

25 August 2014

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

By E-lodgement

Appendix 4E - Preliminary final report and accompanying announcement

This release contains an announcement to the Australian Stock Exchange Limited (**ASX**) regarding the full year results for McMillan Shakespeare Limited for the year ended 30 June 2014, which is given to ASX Limited under listing rule 4.3A of the ASX Listing Rules.

Yours faithfully
McMillan Shakespeare Limited

A handwritten signature in blue ink, appearing to read 'Mark Blackburn', with a large circular flourish at the end.

Mark Blackburn
Chief Financial Officer and Company Secretary

Appendix 4E

Preliminary Final Report Provided Under Listing Rule 4.3A

McMillan Shakespeare Group of Companies

Year Ended 30 June 2014 - (Previous corresponding period: Year Ended 30 June 2013)



Maxxia

RemServ



HOLDEN
LEASING

Interleasing

CLM

The McMillan Shakespeare Group of Companies

APPENDIX 4E
Preliminary Final Report

McMillan Shakespeare Limited
ABN 74 107 233 983

1. Details of the reporting period and the previous corresponding period	
	Current period: 1 July 2013 to 30 June 2014 Previous corresponding period: 1 July 2012 to 30 June 2013

2. Results for announcement to the market																																	
	Key information	Percentage change	Year ended 30 June 2014 \$'000																														
2.1	Revenues from continuing operations	Up 5.3% to	347,457																														
2.2	Profit from ordinary activities after income tax attributable to members	Down 11.6% to	54,970																														
2.3	Net profit from ordinary activities after income tax attributable to members	Down 11.6% to	54,970																														
	Dividends	Amount per security	Franked amount per security																														
2.4	Final dividend	\$0.31	\$0.31																														
2.5	Ex-dividend date Record date for determining entitlements to the dividend Dividend payment date	29 September 2014 1 October 2014 15 October 2014																															
2.6	<p>Commentary on results for the financial year</p> <p>Net profit after income tax for the year ended 30 June 2014 was \$54,970,000 representing a 11.6% decrease on the previous year's result of \$62,163,000.</p> <p>The financial operating performance of the segments is summarised below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">FY 2014</th> <th style="text-align: center;">FY 2013</th> <th style="text-align: center;">FY 2014</th> <th style="text-align: center;">FY 2013</th> </tr> <tr> <th></th> <th style="text-align: center;">Revenue</th> <th style="text-align: center;">Revenue</th> <th style="text-align: center;">NPAT</th> <th style="text-align: center;">NPAT</th> </tr> <tr> <th></th> <th style="text-align: center;">\$'000</th> <th style="text-align: center;">\$'000</th> <th style="text-align: center;">\$'000</th> <th style="text-align: center;">\$'000</th> </tr> </thead> <tbody> <tr> <td>Group Remuneration Services</td> <td style="text-align: right;">157,247</td> <td style="text-align: right;">155,855</td> <td style="text-align: right;">41,988</td> <td style="text-align: right;">46,793</td> </tr> <tr> <td>Asset Management</td> <td style="text-align: right;">188,069</td> <td style="text-align: right;">171,962</td> <td style="text-align: right;">13,557</td> <td style="text-align: right;">14,633</td> </tr> <tr> <td>Total segment operations</td> <td style="text-align: right;">345,316</td> <td style="text-align: right;">327,817</td> <td style="text-align: right;">55,545</td> <td style="text-align: right;">61,426</td> </tr> </tbody> </table> <p>Basic earnings per share as shown in the financial statements was 73.8 cents per share (2013: 83.4 cents per share) and on a diluted basis was 72.7 cents per share (2013: 81.9 cents per share).</p> <p>Refer to the accompanying 2014 Results Announcement for more details on the financial results.</p>				FY 2014	FY 2013	FY 2014	FY 2013		Revenue	Revenue	NPAT	NPAT		\$'000	\$'000	\$'000	\$'000	Group Remuneration Services	157,247	155,855	41,988	46,793	Asset Management	188,069	171,962	13,557	14,633	Total segment operations	345,316	327,817	55,545	61,426
	FY 2014	FY 2013	FY 2014	FY 2013																													
	Revenue	Revenue	NPAT	NPAT																													
	\$'000	\$'000	\$'000	\$'000																													
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Asset Management	188,069	171,962	13,557	14,633																													
Total segment operations	345,316	327,817	55,545	61,426																													

3. Consolidated Income Statement	
	Refer Attachment A

APPENDIX 4E
Preliminary Final Report

4. Consolidated Statement of Financial Position	
	Refer Attachment A

5. Consolidated Cash Flow Statement	
	Refer Attachment A

6. Consolidated Statement of Changes in Equity	
	Refer Attachment A

7. Dividend			
	Dividends	Amount per security	Franked amount per security
	Final dividend	\$0.31	\$0.31
	Interim dividend	\$0.21	\$0.21
	Total dividend (interim <i>plus</i> final)	\$0.52	\$0.52
	The record date for determining entitlement to the final dividend is 1 October 2014. The final dividend is payable on 15 October 2014.		

