McMillanShakespeareGroup

McMillan Shakespeare Limited
ABN 74 107 233 983 AFSL No. 299054
The Tower, Melbourne Central,
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Melbourne VIC 3000
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Web: www.mmsg.com.au

Manager, Company Announcements
ASX Limited

18 February 2014

Via E-lodgement

Dear Sir/Madam

McMillan Shakespeare Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report for the half-year ended 31 December 2013.

This information should be read in conjunction with McMillan Shakespeare Limited's 2013 Annual Report.

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

Yours faithfully
McMillan Shakespeare Limited

Mark Blackburn
Chief Financial Officer and Company Secretary

Half-year ended 31 December 2013
(Previous corresponding period: Half-Year ended 31 December 2012)

McMillan Shakespeare Group of Companies

ABN 74 107 233 983

The McMillan Shakespeare Group of Companies

Results for announcement to the market

APPENDIX 4D – Half-year Report

McMillan Shakespeare Limited
ABN 74 107 233 983

1. Details of the reporting period and the previous corresponding period	
	Current period: 1 July 2013 to 31 December 2013 Previous corresponding period: 1 July 2012 to 31 December 2012

2. Results for announcement to the market			
	Key information	**Percentage change**	**Half-Year ended 31 December 2013 $'000**
2.1	Revenues from ordinary activities	Up 1% to	162,529
2.2a	Profit after income tax	Down 35% to	19,259
2.3	Net profit after income tax attributable to members of the parent entity	Down 35% to	19,259
	Dividends	**Amount per share**	**Franked amount per share**
2.4	Interim dividend	$0.21	$0.21
2.5	Record date for determining entitlements to the dividend	7 March 2014	
2.6	***Commentary on results for the period***		

Net profit after income tax for the half-year ended 31 December 2013 was $19,259,000 representing a 35% decrease on the previous year's result of $29,747,000. The decline in the results was due to the adverse effect of the previous government's proposed legislation change to FBT on motor vehicles that affected the GRS business (refer the Review of Operations for further details).

The financial operating performance of the segments is summarised below.

	Half-year 31 Dec 2013	Half-year 31 Dec 2012	**Half-year 31 Dec 2013**	Half-year 31 Dec 2012
	Revenue	Revenue	**NPAT**	NPAT
	$'000	$'000	**$'000**	$'000
Group Remuneration Services	**70,548**	75,757	**13,238**	21,990
Asset Management	**90,978**	84,396	**6,377**	7,290
Total segment operations	**161,526**	160,153	**19,615**	29,280

Basic earnings per share as shown in the financial statements was 25.8 cents per share (2012: 39.9 cents) and on a diluted basis was 25.4 cents (2012: 39.3 cents).

Refer to the accompanying December 2013 Half-Year Results Announcement for more details on the financial results.

APPENDIX 4D – Half-year Report

3. Net tangible assets per share			
		31 December 2013 $	**31 December 2012 $**
	Ordinary shares	**$1.83**	1.82

4. Control gained or lost over entities during the period		
	Name of entities where control was gained during the period	**Date control acquired**
	Acquired 100% interest in CLM Fleet Management plc and its subsidiaries for A$14,276,000 (£8.4 million), a company incorporated in the UK that provides fleet management services in the UK market. NPAT contribution to the consolidated results in the period since acquisition was $315,000 and acquisition expenses incurred were $523,000. Refer note 6 of the half-year financial report for further details.	22 October 2013
	None	N/A
	Name of entities where control was lost during the period	**Date control lost**
	None	N/A

5. Dividend			
	Dividends	**Amount per share Cents**	**Franked amount per share Cents**
	Final dividend in respect of the financial year ended 30 June 2013 per share	18.0	18.0
	Interim dividend	21.0	21.0
	The record date for determining entitlement to the interim dividend is 7 March 2014. The interim dividend is payable on 28 March 2014.		

6. Dividend reinvestment plans	
	None

7. Investment in associates and joint ventures	

8. Foreign entities	
	None

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HALF YEAR RESULTS ANNOUNCEMENT
McMILLAN SHAKESPEARE LIMITED

McMillan Shakespeare Limited (ASX:MMS) today released its results for the half-year ended 31 December 2013, with a reported after tax profit of $19.3m.

