tax effect of:				
- share-based payments	457	403	-	-
- non-deductible costs	223	65	13	7
- research & development	(630)	(330)	-	-
- overseas tax rate differential of subsidiaries	20	1	-	-
- previously recognised tax losses now unrecognised in deferred tax assets	-	211	-	-
- over-provision for tax from prior year	(129)	(510)	(14)	-
	26,734	23,045	11,605	4,582
Less tax effect of:				
- dividends received	-	-	(11,879)	(5,020)
Income tax expense / (benefit)	26,734	23,045	(274)	(438)

6 EARNINGS PER SHARE

	Consolidated Group	
Basic earnings per share	2013 '000	2012 '000
Basic EPS – cents per share	83.4	76.6
Net profit after tax	$62,163	$54,305
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	74,524	70,864
Diluted earnings per share		
Diluted EPS – cents per share	81.9	74.1
Earnings used to calculate basic earnings per share (EPS)	$62,163	$54,305
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	74,524	70,864
Weighted average number of options on issue outstanding	1,406	2,416
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	75,930	73,280

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
7 DIVIDENDS				
Final fully franked ordinary dividend for the year ended 30 June 2012 of $0.25 (2011: $0.22) per share franked at the tax rate of 30% (2011: 30%)	18,631	15,027	18,631	15,027
Interim fully franked ordinary dividend for the year ended 30 June 2013 of $0.24 (2012: $0.22) per share franked at the tax rate of 30% (2012: 30%)	17,886	16,395	17,886	16,395
	36,517	31,422	36,517	31,422
Franking credits available for subsequent financial years based on a tax rate of 30% (2012 – 30%)	48,994	37,110	48,994	37,110

The above amounts represent the balance of the franking account at the end of the financial year end adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
8 CASH AND CASH EQUIVALENTS				
Cash on hand	3	4	-	-
Bank balances	17,868	9,018	488	781
Short term deposits	39,368	45,398	40	6,538
	57,239	54,420	528	7,319

Cash and cash equivalents are subject to interest rate risk as they earn interest at floating rates. Cash at bank is invested at floating rates. In 2013, the floating interest rates for the Consolidated Group and parent entity were between 1.5% and 4.74% (2012: 1.50% and 5.38%). The short term deposits are also subject to floating rates, which in 2013 were between 3.78% and 4.77% (2012: 4.71% and 5.18%). These deposits have an average maturity of 90 days (2012: 90 days).

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
9 TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	9,335	8,627	-	-
Other receivables	8,849	10,287	87	72
Amounts receivable from wholly owned entities	-	-	316	-
	18,184	18,914	403	72

The carrying amount of all current receivables are equal to their fair value as they are short term and fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(a) Ageing and impairment losses

The ageing of trade receivables for the Consolidated Group at reporting date was:

Consolidated Group	2013			2012		
	Total	Amount impaired	Amount not impaired	Total	Amount impaired	Amount not impaired
	$'000	$'000	$'000	$'000	$'000	$'000
Not past due	8,836	-	8,836	8,218	-	8,218
Past due 30 days	336	(116)	220	93	-	93
Past due 31-60 days	249	(9)	240	92	-	92
Past due 61-90 days	41	(11)	30	273	(54)	219
Past due >90 days	271	(262)	9	224	(219)	5
Total	9,733	(398)	9,335	8,900	(273)	8,627

(b) Concentration of risk

The Consolidated Group's maximum exposure to credit risk at reporting date by geographic region is predominantly in Australia based on the location of trades and economic activity.

Approximately 23% (2012: 38%) of the Consolidated Group's trade receivables relate to customers for the supply of vehicle leasing related services. Management have assessed this concentration of risk and are satisfied with the strategies employed in ensuring the exposure to this risk is minimal. Management considers that no other significant concentrations of risk within trade receivables exist.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Consolidated Group. None of the other current receivables are impaired or past due.

(d) Doubtful debts policy

Refer Note 1(i).

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
10 FINANCE LEASE RECEIVABLES				
Current finance lease receivables	4,195	6,043	-	-
Non-current finance lease receivables	10,382	9,518	-	-
	14,577	15,561	-	-

As current finance lease receivables are short term their carrying amount is equal to their fair value. The fair value of non-current finance lease receivables is estimated to be $9,998,000 (2012: $9,208,000) using an 7.75% (2012: 8.55%) discount rate.

	Consolidated Group			
	Minimum lease payments 2013 $'000	Present value of lease payments 2013 $'000	Minimum lease payments 2012 $'000	Present value of lease payments 2012 $'000
Amounts receivable under finance lease receivables				
Within one year	5,132	4,195	6,656	6,043
Later than one but not more than five years	12,375	10,382	13,686	9,518
	17,507	14,577	20,342	15,561
Less: unearned finance income	2,930	-	4,781	-
Present value of minimum lease payments	14,577	14,577	15,561	15,561

There were no unguaranteed residual values of assets leased under finance leases at reporting date (2012: nil).

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
11 OTHER FINANCIAL ASSETS				
(a) Investment in subsidiaries				
Shares in subsidiaries at cost	-	-	107,000	102,230

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c).

Name	Country of Incorporation	Percentage Owned 2013	Percentage Owned 2012
Parent entity			
McMillan Shakespeare Limited	Australia		
Subsidiaries in Consolidated Group			
Maxxia Pty Limited *	Australia	100%	100%
Remuneration Services (Qld) Pty Limited *	Australia	100%	100%
Easilease Pty Limited	Australia	100%	100%
Interleasing (Australia) Ltd *	Australia	100%	100%
CARILA Pty Ltd *	Australia	100%	100%
TVPR Pty Ltd *	Australia	100%	100%
Maxxia Limited (NZ)	New Zealand	100%	100%
Maxxia Fleet Limited	New Zealand	100%	100%
Maxxia (UK) Limited	United Kingdom	100%	-
Maxxia Finance Limited	United Kingdom	100%	-

** These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 28.*

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(b) Loan receivable				
Loan receivable	500	-	-	-
Share of losses of equity accounted joint venture	(73)	-	-	-
Carrying value at end of the financial year	427	-	-	-

The loan receivable is made up of advances to the joint venture entity as part of the working capital facility provided pursuant to the Group's investment arrangement and forms part of the net investment in the joint venture. Its carrying value includes the share of the joint venture's loss ($73,000) recognised under the equity method that is in excess of the Company's investment in the joint venture ($337,000, refer note 12).