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

9. Net tangible assets per security			
		Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
	Ordinary shares	2.11	1.95

10. Control gained or lost over entities during the financial year		
	Name of entities where control was gained during the financial year	Date control Gained
	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 \$729,000 and acquisition expenses incurred were \$1,082,000. The reported revenue of the acquired entities for the whole of the previous corresponding period was \$13,840,000. Refer note 7 of the financial report for further details.	22 October 2013
	Name of entities where control was lost during the financial year	Date control Lost
	None.	N/A

APPENDIX 4E
Preliminary Final Report

11. Investment in associates and joint ventures	
	The Group's share of its 50% joint venture interest in Maxxia Limited, a company operating in the UK that was acquired on 1 February 2013, was a loss of \$1,120,000 (1 February 2013 to 30 June 2013: \$410,000 loss). Expenses of \$128,000 (after tax) were incurred to effect the acquisition and was expensed in the previous year.
12. Other information	
	None.
13. Foreign entities	
	Not applicable.
14. Commentary on results for the period	
	Refer Review of Operations attached.
15. Audit	
	This report is based on accounts which are currently in the process of being audited.

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$'000	2013 \$'000
Revenue from continuing operations		
Remuneration services	157,247	155,855
Asset Management services	188,052	171,535
Non-operating interest income	2,158	2,674
	347,457	330,064
Expenses		
Employee expenses	81,038	74,244
Depreciation, amortisation and impairment	89,116	79,968
Leasing and vehicle management expenses	52,692	47,396
Technology and communication expenses	8,141	7,642
Property and corporate expenses	6,869	6,470
Finance costs	10,872	11,042
Consulting costs	3,446	2,485
Marketing costs	2,739	3,089
Other expenses	12,215	8,421
Share of equity accounted joint venture loss	1,120	410
Total expenses	268,248	241,167
Profit before income tax	79,209	88,897
Income tax expense	(24,239)	(26,734)
Profit after tax from continuing operations	54,970	62,163
Other comprehensive income		
Items that may be re-classified subsequently to profit or loss:		
Changes in fair value of cash flow hedges	418	381
Exchange differences on translating foreign operations	489	(74)
Income tax on other comprehensive income	(142)	(90)
Total other comprehensive profit / (loss) for the year	765	217
Total comprehensive income for the year	55,735	62,380
Basic earnings per share (cents)	73.8	83.4
Diluted earnings per share (cents)	72.7	81.9

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	2014	2013
	\$'000	\$'000
Current assets		
Cash and cash equivalents	71,197	57,239
Trade receivables	14,836	9,335
Other receivables	14,349	8,849
Finance lease receivables	7,969	4,195
Inventory	5,379	4,844
Prepayments	6,568	4,602
Total current assets	120,298	89,064
Non-current assets		
Assets under operating lease	303,408	287,749
Finance lease receivables	16,937	10,382
Property, plant and equipment	9,797	9,002
Capitalised software development	14,655	12,668
Goodwill on acquisition	46,387	33,292
Customer contracts and relationships	2,567	-
Contract rights	3,050	4,272
Other financial assets	1,726	427
Deferred tax assets	5,832	367
Total non-current assets	404,359	358,159
Total assets	524,657	447,223
Current liabilities		
Trade payables	16,222	12,043
Sundry creditors and accruals	33,137	25,682
Receivables in advance	3,598	3,083
Maintenance instalments received in advance	7,529	7,626
Other liabilities	6,941	7,713
Derivative financial instruments	639	1,057
Current tax liability	10,634	6,487
Employee benefits provisions	6,137	5,820
Borrowings	452	-
Total current liabilities	85,289	69,511
Non-current liabilities		
Borrowings	213,995	181,725
Employee benefits provisions	767	552
Deferred tax liabilities	759	-
Total non-current liabilities	215,521	182,277
Total liabilities	300,810	251,788
Net assets	223,847	195,435

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

Equity		
Issued capital	56,456	56,456
Reserves	4,817	2,311
Retained earnings	162,574	136,668
Total equity	223,847	195,435