Highlights of the operating results were:

Consolidated financial performance

	1HFY14 $000 Group Remuneration Services	1HFY13 $000 Group Remuneration Services	% Increase	1HFY14 $000 Asset Management (1)	1HFY13 $000 Asset Management	% Increase	1HFY14 $000 Total	1HFY13 $000 Total
Revenue from operating activities	70,548	75,757	-7%	90,978	84,396	8%	161,526	160,153
Expenses	50,666	44,354	14%	81,089	73,982	10%	131,755	118,336
Pre tax profit from operating activities	19,882	31,403	-37%	9,889	10,414	-5%	29,771	41,817
Operating margin	28.2%	41.5%		10.9%	12.3%		18.4%	26.1%
Tax	6,644	9,413	-29%	2,966	3,124	-5%	9,610	12,537
Segment net profit after tax pre-UK JV	**13,238**	**21,990**	**-40%**	**6,923**	**7,290**	**-5%**	**20,161**	**29,280**
Unallocated items								
Interest income							1,041	1,332
Public company costs							(894)	(667)
Tax on unallocated items							(44)	(198)
Profit after tax from operating activities pre-UK JV							**20,264**	**29,747**
							-31.9%	**19.4%**
Share of JV				(546)	-		(546)	-
CLM acquisition expenses (after tax)							(459)	-
Net profit after tax	**13,238**	**21,990**		**6,377**	**7,290**		**19,259**	**29,747**
NPAT growth							**-35.3%**	**19.4%**
Return on equity							19%	34%
Basic earnings per share (cents)							25.84	39.91
Diluted earnings per share (cents)							25.36	39.28
Diluted EPS growth							**-35.4%**	**13.4%**
Interim dividend declared per share (cents)							21.00	24.00
Payout ratio							81%	60%

(1) Includes CLM acquisition from 22 October 2013

Review of Operations

The Group results were adversely affected significantly by the previous Federal Government's 16 July, 2013 announcement relating to the tax treatment of FBT on motor vehicles. Following the reversal of this policy by the new Federal Government on 9 September, 2013, business has been in the process of ramping up to "business as usual".

Here are the key points from our last six months' activities:

- Consolidated profit after tax decrease 35% on the prior comparable period (PCP) to $19.3m. Basic EPS of 25.8 cps (39.9 cps PCP) (35% decrease).

- The Group Remuneration Services after tax profit of $13.2m was $8.7m or 40% lower than PCP. The impact of profit from the consequential reduction in revenue from the FBT issue was exacerbated by the increased staff costs with the decision to retain all staff during the period from the FBT announcement (16 July 2013) until return to business as usual. Additionally, the Group incurred $1.9m for costs associated with the proposed FBT changes.

- The ramp up and recovery of the Group Remuneration Services is encouraging. December month sales and revenue performance exceeded 2012 PCP levels.

- Assets under finance and management continued to grow (10%), despite patchy economic conditions and a very competitive market.

- Competition in both segments has intensified but our businesses have a good pipeline of new business opportunities.

- The Group acquired CLM in the UK for $A14m ($A12.4m net of cash acquired). With a fleet of 12,800 vehicles and a comprehensive vehicle management capability, CLM brings scale to our UK operations. We can now originate, finance and manage vehicle fleets in the UK. Additionally, CLM brings with it an experienced management team and over 50 quality corporate customers, thereby providing the opportunity for the cross selling of products and services.

- Free cash flow of $19.9m (pre the investment in the growth of fleet assets) was steady, notwithstanding the impact of proposed FBT changes.

- Annualised return on equity reduced to 19%, due to the FBT disruption.

- A new Australian asset management system was successfully delivered in July 2013 and the development costs, with its 5 year useful life, will impact earnings with an annual depreciation charge of $1.9m.

- Business and staff have proved very resilient in the face of proposed FBT changes. This bodes well for the second half of FY 2014.

