

24 February 2015

Manager, Company Announcements
ASX Limited

Via E-lodgement

Dear Sir/Madam

**McMillan Shakespeare Limited
Interim Results**

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report for the half-year ended 31 December 2014.

This information should be read in conjunction with McMillan Shakespeare Limited's 2014 Annual Report.

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

Yours faithfully
McMillan Shakespeare Limited



Mark Blackburn
Chief Financial Officer and Company Secretary

Half-year ended 31 December 2014
(Previous corresponding period: Half-Year ended 31 December 2013)

McMillan Shakespeare Group of Companies

ABN 74 107 233 983



Maxxia

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CLM

The McMillan Shakespeare Group of Companies

Results for announcement to the market

APPENDIX 4D – Half-year Report

McMillan Shakespeare Limited
ABN 74 107 233 983

| 1. Details of the reporting period and the previous corresponding period | |
|--|---|
| | Current period: 1 July 2014 to 31 December 2014 Previous corresponding period: 1 July 2013 to 31 December 2013 |

| 2. Results for announcement to the market | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|---------|---------|------|------|--|-------|-------|-------|-------|-----------------------------|--------|--------|--------|--------|------------------|--------|--------|-------|-------|---------------------------------|----------------|----------------|---------------|---------------|
| | <i>Key information</i> | Percentage change | Half-Year ended 31 December 2014 \$000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.1 | Revenues from ordinary activities | Up 12% to | 182,465 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.2a | Profit after income tax | Up 62% to | 31,127 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.3 | Net profit after income tax attributable to members of the parent entity | Up 62% to | 31,127 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <i>Dividends</i> | Amount per share | Franked amount per share | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.4 | Interim dividend | \$0.25 | \$0.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.5 | Ex-dividend date Record date for determining entitlements to the dividend Dividend payment date | 30 March 2015 1 April 2015 17 April 2015 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2.6 | <p>Commentary on results for the period</p> <p>Net profit after income tax for the half-year ended 31 December 2014 was \$31,127,000 representing a 62% increase on the previous year's result of \$19,259,000. The improvement in the results was predominantly due to the recovery of the Group Remuneration Services' segment result following the reversal of the previous government's proposed legislative change to FBT on motor vehicles (refer the Review of Operations for further details).</p> <p>The financial operating performance of the segments is summarised below.</p> <table border="1"> <thead> <tr> <th></th> <th>Half-year 31 Dec 2014</th> <th>Half-year 31 Dec 2013</th> <th>Half-year 31 Dec 2014</th> <th>Half-year 31 Dec 2013</th> </tr> <tr> <th></th> <th>Revenue</th> <th>Revenue</th> <th>NPAT</th> <th>NPAT</th> </tr> <tr> <th></th> <th>\$000</th> <th>\$000</th> <th>\$000</th> <th>\$000</th> </tr> </thead> <tbody> <tr> <td>Group Remuneration Services</td> <td>82,801</td> <td>70,548</td> <td>24,579</td> <td>13,238</td> </tr> <tr> <td>Asset Management</td> <td>98,374</td> <td>90,978</td> <td>6,210</td> <td>6,377</td> </tr> <tr> <td>Total segment operations</td> <td>181,175</td> <td>161,526</td> <td>30,789</td> <td>19,615</td> </tr> </tbody> </table> <p>Basic earnings per share as shown in the financial statements was 41.17 cents per share (2013: 25.84 cents per share) and on a diluted basis was 40.97 cents per share (2013: 25.36 cents per share).</p> <p>Refer to the accompanying December 2014 Half-Year Results Announcement for more details on the financial results.</p> | | | | Half-year 31 Dec 2014 | Half-year 31 Dec 2013 | Half-year 31 Dec 2014 | Half-year 31 Dec 2013 | | Revenue | Revenue | NPAT | NPAT | | \$000 | \$000 | \$000 | \$000 | Group Remuneration Services | 82,801 | 70,548 | 24,579 | 13,238 | Asset Management | 98,374 | 90,978 | 6,210 | 6,377 | Total segment operations | 181,175 | 161,526 | 30,789 | 19,615 |
| | Half-year 31 Dec 2014 | Half-year 31 Dec 2013 | Half-year 31 Dec 2014 | Half-year 31 Dec 2013 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Revenue | Revenue | NPAT | NPAT | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$000 | \$000 | \$000 | \$000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Group Remuneration Services | 82,801 | 70,548 | 24,579 | 13,238 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Asset Management | 98,374 | 90,978 | 6,210 | 6,377 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total segment operations | 181,175 | 161,526 | 30,789 | 19,615 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