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts from customers	341,286	321,966
Cash payments to suppliers and employees	(155,944)	(134,390)
Proceeds from sale of assets under lease	36,742	46,051
Payments for lease assets	(150,375)	(174,434)
Interest received	2,158	2,674
Interest paid	(10,957)	(10,974)
Income taxes paid	(26,055)	(23,367)
Net cash from operating activities	36,855	27,526
Cash flows from investing activities		
Payments for capitalised software	(5,488)	(8,041)
Acquisition of plant and equipment	(3,184)	(2,329)
Proceeds from sale of plant and equipment	-	743
Payments for contract rights	-	(3,446)
Payments for subsidiary investments (net of cash acquired)	(12,418)	-
Payments for subsidiaries' acquisition expenses	(1,177)	-
Payment for joint venture investment	-	(337)
Payments for JV subordinated loans	(2,419)	(500)
Net cash used in investing activities	(24,686)	(13,910)
Cash flows from financing activities		
Proceeds from borrowings	33,552	26,000
Repayment of borrowings	(1,723)	-
Payment of borrowing costs	(993)	(280)
Dividends paid	(29,064)	(36,517)
Net cash provided by / (used in) financing activities	1,772	(10,797)
Effect of exchange changes on cash and cash equivalents	17	-
Net increase in cash and cash equivalents	13,958	2,819
Cash and cash equivalents at beginning of year	57,239	54,420
Cash and cash equivalents at end of year	71,197	57,239

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

	Issued capital	Retained Earnings	Option Reserve	Cash flow Hedge Reserve	Foreign Currency Translation Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2014						
Equity as at beginning of year	56,456	136,668	3,107	(740)	(56)	195,435
Profit attributable to members of the parent entity	-	54,970	-	-	-	54,970
Other comprehensive income after tax	-	-	-	293	472	765
Total comprehensive income for the period	-	54,970	-	293	472	55,735
Transactions with owners in their capacity as owners:						
Option expense	-	-	1,741	-	-	1,741
Dividends paid	-	(29,064)	-	-	-	(29,064)
Equity as at 30 June 2014	56,456	162,574	4,848	(447)	416	223,847
2013						
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:						
Option expense	-	-	1,521	-	-	1,521
Dividends paid	-	(36,517)	-	-	-	(36,517)
Equity as at 30 June 2013	56,456	136,668	3,107	(740)	(56)	195,435

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

1. Basis of preparation

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

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

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

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

Reporting Basis and Conventions

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

2. Earnings per share

	2014	2013
	'000	'000
Net profit after tax	\$54,970	\$62,163
Earnings used to calculate basic and diluted earnings per share (EPS)	\$54,970	\$62,163
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	74,524	74,524
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	75,660	75,930

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

3. Share capital

<i>Issued capital</i>	2014	2013
	\$'000	\$'000
Issued and fully paid up ordinary shares (74,523,965)	56,456	56,456

Share options

The following employee options were outstanding at reporting date.

Option class	Grant date	No. of unissued ordinary shares	Exercise price	Vesting date	Expiry date
Performance Options	28 May 2010	537,634	\$3.42	1 October 2014	1 October 2015
Performance Options	30 September 2011	1,805,957	\$7.31	31 August 2014	30 September 2015
Performance Options	25 October 2011	352,942	\$8.54	31 August 2014	30 September 2015
Performance Options	14 March 2012	31,250	\$9.29	31 August 2014	30 September 2015
Performance Options	24 July 2012	121,331	\$11.42	31 August 2014	30 September 2015
Total performance options		2,849,114			
Voluntary Options	16 August 2011	314,578	\$7.31	31 August 2014	30 September 2015
Total options		3,163,692			

Upon the Directors adoption of the annual report for the year ending 30 June 2014, all of the performance options except for the 24 July 2012 options are considered to have satisfied the NPAT performance targets and will qualify for vesting. The number of options that will vest is subject to employees continued employment with the Company at vesting date.

The voluntary options have a continuity of employment condition but do not attach performance conditions.

4. Other liabilities

	2014	2013
	\$'000	\$'000
Unearned property incentives	6,816	7,463
Unearned income	125	250
	6,941	7,713

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McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983

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.

