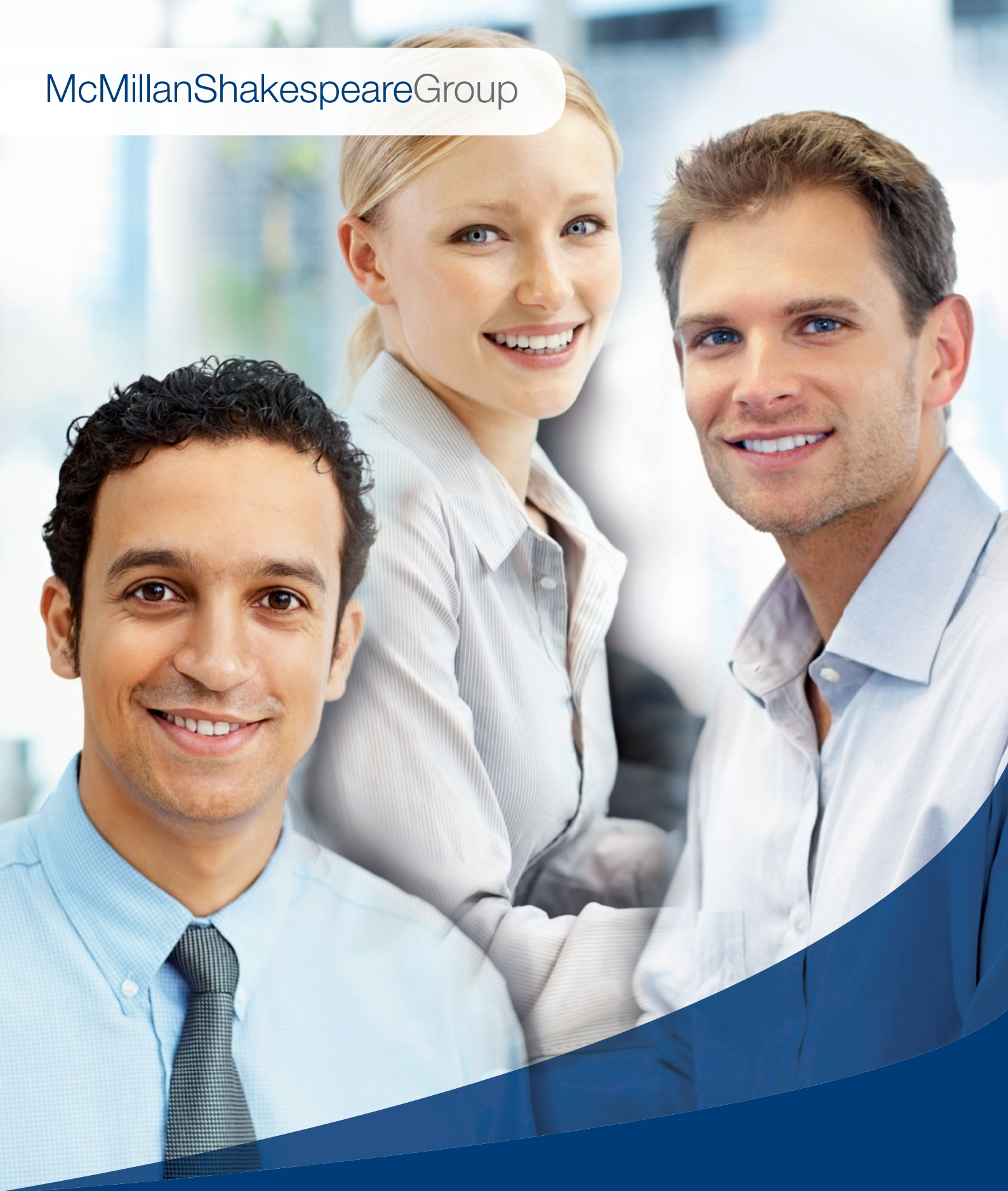


McMillanShakespeareGroup



Annual Report 2014

McMillan Shakespeare Limited

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CORPORATE DIRECTORY	Inside front cover

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 29 October 2014 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
Tim Poole
Ian Elliot

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 2014 (**Group or Consolidated Group**).

DIRECTORS

The directors during the whole of the financial year and up to the date of this report (**Directors**) are as follows:

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)

The following directors were appointed during the year and continue in office at the date of this report:

Mr Tim Poole (independent Non-Executive Director) appointed on 17 December 2013
 Mr Ian Elliot (independent and Non-Executive Director) appointed on 27 May 2014

Mr Michael Kay announced his retirement as Managing Director and Chief Executive Officer and is due to vacate his position on 30 September 2014.

The following were directors from the beginning of the financial year until their retirement during the year:

Mr Graeme McMahon (independent Non-Executive Director) resigned on 26 November 2013

Graeme McMahon retired as Director of McMillan Shakespeare in late 2013. Graeme made an enormous contribution to the success of McMillan Shakespeare from its listing in 2004. His success and experience as a business leader, together with his strength of character and forthright opinions, saw our business develop its strengths and face up to its challenges with equal energy and determination. Sadly, Graeme passed away in July 2014. Graeme was a memorable figure at McMillan Shakespeare and in the community, as President of Essendon football club and CEO of Ansett Airways. He is deeply missed by the McMillan Shakespeare family and all who knew him.

Mr Anthony Podesta (Non-Executive Director) resigned on 18 February 2014

Anthony Podesta announced his retirement as a McMillan Shakespeare Director in February 2014. Our company founder, Anthony worked at McMillan Shakespeare since its inception in 1988, transitioning from CEO to Board member in 2008. As well as building the McMillan Shakespeare business, Anthony was instrumental in the creation of the outsourced salary packaging industry in Australia and was named Ernst & Young Australian Entrepreneur of the year in 2012. Anthony's contribution to the company has been invaluable. He has left behind a vibrant legacy and successful business that bears the hallmarks of his energy and influence.

Details of the qualifications, experience and special responsibilities of the Directors at the date of this Annual Report are set out on pages 4, 5 and 6.

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 period that they held office during the financial year ended 30 June 2014.

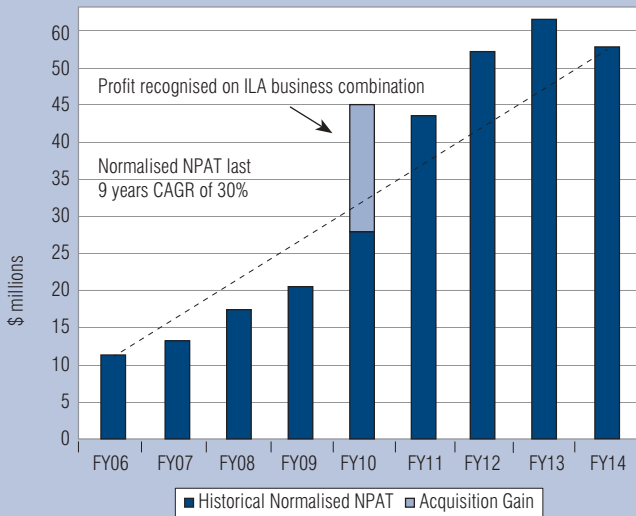
DIRECTORS' MEETINGS

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 2014 were as follows:

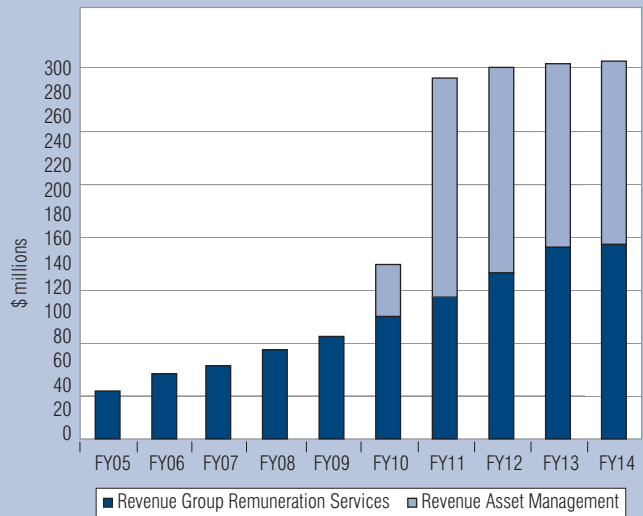
Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr R. Pitcher, AM (Chairman)	11	11	3	3	4	4
Mr M. Kay (Managing Director and CEO)	11	11	-	-	-	-
Mr J. Bennetts	11	11	3	2	4	3
Mr R. Chessari	11	10	-	-	3	3
Mr T. Poole	6	6	2	2	3	3
Mr I. Elliot	1	1	-	-	1	1
Mr G. McMahon	5	5	1	1	1	1
Mr A. Podesta	7	7	-	-	-	-

Financial Highlights

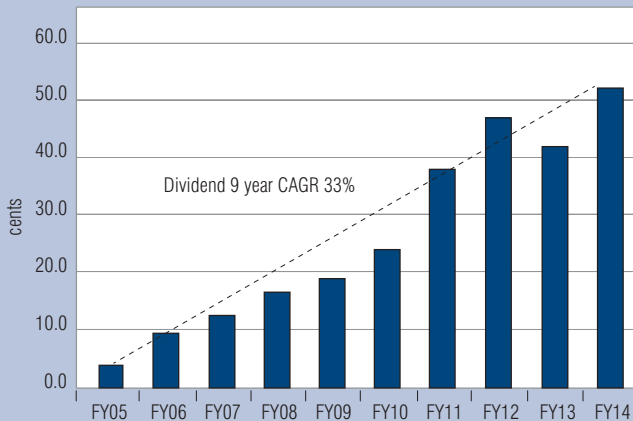
NPAT performance¹



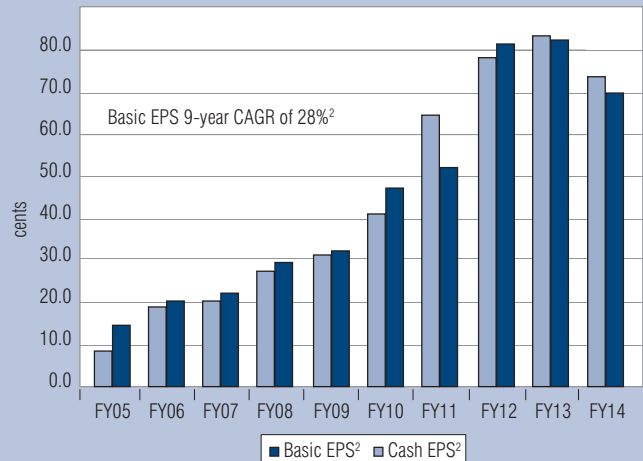
Revenue performance



Total dividends per share



Normalised earnings per share (EPS)²



McMillan Shakespeare Limited
Share price - March 04 to June 14



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.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its controlled entities during the course of the financial year ended 30 June 2014 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 2014 that are not otherwise disclosed in this Annual Report.