Risk exposure

The maximum facility under the arrangement is GBP1.3 million and is an amortising loan facility with scheduled amounts repayable at specified times with the balance fully repayable no later than 31 January 2017. Under certain conditions of default on the repayments, the Group has an option to convert a portion of the amount outstanding to increase the Group's interest in the joint venture from 50% to 60%. The loan accrues interest at commercial rates and the balance at reporting date approximates to fair value. At reporting date, the fair value of the option was not material.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
12 INVESTMENT IN JOINT VENTURE				
Acquired during the year	337	-	-	-
Share of losses after income tax	(337)	-	-	-
Carrying value at end of the financial year	-	-	-	-

During the year, a subsidiary acquired a 50% interest in Maxxia Limited (UK), a company resident in the UK and the principal activity of which is provider of financing solutions and associated management services on motor vehicles. By contractual agreement, the Group together with the joint venture partner jointly control the economic activities and key decisions of the joint venture entity. The arrangement requires unanimous consent of the parties for key strategic, financial and operating policies that govern the joint venture. By agreement, the Consolidated Group assumes responsibility for key decisions of the joint venture entity when its interest is greater than 75%. The Group has an option to acquire the residual interest in the joint venture entity from the joint venture partner after five years from acquisition and the joint venture partner has an option to sell its interest to the Group during the same period. At reporting date, the fair value of the option is not materially different to the carrying value.

The interest in Maxxia Limited (UK) is equity accounted in the financial statements. Information relating to the joint venture investment is set out below.

	Consolidated Group 2013 $'000
Current assets	186
Non-current assets	5
Total assets	191
Current liabilities	277
Non-current liabilities	249
Total liabilities	526
Net liabilities	335
Share of joint venture financial results	
Revenues	38
Expenses	(576)
Loss before income tax	(538)
Income tax	128
Loss after income tax	(410)
Share of joint venture capital commitments	-

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
13 PROPERTY, PLANT AND EQUIPMENT				
(a) Plant and equipment				
At cost	22,961	20,161	-	-
Less accumulated depreciation	(13,959)	(11,218)	-	-
	9,002	8,943	-	-
Assets under operating lease				
At cost	423,321	369,707	-	-
Less accumulated depreciation	(135,572)	(125,684)	-	-
	287,749	244,023	-	-
Total plant and equipment	296,751	252,966	-	-

(b) Movements in cost and accumulated depreciation

Consolidated entity	Plant and equipment $'000	Assets under operating lease $'000	Total $'000
Year ended 30 June 2013			
Balance at the beginning of year	8,943	244,023	252,966
Additions[(1)]	3,755	152,992	156,747
Disposals / transfers to assets held for sale	(955)	(34,694)	(35,649)
Impairment loss[(2)]	-	(111)	(111)
Depreciation expense	(2,741)	(74,618)	(77,359)
FX	-	157	157
Balance at 30 June	9,002	287,749	296,751
Year ended 30 June 2012			
Balance at the beginning of year	8,779	210,661	219,440
Additions [(1)]	3,147	136,802	139,949
Disposals / transfers to assets held for sale	(156)	(36,396)	(36,552)
Impairment loss	-	(604)	(604)
Depreciation expense	(2,827)	(66,440)	(69,267)
Balance at 30 June	8,943	244,023	252,966

(1) Included in additions of $3,755,000 (2012: $3,147,000) were reimbursements by the lessor of $1,426,000 (2012: $1,235,000).

(2) Accumulated provision for impairment loss at reporting date is $2,018,000 (2012: $1,907,000).

(c) Security

The above assets form part of the security supporting the fixed and floating charge pledged to the Consolidated Group's financiers.

(d) Property, plant and equipment held for sale

Property, plant and equipment no longer held under operating leases are classified as inventory.

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
14 DEFERRED TAX ASSETS				
(a) Asset/(Liability)				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	120	82	-	-
Provisions	5,148	1,925	101	101
Property, plant and equipment	(8,679)	(7,185)	-	-
Accrued expenses	2,474	4,654	6	25
Other receivables/prepayments	(343)	(206)	-	-
Finance leases	1,343	2,249	-	-
Other	6	283	69	34
Losses	253	-	-	-
Contract rights	(272)	(550)	-	-
Derivatives	317	431	-	-
Closing balance at 30 June	367	1,683	176	160
Recognised as:				
Deferred tax asset	9,661	9,624	176	160
Deferred tax liability	(9,294)	(7,941)	-	-
	367	1,683	176	160

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
(b) Movement				
Opening balance at 1 July	1,683	1,240	160	71
Charged to Statement of profit or loss and other comprehensive income	(1,226)	104	16	89
Charged to equity	(90)	339	-	-
Closing balance at 30 June	367	1,683	176	160

15 INTANGIBLE ASSETS

(a) Carrying values

	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000	Parent Entity 2013 $'000	Parent Entity 2012 $'000
Goodwill				
Cost	33,328	33,328	-	-
Impairment loss	(36)	(36)	-	-
Net carrying value	33,292	33,292	-	-
Software development costs				
Cost [(i)]	20,412	12,371	-	-
Accumulated amortisation	(7,744)	(6,174)	-	-
Net carrying value	12,668	6,197	-	-
Contract rights				
Cost	12,605	9,472	-	-
Accumulated amortisation	(8,333)	(6,512)	-	-
Net carrying value	4,272	2,960	-	-
Total Intangibles	50,232	42,449	-	-

(i) Software includes capitalised internal costs

(b) Reconciliation of net book amount

	Consolidated Group			
2013	Goodwill $'000	Software development costs $'000	Contract rights $'000	Total $'000
Net book amount				
Balance beginning of year	33,292	6,197	2,960	42,449
Additions	-	8,041	3,133	11,174
Amortisation	-	(1,570)	(1,821)	(3,391)
Closing Balance	33,292	12,668	4,272	50,232
2012				
Net book amount				
Balance beginning of year	33,292	3,794	2,763	39,849
Additions	-	3,370	1,800	5,170
Amortisation	-	(967)	(1,603)	(2,570)
Closing Balance	33,292	6,197	2,960	42,449

(c) Impairment test for goodwill

Goodwill is allocated to the Consolidated Group's cash-generating units (CGUs) identified arising from the acquisitions of subsidiaries.