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

	Segment revenue		Segment profit after tax	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Group Remuneration Services	157,247	155,855	41,988	46,793
Asset Management	188,069	171,962	13,557	14,633
Total for segment operations	345,316	327,817	55,545	61,426
Corporate administration and directors' fees			(1,436)	(1,008)
Acquisition and investment related costs*			(1,177)	(158)
Net interest income			1,978	2,247
Income tax on unallocated items			60	(344)
Profit after tax from continuing operations for the year			54,970	62,163

Included in segment results is the share of an equity accounted loss of a joint venture that was acquired during the 2013 year

	2014 \$'000	2013 \$'000
Group Remuneration Services	-	-
Asset Management	(1,120)	(410)
	(1,120)	(410)

* This expense represents costs incurred directly in the acquisition and establishment of subsidiaries during the year; the 2013 expense relates to the UK joint venture.

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

5. Segment reporting (cont'd)

Segment assets and liabilities

	30 June 2014	30 June 2013
	\$'000	\$'000
<i>Segment assets</i>		
Group Remuneration Services	66,417	70,132
Asset Management	393,737	322,879
Segment assets	460,154	393,011
Unallocated assets ⁽¹⁾	64,503	54,212
Consolidated assets per statement of financial position	524,657	447,223
<i>Segment liabilities</i>		
Group Remuneration Services	32,332	31,627
Asset Management	268,478	220,161
Consolidated liabilities per statement of financial position	300,810	251,788

(1) Unallocated assets comprise cash and cash equivalents of Group Remuneration Services, maintained as part of the centralised treasury function.

6. Contingent liabilities

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

	2014	2013
	\$'000	\$'000
Guarantees provided for the performance of a contractual obligation not supported by a term deposit.	10,351	10,658
Guarantees provided in respect of property leases.	4,840	4,553
	15,191	15,211

**APPENDIX 4E – ATTACHMENT A
McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

7. Business combination

(a) Subsidiaries acquired

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.

There were no other acquisitions during the year.

(b) Consideration transferred

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

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 \$1,082,000 were incurred and expensed on consolidation and included in the "Other expenses" line in the Statement of Consolidated Profit or Loss and Other Comprehensive Income for the year.

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

\$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.

(c) 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, high quality client base, operating

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McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983

7. Business combination (cont'd)

(c) Assets acquired and liabilities assumed at the date of acquisition (cont'd)

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 expected to be tax deductible.

(d) Impact of acquisition on the results of the Group

The Consolidated Statement of Comprehensive Income for the year includes sales revenue of \$7,965,000 and net profit after tax of \$729,000, as a result of the acquisition of CLM. Had the acquisition occurred effective 1 July 2013, the respective "pro-forma" revenue and profit for the year of \$14,489,000 and \$941,000 would have been included in the Statement of Comprehensive Income. In determining the proforma revenue and profit of CLM, adjustments have been made to differences in the accounting policies between the Group and CLM and the recognition of the amortisation of customer list and relationship on the assumption that this asset was acquired at 1 July 2013 at its fair value.

8. Event subsequent to reporting date

On 19 August 2014, the Company granted the following performance and voluntary options to employees.

Option type	Number	Exercise Price	Expiry Date
Performance options	978,417	\$10.18	30 September 2019
Performance options	808,738	\$10.18	30 September 2018
Voluntary options	<u>23,981</u>	\$10.18	30 September 2018
	<u>1,811,136</u>		

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McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983**

McMillanShakespeareGroup

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25 August 2014

**McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983
Preliminary Final Report
Announcement of results for the year ended 30 June 2014**

McMillan Shakespeare Limited (ASX:MMS) today released its preliminary results for the year ended 30 June 2014, with a reported preliminary after tax profit of \$55.0m (unaudited). This compares to the previous year's result of \$62.2m.

Highlights of the operating results were:

Consolidated financial performance

	2014	2013	%	2014	2013	%	2014	2013
	\$000	\$000	Incr.	\$000	\$000	Incr.	\$000	\$000
	Group Remuneration Services	Group Remuneration Services		Asset Management ⁽¹⁾	Asset Management		Total	Total
Revenue from operating activities	157,247	155,855	1%	188,069	171,962	9%	345,316	327,817
Expenses	97,163	89,230	9%	167,206	150,358	11%	264,369	239,589
Pre tax profit from operating activities	60,084	66,625	(10%)	20,863	21,604	(3%)	80,947	88,228
Operating margin	38.2%	42.7%		11.1%	12.6%		23.4%	26.9%
Tax	18,096	19,832	(9%)	6,186	6,561	(6%)	24,282	26,392
Segment net profit after tax pre-UK	41,988	46,793	(10%)	14,677	15,043	(2%)	56,665	61,836
Share of JV	-	-		(1,120)	(410)		(1,120)	(410)
Segment net profit after tax	41,988	46,793		13,557	14,633		55,545	61,426
Unallocated items								
Net interest income							1,978	2,247
Public company costs							(1,436)	(1,008)
Acquisition and investment related expenses							(1,177)	(128)
Tax on unallocated items							60	(374)
Net profit after tax							54,970	62,163
Growth							(11.6%)	14.5%
Return on equity							26%	34%
Basic earnings per share (cents)							73.76	83.42
Diluted earnings per share (cents)							72.65	81.87
Diluted EPS growth							(11.3%)	10.5%
Interim dividend paid per share (cents)							21.00	24.00
Final dividend declared per share (cents) (2)							31.00	18.00
Total dividend							52.00	42.00
Payout ratio (2)							70%	50%