RESULTS

Details of the results for the financial year ended 30 June 2014 are as follows:

Results	2014	2013
Net profit after income tax (NPAT)	\$54,969,799	\$62,163,519
Basic earnings per share	73.8 cents	83.4 cents
Earnings per share on a diluted basis	72.7 cents	81.9 cents

DIVIDENDS

Details of dividends declared and/or paid by the Company during the financial year ended 30 June 2014 are as follows:

Dividends	2014 \$	2013 \$
Final dividend for the financial year ended 30 June 2013 of 18.0 cents (2012: 25.0 cents) per ordinary share paid on 22 November 2013 fully franked at the tax rate of 30% (2012: 30%).	13,414,314	18,630,991
Interim dividend for the financial year ended 30 June 2014 of 21.0 cents (2013: 24.0 cents) per ordinary share paid on 28 March 2014 fully franked at the tax rate of 30% (2013: 30%).	15,650,033	17,885,752
Total	29,064,347	36,516,743

Subsequent to the financial year ended 30 June 2014, the Directors declared a final dividend of 31.0 cents per ordinary share (fully franked at the tax rate of 30%) to be paid on 15 October 2014, bringing the total dividend to be paid for the financial year ended 30 June 2014 to 52.0 cents per ordinary share.

REVIEW OF OPERATIONS

This year's result was adversely impacted by the Rudd Labor 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 FY14 NPAT 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.
- UK performing in line with expectations.
- Funding of CLM customers commenced January 2014.

* *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.*

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.

STRATEGY AND PROSPECTS

The business has returned to normal and the Directors are focused on expanding the business into new products and geography that will reduce regulatory risk.

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 2014 that are not otherwise disclosed in this Annual Report.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to reporting date, 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	23,981	\$10.18	30 September 2018
	1,811,136		

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, that to include such information would likely result in unreasonable prejudice to the Group.

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

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

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: John Bennetts *B Ec, LLB*

Appointed: 1 December 2003

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

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

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: Tim Poole *CA, B Com*

Appointed: 17 December 2013

Positions: Non-Executive Director
Chairman of the Audit Committee (appointed 17 December 2013)
Member of the Remuneration Committee (appointed 17 December 2013)

Mr Poole is currently a non-executive Director of Newcrest Mining Limited, Japara Healthcare and AustralianSuper, and the non-executive Chairman of Lifestyle Communities. Mr Poole is also the non-executive director of several unlisted private companies. He was formerly Managing Director of Hastings Funds Management and non-executive Chairman of Asciano Limited. Mr Poole is considered an independent director under the Company's definition of independence.

Name: Ian Elliot

Appointed: 27 May 2014

Positions: Non-Executive Director
Member of the Remuneration Committee (appointed 27 May 2014)

Mr Elliot is currently a non-executive Director of Salmat Limited, a non-executive Director of Hills Industries Limited and a Commissioner of the Australian Rugby League. Mr Elliot was formerly Chairman and CEO at Australia's largest advertising agency George Patterson Bates. Mr Elliot is considered an independent director under the Company's definition of independence.

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

Appointed: 1 December 2003

Retirement: 18 February 2014

Positions: Non-Executive Director

Name: **Graeme McMahon** *F CPA, FRAS, FCIT*

Appointed: 18 March 2004

Retirement: 26 November 2013

Positions: Non Executive Director
Chairman of the Audit Committee (until 26 November 2013)
Member of the Remuneration Committee (until 26 November 2013)

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.

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 2014 and 30 June 2013. 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 2014 the Remuneration Committee has reviewed remuneration based on an analysis of the Top 500 Report (Director and Senior Executive Remuneration) 2014, and *AON Hewitt The Australian Top Executive Data Service* for organisations with Annual Revenue \$251-\$500 Million.

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 any executives during the financial year ended June 2014.

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 2014 and the financial year ended 30 June 2013, the latter deferred and disbursed in the financial year ended 30 June 2014.

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.

Past targets have been based on NPAT on an accumulated basis. Going forward the targets will be based on earnings per share targets.

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 2014, 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 2014.

Details of total current performance options granted but had not vested at reporting date are as follows.

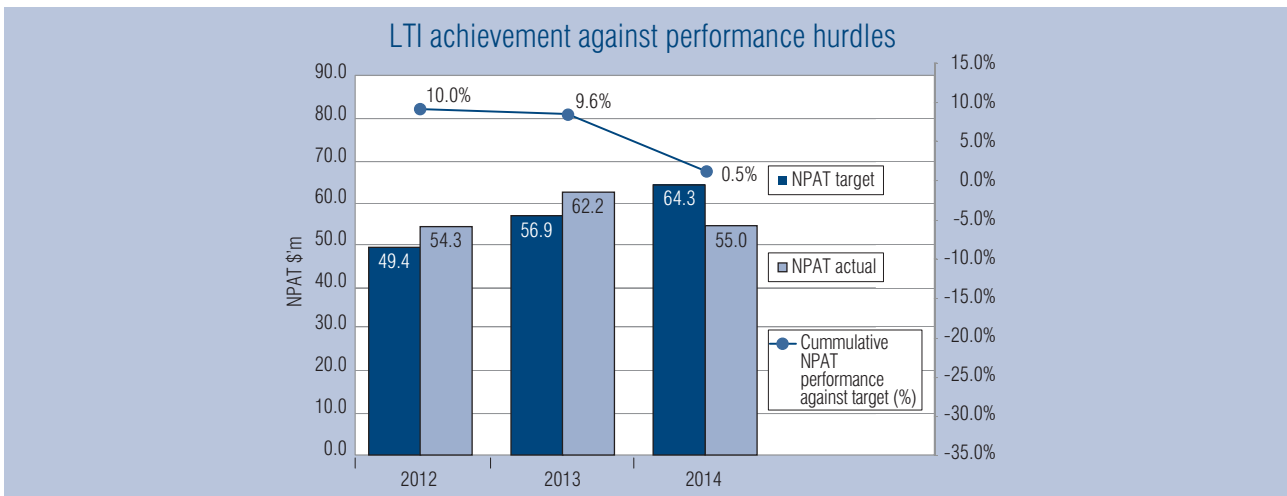
Options & issue date Expiry	Conditions	Vesting details								
537,634 (May 2010)	The entitlement is subject to the completion of a 36 month contract ending 30 September 2014 and the achievement of predetermined NPAT targets as described below.	Upon the adoption of this Annual Report, the entire issue qualifies for vesting on 31 August 2014.								
1,805,957 (August 2011) and 352,942 (October 2011) and 31,250 (March 2012)	<p>The options expire four years from the relevant date of issue.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <table border="0"> <thead> <tr> <th>Performance Hurdles</th> <th>Vesting portion</th> </tr> </thead> <tbody> <tr> <td>FY2012 NPAT growth not less than 12.5%</td> <td>33.33%</td> </tr> <tr> <td>FY2013 NPAT growth not less than 15.0%</td> <td>33.33%</td> </tr> <tr> <td>FY2014 NPAT growth not less than 15.0%</td> <td>33.34%</td> </tr> </tbody> </table>	Performance Hurdles	Vesting portion	FY2012 NPAT growth not less than 12.5%	33.33%	FY2013 NPAT growth not less than 15.0%	33.33%	FY2014 NPAT growth not less than 15.0%	33.34%	Upon the adoption of this Annual Report, the entire issue qualifies for vesting on 31 August 2014.
Performance Hurdles	Vesting portion									
FY2012 NPAT growth not less than 12.5%	33.33%									
FY2013 NPAT growth not less than 15.0%	33.33%									
FY2014 NPAT growth not less than 15.0%	33.34%									
121,331 (July 2012)	<p>The options expire three years from the relevant date of issue.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In the event that the executive 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.</p> <table border="0"> <thead> <tr> <th>Performance Hurdles</th> <th>Vesting portion</th> </tr> </thead> <tbody> <tr> <td>FY2013 NPAT growth not less than 15.0%</td> <td>50.0%</td> </tr> <tr> <td>FY2014 NPAT growth not less than 15.0%</td> <td>50.0%</td> </tr> </tbody> </table>	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 options from this issue qualify for vesting as a result of not meeting the NPAT targets.		
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 2014.

Performance options NPAT achievement to targets

In respect of the May 2010, August 2011, October 2011 and March 2012 performance options, target NPAT for the three financial years ended 30 June 2012 to 2014 (vesting period) using the financial year ending 30 June 2011 NPAT of \$43.5m as the base year and adjusting NPAT target in each of the years for changes in the capital structure of the Company and excluding acquisition related expenses during the vesting period were excluded from the actual NPAT performance. Actual NPAT performance for the financial years ending 30 June 2012 and 2013 have outperformed the respective NPAT targets except for the financial year ending 30 June 2014. However, the actual compound NPAT performance over the three year period out-performed target by 0.5%.

The following graph illustrates actual NPAT performance compared to target for each of the financial years and the cumulative compound NPAT for the three year vesting period as they affected the May 2010, August 2011, October 2011 and March 2012 performance options.



On the adoption of the Annual Report for the year ended 30 June 2014, the number of performance options that have met the NPAT targets and qualify for vesting on 31 August 2014 is 2,727,783 with an average option exercise price of \$6.73.

In respect of the July 2012 performance options issue, actual NPAT under-performed against the annual target for FY13 and FY14 as well as the cumulative compound NPAT target over the two year vesting period and consequently, will not vest.

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 31 August 2014. No performance hurdles are attached to these options given that these are purchased options; the executive has paid \$50,000 for the purchase of these options (representing 75% of the fair value of the options on grant date).

On the adoption of the Annual Report for the year ended 30 June 2014, the number of voluntary options expected to vest on having satisfied the vesting conditions is 314,578 with an average option exercise price \$7.31.