The carrying amount of goodwill allocated to each CGU:

	Consolidated Group	
	2013 $'000	2012 $'000
Maxxia Pty Limited	24,190	24,190
Remuneration Services (Qld) Pty Limited	9,102	9,102
	33,292	33,292

The recoverable amount of each CGU above is determined based on value-in-use calculations. These calculations use the present value of cash flow projections based on financial budgets approved by management covering a five-year period.

(d) Key assumptions used for value-in-use calculations

	Discount rate	
	2013 %	2012 %
Maxxia Pty Limited	17.76	17.54
Remuneration Services (Qld) Pty Limited	17.76	17.54

The budgets use historical average growth rates to project revenue. Costs are determined taking into account historical margins and estimated cost increases. Cash flows beyond the five-year period are extrapolated using a zero growth rate for conservatism. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In performing the value-in-use calculations for each CGU, the Consolidated Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The discount rates used reflect specific risks relating to the relevant business each subsidiary is operating in.

These assumptions have been used for the analysis of each CGU within each subsidiary.

The recoverable amounts of the CGUs exceed the carrying amounts by substantial margins. Consequently, a sensitivity analysis of possible changes in key assumptions is not considered necessary.

16 TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Unsecured liabilities				
Trade payables	12,043	13,501	-	-
GST payable	1,073	827	-	-
Sundry creditors and accruals	32,322	31,661	46	440
Maintenance instalments received in advance	7,626	6,622	-	-
Receivables in advance	3,083	3,722	-	-
Amounts payable to wholly owned entities	-	-	34,643	42,051
	56,147	56,333	34,689	42,491

Trade and other payables are non-interest bearing. These are short-term liabilities and the carrying value is representative of the fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
17 CURRENT TAX LIABILITY				
Income tax	6,487	4,323	6,487	4,323
18 PROVISIONS				
Current				
Employee benefits	5,820	4,830	-	-
Non current				
Employee benefits	552	425	-	-
Aggregate employee benefits liability	6,372	5,255	-	-
19 BORROWINGS				
Current				
Bank loans	-	-	-	-
Non-current				
Bank loans	181,725	155,811	-	-

(a) Security

The parent entity guarantees all bank loans of a subsidiary totalling $182,000,000 (2012: $156,000,000).

Fixed and floating charges are provided by the Consolidated Group in respect to financing facilities provided to it by its club financiers.

The Consolidated Group's loans are also secured by the following financial undertakings from all the entities in the Consolidated Group.

(i) Consolidated Group bank borrowings is not to exceed 80% of the sum of the Consolidated Group's aggregate of the written down value of net operating lease assets and finance lease receivables.

(ii) Shareholder's funds of the Consolidated Group is no less than $115,000,000 at all times.

(iii) Consolidated Group ratio of consolidated earnings before interest and tax to consolidated interest expense is not less than 3:1.

The Consolidated Group's borrowings are also secured by negative pledges by the Interleasing Group receiving the loans. This imposes certain covenants including a restriction to provide other security over its assets, a cap on its maximum finance debt, disposal of a substantial part of its business and reduction of its capital.

At all times during the year, the Consolidated Group operated with significant headroom against all of its borrowing covenants.

(b) Fair value disclosures

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

(c) Risk exposures

Details of the Consolidated Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
20 ISSUED CAPITAL				
(a) Share capital				
74,523,965 (2012: 74,523,965) fully paid ordinary shares	56,456	56,456	56,456	56,456

(b) Reconciliation of movement in issued capital

	Number of shares	Issue price $	Ordinary shares $'000
Balance at 1 July 2012	74,523,965		56,456
Options exercised during the year			
No shares were issued nor options exercised during the year			
Balance at 30 June 2013	74,523,965		56,456
Balance at 1 July 2011	68,081,810		25,053
Options exercised during the year			
Fully paid shares issued on the exercise of employee options			
- Granted in 2007	69,313	4.52	313
- Granted in 2008 and 2009	5,932,689	4.70	27,884
- Options granted in 2008 and 2009	440,153	3.40	1,496
Proceeds from issue of employee options	-		415
Transfer from option reserve	-		1,315
Total shares issued	6,442,155		31,423
Less: transaction costs	-		(20)
Balance at 30 June 2012	74,523,965		56,456

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of members' shares held. At members' meetings, each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options

At 30 June 2013, there were 3,189,275 (2012: 3,095,233) unissued ordinary shares for which options were outstanding.

The following options over ordinary shares were issued to staff and executives.

Date of issue	Number of options 2013	Number of options 2012	Exercise price	Option expiry date
15 August 2011	-	2,002,443	$7.31	30 September 2015
15 August 2011 (i)	-	314,578	$7.31	30 September 2015
26 October 2011	-	352,942	$8.54	30 September 2015
14 March 2012	-	31,250	$9.29	30 September 2015
24 July 2012	121,331	-	$11.42	30 September 2015
Total options issued	121,331	2,701,213		

(i) Options issued and fully paid at $1.32 each.

Details relating to options issued, exercised and lapsed during the year and options outstanding at the end of the reporting period is set out in Note 27 on page 55.

(d) Capital management strategy

The Consolidated Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Consolidated Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as long and short term borrowings (excluding derivatives and financial guarantees) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

The Consolidated Groups' gearing ratio was 39% (2012: 38%) calculated as net debt of $124,486,000 (2012: $101,391,000) divided by total debt and equity of $319,921,000 (2012: $269,442,000).

The Consolidated Group's Risk and Compliance Committee reviews the capital structure of the Consolidated Group on an on-going basis. As part of this review the committee considers the cost of capital and the risks associated with each class of capital.

21 RESERVES

(a) Option reserve

Movements in the reserve are detailed in the Statements of Changes in Equity. The reserve records amounts for the fair value of options granted and recognised as an employee benefits expense but not exercised.