In all, this was a testing first half. Despite this, the Group remained wholly committed to its staff and clients during the period when revenue from the novated leasing business was severely curtailed. The business recovered quickly and is well placed for growth in the second half.

The Company declared a fully franked interim dividend of 21 cents per share (24 cents in 1HFY13). The record date is 7 March, 2014 and the dividend will be paid on 28 March, 2014.

Yours faithfully,
McMILLAN SHAKESPEARE LIMITED

Ronald Pitcher, AM
Chairman

Michael Kay
Managing Director

Melbourne, 18 February 2014

For more information, please contact:

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About McMillan Shakespeare

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

DIRECTORS' REPORT

The Directors of McMillan Shakespeare Limited (the Company) present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during the half-year ended 31 December 2013 (the Group or Consolidated Group).

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

Mr R. Pitcher, AM
Mr M. Kay
Mr J. Bennetts
Mr R. Chessari
Mr G. McMahon (retired on 26 November 2013)
Mr. Tim Poole (appointed 17 December 2013)
Mr A. Podesta

The above named Directors held office for the entire period with the exception of Mr G. McMahon and Mr T. Poole as noted above.

Review of Operations

A review of the operations of the consolidated entity during the half-year ended 31 December 2013 and the results of these operations are set out in the attached results announcement.

Results

The consolidated net profit for the half-year ended 31 December 2013 attributable to the members of the Company after providing for income tax was $19.3m.

Dividend

On 18 February 2014, the Board of Directors declared a fully franked dividend of 21 cents per ordinary share. The record date is 7 March 2014 and the dividend will be paid on 28 March 2014.

Rounding of amounts

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of *the Corporations Act 2001* is included on page 9 of the half-year financial report.

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

Ronald Pitcher, AM
Chairman

Michael Kay
Managing Director

Melbourne, 18 February 2014

Grant Thornton Audit Pty Ltd
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Auditor's Independence Declaration
To The Directors of McMillan Shakespeare Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of McMillan Shakespeare Limited for the half-year ended 31 December 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 review; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Brock Mackenzie
Partner - Audit & Assurance

Melbourne, 18 February 2014

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

We have reviewed the accompanying half-year financial report of McMillan Shakespeare Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the McMillan Shakespeare Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of McMillan Shakespeare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Brock Mackenzie
Partner - Audit & Assurance

Melbourne, 18 February 2014

DIRECTORS' DECLARATION

In the Directors opinion:

(a) The financial statements and notes of McMillan Shakespeare Limited for the half-year ended 31 December 2013 are in accordance with the *Corporations Act 2001*, including;

   i. giving a true and fair view of the consolidated group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and

   ii. compliance with Accounting Standards and the *Corporations Regulations 2001.*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of McMillan Shakespeare Limited.

Ronald Pitcher, AM
Chairman

Michael Kay
Managing Director

Melbourne, 18 February 2014

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Half-year ended 31 Dec 2013 $'000	Half-year ended 31 Dec 2012 $'000
Revenue from continuing operations		
Remuneration services	**70,548**	75,757
Asset management services	**90,872**	84,396
Non-operating interest income	**1,109**	1,332
	162,529	161,485
Expenses		
Employee and director benefit expenses	**(42,303)**	(36,360)
Depreciation, amortisation and impairment	**(43,852)**	(38,677)
Leasing and vehicle management expenses	**(23,963)**	(23,987)
Consulting costs	**(1,930)**	(1,159)
Marketing costs	**(1,401)**	(1,773)
Property and corporate expenses	**(3,563)**	(3,329)
Technology and communication expenses	**(4,307)**	(3,850)
Other expenses	**(6,215)**	(4,399)
Finance costs	**(5,615)**	(5,469)
Share of equity accounted joint venture	**(546)**	-
Total expenses	**(133,695)**	(119,003)
Profit before income tax expense	**28,834**	42,482
Income tax expense	**(9,575)**	(12,735)
Net profit for the period	**19,259**	29,747
Other comprehensive income		
Items that may be re-classified subsequently to profit or loss:		
Changes in fair value of cash flow hedges	**335**	29
Exchange differences on translating foreign operations	**189**	(41)
Income tax	**(153)**	3
Other comprehensive profit / (loss), net of tax	**371**	(9)
Total comprehensive income for the period	**19,630**	29,738
Basic earnings per share (cents)	**25.84**	39.91
Diluted earnings per share (cents)	**25.36**	39.28