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 ³	Long-term benefits	Share-based payments	Total Remuneration	Percentage of Remuneration as options
	Cash salary/fees ¹	Cash Bonus FY13 ¹¹	Cash Bonus FY14	Other Benefits ²	Super	Long Service Leave	Options ⁴		
2014	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors									
Mr R. Pitcher, AM (Chairman)	179,200	-	-	-	16,576	-	-	195,776	-
Mr J. Bennetts	72,107	-	-	-	6,670	-	-	78,777	-
Mr R. Chessari	72,107	-	-	-	6,670	-	-	78,777	-
Mr T. Poole (appointed 17 December 2013)	57,196	-	-	-	5,291	-	-	62,487	-
Mr I. Elliot (appointed 27 May 2014)	16,342	-	-	-	1,512	-	-	17,854	-
Mr G. McMahon (from 1 July 2013 to 26 November 2013)	16,342	-	-	-	27,571	-	-	43,913	-
Mr A. Podesta (from 1 July 2013 to 18 February 2014)	35,666	-	-	-	16,674	-	-	52,340	-
Executive Director									
Mr M. Kay (CEO and Managing Director) ⁵	1,039,756	75,000	100,000	8,131	25,000	(82,978)	595,440	1,760,349	34%
Other key management personnel									
Mr G. Kruyt (Chief Operating Officer) ⁶	354,728	75,000	75,000	17,162	17,775	12,504	110,005	662,174	17%
Mr P. Lang (Group Executive, Customers and Corporate Affairs) ⁷	289,282	25,000	25,000	(1,257)	17,775	9,383	104,813	469,996	22%
Mr M. Blackburn (Group CFO and Company Secretary) ¹⁰	541,406	40,000	40,000	(2,797)	25,000	232	255,108	898,949	28%
Mr M. Salisbury (Managing Director, Remuneration Services) ⁸	278,268	50,000	50,000	30,774	20,886	10,590	22,645	463,163	5%
Mr A. Tomas (Managing Director, Fleet and Financial Products) ⁹	386,682	40,000	40,000	113,117	25,000	3,748	149,484	758,032	20%

	Short-term benefits				Post-employment benefits ³	Long-term benefits	Share-based payments	Total Remuneration	Percentage of Remuneration as options
	Cash salary/fees ¹	Cash Bonus	Other Benefits ²	Super	Long Service Leave	Options ⁴			
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%

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 No payments were made in respect of termination of services in FY14.
- 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 2014. 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.

No options were granted during the year ended 30 June 2014.
- 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 that was extended to 30 September 2014 during the year. 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 2014 and will retire on 30 September 2014.
- 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 2014.
- 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 2014.
- 8 During the year Mr Salisbury served under an employment agreement with the Company that commenced on 1 July 2008 on an ongoing basis. The agreement provided for termination of employment by either party with 12 weeks' notice. The agreement could, 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 2014 under this agreement. On 27 May 2014, Mr Salisbury entered into a new employment agreement with no fixed term which provides that he will serve as the Company's Chief Executive Officer commencing 1 October 2014. The agreement provides for termination of employment by either party without cause on the provision of nine 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.
- 9 The current employment agreement between Mr Tomas and the Company commenced on 1 June 2014 with no fixed term. 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 2014.
- 10 The current employment agreement between Mr Blackburn and the Company commenced on 1 June 2014 with no 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 2014.
- 11 The bonus in respect of FY13 was declared after the release of the annual report for the year ended 30 June 2013 and paid during the current financial year.

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	
	2014	2013	2014	2013	2014	2013
Executive Directors						
Mr M. Kay	56%	71%	10%	4%	34%	29%
Key management personnel						
Mr G. Kruyt	61%	83%	22%	16%	17%	17%
Mr P. Lang	67%	80%	11%	14%	22%	20%
Mr M. Blackburn	63%	74%	9%	6%	28%	26%
Mr M. Salisbury	73%	82%	22%	14%	5%	18%
Mr A. Tomas	70%	85%	10%	31%	20%	15%

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	2014	2013	2012	2011	2010
Net profit attributable to Company members	\$54,969,799	\$62,163,519	\$54,305,163	\$43,460,470	\$44,959,784
NPAT growth ⁽¹⁾	-11.6%	14.5%	25.0%	55.7%	36.0%
Dividends paid	\$29,064,347	\$36,516,743	\$31,422,422	\$20,388,246	\$13,854,604
Dividend payout ratio ⁽²⁾	52.9%	58.7%	57.9%	46.9%	49.6%
Share price as at 30 June	\$9.17	\$16.18	\$11.82	\$9.58	\$4.69
Earnings per share	73.8 cents	83.4 cents	76.6 cents	64.0 cents	66.5 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.

² Dividend payout ratio is calculated based on dividends paid and NPAT for the year.

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 22% per annum over the period from 1 July 2009 until 30 June 2014 (excluding the gain on business combination). Over the same period the average return on equity (RoE) exceeded 36%.

Option Details

No options were granted to, exercised by or lapsed with respect to Directors during the financial years ended 30 June 2014 or 30 June 2013. The terms and conditions of each grant of options to executives affecting their remuneration in the financial year ended 30 June 2014 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 31 August 2014
16 August 2011 ⁽²⁾	30 September 2015	\$8.54	\$7.31	\$2.310	100% after 31 August 2014
25 October 2011	30 September 2015	\$8.54	\$8.54	\$1.870	100% after 31 August 2014
14 March 2012	30 September 2015	\$9.29	\$9.29	\$2.400	100% after 31 August 2014
24 July 2012	30 September 2015	\$11.42	\$11.42	\$2.555	100% after 31 August 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 ^{1,2}	Forfeited or lapsed %	Year in which options may vest ²	Maximum value of options yet to vest ³
Executive Directors										
Mr M. Kay	2012	Performance	682,206	-	-	-	-	-	2015	\$87,565
	2012	Voluntary	37,900	-	-	-	-	-	2015	\$2,058
Key Management Personnel										
Mr G. Kruyt	2012	Performance	159,637	-	-	-	-	-	2015	\$15,386
	2012	Voluntary	37,901	-	-	-	-	-	2015	\$913
Mr P. Lang	2012	Performance	151,655	-	-	-	-	-	2015	\$14,617
	2012	Voluntary	37,901	-	-	-	-	-	2015	\$913
Mr M. Blackburn	2012	Performance	352,942	-	-	-	-	-	2015	\$38,824
Mr M. Salisbury	2013	Performance	31,311	-	-	-	-	-	2015	\$8,219
	2012	Performance	85,276	-	-	-	-	-	-	-
Mr A. Tomas	2010	Performance	537,634	-	-	-	-	-	2015	\$19,608
	2012	Voluntary	37,901	-	-	-	-	-	2015	\$913

¹ Reflects the value at lapse date for options that were granted as part of remuneration and lapsed during the financial year ended 30 June 2014.

² 25% of the voluntary options will be forfeited for \$1 if the executive leaves employment before 31 August 2014.

³ 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.

Equity instrument details relating to key management personnel

The tables below show the number of options over the ordinary shares in the Company and shares in the Company held during the financial year by each Director and each of the Key Management Personnel of the Consolidated Group, including their personally related parties.

There were no shares granted during the year as compensation.

Share holdings

	Balance at the start of the year	Shares acquired through option exercise	Other changes during the year	Balance at the end of the year
Non-Executive Directors				
Mr R. Pitcher	25,100	-	-	25,100
Mr G. McMahon	122,000	-	-	-
Mr J. Bennetts	3,993,025	-	-	3,993,025
Mr R. Chessari	6,050,941	-	-	6,050,941
Mr T. Poole	-	-	8,000	8,000
Mr I. Elliot	-	-	-	-
Mr A. Podesta ¹	7,235,000	-	-	-
Executive Directors				
Mr M. Kay	811,904	-	-	811,904
	18,237,970	-	8,000	10,888,970

¹ No share interests have been recorded at the end of the financial year following the resignation of Messrs A. Podesta and G. McMahon as directors.

	Balance at the start of the year	Shares acquired through option exercise	Other changes during the year	Balance at the end of the year
Other key management personnel				
Mr G. Kruyt	73,044	-	-	73,044
Mr P. Lang	6,452	-	(6,452)	-
Mr M. Salisbury	-	-	-	-
Mr M. Blackburn	1,250	-	-	1,250
Mr A. Tomas	17,050	-	-	17,050
	97,796	-	(6,452)	91,344

UNISSUED SHARES

Since the end of the financial year and on adoption of the Annual Report for the financial year ending 30 June 2014 by the directors, the performance options in respect of May 2010, August 2011, October 2011 and March 2012 were considered to have satisfied the cumulative NPAT performance target for the three years ended 30 June 2014. Consequently, the options will qualify for vesting on 31 August 2014 in respect of the August 2011, October 2011 and March 2012 issues and 31 October 2014 in respect of the May 2010 issue. The July 2012 options did not satisfy the option conditions and will not vest.

All voluntary options will vest on 31 August 2014.

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	1,805,957	\$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 ¹	978,417	\$10.18	30 September 2019
Performance Options ¹	808,738	\$10.18	30 September 2018
Voluntary Options ¹	23,981	\$10.18	30 September 2018

¹ Performance options granted since the end of the financial year.

Unissued shares of Managing Director and KMPS at the date of this report

Since the end of the financial year, the number of options that qualify to vest to directors and key management personnel on 31 August 2014 and 31 October 2014 are as follows.

Executive Director and key management personnel	Option class	No. of unissued ordinary shares	Exercise price	Expiry date
Mr M. Kay	Performance Options	682,206	\$7.31	30 September 2015
	Voluntary Options	37,900	\$7.31	30 September 2015
Mr G. Kruyt	Performance options	159,637	\$7.31	30 September 2015
	Voluntary Options	37,901	\$7.31	30 September 2015
Mr P. Lang	Performance options	151,655	\$7.31	30 September 2015
	Voluntary Options	37,901	\$7.31	30 September 2015
Mr M. Salisbury	Performance Options	85,276	\$7.31	30 September 2015
Mr M. Blackburn	Performance Options	352,942	\$8.54	30 September 2015
Mr A. Tomas	Performance Options	537,634	\$3.42	1 October 2015
	Voluntary Options	37,901	\$7.31	30 September 2015

Options granted to directors or any of the five highest remunerated officers of the Company since the end of the financial year on 19 August 2014 are as follows.