(b) Cash flow hedge reserve

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revaluation - gross	(1,057)	(1,441)	-	-
Deferred tax	317	431	-	-
Balance at the end of the financial year	740	1,010	-	-

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	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
22 CASH FLOW INFORMATION				
Reconciliation of cash flow from operations with profit from operating activities after income tax				
Profit for the year	62,163	54,305	38,960	15,688
Non-cash flows in profit from operating activities				
Amortisation	2,498	1,603	-	-
Impairment loss	111	604	-	-
Depreciation	77,359	70,234	-	-
Option expense	1,521	1,367	-	-
Share of equity accounted joint venture loss	410	-	-	-
Purchase of assets under lease	(174,434)	(163,620)	-	-
Written down value of assets sold	31,512	36,837	-	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase) / decrease in trade receivables and other assets	(634)	(6,632)	(15)	77
Increase / (decrease) in trade payables and accruals	22,423	27,418	(395)	473
Increase / (decrease) in income taxes payable	2,164	(2,429)	(258)	(808)
(Decrease) / increase in deferred taxes	1,316	(443)	(16)	(116)
Increase in provisions	1,117	784	-	-
Net cash from operating activities	27,526	20,028	38,276	15,314
23 COMMITMENTS				
(a) Capital expenditure commitments				
Capital expenditure commitments contracted for:				
Property, plant and equipment	-	2,213	-	-
(b) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable - minimum lease payments				
- Not later than 12 months	6,539	5,538	-	-
- Between 12 months and 5 years	21,006	20,612	-	-
- Greater than 5 years	13,142	15,084	-	-
	40,687	41,234	-	-

The property leases are non cancellable leases with varying terms, with rent payable monthly in advance. Individual rental agreements specify each rental adjustment. A new lease was entered into during the year securing office premises for 10 years. The equipment leases are non cancellable leases with varying terms, with rent payable quarterly in arrears.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

24 SEGMENT REPORTING

Reportable segments

(a) Description of Segments

The Consolidated Group has identified its operating segments based on the internal reports reviewed and used by the Consolidated Group's chief decision maker (the CEO) to determine business performance and resource allocation. Operating segments have been identified after considering the nature of the products and services, nature of the production processes, type of customer and distribution methods.

Two reportable segments have been identified "Group Remuneration Services" and "Asset Management", in accordance with AASB 8 "Operating Segments" based on aggregating 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.

(b) Segment information provided to the Chief Decision Maker

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

	Segment revenue		Segment profit after tax	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Group Remuneration Services	155,855	137,284	46,793	40,265
Asset Management	171,962	163,342	14,633	14,268
Segment operations	327,817	300,626	61,426	54,533
Corporate administration and directors' fees			(1,008)	(870)
Acquisition expenses			(158)	-
Interest expense			-	(861)
Interest income			2,247	1,404
Tax on unallocated items			(344)	99
Profit after tax from continuing operations for the year			62,163	54,305

(c) Other segment information

(i) Segment revenue

Segment revenue is reconciled to the Statement of Comprehensive Income as follows:

	2013 $'000	2012 $'000
Total segment revenue	327,817	300,626
Interest revenue	2,247	1,404
Total revenue per Consolidated Statement of Comprehensive Income	330,064	302,030

Segment revenue above represents sales to external customers and excludes inter-segment sales, consistent with the basis by which the financial information is presented to the Chief Decision Maker.

The accounting policies of the reportable segments are the same as the Consolidated Group's policies. Segment profit includes the segment's share of centralised general management and operational support services which are shared across segments based on the lowest unit of measurement available to allocate shared costs that reasonably measure each segment's service level requirements and consumption. Segment profit does not include corporate costs of the parent entity, including listing and company fees, director's fees and finance costs relating to borrowings not specifically sourced for segment operations, costs directly incurred in relation to the acquisition of specific acquisition and strategic investment targets or interest revenue not directly attributable to a segment.

Included in the revenue for the Group Remuneration Services segment are revenues of $59,159,000 (2012: $52,989,000) from the Consolidated Group's largest customer.

The Consolidated Group's operations and its customers are located predominantly in Australia.

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(ii) Segment result

The following items are included in the segment results.

	2013 $'000	2012 $'000
Segment depreciation and amortisation		
Group Remuneration Services	4,412	4,366
Asset Management	75,556	67,400
	79,968	71,766
Share of loss from joint venture		
Group Remuneration Services	-	-
Asset Management	410	-
	410	-

(iii) Segment assets and liabilities

The segment information with respect to total assets is measured in a consistent manner with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The parent entity's borrowings are not considered to be segment liabilities.

The reportable segments' assets and liabilities are reconciled to total assets as follows:

	2013 $'000	2012 $'000
Segment assets		
Group Remuneration Services	70,132	54,467
Asset Management	322,879	282,324
Segment assets	393,011	336,791
Non-segment assets		
Unallocated assets [(1)]	54,212	54,420
Consolidated assets per statement of financial position	447,223	391,211
Segment liabilities		
Group Remuneration Services	31,627	38,605
Asset Management	220,161	184,555
Consolidated liabilities per statement of financial position	251,788	223,160

All assets and liabilities are located predominantly in Australia.

(1) Unallocated assets comprise cash and bank balances of Group Remuneration Services that is maintained as part of the centralised treasury and funding function of the Consolidated Group.