APPENDIX 4D – Half-year Report

| 3. Net tangible assets per share | | | |
|---|-----------------|-----------------------------|-----------------------------|
| | | 31 December 2014 | 31 December 2013 |
| | Ordinary shares | \$2.37 | \$1.83 |

| 4. Control gained or lost over entities during the period | | |
|--|--|------------------------------|
| | Name of entities where control was gained during the period | Date control acquired |
| | None | N/A |
| | <i>Name of entities where control was lost during the period</i> | Date control lost |
| | None | N/A |

| 5. Dividend | | | |
|---|--|-----------------------------------|---|
| | <i>Dividends</i> | Amount per share Cents | Franked amount per share Cents |
| | Final dividend in respect of the financial year ended 30 June 2014 per share | 31.0 | 31.0 |
| | Interim dividend | 25.0 | 25.0 |
| The record date for determining entitlement to the interim dividend is 1 April 2015. The interim dividend is payable on 17 April 2015. | | | |

| 6. Dividend reinvestment plans | |
|---------------------------------------|------|
| | None |

| 7. Investment in associates and joint ventures | |
|---|---|
| | The Group's 50% joint venture interest in Maxxia Limited, a company operating in the UK, reported a loss after tax for the period of \$556,000 (1HFY14: \$546,000). |

| 8. Foreign entities | |
|----------------------------|------|
| | None |



HALF YEAR RESULTS ANNOUNCEMENT McMILLAN SHAKESPEARE LIMITED

McMillan Shakespeare Limited (ASX: MMS) today released its results for the half-year ended 31 December 2014, with a reported after tax profit of \$31.1m.

Highlights of the operating results were:

Consolidated financial performance

| \$000 | 1HFY15 | | 1HFY14 % change | 1HFY15 | | 1HFY14 % change | 1HFY15 | 1HFY14 | % change |
|---|-----------------------------------|-----------------------------------|-----------------|---------------------|-------------------------|-----------------|---------------|----------------|------------|
| | Group Remuneration Services | Group Remuneration Services | | Asset Management | Asset Management (1) | | Total | Total | |
| Revenue from operating activities | 82,801 | 70,548 | 17% | 98,374 | 90,978 | 8% | 181,175 | 161,526 | 12% |
| Expenses | 48,768 | 50,666 | (4%) | 88,960 | 81,089 | 10% | 137,728 | 131,755 | 5% |
| Pre tax profit from operating activities | 34,033 | 19,882 | 71% | 9,414 | 9,889 | (5%) | 43,447 | 29,771 | 46% |
| Operating margin | 41.1% | 28.2% | | 9.6% | 10.9% | | 24.0% | 18.4% | |
| Tax | 9,454 | 6,644 | 42% | 2,648 | 2,966 | (11%) | 12,102 | 9,610 | |
| Segment net profit after tax pre-UK JV | 24,579 | 13,238 | 86% | 6,766 | 6,923 | (2%) | 31,345 | 20,161 | 55% |
| Unallocated items | | | | | | | | | |
| Net interest income | | | | | | | 1,218 | 1,041 | |
| Public company costs | | | | | | | (715) | (894) | |
| Tax on unallocated items | | | | | | | (165) | (44) | |
| Profit after tax from operating activities pre-UK JV | | | | | | | 31,683 | 20,264 | 56% |
| Share of UK JV | | | | (556) | (546) | | (556) | (546) | |
| CLM acquisition expenses (after tax) (1) | | | | | | | - | (459) | |
| Net profit after tax | 24,579 | 13,238 | | 6,210 | 6,377 | | 31,127 | 19,259 | 62% |
| NPAT growth | | | | | | | 61.6% | (35.3%) | |
| Return on equity | | | | | | | 27% | 19% | |
| Return on capital employed | | | | | | | 25% | 20% | |
| Basic earnings per share (cents) | | | | | | | 41.2 | 25.8 | 59% |
| Diluted earnings per share (cents) | | | | | | | 41.0 | 25.4 | 62% |
| Diluted EPS growth | | | | | | | 61.5% | (35.4%) | |
| Interim dividend declared per share (cents) | | | | | | | 25.0 | 21.0 | |
| Payout ratio | | | | | | | 61% | 81% | |

(1) Includes CLM acquisition from 22 October 2013

Review of Operations

The significant improvement in the Group result for the first half was predominantly due to the recovery of the Group Remuneration Services segment following the reversal of the previous government's proposed legislative changes to FBT on motor vehicles.