Executive Director and key management personnel	Number granted	Exercise price	Expiry date
Mr M. Salisbury ¹	302,158	\$10.18	30 September 2019
Mr G. Kruyt	215,827	\$10.18	30 September 2019
Mr P. Lang	105,438	\$10.18	30 September 2018
Mr M. Blackburn	256,248	\$10.18	30 September 2019
Mr A. Tomas	204,184	\$10.18	30 September 2019

¹ The options granted to Mr M. Salisbury comprise 105,216 options in his current capacity as Managing Director of Remuneration Services and 196,942 options pursuant to his role as Chief Executive Officer of the Company commencing 1 October 2014.

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. T Poole	-	8,000

No Director has, during the financial year ended 30 June 2014, 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 premium paid during the year with respect to this policy was \$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 2014, 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 2014 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 66 of this Annual Report.

CORPORATE GOVERNANCE PRACTICES

A Corporate Governance Statement is set out on pages 17 to 20 of this Annual Report.

Signed in accordance with a resolution of the Directors.



Ronald Pitcher, AM
Chairman

29 August 2014

Melbourne, Australia



Michael Kay
Managing Director

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 2nd edition' (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 T. Poole	Independent Non-Executive Director	17 December 2013
Mr I. Elliot	Independent Non-Executive Director	27 May 2014

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. At the date of this report, the Board comprises an equal number of independent and non-independent directors. This follows from the appointments of Mr T. Poole and Mr I. Elliot and the resignations of Mr. G McMahon and Mr A. Podesta during the year. 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 be appointed to the Board.

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 2014 in July 2014.

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 2014 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 2014 with the CEO's report to the July 2014 meeting of the Remuneration Committee. The Remuneration Committee has evaluated the performance of the Chief Executive Officer for the year ended 30 June 2014, 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 comply with this recommendation.

At present, the Remuneration Committee is comprised of five members, two of whom are not independent.

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. At the end of the financial year and the date of the Annual Report, the Audit Committee comprised a majority of independent 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 2014 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 2014, 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 the 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 and an internal audit resource 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. 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 announcements section of the Company's website.

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 measurable objectives selected for the financial year ended 30 June 2014 and the report against them is contained below.

Objective	Report against objective
1. Retain and continue to grow the number of women in leadership roles, subject to merit against role requirements	<ul style="list-style-type: none"> • MMSG continues to reflect gender diversity across leadership and specialist roles <ul style="list-style-type: none"> • Executive Management – 15% women • Senior Management / Specialist – 38% women • Other Leadership / Specialist – 53% women
2. Provide development and promotion opportunities regardless of gender	<ul style="list-style-type: none"> • Attendance at leadership development programs – 50% women • Promotions secured by women – 55% • Talent / Succession management – 45% women
3. Ensure at least one woman on interview short-list for Senior and Executive level leadership / specialist roles, subject to merit against role requirements	<ul style="list-style-type: none"> • Number of vacancies / opportunities – 6 • Women applicants – 35% • Women on short list – 52% • Women as successful candidates – 67%
4. Ensure an annual review by the Board of the EEO & Diversity Policy and the gender diversity measurable objectives	<ul style="list-style-type: none"> • 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 Board has reviewed the measurable objectives for the financial year ended 30 June 2014 and has determined to maintain the existing measurable objectives for the financial year ending 2015.

The new Workplace Gender Equality Agency (**WGEA**) reporting framework document for 2013-2014 can be accessed on the Company's website.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Group		Parent Entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue and other income	3	347,457	330,064	29,124	39,736
Employee expenses		(81,038)	(74,244)	(646)	(549)
Depreciation and amortisation expenses and impairment	4(a)	(89,116)	(79,968)	-	-
Leasing and vehicle management expenses		(52,692)	(47,396)	-	-
Consulting expenses		(3,446)	(2,485)	(358)	(279)
Marketing expenses		(2,739)	(3,089)	-	-
Property and corporate expenses		(6,869)	(6,470)	(438)	(196)
Technology and communication expenses		(8,141)	(7,642)	-	-
Other expenses		(12,215)	(8,421)	(11)	(26)
Finance costs	4(a)	(10,872)	(11,042)	-	-
Share of equity accounted joint venture loss	12	(1,120)	(410)	-	-
Profit before income tax		79,209	88,897	27,671	38,686
Income tax (expense) / benefit	5(a)	(24,239)	(26,734)	418	274
Profit attributable to members of the parent entity		54,970	62,163	28,089	38,960
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 for the year		765	217	-	-
Total comprehensive income for the year		55,735	62,380	28,089	38,960
Basic earnings per share (cents)	6	73.8	83.4		
Diluted earnings per share (cents)	6	72.7	81.9		

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 2014

	Note	Consolidated Group		Parent Entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current assets					
Cash and cash equivalents	8	71,197	57,239	1,005	528
Trade and other receivables	9	29,185	18,184	473	403
Finance lease receivables	10	7,969	4,195	-	-
Inventory		5,379	4,844	-	-
Prepayments		6,568	4,602	20	-
Total current assets		120,298	89,064	1,498	931
Non current assets					
Finance lease receivables	10	16,937	10,382	-	-
Other financial assets	11	1,726	427	123,206	107,000
Investment in joint venture	12	-	-	-	-
Property, plant and equipment	13	313,205	296,751	-	-
Deferred tax assets	14	5,832	367	13	176
Intangible assets	15	66,659	50,232	-	-
Total non current assets		404,359	358,159	123,219	107,176
TOTAL ASSETS		524,657	447,223	124,717	108,107
Current liabilities					
Trade and other payables	16	52,957	40,808	46,737	34,689
Derivative financial instruments		639	1,057	-	-
Current tax liability		10,634	6,487	10,283	6,487
Other liabilities	17	14,470	15,339	-	-
Provisions	18	6,137	5,820	-	-
Borrowings	19	452	-	-	-
Total current liabilities		85,289	69,511	57,020	41,176
Non current liabilities					
Provisions	18	767	552	-	-
Deferred tax liabilities	14	759	-	-	-
Borrowings	19	213,995	181,725	-	-
Total non current liabilities		215,521	182,277	-	-
TOTAL LIABILITIES		300,810	251,788	57,020	41,176
NET ASSETS		223,847	195,435	67,697	66,931
Equity					
Issued capital	20(a)	56,456	56,456	56,456	56,456
Reserves		4,817	2,311	4,848	3,107
Retained earnings		162,574	136,668	6,393	7,368
TOTAL EQUITY		223,847	195,435	67,697	66,931

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 2014

Consolidated Group							
		Issued capital \$'000	Retained Earnings \$'000	Option Reserve \$'000	Cash flow Hedge Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total \$'000
2014	Note						
Equity as at beginning of year	20	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	7	-	(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	7	-	(36,517)	-	-	-	(36,517)
Equity as at 30 June 2013		56,456	136,668	3,107	(740)	(56)	195,435
Parent Entity							
		Issued capital \$'000	Retained Earnings \$'000	Option Reserve \$'000	Cash flow Hedge Reserve \$'000		Total \$'000
2014	Note						
Equity as at beginning of year		56,456	7,368	3,107	-		66,931
Profit attributable to members of the parent entity		-	28,089	-	-		28,089
Other comprehensive income after tax		-	-	-	-		-
Total comprehensive income for the year		-	28,089	-	-		28,089
Transactions with owners in their capacity as owners:							
Option expense		-	-	1,741	-		1,741
Dividends paid	7	-	(29,064)	-	-		(29,064)
Equity as at 30 June 2014		56,456	6,393	4,848	-		67,697
2013							
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

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 2014

	Note	Consolidated Group		Parent Entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash flows from operating activities					
Receipts from customers		341,286	321,966	-	-
Payments to suppliers and employees		(155,944)	(134,390)	(1,453)	(1,459)
Proceeds from sale of assets under lease		36,742	46,051	-	-
Payments for assets under lease		(150,375)	(174,434)	-	-
Interest received		2,158	2,674	60	138
Interest paid		(10,957)	(10,974)	-	-
Dividends received		-	-	29,064	39,598
Income taxes paid		(26,055)	(23,367)	-	(1)
Net cash from operating activities	22	36,855	27,526	27,671	38,276
Cash flows from investing activities					
Payments for capitalised software	15(b)	(5,488)	(8,041)	-	-
Payments for plant and equipment		(3,184)	(2,329)	-	-
Proceeds from sale of plant and equipment		-	743	-	-
Payments for contract rights		-	(3,446)	-	-
Payments for subsidiary (net of cash acquired) and joint venture investments		(12,418)	(337)	(14,478)	(493)
Subsidiaries' acquisition expenses		(1,177)	-	-	-
Payments for joint venture subordinated loans		(2,419)	(500)	-	-
Net cash used in investing activities		(24,686)	(13,910)	(14,478)	(493)
Cash flows from financing activities					
Dividends paid by parent entity	7	(29,064)	(36,517)	(29,064)	(36,517)
Proceeds from borrowings		33,552	26,000	-	-
Repayment of borrowings		(1,723)	-	-	-
Payment of borrowing costs		(993)	(280)	-	-
Proceeds from / (repayments) to from controlled entities		-	-	16,348	(8,057)
Net cash provided by / (used in) financing activities		1,772	(10,797)	(12,716)	(44,574)
Effect of exchange changes on cash and cash equivalents		17	-	-	-
Net increase / (decrease) in cash and cash equivalents		13,958	2,819	477	(6,791)
Cash and cash equivalents at beginning of year		57,239	54,420	528	7,319
Cash and cash equivalents at end of year	8	71,197	57,239	1,005	528

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information

The financial report of McMillan Shakespeare Limited and its subsidiaries for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 29 August 2014 and covers McMillan Shakespeare Limited ("the Company" or the "parent entity") as an individual entity as well as "the 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 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 which are all entities (including structured entities) controlled by the Company as at 30 June each year. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power to direct the activities of the entity. In assessing control, the Group considers all relevant facts and circumstances to determine if the Group's voting rights in an investee are sufficient to give it power, including the following:

- the size of the Group's voting rights holding relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group and other holders;
- rights arising from other contractual arrangements; and
- facts and circumstances that indicate whether the Group has the ability to direct relevant activities at the time decision need to be made.

The Group reassess whether the Group has control over an entity when facts and circumstances indicate changes that may affect any of these elements.