	2013 $'000	2012 $'000
Additions to non-current assets		
Group Remuneration Services	9,345	5,726
Asset Management	158,576	139,393
	167,921	145,119

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	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
25 CONTINGENT LIABILITIES				
Estimates of the potential financial effect of contingent liabilities that may become payable:				
Guarantee provided for the performance of a contractual obligation not supported by term deposit.	10,658	10,643	50	50
Guarantees provided in respect of property leases.	4,553	4,275	-	-
	15,211	14,918	50	50

26 RELATED PARTY TRANSACTIONS

(a) Wholly owned group

Transactions between the Company and other entities within the wholly owned group during the years ended 30 June 2013 and 2012 consisted of:

(a) loans advanced to the Company; and
(b) the payment of dividends to the Company.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:

	Consolidated Group		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Dividend revenue	-	-	39,598	16,734
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current payables	-	-	34,643	42,051
	$	$	$	$
(b) Key management personnel compensation				
Compensation				
Short-term employment benefits	3,474,420	3,855,127	2,016,836	1,998,301
Post-employment benefits	202,016	287,012	124,495	211,543
Long-term employment benefits	135,738	43,266	74,264	4,843
Share-based payments	1,002,542	963,608	667,699	682,161
	4,814,716	5,149,013	2,883,294	2,896,848

(c) Equity instrument disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year ended 30 June 2013 and 30 June 2012 by each Director and each of the Key Management Personnel of the Consolidated Group, including their personally related parties, are set out below:

Year ended 30 June 2013	Balance at the start of the year	Shares acquired through option exercise (i)	Other changes during the year	Balance held at balance date
Non-Executive Directors				
R Pitcher	105,100	-	(80,000)	25,100
G McMahon	122,000	-	-	122,000
J Bennetts	4,318,025	-	(325,000)	3,993,025
R Chessari	6,225,063	-	(174,122)	6,050,941
A Podesta	11,235,000	-	(4,000,000)	7,235,000
Executive Directors				
M Kay	1,444,952	-	(633,048)	811,904
	23,450,140	-	(5,212,170)	18,237,970
Other key management personnel				
G Kruyt	168,290	-	(95,246)	73,044
P Lang	6,452	-	-	6,452
M Salisbury	-	-	-	-
M Blackburn	1,250	-	-	1,250
A Tomas	17,050	-	-	17,050
	193,042	-	(95,246)	97,796

Year ended 30 June 2012				
Non-Executive Directors				
R Pitcher	105,100	-	-	105,100
G McMahon	122,000	-		122,000
J Bennetts	4,568,025	-	(250,000)	4,318,025
R Chessari	6,225,063	-		6,225,063
A Podesta (i)	11,235,000	-		11,235,000
Executive Directors				
M Kay	4,164	3,750,000	(2,309,212)	1,444,952
	22,259,352	3,750,000	(2,559,212)	23,450,140
Other key management personnel				
G Kruyt	119,172	625,000	(575,882)	168,290
P Lang	6,452	625,000	(625,000)	6,452
M Salisbury	-	136,364	(136,364)	-
M Blackburn (from 26 October 2011) (ii)	-	-	1,250	1,250
A Tomas	17,050	-	-	17,050
	142,674	1,386,364	(1,335,996)	193,042

(i) Includes employee options vested during the year and sold before the exercise for shares.

(ii) Pre-existing balance of shares held prior to becoming KMP.

Options

The number of options to acquire shares in the Company held during the financial year ended 30 June 2013 and 30 June 2012 by each of the other key management personnel of the Consolidated Group, including their close family members, or entities they control or have significant influence over, are set out below. No options are held by Non-Executive Directors.

Year ended 30 June 2013	Balance at the start of the year	Issued	Exercised or sold	Lapsed	Balance held at balance date
M Kay	720,106	-	-	-	720,106
M Blackburn	352,942	-	-	-	352,942
G Kruyt	197,538	-	-	-	197,538
P Lang	189,556	-	-	-	189,556
M Salisbury	85,276	31,311	-	-	116,587
A Tomas	575,535	-	-	-	575,535
	2,120,953	31,311	-	-	2,152,264
Year ended 30 June 2012					
M Kay	3,750,000	720,106	(3,750,000)	-	720,106
M Blackburn (commenced 26 October 2011)	-	352,942	-	-	352,942
G Kruyt	625,000	197,538	(625,000)	-	197,538
P Lang	625,000	189,556	(625,000)	-	189,556
M Salisbury	136,364	85,276	(136,364)	-	85,276
A Tomas	537,634	37,901	-	-	575,535
	5,673,998	1,583,319	(5,136,364)	-	2,120,953

27 SHARE-BASED PAYMENTS

The Company issued options to certain executives and employees under the McMillan Shakespeare Limited Employee Option Plan. Two types of options have been granted under this plan, performance options and voluntary options.

No executive can enter into a transaction that is designed or intended to hedge the executive's exposure to any unvested option. Executives will be required to provide declarations to the Board on their compliance with this policy from time to time.

Performance Options

Performance options over unissued ordinary shares in the Company are granted for no consideration and are, other than as disclosed in this Annual Report, granted at or above market prices prevailing when the Board approved the issue. Performance options carry no dividend or voting rights. Once exercised, each option is converted into one fully paid ordinary share in the Company.

The Remuneration Committee recommends to the Board the number of performance options to be granted on the basis of the position, duties and responsibilities of the relevant executive.

As at 30 June 2013, the Company had made fourteen offers of performance options in March 2004, December 2004, April 2005, August 2005, February 2007, December 2007, July 2008, November 2008, August 2009 and May 2010, August 2011, October 2011, March 2012 and July 2012. Many of the performance options issued have vested or expired prior to the financial year ended 30 June 2013.

Voluntary Options

Voluntary options were first granted during the 2012 financial year when 314,578 options were issued at $1.32 each and expire on 30 September 2015 (the consideration was set at a 25% discount to the fair value of the options on grant date) up to an investment limit of $50,000 per executive. The maximum discount to any one executive is therefore, limited to $16,666.

The entitlement to exercise the voluntary options is not contingent upon continued employment with the Company nor are there performance hurdles. However, if the executive leaves employment before 31 August 2014, the executive will forfeit 25% of their entitlement for $1 (the amount forfeited being equal to the 25% discount to the fair market value that applied to the acquisition price of the option at the date of the conditional offer and acceptance). The vesting date of these options is upon adoption of the Company's FY 2014 Annual Report. No performance hurdles are attached to these options as the executive has paid $50,000 for the purchase of these options (representing 75% of the fair value of the options on grant date).