The key points from the last six months are as follows:

- Consolidated net profit after tax of \$31.1m which was a 61.6% increase over PCP and 5% higher than 1HFY13 largely attributable to the reason described above. Other contributors included new business wins, increased penetration levels, strong cost control and realisation of efficiency benefits from investment in IT platforms.
- Group Remuneration Services net profit after tax of \$24.6m was \$11.3m or an 86% increase over PCP. Revenue increased by 17% over PCP whilst total expenses (excluding last years' one off campaign costs) were well controlled and held to approximately the same as PCP.
- Assets under management grew by 5.9% during the half with much of the growth being originated in the UK. The Australian market remains very price competitive. UK operations including our Joint Venture returned a small profit for the half.
- Cash generation before investment in fleet and financing activities was strong at \$35m.
- Cash at bank as at 31 December 2014 was \$97.4m.
- 1,741,000 shares were issued in relation to the vesting of executive options (proceeds to the Group of \$13.2m).
- Return on equity was 27%.
- Basic and diluted earnings per share were 41 cents per share.
- The company announced the acquisition of Presidian Pty Ltd on 5 February 2015. This acquisition is expected to complete on or around 27 February 2015.
- The company declared an interim fully franked dividend of 25 cents per share (PCP: 21 cents per share). The record date is 1 April 2015 and it will be paid on 17 April 2015.

Yours faithfully,
McMILLAN SHAKESPEARE LIMITED



Ronald Pitcher, AM
Chairman
Melbourne, 24 February 2015



Mike Salisbury
Managing Director

For more information, please contact:

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About McMillan Shakespeare

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

DIRECTORS' REPORT

The Directors of McMillan Shakespeare Limited (the Company) present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during the half-year ended 31 December 2014 (the Group or Consolidated Group).

The names of the Directors of the Company at the date of this report are as follows:

Mr R. Pitcher, AM
Mr J. Bennetts
Mr R. Chessari
Mr T. Poole
Mr I. Elliot
Mr M. Salisbury (appointed on 5 February 2015)

With the exception of Mr Salisbury, the above named Directors held office for the entire period.

Mr Michael Kay served as Managing Director from the start of the year to the date of his resignation on 30 September 2015.

Review of Operations

A review of the operations of the consolidated entity during the half-year ended 31 December 2014 and the results of these operations are set out in the attached results announcement.

Results

The consolidated net profit for the half-year ended 31 December 2014 attributable to the members of the Company after providing for income tax was \$31.1m.

Dividend

On 24 February 2015, the Board of Directors declared a fully franked dividend of 25.0 cents per ordinary share. The record date is 1 April 2015 and the dividend will be paid on 17 April 2015.

Rounding of amounts

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

Subsequent events

On 5 February 2015, the Group entered into an agreement to acquire all of the equity and voting interests of Presidian Pty Ltd ("Presidian") for \$115m. The business of Presidian is in the provision of finance, warranty and insurance products to the automotive industry, specialising in the used car market. Presidian will firmly establish MMS in the consumer finance space for new and used motor vehicles with a market leading value proposition. It will complement MMS' existing Australia wide network and auto value chain competencies in the new car market, and brings with it numerous cross selling opportunities across both organisations.

The consideration of \$115m is to be funded by cash and debt for 60% of the consideration (\$69m) and the remaining 40% (\$46m) by the issue of 4,285,192 fully paid ordinary shares in MMS which will be escrowed for up to 24 months. The acquisition is scheduled to complete on or around 27 February 2015, subject to certain conditions precedent, which are expected to be satisfied before this date.

Refer note 10 in the Notes to the Financial Statements for further detail.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of *the Corporations Act 2001* is included on page 10 of the half-year financial report.