Notes to the financial statements are annexed.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets		
Cash and cash equivalents	**41,210**	57,239
Trade and other receivables	**23,830**	18,184
Finance lease receivables	**6,939**	4,195
Inventory	**5,507**	4,844
Prepayments	**5,642**	4,602
Total current assets	**83,128**	89,064
Non-current assets		
Assets under operating lease	**305,190**	287,749
Finance lease receivables	**15,034**	10,382
Property, plant and equipment	**9,032**	9,002
Capitalised software development	**14,378**	12,668
Goodwill on acquisition	**45,546**	33,292
Customer contracts and relationships	**q,573**	-
Contract rights	**3,571**	4,272
Other non-current assets	**1,132**	-
Deferred tax assets	**963**	367
Total non-current assets	**397,419**	358,159
Total assets	**480,547**	**447,223**
Current liabilities		
Trade payables	**16,800**	12,043
Sundry creditors and accruals	**38,914**	33,395
Receivables in advance	**3,487**	3,083
Maintenance instalments received in advance	**7,261**	7,626
Current tax liability	**4,178**	6,487
Derivative financial instruments	**722**	1,057
Lease liabilities	**2,098**	-
Employee benefits	**6,215**	5,820
Total current liabilities	**79,675**	69,511

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	31 Dec 2013 $'000	30 Jun 2013 $'000
Non-current liabilities		
Borrowings	**196,638**	181,725
Employee benefits	**778**	552
Deferred tax liabilities	**861**	-
Total non-current liabilities	**198,277**	182,277
Total liabilities	**277,952**	251,788
Net assets	**202,595**	195,435
Equity		
Issued capital	**56,456**	56,456
Reserves	**3,626**	2,311
Retained earnings	**142,513**	136,668
Total equity	**202,595**	195,435

Notes to the financial statements are annexed.

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Half-year ended 31 Dec 2013 $'000	Half-year ended 31 Dec 2012 $'000
Cash flows from operating activities		
Cash receipts from customers	**160,015**	153,062
Cash payments to suppliers and employees	**(74,907)**	(66,954)
Proceeds from sale of assets under lease	**20,847**	22,476
Payments for lease assets	**(88,063)**	(102,332)
Interest received	**1,108**	1,311
Interest paid	**(5,475)**	(5,266)
Income taxes paid	**(12,867)**	(12,160)
Net cash from / (used in) operating activities	**658**	(9,863)
Cash flows from investing activities		
Acquisition of subsidiaries (net of cash acquired)	**(12,418)**	-
Subsidiaries' acquisition expenses	**(523)**	-
Payments for joint venture subordinated loan	**(1,251)**	-
Payments for plant and equipment	**(517)**	(1,402)
Payments for software	**(3,354)**	(3,119)
Net cash used in investing activities	**(18,063)**	(4,521)
Cash flows from financing activities		
Proceeds from borrowings	**15,319**	33,000
Payment of borrowing costs	**(529)**	(280)
Dividends paid	**(13,414)**	(18,631)
Net cash from financing activities	**1,376**	14,089
Net decrease in cash and cash equivalents	**(16,029)**	(295)
Cash and cash equivalents at the beginning of the half year	**57,239**	54,420
Cash and cash equivalents at the end of the half-year	**41,210**	54,125