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Details for current performance options

Options & issue date	Expiry	Conditions	Vested
537,634 (May 2010)		(a) Entitlement to exercise confirmed during the year upon the Company agreeing to a 36 month employment contract following completion of an 18 month fixed term employment contract. (b) The entitlement is subject to continuity of employment and the achievement of predetermined NPAT targets over three years. * * The targets are established as the same targets for the options issued in August 2011 described immediately below.	Entire issue vests and is exercisable (subject to the achievement of the conditions) on 1 October 2014.
1,831,540 (August 2011) and 352,942 (October 2011) and 31,250 (March 2012)	The options expire four years from the relevant date of issue.	The entitlement to exercise these options is subject to continuity of employment and the achievement of predetermined targets, of which 100% is based on NPAT growth targets over three years. The NPAT growth will be based on the actual NPAT achieved for the year ended 30 June 2011 (the 'Base Year'). The NPAT growth target will be based on compounding growth targets from the Base year. In the event that the NPAT target in any one year is not achieved, at the end of the three year period ending 30 June 2014 the actual compound NPAT over the three year period will be calculated, and if the total exceeds the compound NPAT target for the three year period, then the executives will be entitled to exercise all the options which have not been forfeited. The Board retains the right to adjust the NPAT targets in the event of a change in the capital structure of the Company that impacts earnings per share. Any change to the NPAT targets will be made having regard to the actual NPAT impact of the change to the capital structure. In the event that the executives take unpaid leave for a period exceeding three months during any of the years ending 30 June 2012, 2013 or 2014, the vesting criteria outlined above with respect to the financial performance of the Company and the executives continued employment will be determined on a pro rata basis to reflect the period of his continuous service during the relevant financial year, unless the Board in its discretion determine otherwise. The performance hurdles are as follows. **Performance Hurdles** — **Vesting portion** FY2012 NPAT growth not less than 12.5% — 33.34% FY2013 NPAT growth not less than 15.0% — 33.33% FY2014 NPAT growth not less than 15.0% — 33.33%	The entire issue vests upon the adoption of the Company's Annual Report for the financial year ended 30 June 2014.
121,331 (July 2012)	The options expire three years from the relevant date of issue.	The entitlement to exercise these options is subject to continuity of employment and the achievement of predetermined targets, of which 100% is based on NPAT growth targets over two years. The NPAT growth will be based on the actual NPAT achieved for the year ending 30 June 2012 (the 'Base Year'). The NPAT growth target will be based on compounding growth targets from the Base year. In the event that the NPAT target in any one year is not achieved, at the end of the two year period ending 30 June 2014 the actual compound NPAT over the two year period will be calculated, and if the total exceeds the compound NPAT target for the two year period, then the executive will be entitled to exercise all the options which have not been forfeited. The Board retains the right to adjust the NPAT targets in the event of a change in the capital structure of the Company that impacts earnings per share. Any change to the NPAT targets will be made having regard to the actual NPAT impact of the change to the capital structure. In the event that the executives take unpaid leave for a period exceeding three months during any of the year ending 30 June 2013 or 2014, the vesting criteria outlined above with respect to the financial performance of the Company and the executive continued employment will be determined on a pro rata basis to reflect the period of their continuous service during the relevant financial year, unless the Board in its discretion determine otherwise. The performance hurdles are as follows. **Performance Hurdles** — **Vesting portion** FY2013 NPAT growth not less than 15.0% — 50.0% FY2014 NPAT growth not less than 15.0% — 50.0%	The entire issue vests upon the adoption of the Company's Annual Report for the financial year ended 30 June 2014.

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Set out below are summaries of options granted under the plans:

Consolidated Group and parent entity - 2013

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
28 May 2010	1 October 2015	$3.42	537,634	-	-	-	537,634	-
16 August 2011 [(1)]	30 September 2015	$7.31	1,858,829		-	(27,289)	1,831,540	-
16 August 2011 [(2)]	30 September 2015	$7.31	314,578		-	-	314,578	-
25 October 2011	30 September 2015	$8.54	352,942		-	-	352,942	-
14 March 2012	30 September 2015	$9.29	31,250		-	-	31,250	-
24 July 2013	30 September 2015	$11.42	-	121,331	-	-	121,331	-
			3,095,233	121,331	-	(27,289)	3,189,275	-
Weighted average exercise price			$6.79	$11.42	-	$7.31	$6.97	-

Consolidated Group and parent entity - 2012

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
4 February 2007	3 February 2011	$3.80	-	-	-	-	-	-
21 December 2007	20 December 2011	$4.52	114,688	-	(69,313)	(45,375)	-	-
1 July 2008	30 June 2012	$4.70	3,750,000	-	(3,750,000)	-	-	-
24 November 2008	23 November 2012	$3.40	306,819	-	(306,819)	-	-	-
24 November 2008	23 November 2012	$4.70	1,988,750	-	(1,988,750)	-	-	-
14 August 2009	13 August 2012	$3.40	133,334	-	(133,334)	-	-	-
14 August 2009	13 August 2012	$4.70	193,939	-	(193,939)	-	-	-
28 May 2010	1 October 2015	$3.42	698,924	-	-	(161,290)	537,634	-
16 August 2011 [(1)]	30 September 2015	$7.31	-	2,002,443	-	(143,614)	1,858,829	-
16 August 2011 [(2)]	30 September 2015	$7.31	-	314,578	-	-	314,578	-
25 October 2011	30 September 2015	$8.54	-	352,942	-	-	352,942	-
14 March 2012	30 September 2015	$9.29	-	31,250	-	-	31,250	-
			7,186,454	2,701,213	(6,442,155)	(350,279)	3,095,233	-
Weighted average exercise price			$4.49	$7.49	$4.61	$5.16	$6.79	-

(1) Performance options including 682,206 options granted to the Managing Director following approval by shareholders at the Annual General Meeting on 25 October 2011.

(2) Voluntary options including 37,900 options granted to the Managing Director following approval by shareholders at the Annual General Meeting on 25 October 2011.

None of the forfeited options represented expired options (2012: 16,875).