Subsidiaries are consolidated from the date is transferred to the Group and deconsolidated from the Group from 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 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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.

(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	20% – 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 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 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

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Group's customer contracts and relationships are amortised over the life of various contract periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(i) Impairment of assets

At each reporting date, the 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 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.

(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 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 Group has transferred substantially all the risks and rewards of ownership. The Group classifies financial assets into the following categories depending on the purpose for which the asset was acquired.

(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) Separate Financial Statements

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: Separate Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments and subordinated loan reserve, with the exception of impairment losses which is recognised in profit or loss. 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 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 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

Short term 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.

Long service leave and annual leave liabilities and other employee benefits that are not expected to be settled wholly within 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.

Employee leave liabilities and other obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Annual leave and long service leave liabilities are included in provisions and other employee liabilities are included in other payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(ii) Superannuation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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 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 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.

(iii) Operating leases – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Where incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of lease expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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 Group has a present obligation (legal or constructive) as a result of a past event and where it is probable that the 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 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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 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.

(aa) New accounting standards and interpretations

The Group has applied the following standards and amendments that are mandatory for the first time for the financial year beginning 1 July 2013. None of these standards and amendments materially affected any of the amounts recognised in the current period or any prior period. Some standards, in particular AASB 13, commonly affects the disclosures in the notes to the financial statements but has a lesser impact on the profit or loss.

- (i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standard arising from the Consolidation and Joint Arrangements Standards.
- (ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
- (iii) AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119
- (iv) AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements.
- (v) AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans.
- (vi) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle, and
- (vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 2014, 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 2018)**

AASB 9 introduces new requirements for the classification and measurement and de-recognition of financial assets and financial liabilities. It aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The new standard also sets out new rules for hedge accounting and introduces expanded disclosure requirements and changes in presentation.

The Group has not yet assessed how its own hedging arrangements would be affected by the new rules. The other changes in AASB 9 are not expected to materially affect the Group's accounting for financial assets and financial liabilities, as none have been 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 2019.

(ii) **AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets (effective for annual reporting periods on or after 1 January 2014)**

The amendments to this standard seek to clarify the original intention of the IASB that the scope of the applicable disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

The amendments in this standard is not expected to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(iii) **AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual reporting periods on or after 1 January 2014)**

AASB 2013-4 makes amendments to AASB 139 Financial Instruments: Recognition & Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

(iv) **AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective for annual reporting periods on or after 1 January 2015)**

These amendments are planned to address the "own credit" issue that were already included in AASB9 to be applied in isolation without the need to change any other accounting for financial instruments.

The Group has not yet assessed the full impact of these amendments.

(v) **IFRS 15 Revenue from Contracts with Customers (effective for annual reporting periods on or after 1 January 2017)**

The revenue-related interpretations in IFRS 15 will include the establishing of a new control-based revenue recognition model, changing the basis for deciding whether revenue is to be recognised over time or at a point in time, the provision of new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return, warranties, licensing). The new standard will also expand and improve disclosures about revenue. The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (*AASB 15 Revenue from Contracts with Customers*).

The Group has not yet assessed the full impact of this standard.

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.

(bb) Changes in accounting policies

In the current year, the 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.

(ab) Parent entity accounts

In accordance with Class order C010/654 the Group will continue to include parent entity financial statements in the financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(ac) Rounding of amounts

The Company is of a kind referred to in Class order C098/100, 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.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The 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 Group. The Board is responsible for monitoring and managing the financial risks of the 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 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 Group to potential mismatches between the refinancing of its assets and liabilities. The 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 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 Group monitors monthly positive operating cash flows and forecasts cash flows for twelve month period. Significant cash deposits have been maintained which enable the 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 Group daily.

Financing arrangements

During the year the Group increased its committed borrowing facilities for the Asset Management segment to finance its fleet management portfolio as follows.

Secured bank borrowings	Maturity dates	2014			2013		
		Facility	Used	Unused	Facility	Used	Unused
AUD'000	31/03/2017 ⁽¹⁾	285,000	193,420	91,580	270,000	182,000	88,000
AUD'000	03/04/2017 ⁽¹⁾	15,000	-	15,000	-	-	-
GBP'000	03/04/2017	25,000	12,250	12,750	-	-	-
Total borrowings (AUD)		345,167	215,100	130,067	270,000	182,000	88,000

(1) Includes facility to be drawn in NZD10m

The increased facilities have been provided by the formation of a financing club of three major Australian banks operating common terms and conditions. The Group believes that this initiative has improved liquidity, provides funding diversification and has achieved a lower cost. The bank loans are sourced in local currency of the principal geographical markets to minimise foreign currency exposure. The maturity date for these facilities have been extended to 31 March 2017 and the new facilities have a maturity date on 3 April 2017.

In addition to the borrowing facilities to finance Asset Management's lease portfolio, the Group has a GBP6 million facility that was fully drawn down for the acquisition of CLM Fleet Management plc during the year. This borrowing is an amortising facility that matures on 31 August 2018.

The level and type of funding will be reviewed on an on-going basis to ensure they meet the Group's on-going requirements in the principal geographical market operated in.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Maturities of financial liabilities

The table below analyses the 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 2014: Contractual maturities of financial liabilities

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Trade payables	16,222	-	-	-	-	16,222	16,222
Other creditors and liabilities	39,712	-	-	-	-	39,712	39,712
Borrowings	4,477	4,848	10,121	220,820	-	240,266	214,447
	60,411	4,848	10,121	220,820	-	296,200	270,381

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

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Trade payables	12,043	-	-	-	-	12,043	12,043
Other creditors and liabilities	45,161	-	-	-	-	45,161	45,161
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

Parent – at 30 June 2014: Contractual maturities of financial liabilities

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Amounts payable to wholly owned entities	46,540	-	-	-	-	46,540	46,540
Financial guarantee contracts	4,477	4,848	10,121	220,820	-	240,266	-
	51,017	4,848	10,121	220,820	-	286,806	46,540

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

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Amounts payable to wholly owned entities	34,643	-	-	-	-	34,643	34,643
Financial guarantee contracts	3,070	2,735	5,039	182,819	-	193,663	-
	37,713	2,735	5,039	182,819	-	228,306	34,643

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company and 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade and other receivables	29,185	18,184	-	87
Deposits with banks	71,197	57,236	1,005	528
Finance lease & CHP receivables	24,906	14,577	-	-
Operating lease assets	303,408	287,749	-	-
	428,696	377,746	1,005	615

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 and counterparty risks associated with interest rate and currency swaps. 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 Head of Credit. 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 is a broad spread of concentration of credit risk through the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(c) Market risk

(i) Interest rate risk

The Group's strong cash flow from operations and borrowings exposes the 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 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 Group carries significant cash and borrowings, movements in interest rates can affect net income to the Group, particularly for the Group Remuneration Services segment.

Borrowings issued at variable rates expose the Group to repricing interest rate risk. As at the end of the reporting period, the Group had the following variable rate borrowings under long-term revolving facilities attributable to the Asset Management business and no borrowings for other Group requirements.

	2014		2013	
	Borrowings '000	Weighted average interest rate %	Borrowings '000	Weighted average interest rate %
AUD'000	193,420	3.51	182,000	4.06
GBP'000	12,250	1.95	-	-
Total (AUD)	215,100	3.35	182,000	4.06

The weighted average interest rate of each borrowing is used as an input to asset repricing decisions for the geographical markets operated in. 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 & 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 2014, the Group's borrowings for the Asset Management business of \$215,100,000 (2013: \$182,000,000) were covered by interest rate swaps at a fixed rate of interest of 4.29% (2013: 4.72%).

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

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

	Consolidated Group	
	2014 Balance \$'000	2013 Balance \$'000
Cash and deposits	71,197	57,239
Bank loans (Asset Management segment)	(215,100)	(182,000)
Interest rate swaps (notional amounts)	211,679	192,000
Net exposure to cash flow interest rate risk	67,776	67,239

Sensitivity analysis – floating interest rates:

At 30 June 2014, the 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 Group's view of possible fluctuation, and all other variables were held constant, the Group's post-tax profit for the year would have been \$451,000 (2013: \$365,673) higher or lower and the parent entity \$471,000 (2013: \$3,700) higher or lower, depending on which way the interest rates moved based on the cash and cash equivalents and borrowings balances at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(ii) Foreign currency risk

The Group's exposure to foreign currency risk arises when financial instruments that are denominated in a currency other than the functional currency in which they are measured. This includes the Group's inter-company receivables and payables which do not form part of the net investment in the UK and New Zealand entities. The Group's exposure to translation related risks from financial and non-financial items of the UK and New Zealand entities do not form part of the Group's risk exposure given that these entities are part of longer term investments and consequently, their sensitivity to foreign currency movements are not measured.

The 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 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 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 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 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 \$303,408,000 (2013: \$287,749,000) included a residual value provision of \$2,018,000 (2013: \$2,018,000).

(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 on a recurring basis 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).

Financial asset/ (financial liability)	Fair value at		Fair value hierarchy	Valuation technique and key input
	2014 \$000	2013 \$000		
Interest rate swaps – cash flow hedge	(639)	(1,057)	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.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The fair value of borrowings is not materially different to their carrying amounts since the interest payable is close to market rates. The carrying amount of cash, trade and other receivables, trade and other payables are assumed to be the same as their fair values, due to their short term nature.