Notes to the financial statements are annexed.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Half-year ended 31 December 2013	**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**	**136,668**	**3,107**	**(740)**	**(56)**	**195,435**
Profit attributable to members of the parent entity	-	**19,259**	-	-	-	**19,259**
Other comprehensive income after tax	-	-	-	**235**	**136**	**371**
Total comprehensive income for the period	-	**19,259**	-	**235**	**136**	**19,630**
Transactions with owners in their capacity as owners:						
Option expense	-	-	**944**	-	-	**944**
Dividends paid	-	**(13,414)**	-	-	-	**(13,414)**
Equity as at 31 December 2013	**56,456**	**142,513**	**4,051**	**(505)**	**80**	**202,595**
Half-year ended 31 December 2012						
Equity as at beginning of year	56,456	111,022	1,586	(1,010)	-	168,054
Profit attributable to members of the parent entity	-	29,747	-	-	-	29,747
Other comprehensive income after tax	-	-	-	20	(29)	(9)
Total comprehensive income for the period	-	29,747	-	20	(29)	29,738
Transactions with owners in their capacity as owners:						
Option expense	-	-	690	-	-	690
Dividends paid	-	(18,631)	-	-	-	(18,631)
Equity as at 31 December 2012	56,456	122,138	2,276	(990)	(29)	179,851

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION

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

This half-year financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Company during the half-year period in accordance with the continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

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.

The consolidated half-year financial report was approved by the Board of Directors on 18 February 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

The Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period, including:

- *AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'* - 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 new standard does not have any significant impact on the composition of the Group in the context of the various entities that it currently controls.

- *AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'* - 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 and joint ventures will be equity accounted. AASB 11 does not have an impact on the amounts recognised in the financial statements. The Group's investment in a joint venture partnership is classified as a joint venture and equity accounted accordingly as required by the new rules.

- *AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'* - 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 does not affect the amounts recognised in the financial statements, but impacts on the type of information disclosed in relation to the Group's investments.

- *AASB 128 'Investments in Associates and Joint Ventures (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Venture 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 does not have any significant impact on the amounts recognised in the financial statements.

- *AASB 13 'Fair Value Measurement' and AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13'* – this standard establishes a single source of guidance for fair value measurements and enhance fair value disclosures. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. 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. Additional disclosure required by this standard is provided in note 8.

- *AASB 119 'Employee Benefits (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'* - 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 was not significant given that most employee entitlements are managed for usage within twelve months from reporting date.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods.

4. DIVIDENDS

On 18 February 2014, the Board of Directors declared a fully franked dividend of 21 cents per ordinary share. The record date is 7 March 2014 and the dividend will be paid on 28 March 2014.

	Half-year ended 31 December 2013		Half-year ended 31 December 2012	
	Cents per share	**Total $'000**	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares - Final dividend	**18.0**	**13,414**	**25.0**	**18,631**
Unrecognised amounts				
Fully paid ordinary shares - Interim dividend	**21.0**	**15,650**	24.0	17,886

5. SEGMENT REPORTING

Reportable segments

McMillan Shakespeare Limited and its controlled entities operate predominantly within one geographical location, Australia. There are two reportable segments in "Group Remuneration Services" and "Asset Management", in accordance with AASB 8 "Operating Segments" based on aggregating the operating segments taking into account the nature of the business services and products sold and the associated business and financial risks and how they affect the pricing and rates of return.

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

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

	Segment revenue		**Segment profit after tax**	
	Half-year Dec 2013 $'000	Half-year Dec 2012 $'000	**Half-year Dec 2013 $'000**	Half-year Dec 2012 $'000
Group Remuneration Services	**70,548**	75,757	**13,238**	**21,990**
Asset Management	**90,978**	84,396	**6,377**	**7,290**
Total for segment operations	**161,526**	160,153	**19,615**	**29,280**
Corporate administration and directors' fees			**(894)**	**(667)**
Acquisition expenses			**(523)**	**-**
Interest income			**1,041**	**1,332**
Tax on unallocated items			**20**	**(198)**
Profit after tax from continuing operations for the half-year			**19,259**	**29,747**

5. SEGMENT REPORTING (cont'd)

	31 Dec 2013 $'000	30 Jun 2013 $'000
Segment assets		
Group Remuneration Services	**89,717**	70,132
Asset Management	**353,371**	322,879
Total segment assets	**443,088**	393,011
Unallocated	**37,459**	54,212
Consolidated assets	**480,547**	447,223

6. BUSINESS COMBINATION

The Group acquired 100% of CLM Fleet Management plc and its subsidiaries on 22 October 2013, a company incorporated in the UK that provides fleet management services in the UK market. The acquisition was made to facilitate the expansion of the Group's business in integrated asset finance and asset management in the UK.