The weighted average remaining contractual life of options outstanding at the end of the year was 2.25 years (2012: 3.2 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year is disclosed in the table below. The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the share price at the grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

	Year ended 30 June 2013	Year ended 30 June 2012				
Model input	**August 2012**	**March 2012**	**October 2011**	**August 2011**	**August 2011 (2)**	**August 2011 (1)**
Consideration payable upon grant	Nil	Nil	Nil	Nil	$1.32	Nil
Exercise price	$11.42	$9.29	$8.54	$7.31	$7.31	$7.31
Grant date	24 July 2012	14 March 2012	25 October 2011	16 August 2011	16 August 2011	16 August 2011
Expected life	2.2 years	3.0 years	3.0 years	3.2 years	3.2 years	3.2 years
Share price at grant date	$11.42	$9.29	$8.54	$7.31	$7.31	$8.54
Expected price volatility	40%	42%	34%	40%	40%	34%
Expected dividend yield	4%	4.1%	4.4%	5.3%	5.3%	4.4%
Risk-free interest rate	2.2%	3.7%	3.9%	3.9%	3.9%	3.9%

(1) These options were granted to Mr M. Kay in August 2011 and subsequently approved by shareholders at the Annual General Meeting on 25 October 2011.

(2) This option issue was for voluntary options whereas the other issues were performance options.

The expected price volatility is based on historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee and Director benefits expense were as follows:

	Consolidated Group		Parent Entity	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Options issued under Employee Option Plan	1,521	1,367	-	-

28 DEED OF CROSS GUARANTEE

McMillan Shakespeare Limited, Maxxia Pty Ltd and Remuneration Services (Qld) Pty Ltd are parties to a deed of cross guarantee entered into during the year ended 30 June 2009 and Interleasing (Australia) Ltd, CARILA Pty Ltd and TVPR Pty Ltd (Interleasing Group) entered into deeds of cross guarantee in the year ended 30 June 2010. Under the deeds, each company guarantees the debts of the others and is relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by McMillan Shakespeare Limited, they also represent the 'Extended Closed Group'.

Set out below is a statement of comprehensive income, statement of financial position and a summary of movements in consolidated retained profits for the year ended 30 June 2013 of the Closed group consisting of McMillan Shakespeare Limited, Maxxia Pty Ltd and Remuneration Services (Qld) Pty Ltd, Interleasing (Australia) Ltd, CARILA Pty Ltd and TVPR Pty Ltd.

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(a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits

	2013 $'000	2012 $'000
Statement of Comprehensive Income		
Revenue and other income	329,687	301,794
Employee and director benefits expenses	(73,837)	(65,442)
Depreciation and amortisation expenses and impairment	(79,783)	(71,766)
Leasing and vehicle management expenses	(47,307)	(50,850)
Consulting cost expenses	(2,413)	(2,343)
Marketing expenses	(3,076)	(3,000)
Property and corporate expenses	(6,441)	(5,333)
Technology and communication expenses	(7,561)	(7,192)
Finance costs	(11,042)	(10,385)
Other expenses	(8,218)	(7,440)
Profit before income tax	90,009	78,043
Income tax expense	(26,912)	(23,043)
Profit attributable to members of the parent entity	63,097	55,000
Other comprehensive income		
Other comprehensive income / (loss) for the year after tax	1,752	(799)
Total comprehensive income for the year	64,849	54,201
Movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	111,480	87,902
Profits for the year	63,097	55,000
Dividends paid	(36,517)	(31,422)
Retained profits at the end of the financial year	138,060	111,480

(b) Consolidated Statement of Financial Position

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	56,876	54,213
Trade and other receivables	23,432	22,423
Finance lease receivables	4,195	6,043
Inventory	4,909	1,980
Total current assets	89,412	84,659
Non-current assets		
Property, plant and equipment	294,165	252,966
Intangible assets	50,233	42,450
Deferred tax asset	365	1,691
Finance lease receivables	10,382	9,518
Other financial assets	3,250	-
Total non-current assets	358,395	306.625
TOTAL ASSETS	447,807	391,284
Current liabilities		
Trade and other payables	56,210	57,386
Current tax liability	6,661	4,323
Provisions	5,818	4,830
Total current liabilities	68,689	66,539
Non-current liabilities		
Provisions	552	425
Borrowings	181,725	155,811
Total non-current liabilities	182,277	156,236
TOTAL LIABILITIES	250,966	222,775
NET ASSETS	196,841	168,509
EQUITY		
Issued capital	56,456	56,456
Reserves	2,325	573
Retained earnings	138,060	111,480
TOTAL EQUITY	196,841	168,509

29 SUBSEQUENT EVENTS

Subsequent to reporting date, the Federal Government announced proposed legislative changes to the treatment of fringe benefits tax (FBT) on motor vehicles. The proposed changes is expected to lead to an unknown and unquantifiable decrease in demand for novated leases and an adverse impact to the company's business overall. The proposed changes require the passing of legislation to become effective and if enacted will have a material adverse impact on the future earnings of the Company. The Company is working through various scenarios, including the potential structural changes to internal departments should the proposed legislation changes be enacted as law.

Due to the uncertainty in relation to the treatment of FBT on novated leasing, a final dividend has not been declared in respect of the financial year ended 30 June 2013.

The Company completed a financing arrangement for new borrowing facilities of GBP15 million subsequent to reporting date. The facilities will be used to fund business expansion in the UK.

DIRECTORS' DECLARATION

The Directors are of the opinion that:

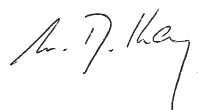
1. the financial statements and notes on pages 20 to 60 are in accordance with the *Corporations Act* 2001(Cth), including:
   (a) compliance with Accounting Standards, the *Corporations Regulations* 2001 (Cth) and other mandatory professional reporting requirements;
   (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and financial performance for the financial year ended on that date; and
   (c) compliance with International Financial Reporting Standards as disclosed in Note 1.
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.
3. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 28 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in the Note 28.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act* 2001 (Cth).

This declaration is made in accordance with a resolution of the Directors.