	Consolidated Group			
	2014 Carrying amount	Fair value	2013 Carrying amount	Fair value
Finance lease receivables – non-current	16,937	18,110	10,382	9,998

Current finance lease receivables are short term and their carrying amount is considered to equal their fair value. The fair value of non-current finance lease receivables were calculated based on cash flows discounted using an average of current lending rates appropriate for the geographical markets the leases operate of 5.50% (2013: 7.75%). They are classified as level 3 fair values in the fair values hierarchy due to the inclusion of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
3 REVENUE				
Revenue from continuing operations				
Remuneration services ¹	157,247	155,855	-	-
Lease rental services	154,732	129,753	-	-
Proceeds from sale of leased assets	33,320	41,782	-	-
Dividends received	-	-	29,064	39,598
Interest – other persons	2,158	2,674	60	138
Total revenue	347,457	330,064	29,124	39,736
¹ Included in remuneration services revenue is interest income derived from the holding of trust funds	9,844	11,291	-	-
4 EXPENSES				
(a) Profit before income tax includes the following specific expenses				
Finance costs				
Interest – financial institutions	10,872	11,042	-	-
Depreciation and amortisation expenses and impairment				
Amortisation of software development	3,501	1,570	-	-
Amortisation of contract rights acquired	976	928	-	-
Depreciation of assets under operating lease	81,475	74,618	-	-
Depreciation of plant and equipment	2,913	2,741	-	-
Residual value impairment loss	-	111	-	-
Amortisation of intangibles	251	-	-	-
	89,116	79,968	-	-
Rental expense on operating leases				
Minimum lease payments	5,784	5,092	-	-
Superannuation				
Defined contribution superannuation expense	5,260	4,740	-	-
	\$	\$	\$	\$
(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	179,000	167,000	-	-
Other compliance	53,400	42,200	-	-
Agreed upon procedures:				
- review of borrowing covenant and compliance	2,000	1,900	-	-
Remuneration of a network firm of the parent entity auditor:				
Audit or review of the financial statements (UK)	86,420	-	-	-
Other compliance	17,646	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
5 INCOME TAX EXPENSE / (BENEFIT)				
(a) Components of tax expense / (benefit)				
Current tax expense/(benefit)	30,342	23,558	(418)	(260)
Adjustments for current tax of prior years	(323)	(129)	-	(14)
Deferred tax	(5,780)	3,305	-	-
Income tax expense / (benefit)	24,239	26,734	(418)	(274)
(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	79,209	88,897	27,671	38,686
Prima facie tax payable on profit before income tax at 30% (2013: 30%)	23,763	26,669	8,301	11,606
Add tax effect of:				
- share based payments	522	457	-	-
- non-deductible costs	540	347	-	13
- research & development	(346)	(630)	-	-
- overseas tax rate differential of subsidiaries	12	20	-	-
- current year losses not brought to account	71	-	-	-
- over-provision for tax from prior year	(323)	(129)	-	(14)
	24,239	26,734	8,301	11,605
Less tax effect of:				
- dividends received	-	-	(8,719)	(11,879)
Income tax expense/(benefit)	24,239	26,734	(418)	(274)

	Consolidated Group	
	2014 \$'000	2013 \$'000
6 EARNINGS PER SHARE		
Basic earnings per share		
Basic EPS – cents per share	73.8	83.4
Net profit after tax	\$54,970	\$62,163
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	74,524	74,524
Diluted earnings per share		
Diluted EPS – cents per share	72.7	81.9
Earnings used to calculate basic earnings per share (EPS)	\$54,970	\$62,163
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	74,524	74,524
Weighted average number of options on issue outstanding	1,136	1,406
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	75,660	75,930

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
7 DIVIDENDS				
Final fully franked ordinary dividend for the year ended 30 June 2013 of \$0.18 (2012: \$0.25) per share franked at the tax rate of 30% (2012: 30%)	13,414	18,631	13,414	18,631
Interim fully franked ordinary dividend for the year ended 30 June 2014 of \$0.21 (2013: \$0.24) per share franked at the tax rate of 30% (2013: 30%)	15,650	17,886	15,650	17,886
	29,064	36,517	29,064	36,517
Franking credits available for subsequent financial years based on a tax rate of 30% (2013 – 30%)	61,992	48,994	61,992	48,994

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
8 CASH AND CASH EQUIVALENTS				
Cash on hand	1	3	-	-
Bank balances	18,361	17,868	964	488
Short term deposits	52,835	39,368	41	40
	71,197	57,239	1,005	528

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 2014, the floating interest rates for the Group and parent entity were between 0.6% and 3.53% (2013: 1.50% and 4.74%). The short term deposits are also subject to floating rates, which in 2014 were between 2.50% and 3.64% (2013: 3.78% and 4.77%). These deposits have an average maturity of 90 days (2013: 90 days) and are highly liquid.

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
9 TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	14,836	9,335	-	-
Other receivables	14,349	8,849	-	87
Amounts receivable from wholly owned entities	-	-	473	316
	29,185	18,184	473	403

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 2014

(a) Ageing and impairment losses

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

Consolidated Group	2014			2013		
	Total \$'000	Amount impaired \$'000	Amount not impaired \$'000	Total \$'000	Amount impaired \$'000	Amount not impaired \$'000
Not past due	10,981	-	10,981	8,836	-	8,836
Past due 30 days	2,368	(11)	2,357	336	(116)	220
Past due 31-60 days	799	(41)	758	249	(9)	240
Past due 61-90 days	626	(12)	614	41	(11)	30
Past due >90 days	553	(427)	126	271	(262)	9
Total	15,327	(491)	14,836	9,733	(398)	9,335

(b) Concentration of risk

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

(c) Other receivables

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

(d) Doubtful debts policy

Refer Note 1(i).

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
10 FINANCE LEASE RECEIVABLES				
Current finance lease receivables	7,969	4,195	-	-
Non-current finance lease receivables	16,937	10,382	-	-
	24,906	14,577	-	-

Amounts receivable under finance lease receivables.

	Consolidated Group			
	Minimum lease payments 2014 \$'000	Present value of lease payments 2014 \$'000	Minimum lease payments 2013 \$'000	Present value of lease payments 2013 \$'000
Amounts receivable under finance lease receivables				
Within one year	9,187	7,969	5,132	4,195
Later than one but not more than five years	19,741	16,937	12,375	10,382
	28,928	24,906	17,507	14,577
Less: unearned finance income	4,022	-	2,930	-
Present value of minimum lease payments	24,906	24,906	14,577	14,577
There were no unguaranteed residual values of assets leased under finance leases at reporting date (2013: nil)				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
11 OTHER FINANCIAL ASSETS				
(a) Investment in subsidiaries				
Shares in subsidiaries at cost	-	-	123,206	107,000

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 2014	Percentage Owned 2013	Principal activities
Parent entity				
McMillan Shakespeare Limited	Australia			
Subsidiaries in Group				
Maxxia Pty Limited ¹	Australia	100%	100%	Remuneration services provider
Remuneration Services (Qld) Pty Limited ¹	Australia	100%	100%	Remuneration services provider
Easilease Pty Limited	Australia	100%	100%	Remuneration services provider
Interleasing (Australia) Ltd ¹	Australia	100%	100%	Asset management and services
CARILA Pty Ltd ¹	Australia	100%	100%	Dormant
TVPR Pty Ltd ¹	Australia	100%	100%	Asset management and services
Maxxia Limited (NZ)	New Zealand	100%	100%	Dormant
Maxxia Fleet Limited	New Zealand	100%	100%	Asset management and services
Maxxia (UK) Limited	United Kingdom	100%	100%	Investment holding
Maxxia Finance Limited	United Kingdom	100%	100%	Asset management
CLM Fleet Management plc	United Kingdom	100%	-	Fleet management services

¹ 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(b) Loan receivable				
Loan receivable	2,126	500	-	-
Other expense receivable	861	-	-	-
Share of losses of equity accounted joint venture	(1,193)	(73)	-	-
FX	(68)	-	-	-
Carrying value at end of the financial year	1,726	427	-	-

The loan and expense 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 of \$1,120,000 (2013: \$73,000) recognised under the equity method that is in excess of the Company's fully written down carrying value of its investment (2013:\$337,000 - refer note 12).

Risk exposure

The maximum facility under the arrangement is GBP1.3 million together with other expenses agreed between the JV parties incurred to accelerate growth are 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 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
12 INVESTMENT IN JOINT VENTURE				
Acquired	337	337	-	-
Share of losses after income tax	(337)	(337)	-	-
Carrying value at end of the financial year	-	-	-	-

A subsidiary has 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 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 is equity accounted in the financial statements. Information relating to the joint venture investment is set out below.

	2014 \$'000	2013 \$'000
Current assets	2,205	372
Non-current assets	727	10
Total assets	2,932	382
Current liabilities	2,003	554
Non-current liabilities	3,715	498
Total liabilities	5,718	1,052
Net liabilities	(2,786)	(670)

The net liabilities of Maxxia Limited (UK) is reconciled to the carrying amount of the Group's interest is as follows.

Net liabilities of JV	(2,786)	(670)
Group ownership interest (50%)	(1,393)	(335)
Carrying amount	-	-
Cumulative losses of JV equity accounted	(1,530)	(410)

The Group's share of the JV losses is limited to its carrying value.

Share of joint venture financial results		
Revenues	1,001	76
Expenses	(3,801)	(1,152)
Loss before income tax	(2,800)	(1,076)
Income tax	560	256
Loss after income tax	(2,240)	(820)
Share of joint venture capital commitments	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
13 PROPERTY, PLANT AND EQUIPMENT				
(a) Plant and equipment				
At cost	25,990	22,961	-	-
Less accumulated depreciation	(16,193)	(13,959)	-	-
	9,797	9,002	-	-
Assets under operating lease				
At cost	458,969	423,321	-	-
Less accumulated depreciation	(155,561)	(135,572)	-	-
	303,408	287,749	-	-
Total plant and equipment	313,205	296,751	-	-

	Consolidated Group		
	Plant and equipment \$'000	Assets under operating lease ⁽²⁾ \$'000	Total \$'000
(b) Movements in cost and accumulated depreciation			
Year ended 30 June 2014			
Balance at the beginning of year	9,002	287,749	296,751
Additions ⁽¹⁾	2,548	131,967	134,515
Acquisitions through business combination	746	1,897	2,643
Disposals / transfers to assets held for sale	348	(36,985)	(36,637)
Depreciation expense	(2,913)	(81,475)	(84,388)
FX	66	255	321
Balance at 30 June	9,797	303,408	313,205
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	-	(111)	(111)
Depreciation expense	(2,741)	(74,618)	(77,359)
FX	-	157	157
Balance at 30 June	9,002	287,749	296,751

(1) Included in 2013 additions of \$3,755,000 were reimbursements by the lessor of \$1,426,000.

(2) Accumulated provision for impairment loss at reporting date is \$2,018,000 (2013: \$2,018,000).