Consideration for the acquisition was $14,276,000 less cash assumed of $1,858,000, funded wholly by cash.

The assets and liabilities acquired have been fair valued in accordance with AASB 3 "Business Combinations", and has resulted in goodwill of $12,254,000. Acquisition-related expenses of $523,000 were incurred and expensed on consolidation and included in the "Other expenses" line in the the Statement of Consolidated Profit or Loss and Other Comprehensive Income for the half-year.

	$'000
Purchase consideration – cash outflow	
Cash paid for shares	14,276
Cash acquired with CLM	(1,858)
Net cash outflow for consideration transferred	12,418

There were no acquisitions for the half-year ended 31 December 2012.

Assets acquired and liabilities assumed at the date of acquisition	**Fair Value at acquisition date**
	$'000
Cash	1,858
Lease assets	1,897
Property, plant & equipment	746
Trade and other receivables	4,753
Assets acquired	9,254
Trade payables and accrued expenses	7,000
Lease liabilities	1,723
Tax provision	273
Deferred tax liabilities	873
Liabilities assumed	9,869
Identifiable net liabilities acquired	(615)
Customer list and relationships	2,637
Goodwill	12,254
Consideration	14,276

Trade and finance receivables of $2,325,000 acquired with the business have resulted from trade sales with customers and are considered fair value and their collection and conversion to cash are expected in full pursuant to customer terms.

Goodwill arising on acquisition is attributable to the profitability, quality client base, operating software and competent skill base of the acquired CLM business and the growth potential when combined with MMSG's other business for a unique offering of a fully integrated asset management business and employee benefits service. None of the goodwill is tax deductible.

The accounting for the acquisition has been provisionally determined at the end of the half-year. The valuation of customer contracts and relationships is awaiting finalistion and consequently, associated deferred tax liabilities and goodwill noted above have therefore, only been provisionally determined.

Net cash outflow from acquisition

	$'000
Consideration paid in cash	14,276
Less: cash acquired on acquisition	(1,858)
	12,418
Acquisition expenses paid	(523)
	11,895

$1,350,000 of the consideration was deferred for settlement twelve months from acquisition date pending the finalisation of conditions warranted in the sale and purchase agreement.

Impact of acquisition on the results of the Group

The Consolidated Statement of Comprehensive Income for the half-year includes sales revenue of $5,337,000 and net profit after tax of $315,000, as a result of the acquisition of CLM. Had the acquisition occurred effective 1 July 2013 revenue and profit for the half-year of $10,500,000 and $788,000 respectively, would have been included in the Statement of Comprehensive Income of the Group.

7. BORROWINGS

During the period, the Group completed a new financing arrangement for new borrowing facilities of £15 million to be used to fund business expansion in the UK.

8. FINANCIAL INSTRUMENTS

Information on the Group's financial assets and financial liabilities measured at fair value are provided below.

Fair value of financial assets and financial liabilities measured on a recurring basis

Financial asset/ (financial liability)	Fair value at		Fair value hierarchy	Valuation technique and key input
	31 Dec 2013	31 Dec 2012		
	$000	$000		
Interest rate swaps	**(722)**	(1,422)	2	Discounted cash flow using estimated future cash flows based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted to reflect the credit risk of various counterparties.
Foreign currency forward contract	**(967)**	-	2	Discounted cash flow using estimated future cash flows based on forward exchange rates (from observable foreign exchange rates at the end of the reporting period) and contract forward rates, discounted to reflect the credit risk of various counterparties.

9. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date, the Group successfully negotiated a financing arrangement that increased the facility limit to A$300 million and £25 million from A$270 million and £15 million. A new major Australian bank has been added to the MMS Club to bring the total to three major Australian banks. The revised facility has been extended maturity to February 2017 and is on more favourable terms. Documentation is expected to be finalised in March 2014.

Mr Anthony Podesta retired as a director of the Company on 18 February 2014.