Ronald Pitcher, AM

Chairman



Michael Kay

Managing Director

27 August 2013

Melbourne, Australia

INDEPENDENT AUDIT REPORT
AS AT 30 JUNE 2013

Grant Thornton Audit Pty Ltd
ACN 130 913 594

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of McMillan Shakespeare Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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INDEPENDENT AUDIT REPORT
AS AT 30 JUNE 2013

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of McMillan Shakespeare Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in pages 6 to 12 of the Directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

INDEPENDENT AUDIT REPORT
AS AT 30 JUNE 2012

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of McMillan Shakespeare Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett
Partner - Audit & Assurance

Melbourne, 27 August 2013

AUDITOR'S INDEPENDENCE DECLARATION
AS AT 30 JUNE 2013

Grant Thornton Audit Pty Ltd
ACN 130 913 594

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 audit of McMillan Shakespeare Limited for the year ended 30 June 2013, 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 audit; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett
Partner - Audit & Assurance

Melbourne, 27 August 2013

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SHAREHOLDER INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below:

SUBSTANTIAL SHAREHOLDINGS

As at 12 August 2013, the number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares[1]
National Nominees Limited	9,943,922	13.34
J P Morgan Nominees Australia Limited	9,069,734	12.17
Meddiscope Pty Limited (2)	7,235,000	9.71
Chessari Holdings Pty Limited (3)	6,050,941	8.12
HSBC Custody Nominees (Aust) Ltd	5,329,712	7.15
Asia Pac Technology Pty Limited (4)	3,993,025	5.36

1 *As at 12 August 2013, 74,523,965 fully paid ordinary shares have been issued by the Company.*

2 *Meddiscope Pty Limited is a company associated with Mr Anthony Podesta, a Non-Executive Director. Meddiscope Pty Limited has a deemed relevant interest in the shares held by Cobax Pty Limited, as both entities are controlled by Mr Podesta.*

3 *Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a Non-Executive Director.*

4 *Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a Non-Executive Director.*

NUMBER OF SHARE & OPTION HOLDERS

As at 12 August 2013, the number of holders of ordinary shares and options in the Company was as follows:

Class of Security	Number of Holders
Fully paid ordinary shares	7,389
Options exercisable at $3.42 and expiring on 1 October 2015	1
Options exercisable at $7.31 and expiring on 30 September 2015	18
Options exercisable at $8.54 and expiring on 30 September 2015	1
Options exercisable at $9.29 and expiring on 30 September 2015	1
Options exercisable at $11.42 and expiring on 30 September 2015	3

VOTING RIGHTS

In accordance with the Constitution of the Company and the *Corporations Act* 2001 (Cth), every member present in person or by proxy at a general meeting of the members of the Company has:

- on a vote taken by a show of hands, one vote; and
- on a vote taken by a poll, one vote for every fully paid ordinary share held in the Company.

A poll may be demanded at a general meeting of the members of the Company in the manner permitted by the *Corporations Act* 2001 (Cth).

DISTRIBUTION OF SHARE & OPTION HOLDERS

As at 12 August 2013, the distribution of share and option holders in the Company was as follows:

Distribution of Shares & Options	Number of Holders of Ordinary Shares
1 – 1,000	3,960
1,001 – 5,000	2,696
5,001 – 10,000	419
10,001 – 100,000	274
100,000+	40

As at 12 August 2013 there were 116 shareholders who held less than a marketable parcel of 49 fully paid ordinary shares in the Company.

TOP 20 SHAREHOLDERS

As at 12 August 2013, the details of the top 20 shareholders in the Company are as follows:

No.	Name	Number of Ordinary Shares	Percentage of Ordinary Shares[1]
1.	National Nominees Limited	9,943,922	13.34
2.	J P Morgan Nominees Australia Limited	9,069,734	12.17
3.	Meddiscope Pty Limited (2)	6,590,000	8.84
4.	Chessari Holdings Pty Limited (3)	6,050,941	8.12
5.	HSBC Custody Nominees (Aust) Ltd	5,329,712	7.15
6.	Asia Pac Technology Pty Limited (4)	3,993,025	5.36
7.	Citicorp Nominees Pty Limited	3,096,427	4.15
8.	UBS Nominees Pty Ltd	1,892,144	2.54
9.	BNP Paribas Noms Pty Ltd < DRP>	1,367,046	1.83
10.	Ann Leslie Ryan	1,008,418	1.35
11.	BNP Paribas Noms Pty Ltd ACF PENGANA < DRP A/C>	951,898	1.28
12.	Aust Executor Trustees SA Ltd <Tea Custodians Ltd>	649,485	0.87
13.	COBAX Pty Ltd <Podesta Super Fund A/c> (2)	645,000	0.87
14.	Citicorp Nominees Pty Limited <Colonial First State investment A/C>	601,623	0.81
15.	AMP Life Limited	453,705	0.61
16.	MAP Capital Pty Ltd <Richmond TCE CAP ARF A/C>	400,000	0.54
17.	MOHL Invest Pty Ltd <MOHL Family A/C>	310,000	0.42
18.	RBC Investor Services Australia Nominees Pty Ltd <MBA A/C>	300,000	0.40
19.	HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER A/C>	286,248	0.38
20.	Catholic Church Insurance Limited	266,000	0.36
Totals: Top 20 holders of issued Capital		53,205,328	71,.39
Total Remaining Holders Balance		21,318,637	28.61

1 As at 12 August 2013, 74,523,965 fully paid ordinary shares have been issued by the Company.

2 Meddiscope Pty Limited is a company associated with Mr Anthony Podesta, a Non-Executive Director. Meddiscope Pty Limited has a deemed relevant interest in the shares held by Cobax Pty Limited, as both entities are controlled by Mr Podesta.

3 Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a Non-Executive Director.

4 Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a Non-Executive Director.

RESTRICTED SECURITIES

As at the date of this Annual Report, there are no securities in the Company subject to voluntary escrow or any other restrictions.

UNQUOTED SECURITIES

As at the date of this Annual Report, the details of unquoted securities in the Company are as follows:

Class	Number of Securities	Number of Holders
Options exercisable at $3.42 and expiring on 1 October 2015	537,634	1
Options exercisable at $7.31 and expiring on 30 September 2015	2,146,118	18
Options exercisable at $8.54 and expiring on 30 September 2015	352,942	1
Options exercisable at $9.29 and expiring on 30 September 2015	31,250	1
Options exercisable at $11.24 and expiring on 30 September 2015	121,331	3
Options do not carry a right to vote		

ON-MARKET BUY BACK

The Company does not have a current on-market buy-back.

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McMillan Shakespeare Limited
A.B.N. 74 107 233 983
A.F.S.L. No. 299054
Level 21, 360 Elizabeth Street
Melbourne, Victoria 3000
www.mmsg.com.au