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



Ronald Pitcher, AM
Chairman
Melbourne, 24 February 2015



Mike Salisbury
Managing Director

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**Auditor's Independence Declaration
To The Directors of McMillan Shakespeare Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of McMillan Shakespeare Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 24 February 2015

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

We have reviewed the accompanying half-year financial report of McMillan Shakespeare Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the McMillan Shakespeare Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of McMillan Shakespeare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 24 February 2015

DIRECTORS' DECLARATION

In the Directors opinion:

- (a) The financial statements and notes of McMillan Shakespeare Limited for the half-year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including;
 - i. giving a true and fair view of the consolidated group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and
 - ii. compliance with Accounting Standards and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Ronald Pitcher, AM
Chairman
Melbourne, 24 February 2015



Mike Salisbury
Managing Director

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | Half-year ended 31 Dec 2014 \$000 | Half-year ended 31 Dec 2013 \$000 |
|--|--|--|
| Revenue from continuing operations | | |
| Remuneration services | 82,801 | 70,548 |
| Asset management services | 98,374 | 90,872 |
| Non-operating interest income | 1,290 | 1,109 |
| | 182,465 | 162,529 |
| Expenses | | |
| Employee expenses | (43,614) | (42,303) |
| Depreciation and amortisation | (44,663) | (43,852) |
| Leasing and vehicle management expenses | (30,238) | (23,963) |
| Consulting costs | (814) | (1,930) |
| Marketing costs | (1,463) | (1,401) |
| Property and corporate expenses | (3,907) | (3,563) |
| Technology and communication expenses | (4,473) | (4,307) |
| Other expenses | (4,129) | (6,215) |
| Finance costs | (5,214) | (5,615) |
| Share of joint venture result | (556) | (546) |
| Total expenses | (139,071) | (133,695) |
| Profit before income tax expense | 43,394 | 28,834 |
| Income tax expense | (12,267) | (9,575) |
| Net profit for the period | 31,127 | 19,259 |
| Other comprehensive income | | |
| Items that may be re-classified subsequently to profit or loss: | | |
| Changes in fair value of cash flow hedges | 24 | 335 |
| Exchange differences on translating foreign operations | 749 | 189 |
| Deferred tax associated with employee share options recognised in equity | 2,275 | - |
| Income tax | (4) | (153) |
| Other comprehensive profit, net of tax | 3,044 | 371 |
| Total comprehensive income for the period | 34,171 | 19,630 |
| Basic earnings per share (cents) | 41.17 | 25.84 |
| Diluted earnings per share (cents) | 40.97 | 25.36 |

Notes to the financial statements are annexed.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | 31 Dec 2014 | 30 Jun 2014 |
|----------------------------------|----------------|----------------|
| Note | \$000 | \$000 |
| Current assets | | |
| Cash and cash equivalents | 97,369 | 71,197 |
| Trade and other receivables | 24,575 | 29,185 |
| Finance lease receivables | 16,159 | 7,969 |
| Inventory | 4,479 | 5,379 |
| Prepayments | 5,852 | 6,568 |
| Total current assets | 148,434 | 120,298 |
| Non-current assets | | |
| Assets under operating lease | 301,099 | 303,408 |
| Finance lease receivables | 31,710 | 16,937 |
| Property, plant and equipment | 9,612 | 9,797 |
| Intangibles assets | 5 67,502 | 66,659 |
| Other non-current assets | 3,109 | 1,726 |
| Deferred tax assets | 651 | 5,832 |
| Total non-current assets | 413,683 | 404,359 |
| Total assets | 562,117 | 524,657 |
| Current liabilities | | |
| Trade payables | 18,170 | 16,222 |
| Sundry creditors and accruals | 29,547 | 33,137 |
| Receivables in advance | 3,992 | 3,598 |
| Other liabilities | 6 12,865 | 14,470 |
| Current tax liability | 1,981 | 10,634 |
| Derivative financial instruments | 615 | 639 |
| Borrowings | 476 | 452 |
| Employee benefits | 6,226 | 6,137 |
| Total current liabilities | 73,872 | 85,289 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

| | Note | 31 Dec 2014 \$000 | 30 Jun 2014 \$000 |
|--------------------------------------|------|----------------------|----------------------|
| Non-current liabilities | | | |
| Borrowings | | 238,338 | 213,995 |
| Employee benefits | | 912 | 767 |
| Deferred tax liabilities | | 768 | 759 |
| Total non-current liabilities | | 240,018 | 215,521 |
| Total liabilities | | 313,890 | 300,810 |
| Net assets | | 248,227 | 223,847 |
| Equity | | | |
| Issued capital | 7 | 69,728 | 56,456 |
| Reserves | | 8,430 | 4,817 |
| Retained earnings | | 170,069 | 162,574 |
| Total equity | | 248,227 | 223,847 |

Notes to the financial statements are annexed.