(c) Security

The above assets form part of the security supporting the fixed and floating charge pledged to the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
14 DEFERRED TAX ASSETS / (LIABILITIES)				
(a) Asset / (Liability)				
The balance comprises temporary differences and tax losses attributed for:				
Amounts recognised in profit or loss				
Doubtful debts	147	120	-	-
Provisions	4,208	5,148	-	101
Property, plant and equipment	(1,584)	(7,336)	-	-
Accrued expenses	2,311	2,474	6	6
Other receivables/prepayments	(764)	(343)	-	-
Other	922	6	7	69
Losses	405	253	-	-
Contract rights	-	(272)	-	-
Customer list and relationships	(764)	-	-	-
Derivatives	192	317	-	-
Closing balance at 30 June	5,073	367	13	176
Recognised as:				
Deferred tax asset	5,832	367	13	176
Deferred tax liability	(759)	-	-	-
	5,073	367	13	176
(b) Movement				
Opening balance at 1 July	367	1,683	176	160
Charged to profit or loss	5,780	(1,226)	(163)	16
Charged to other comprehensive income	(142)	(90)	-	-
Acquired at acquisition	(932)	-	-	-
Closing balance at 30 June	5,073	367	13	176

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
15 INTANGIBLE ASSETS				
(a) Carrying values				
Goodwill				
Cost	46,423	33,328	-	-
Impairment loss	(36)	(36)	-	-
Net carrying value	46,387	33,292	-	-
Software development costs				
Cost ⁽ⁱ⁾	25,900	20,412	-	-
Accumulated amortisation	(11,245)	(7,744)	-	-
Net carrying value	14,655	12,668	-	-
Contract rights				
Cost	12,605	12,605	-	-
Accumulated amortisation	(9,555)	(8,333)	-	-
Net carrying value	3,050	4,272	-	-
Customer list and relationships				
Cost	2,818	-	-	-
Accumulated amortisation	(251)	-	-	-
Net carrying value	2,567	-	-	-
Total Intangibles	66,659	50,232	-	-

(i) Software includes capitalised internal costs

(b) Reconciliation of net book amount

	Consolidated Group				
	Goodwill \$'000	Software development costs \$'000	Contract rights \$'000	Customer list and relationships \$'000	Total \$'000
2014					
Net book amount					
Balance beginning of year	33,292	12,668	4,272	-	50,232
Additions	-	5,488	-	-	5,488
Acquisition through business combination	12,254	-	-	2,637	14,891
Amortisation	-	(3,501)	(1,222)	(251)	(4,974)
FX	841	-	-	181	1,022
Closing balance	46,387	14,655	3,050	2,567	66,659
2013					
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(c) Impairment test for goodwill

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

The carrying amount of goodwill allocated to each CGU:

	Consolidated Group	
	2014 \$'000	2013 \$'000
Maxxia Pty Limited	24,190	24,190
Remuneration Services (Qld) Pty Limited	9,102	9,102
CLM Fleet Management plc	13,095	-
	46,387	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	
	2014 %	2013 %
Maxxia Pty Limited	15.88	17.76
Remuneration Services (Qld) Pty Limited	15.88	17.76

The budgets use historical average growth rates to project revenue. Costs are determined taking into account historical margins and estimated cost increases. The average growth rates used in the five year projection is 10%. 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 Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows. The 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.

Goodwill acquired with CLM Fleet Management plc during the year was determined from fair value variables. There were no impairment indicators since acquisition to reporting date.

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
16 TRADE AND OTHER PAYABLES				
Unsecured liabilities				
Trade payables	16,222	12,043	-	-
GST payable	1,594	1,073	-	-
Sundry creditors and accruals	31,543	24,609	197	46
Receivables in advance	3,598	3,083	-	-
Amounts payable to wholly owned entities	-	-	46,540	34,643
	52,957	40,808	46,737	34,689

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 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
17 OTHER LIABILITIES				
Maintenance instalments received in advance	7,529	7,626	-	-
Unearned property incentives	6,816	7,463	-	-
Unearned income	125	250	-	-
	14,470	15,339	-	-
18 PROVISIONS				
Current				
Employee benefits	6,137	5,820	-	-
Non current				
Employee benefits	767	552	-	-
Aggregate employee benefits liability	6,904	6,372	-	-
19 BORROWINGS				
Current				
Bank loans – at amortised cost	452	-	-	-
Non-current				
Bank loans – at amortised cost	213,995	181,725	-	-

(a) Security

The parent entity guarantees all bank loans of subsidiaries in the Group, totalling \$215,100,000 (2013: \$182,000,000).

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

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

- (i) Group bank loans excluding cash assets, is not to exceed 80% of the sum of the Group's aggregate of the written down value of net operating lease assets, finance lease receivables and commercial hire purchase receivables.
- (ii) Group shareholder's funds of is not less than \$145,000,000 at all times.
- (iii) Group ratio of consolidated earnings before interest and tax to consolidated interest expense is not less than 3:1.

The following are other undertakings that have been provided by entities in the Group receiving the loans.

- (i) Negative pledge that imposes certain covenants including a restriction to provide other security over its assets, a cap on its maximum finance debt, do not acquire assets which are non-core business to the Group, disposal of a substantial part of its business and reduction of its capital.
- (ii) Maintenance of certain financial thresholds for shareholders' equity, gearing ratio and fleet asset portfolio performance.
- (iii) The business exposures of the Interleasing Group and CLM Fleet Management plc satisfy various business parameters.

At all times throughout the year, the 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 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 Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
20 ISSUED CAPITAL				
(a) Share capital				
74,523,965 (2013: 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
Balance at 1 July 2013	74,523,965		56,456
No shares were issued nor options exercised during the year			
Balance at 30 June 2014	74,523,965		56,456
Balance at 1 July 2012	74,523,965		56,456
No shares were issued nor options exercised during the year			
Balance at 30 June 2013	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 2014, there were 3,163,692 (2013: 3,189,275) unissued ordinary shares for which options were outstanding. 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 56.

(d) Capital management strategy

The 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The 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 Groups' gearing ratio was 39% (2013: 39%) calculated as net debt of \$143,250,000 (2013: \$124,486,000) divided by total debt and equity of \$367,097,000 (2013: \$319,921,000).

The Group's Risk and Compliance Committee reviews the capital structure of the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revaluation - gross	(639)	(1,057)	-	-
Deferred tax	192	317	-	-
Balance at the end of the financial year	(447)	(740)	-	-

The hedging reserve is used to record gains and losses on interest rate swaps that are designed and qualify as cash flow hedges and that are recognised in other comprehensive income.

(c) Foreign currency translation reserve

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at the end of the financial year	416	(56)	-	-

The foreign translation reserve account accumulates exchange differences arising on translation of foreign controlled entities which are recognised in other comprehensive income. The carrying amount is reclassified to profit or loss when the net investment is disposed of.

22 CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit from operating activities after income tax

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit for the year	54,970	62,163	28,089	38,960
Non cash flows in profit from operating activities				
Amortisation	4,728	2,498	-	-
Impairment loss	-	111	-	-
Depreciation	84,388	77,359	-	-
Option expense	1,741	1,521	-	-
Share of equity accounted joint venture loss	1,120	410	-	-
Purchase of assets under lease	(150,375)	(174,434)	-	-
Written down value of assets sold	26,002	31,512	-	-
Acquisition expenses	1,177	-	-	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase) / decrease in trade receivables and other assets	(12,549)	(634)	(90)	(15)
Increase / (decrease) in trade payables and accruals	25,635	22,423	(4,287)	(395)
Increase / (decrease) in income taxes payable	3,872	2,164	3,796	(258)
(Decrease) / increase in deferred taxes	(4,386)	1,316	163	(16)
Increase in provisions	532	1,117	-	-
Net cash from operating activities	36,855	27,526	27,671	38,276

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
23 COMMITMENTS				
(a) 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	5,584	6,539	-	-
- Between 12 months and 5 years	21,339	21,006	-	-
- Greater than 5 years	8,852	13,142	-	-
	35,775	40,687	-	-

The property leases are non cancellable leases with varying terms, with rent payable monthly in advance. Individual rental agreements specify each rental adjustment. The equipment leases are non cancellable leases with varying terms, with rent payable quarterly in arrears.

24 SEGMENT REPORTING

Reportable segments

(a) Description of Segments

The Group has identified its operating segments based on the internal reports reviewed and used by the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(b) Segment information provided to the Chief Decision Maker

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

	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
Segment operations	345,316	327,817	55,545	61,426
Corporate administration and directors' fees			(1,436)	(1,008)
Acquisition expenses			(1,177)	(158)
Net interest income			1,978	2,247
Tax on unallocated items			60	(344)
Profit after tax from continuing operations for the year			54,970	62,163

(c) Other segment information

(i) Segment revenue

Segment revenue is reconciled to the Statement of Profit or Loss as follows:

	2014 \$'000	2013 \$'000
Total segment revenue	345,316	327,817
Interest revenue	2,141	2,247
Total revenue per Consolidated Statement of Profit or Loss	347,457	330,064

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 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 \$58,583,000 (2013: \$59,159,000) from the Group's largest customer.

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

(ii) Segment result

The following items are included in the segment results.

	2014 \$'000	2013 \$'000
Segment depreciation and amortisation		
Group Remuneration Services	4,655	4,412
Asset Management	84,461	75,556
	89,116	79,968
Share of loss from joint venture		
Group Remuneration Services	-	-
Asset Management	1,120	410
	1,120	410

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(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:

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

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 Group

	2014 \$'000	2013 \$'000
Additions to non-current assets		
Group Remuneration Services	2,172	9,345
Asset Management	155,365	158,576
	157,537	167,921

(d) Geographical segment information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		Non-current assets	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Australia	336,420	329,693	376,296	355,204
United Kingdom	9,962	-	14,251	-
New Zealand	1,075	371	6,257	2,588
	347,457	330,064	396,804	357,792

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

25 CONTINGENT LIABILITIES

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

	Consolidated Group		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Guarantee provided for the performance of a contractual obligation not supported by term deposit.	10,351	10,658	50	50
Guarantees provided in respect of property leases.	4,840	4,553	-	-
	15,191	15,211	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 2014 and 2013 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	
	2014 \$	2013 \$	2014 \$	2013 \$
Dividend revenue	-	-	29,064,347	39,597,743
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current payables	-	-	46,540,031	34,643,905
	\$	\$	\$	\$

(b) Key management personnel compensation

Compensation

Short-term employment benefits	4,139,212	3,474,420	2,290,456	2,016,836
Post-employment benefits	212,400	202,016	130,964	124,495
Long-term employment benefits	(46,521)	135,738	(82,746)	74,264
Share-based payments	1,237,496	1,002,542	850,548	667,699
	5,542,587	4,814,716	3,189,222	2,883,294

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 31 August 2014. No performance hurdles are attached to these options given that these are purchased options; the executive has paid \$50,000 for the purchase of these options (representing 75% of the fair value of the options on grant date).