⁽¹⁾ Includes CLM acquisition from 22 October 2013

⁽²⁾ Final FY14 dividend of 31cps has been determined after taking into account the total FY13 dividend payout ratio was contained at 50%

REVIEW OF OPERATIONS

Operations overview

This year's result was adversely impacted by the Rudd Government's 16 July 2013 announcement of proposed changes to the treatment of FBT on motor vehicles. Between that date and the September 2013 Federal election, our ability to sell novated leases was significantly curtailed. The change of Government saw a reversal of the proposed policy and we began the task of ramping back to business as usual.

The decision by the Board to retain all our staff after the Rudd announcement put pressure on our expense ratio in the first half of FY14, but the support and faith in our people has been well rewarded in the second half. A highly engaged workforce worked hard on the recovery of our business and through this engagement and with IT enhancements, we achieved significant productivity gains.

Notwithstanding these headwinds we have produced an excellent result.

Key highlights and activities included:

- Consolidated Group 2nd half FY14 NPAT was 10% higher than PCP (13% ex interest on the float*).
- Group Remuneration Services (GRS) 2nd half NPAT FY14 was 16% higher than PCP (21% ex interest on the float).
- Core operating contribution growth in GRS declined 5% on PCP, but 2HFY increased by 18%. (Core operating contribution – profit before finance, tax and depreciation derived directly from salary packages managed and novated leasing excluding one-off costs associated with proposed FBT changes.)
- Asset Management NPAT was \$13.6m, including UK JV losses. The Australian/NZ NPAT excluding remarketing profits and new system depreciation grew by 11% on PCP.
- Remarketing profits were below expectations due to customers deciding to extend leases rather than buy new assets which presents a delayed profit opportunity on eventual asset return.
- New Australian asset management system successfully delivered in July 2013 (5 year write off period from 1 July 2013; annual depreciation charge of \$1.9m).
- Free cash flow of \$52m (pre fleet increase), 94% of NPAT notwithstanding the impact of proposed FBT changes and \$8.5m of CAPEX, including systems investment.
- Assets under finance and management continued to grow (\$27m or 9% on PCP) despite patchy economic conditions and a very competitive market.
- Both segments have a good pipeline of new business opportunities.
- Group funding arrangements were extended to March 2017 on improved terms – our club facility now has three of the four tier 1 Australian banks and provides funds in Australia, NZ and UK.
- CLM (UK) was acquired for A\$14m in October 2013 (A\$12.4m net of cash acquired).
- The UK business originated £22m of assets.

*Ex interest on the float growth shows the business's underlying growth after removing the impact of interest earned on non corporate funds which is impacted by changes in interest rates.

- UK performing in line with expectations.
- Funding of CLM customers commenced January 2014.
- Cash as at 30 June 2014 \$71m.

In summary, our staff proved very resilient in the face of the proposed FBT tax changes. As is evident from the second half performance, the business has returned to its pre-July 16, 2013 condition and is well placed to provide shareholders with profitable growth in FY15. In addition to growth in our core offerings, shareholders can expect to see a contribution from the UK operations and the extension of our core offerings to customers through the launch of new products and services. FY15 is set to be another busy and productive year for MMS.

Dividend

The Company has declared a fully franked final dividend of 31.0 cents per share bringing the total dividend for the year ended 30 June 2014 to 52.0 cents per share. The record date for the dividend is 1 October 2014 and it is payable on 15 October 2014.

In accordance with Listing Rule 3.13.1 of the ASX Listing Rules, the Company also wishes to advise that its Annual General Meeting will be held on Wednesday, 29 October 2014 at 10:00am.

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 complementary fleet management service, including the procurement of motor vehicles and finance and the management of fuel card and service maintenance programs.