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| | Half-year ended 31 Dec 2014 \$000 | Half-year ended 31 Dec 2013 \$000 |
|--|--|--|
| Cash flows from operating activities | | |
| Cash receipts from customers | 184,937 | 160,015 |
| Cash payments to suppliers and employees | (80,137) | (74,907) |
| Proceeds from sale of assets under lease | 25,067 | 20,847 |
| Payments for lease assets | (92,570) | (88,063) |
| Interest received | 1,290 | 1,108 |
| Interest paid | (4,919) | (5,475) |
| Income taxes paid | (13,558) | (12,867) |
| Net cash from operating activities | 20,110 | 658 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (1,683) | (517) |
| Payments for software | (3,001) | (3,354) |
| Payments for joint venture subordinated loan | (496) | (1,251) |
| Payments for contract rights | (465) | - |
| Payments for other non-current assets | (828) | - |
| Acquisition of subsidiaries (net of cash acquired) | - | (12,418) |
| Subsidiaries' acquisition expenses | - | (523) |
| Net cash used in investing activities | (6,473) | (18,063) |
| Cash flows from financing activities | | |
| Proceeds from issue of new shares | 13,272 | - |
| Proceeds from borrowings | 22,662 | 15,319 |
| Payment of borrowing costs | (74) | (529) |
| Dividends paid | (23,632) | (13,414) |
| Net cash from financing activities | 12,228 | 1,376 |
| Effects of foreign currency translation | 307 | - |
| Net increase / (decrease) in cash and cash equivalents | 26,172 | (16,029) |
| Cash and cash equivalents at the beginning of the half year | 71,197 | 57,239 |
| Cash and cash equivalents at the end of the half-year | 97,369 | 41,210 |

Notes to the financial statements are annexed.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

| Half-year ended 31 December 2014 | Issued capital \$000 | Retained Earnings \$000 | Option Reserve \$000 | Cash flow Hedge Reserve \$000 | Foreign Currency Translation Reserve \$000 | Total \$000 |
|--|---------------------------------|------------------------------------|---------------------------------|--|---|------------------------|
| Equity as at beginning of year | 56,456 | 162,574 | 4,848 | (447) | 416 | 223,847 |
| Profit attributable to members of the parent entity | - | 31,127 | - | - | - | 31,127 |
| Other comprehensive income after tax | - | - | 2,275 | 20 | 749 | 3,044 |
| Total comprehensive income for the period | - | 31,127 | 2,275 | 20 | 749 | 34,171 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Issue of shares | 13,272 | - | - | - | - | 13,272 |
| Option expense | - | - | 569 | - | - | 569 |
| Dividends paid | - | (23,632) | - | - | - | (23,632) |
| Equity as at 31 December 2014 | 69,728 | 170,069 | 7,692 | (427) | 1,165 | 248,227 |
| Half-year ended 31 December 2013 | | | | | | |
| Equity as at beginning of year | 56,456 | 136,668 | 3,107 | (740) | (56) | 195,435 |
| Profit attributable to members of the parent entity | - | 19,259 | - | - | - | 19,259 |
| Other comprehensive income after tax | - | - | - | 235 | 136 | 371 |
| Total comprehensive income for the period | - | 19,259 | - | 235 | 136 | 19,630 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Option expense | - | - | 944 | - | - | 944 |
| Dividends paid | - | (13,414) | - | - | - | (13,414) |
| Equity as at 31 December 2013 | 56,456 | 142,513 | 4,051 | (505) | 80 | 202,595 |

Notes to the financial statements are annexed.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION

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

This half-year financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the half-year period in accordance with the continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

The Company is of a kind referred to in Class Order CO98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

The consolidated half-year financial report was approved by the Board of Directors on 24 February 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

- *AASB 1031 'Materiality' (2013)* – is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.
- *AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'* – removes the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by AASB 13 'Fair Value Measurements'. The application of these arrangements does not have any material impact on the disclosures in the Group's consolidated financial statements.

- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting' – provides relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment of hedge effectiveness. As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the consolidated financial statements.
- AASB 2014-1 'Part A: Annual Improvements 2010-2012 and 2011-2013 Cycle AASB 13 'Fair Value Measurement' and AASB 2011-8' – includes a number of amendments to various AASBs as follows;
 - i) Amendment to AASB 2 changes the definitions of 'vesting condition' and 'service condition' that apply to share-based transactions granted after 1 July 2014.
 - ii) Amendment to AASB 8 requires disclosure of the judgements made by management in applying aggregation criteria to operating segments and clarifies that a reconciliation of the total of the reportable segments' assets to the Group's total assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
 - iii) Amendment to AASB 124 clarifies that the definition of a 'related party' includes a management entity that provides key management personnel services to the Group.
- Interpretation 21 'Levies' – which has been applied by the Group for the first time in this period, addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

During the half-year, the Group established the McMillan Shakespeare Limited Employee Share Plan Trust (EST) to facilitate the provision of McMillan Shakespeare Limited shares under the Group's executive option plan. The EST is controlled by McMillan Shakespeare Limited and forms part of the Consolidated Group. Shares held by the EST are disclosed as treasury shares and are deducted from share capital.

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4. DIVIDENDS

On 24 February 2015, the Board of Directors declared a fully franked dividend of 25.0 cents per ordinary share. The record date is 1 April 2015 and the dividend will be paid on 17 April 2015.

| | Half-year ended 31 December 2014 | | Half-year ended 31 December 2013 | |
|---|---|------------------------|-------------------------------------|----------------|
| | Cents per share | Total \$000 | Cents per share | Total \$000 |
| <u>Recognised amounts</u> | | | | |
| Fully paid ordinary shares - Final dividend | 31.0 | 23,632 | 18.0 | 13,414 |
| <u>Unrecognised amounts</u> | | | | |
| Fully paid ordinary shares - Interim dividend | 25.0 | 19,066 | 21.0 | 15,650 |

5. INTANGIBLE ASSETS

| | 31 Dec 2014 | 30 Jun 2014 |
|----------------------------------|------------------------|----------------|
| | \$000 | \$000 |
| Goodwill on acquisition | 47,078 | 46,387 |
| Capitalised software development | 14,970 | 14,655 |
| Customer list and relationships | 2,506 | 2,567 |
| Contract rights | 2,948 | 3,050 |
| Net carrying value | 67,502 | 66,659 |

6. OTHER LIABILITIES

| | 31 Dec 2014 | 30 Jun 2014 |
|---|------------------------|----------------|
| | \$000 | \$000 |
| Maintenance instalments received in advance | 6,590 | 7,529 |
| Unearned property incentives | 6,150 | 6,816 |
| Deferred income | 125 | 125 |
| Net carrying value | 12,865 | 14,470 |

7. SHARE CAPITAL

(i) Movements in ordinary shares during the period.

| | Half-year ended 31 December 2014 | | |
|---|-------------------------------------|------------------------|---------------|
| | Number of shares | Average issue price | \$000 |
| Balance at 1 July 2014 | 74,523,965 | | 56,456 |
| Shares purchased by the McMillan Shakespeare Limited Share Plan Trust ("EST") | 1,260,816 | - | - |
| Shares purchased by the EST and distributed to employees | 1,466,967 | \$7.65 | 11,219 |
| Fully paid shares issued pursuant to the exercise of employee options | 274,053 | \$7.31 | 2,003 |
| Proceeds from issue of new options | - | | 50 |
| Total issued capital at 31 December 2014 | 77,525,801 | | 69,728 |
| Treasury shares | (1,260,816) | | |
| Shares held by public at 31 December 2014 | 76,264,985 | | |

(ii) Treasury shares

Treasury shares are shares in McMillan Shakespeare Limited that are held by the EST for the purpose of issuing shares under the McMillan Shakespeare Limited Executive Option Plan. Details of the treasury shares during the period are as follows.

| | Number of shares |
|---|---------------------|
| Acquisition of new shares by the EST from the Company at market value | 2,727,783 |
| Shares distributed from the exercise of options | (1,466,967) |
| Balance of treasury shares at 31 December 2014 | 1,260,816 |

(iii) Options

On 31 August 2014, performance options from the May 2010, August 2011, October 2011 and March 2012 issues vested.

| Number | Exercise price | Expiry date | Exercised during period | Balance outstanding |
|------------------|----------------|-------------------|----------------------------|------------------------|
| 537,634 | \$3.42 | 1 October 2015 | - | 537,634 |
| 2,120,535 | \$7.31 | 30 September 2015 | 1,356,828 | 763,707 |
| 352,942 | \$8.54 | 30 September 2015 | 352,942 | - |
| 31,250 | \$9.29 | 30 September 2015 | 31,250 | - |
| 3,042,361 | | | 1,741,020 | 1,301,341 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The following options were issued during the period and are subject to vesting conditions assessable during the vesting period to 31 August 2017.