Details for current performance options

Options & issue date	Expiry	Conditions	Vested								
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.	Upon the adoption of this Annual Report the entire issue qualifies for vesting on 31 August 2014.								
1,805,957 (August 2011) and 352,942 (October 2011) and 31,250 (March 2012)	The options expire four years from the relevant date of issue.	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The performance hurdles are as follows.</p> <table border="1"> <thead> <tr> <th>Performance Hurdles</th> <th>Vesting portion</th> </tr> </thead> <tbody> <tr> <td>FY2012 NPAT growth not less than 12.5%</td> <td>33.33%</td> </tr> <tr> <td>FY2013 NPAT growth not less than 15.0%</td> <td>33.33%</td> </tr> <tr> <td>FY2014 NPAT growth not less than 15.0%</td> <td>33.34%</td> </tr> </tbody> </table>	Performance Hurdles	Vesting portion	FY2012 NPAT growth not less than 12.5%	33.33%	FY2013 NPAT growth not less than 15.0%	33.33%	FY2014 NPAT growth not less than 15.0%	33.34%	Upon the adoption of this Annual Report the entire issue qualifies for vesting on 31 August 2014.
Performance Hurdles	Vesting portion										
FY2012 NPAT growth not less than 12.5%	33.33%										
FY2013 NPAT growth not less than 15.0%	33.33%										
FY2014 NPAT growth not less than 15.0%	33.34%										
121,331 (July 2012)	The options expire three years from the relevant date of issue.	<p>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.</p> <p>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.</p> <p>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.</p> <p>In the event that the executive 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.</p> <p>The performance hurdles are as follows.</p> <table border="1"> <thead> <tr> <th>Performance Hurdles</th> <th>Vesting portion</th> </tr> </thead> <tbody> <tr> <td>FY2013 NPAT growth not less than 15.0%</td> <td>50.0%</td> </tr> <tr> <td>FY2014 NPAT growth not less than 15.0%</td> <td>50.0%</td> </tr> </tbody> </table>	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 options from this issue qualify for vesting for not meeting the NPAT targets		
Performance Hurdles	Vesting portion										
FY2013 NPAT growth not less than 15.0%	50.0%										
FY2014 NPAT growth not less than 15.0%	50.0%										

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

Consolidated Group and parent entity - 2014

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	1,831,540	-	-	(25,583)	1,805,957	-
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	-
			3,189,275	-	-	(25,583)	3,163,692	-
Weighted average exercise price			\$6.97	-	-	\$7.31	\$6.96	-

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	-

⁽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 (2013: Nil).

The weighted average remaining contractual life of options outstanding at the end of the year was 0.25 years (2013: 1.25 years).

Fair value of options granted

No options were granted during the year. The assessed fair value at grant date of options granted in the previous 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
Model input	August 2012
Consideration payable upon grant	Nil
Exercise price	\$11.42
Grant date	24 July 2012
Expected life	2.2 years
Share price at grant date	\$11.42
Expected price volatility	40%
Expected dividend yield	4%
Risk-free interest rate	2.2%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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	
	2014 \$	2013 \$	2014 \$	2013 \$
Options expense recognised under the Employee Option Plan	1,741,480	1,520,547	-	-

28 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

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 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 "proforma" 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 result 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.

29 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 2014 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

	2014 \$'000	2013 \$'000
Statement of Comprehensive Income		
Revenue and other income	336,422	329,687
Employee and director benefits expenses	(79,826)	(73,837)
Depreciation and amortisation expenses and impairment	(88,042)	(79,783)
Leasing and vehicle management expenses	(47,160)	(47,307)
Consulting cost expenses	(3,420)	(2,413)
Marketing expenses	(2,584)	(3,076)
Property and corporate expenses	(6,724)	(6,441)
Technology and communication expenses	(7,692)	(7,561)
Finance costs	(10,370)	(11,042)
Other expenses	(9,602)	(8,218)
Profit before income tax	81,002	90,009
Income tax expense	(24,242)	(26,912)
Profit attributable to members of the parent entity	56,760	63,097
Other comprehensive income		
Other comprehensive income/(loss) for the year after tax	(2,076)	1,752
Total comprehensive income for the year	54,684	64,849
Movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	138,060	111,480
Profits for the year	56,760	63,097
Dividends paid	(29,064)	(36,517)
Retained earnings at the end of the financial year	165,756	138,060

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(b) Consolidated Statement of Financial Position

	2014 \$'000	2013 \$'000
Current assets		
Cash and cash equivalents	65,034	56,876
Trade and other receivables	32,830	23,432
Finance lease receivables	4,630	4,195
Inventory	5,294	4,909
Total current assets	107,788	89,412
Non current assets		
Property, plant and equipment	303,427	294,165
Intangible assets	50,997	50,233
Deferred tax asset	5,766	365
Finance lease receivables	8,458	10,382
Other financial assets	17,715	3,250
Total non current assets	386,363	358,395
TOTAL ASSETS	494,151	447,807
Current liabilities		
Trade and other payables	59,560	56,210
Current tax liability	10,527	6,661
Provisions	6,135	5,818
Total current liabilities	76,222	68,689
Non current liabilities		
Provisions	767	552
Borrowings	190,549	181,725
Total non current liabilities	191,316	182,277
TOTAL LIABILITIES	267,538	250,966
NET ASSETS	226,613	196,841
EQUITY		
Issued capital	56,456	56,456
Reserves	4,401	2,325
Retained earnings	165,756	138,060
TOTAL EQUITY	226,613	196,841

30 SUBSEQUENT EVENTS

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	23,981	\$10.18	30 September 2018
	1,811,136		

Subsequent to reporting date, a total of 2,727,783 performance options that satisfied the NPAT growth targets qualified for vesting. Consequently, 2,190,149 performance options will qualify for vesting on 31 August 2014 and 537,634 options on 31 October 2014, both subject to the continuity of employment to that date. A total 314,578 voluntary options have qualified for vesting on 31 August 2014.

DIRECTORS' DECLARATION

The Directors are of the opinion that:

1. the financial statements and notes on pages 21 to 62 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; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and financial performance for the financial year ended on that date; and
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 29 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 Note 29.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as disclosed as issued by the International Accounting Standards Board.

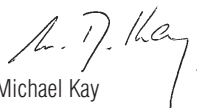
The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

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



Ronald Pitcher, AM

Chairman



Michael Kay

Managing Director

29 August 2014

Melbourne, Australia

INDEPENDENT AUDIT REPORT

AS AT 30 JUNE 2014



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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 statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 company 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.

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.

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INDEPENDENT AUDIT REPORT

AS AT 30 JUNE 2014



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 consolidated entity's financial position as at 30 June 2014 and of their 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 13 of the directors' report for the year ended 30 June 2014. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of McMillan Shakespeare Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 29 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

AS AT 30 JUNE 2014



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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 audit of McMillan Shakespeare Limited for the year ended 30 June 2014, 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.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink that reads "B.A. Mackenzie".

B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 29 August 2014

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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 2014, the number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares ¹
J P Morgan Nominees Australia Limited	8,626,465	11.58
HSBC Custody Nominees (Aust) Ltd	7,463,824	10.02
Meddiscope Pty Limited	7,235,000	9.71
National Nominees Limited	7,025,317	9.43
Chessari Holdings Pty Limited ⁽²⁾	6,050,941	8.12
Asia Pac Technology Pty Limited ⁽³⁾	3,993,025	5.36

¹ As at 12 August 2014, 74,523,965 fully paid ordinary shares have been issued by the Company.

² Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a Non-Executive Director.

³ 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 2014, 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	8,400
Options exercisable at \$3.42 and expiring on 1 October 2015	1
Options exercisable at \$7.31 and expiring on 30 September 2015	17
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 2014, 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	4,600
1,001 – 5,000	2,984
5,001 – 10,000	466
10,001 – 100,000	319
100,000+	31

As at 12 August 2014 there were 208 shareholders who held less than a marketable parcel of 53 fully paid ordinary shares in the Company.

TOP 20 SHAREHOLDERS

As at 12 August 2014, 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	J P Morgan Nominees Australia Limited	8,626,465	11.58
2	HSBC Custody Nominees (Aust) Ltd	7,463,824	10.02
3	National Nominees Limited	7,025,317	9.43
4	Meddiscope Pty Limited	6,590,000	8.84
5	Chessari Holdings Pty Limited(2)	6,050,941	8.12
6	Asia Pac Technology Pty Limited(3)	3,993,025	5.36
7	Citicorp Nominees Pty Limited	3,024,952	4.06
8	RBC Investor Services Australia Nominees Pty Ltd <MBA A/C>	2,141,000	2.87
9	BNP Paribas Noms Pty Ltd < DRP>	2,058,298	2.76
10	UBS Nominees Pty Ltd	1,457,591	1.96
11	Ann Leslie Ryan	1,008,418	1.35
12	COBAX Pty Ltd <Podesta Super Fund A/c>	645,000	0.87
13	AMP Life Limited	614,956	0.83
14	Citicorp Nominees Pty Limited <Colonial First State investment A/C>	405,882	0.54
15	MAP Capital Pty Ltd <Richmond TCE CAP ARF A/C>	325,000	0.44
16	MOHL Invest Pty Ltd <MOHL Family A/C>	310,000	0.42
17	Catholic Church Insurance Limited	250,200	0.34
18	Sandhurst Trustees Ltd <JMFG CONSOL A/C>	211,276	0.28
19	RBC Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	202,704	0.27
20	Michael Gordon Kay Investments Pty Ltd <MICHAEL GORDON INVEST A/C>	201,936	0.27
Totals: Top 20 holders of issued Capital		52,606,785	70.59
Total Remaining Holders .Balance		21,917,180	29.41

¹ As at 12 August 2014, 74,523,965 fully paid ordinary shares have been issued by the Company.

² Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a Non-Executive Director.

³ 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	2,120,535	17
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 exercisable at \$10.18 and expiring on 30 September 2019	978,417	4
Options exercisable at \$10.18 and expiring on 30 September 2018	832,719	18
Options do not carry a right to vote		

ON-MARKET BUY BACK

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