| Option class | Number | Exercise price | Expiry date |
|--------------|------------------|----------------|-------------------|
| Performance | 978,417 | \$10.18 | 30 September 2019 |
| Performance | 543,695 | \$10.18 | 30 September 2018 |
| Performance | 107,877 | \$10.83 | 30 September 2018 |
| Performance | 109,142 | \$10.17 | 30 September 2018 |
| Voluntary | 23,981 | \$10.18 | 30 September 2018 |
| | 1,763,112 | | |

8. SEGMENT REPORTING

Reportable segments

The Group has identified its operating segments based in 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 product and services, nature of the production processes, type of customer and distribution methods. There are two reportable segments being "Group Remuneration Services" and "Asset Management" in accordance with AASB8 "Operating Segments" based on aggregating the operating segments taking into account the nature of the business services and products sold, the associated business and financial risks and how they affect the pricing and rates of return.

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

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

| | Segment revenue | | Segment profit after tax | |
|---|-----------------------|-----------------------|--------------------------|-----------------------|
| | Half-year Dec 2014 | Half-year Dec 2013 | Half-year Dec 2014 | Half-year Dec 2013 |
| | \$000 | \$000 | \$000 | \$000 |
| Group Remuneration Services | 82,801 | 70,548 | 24,579 | 13,238 |
| Asset Management | 98,374 | 90,978 | 6,210 | 6,377 |
| Total for segment operations | 181,175 | 161,526 | 30,789 | 19,615 |
| Net interest income | | | 1,218 | 1,041 |
| Corporate administration and directors' fees | | | (715) | (894) |
| Acquisition expenses | | | - | (523) |
| Tax on unallocated items | | | (165) | 20 |
| Profit after tax from continuing operations for the half-year | | | 31,127 | 19,259 |

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NOTES TO THE FINANCIAL STATEMENTS
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8. SEGMENT REPORTING (cont'd)

| | 31 Dec 2014 | 30 Jun 2014 |
|---|------------------------|----------------|
| | \$000 | \$000 |
| Segment assets | | |
| Group Remuneration Services | 68,207 | 75,887 |
| Asset Management | 403,963 | 393,737 |
| Total segment assets | 472,170 | 469,624 |
| Unallocated | 89,947 | 55,033 |
| Consolidated assets per statement of financial position | 562,117 | 524,657 |

| | 31 Dec 2014 | 30 Jun 2014 |
|--|------------------------|----------------|
| | \$000 | \$000 |
| Segment liabilities | | |
| Group Remuneration Services | 40,588 | 41,802 |
| Asset Management | 275,627 | 268,478 |
| Total segment liabilities | 316,215 | 310,280 |
| Unallocated | (2,325) | (9,470) |
| Consolidated liabilities per statement of financial position | 313,890 | 300,810 |

9. FINANCIAL INSTRUMENTS

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

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

| Financial asset / (financial liability) | Fair value at | | Fair value hierarchy | Valuation technique and key input |
|--|------------------------|----------------|----------------------|--|
| | 31 Dec 2014 | 30 Jun 2014 | | |
| | \$000 | \$000 | | |
| Interest rate swaps | (615) | (639) | 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. |

10. EVENTS SUBSEQUENT TO REPORTING DATE

On 5 February 2015, the Group entered into an agreement to acquire all of the equity and voting interests of Presidian Pty Ltd ("Presidian") for \$115,000,000. The business of Presidian is in the provision of finance, warranty and insurance products to the automotive industry, specialising in the used car market. Presidian will firmly establish MMS in the consumer finance space for new and used motor vehicles with a market leading value proposition. It will complement MMS' existing Australia wide network and auto value chain competencies in the new car market, and brings with it numerous cross selling opportunities across both organisations.

The consideration of \$115,000,000 is to be funded by cash and debt for 60% of the consideration (\$69,000,000) and the remaining 40% (\$46,000,000) by the issue of 4,285,192 fully paid ordinary shares in MMS. The acquisition is scheduled to complete on or around 27 February 2015, subject to certain conditions precedent, which are expected to be satisfied before this date.

Acquisition accounting is expected to be completed on or around 27 February 2015 following completion and settlement of the acquisition when MMS will achieve control of Presidian.