

23 February 2016

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 2015.

This information should be read in conjunction with McMillan Shakespeare Limited's 2015 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

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

Mark Blackburn  
Chief Financial Officer and Company Secretary



# Interim Financial Statements

## Half-year ended 31 December 2015

Previous corresponding period:  
Half-Year ended 31 December 2014

McMillan Shakespeare Group of Companies  
ABN 74 107 233 983

McMillanShakespeareGroup

Results for announcement to the market

APPENDIX 4D – Half-year Report  
 McMillan Shakespeare Limited  
 ABN 74 107 233 983

<b>1. Details of the reporting period and the previous corresponding period</b>	
	Current period: 1 July 2015 to 31 December 2015
	Previous corresponding period: 1 July 2014 to 31 December 2014

<b>2. Results for announcement to the market</b>																					
	<b>Key information</b>	<b>Percentage change</b>	<b>Half-Year ended 31 December 2015 \$000</b>																		
2.1	Revenues from ordinary activities	Up 34% to	244,261																		
2.2	Profit after income tax	Up 25% to	38,935																		
2.3	Net profit after income tax attributable to members of the parent entity	Up 25% to	38,935																		
	<b>Dividends</b>	<b>Amount per share</b>	<b>Franked amount per share</b>																		
2.4	Interim dividend	\$0.29	\$0.29																		
2.5	Ex-dividend date	30 March 2016																			
	Record date for determining entitlements to the dividend	1 April 2016																			
	Dividend payment date	15 April 2016																			
2.6	<b>Commentary on results for the period</b>																				
	<p>Underlying Net Profit After Tax and Acquisition Amortisation (UNPATA), being net profit after tax but before the after-tax impact of acquisition-related transaction expenses and the amortisation of acquired intangible assets, has been used to measure the financial performance of the Group. The Company believes this measure of performance best represents the core financial results of the Group's operations. For the half year ended 31 December 2015, UNPATA has been calculated from NPAT as reported in item 2.2 above, as follows.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Half-year 31 Dec 2015</th> <th style="text-align: center;">Half-year 31 Dec 2014</th> </tr> <tr> <th></th> <th style="text-align: center;">\$000</th> <th style="text-align: center;">\$000</th> </tr> </thead> <tbody> <tr> <td>Profit after income tax (item 2.2)</td> <td style="text-align: right;">38,935</td> <td style="text-align: right;">31,127</td> </tr> <tr> <td>Amortisation of acquired intangible assets after tax</td> <td style="text-align: right;">1,159</td> <td style="text-align: right;">152</td> </tr> <tr> <td>Acquisition transaction costs after tax</td> <td style="text-align: right;">1,699</td> <td style="text-align: right;">-</td> </tr> <tr> <td><b>UNPATA</b></td> <td style="text-align: right;"><b>41,793</b></td> <td style="text-align: right;"><b>31,279</b></td> </tr> </tbody> </table> <p>UNPATA for the half year ended 31 December 2015 of \$41.8m represents a 33.6% increase on the previous corresponding period of \$31.3m. This increase was driven by strong performances from Group Remuneration Services (15% increase) and Asset Management (9% increase), combined with the new segment in Retail Financial Services which delivered an UNPATA result of \$7.1m.</p>				Half-year 31 Dec 2015	Half-year 31 Dec 2014		\$000	\$000	Profit after income tax (item 2.2)	38,935	31,127	Amortisation of acquired intangible assets after tax	1,159	152	Acquisition transaction costs after tax	1,699	-	<b>UNPATA</b>	<b>41,793</b>	<b>31,279</b>
	Half-year 31 Dec 2015	Half-year 31 Dec 2014																			
	\$000	\$000																			
Profit after income tax (item 2.2)	38,935	31,127																			
Amortisation of acquired intangible assets after tax	1,159	152																			
Acquisition transaction costs after tax	1,699	-																			
<b>UNPATA</b>	<b>41,793</b>	<b>31,279</b>																			

The financial operating performance of the segments is summarised below.

	Half-year 31 Dec 2015	Half-year 31 Dec 2014	Half-year 31 Dec 2015	Half-year 31 Dec 2014
	Revenue	Revenue	UNPATA	UNPATA
	\$000	\$000	\$000	\$000
Group Remuneration Services	91,416	82,801	28,319	24,579
Asset Management	97,428	98,374	6,919	6,362
Retail Financial Services	54,642	-	7,117	-
<b>Total segment operations</b>	<b>243,486</b>	<b>181,175</b>	<b>42,355</b>	<b>30,941</b>
Unallocated public company costs and net interest			(562)	338
<b>UNPATA</b>			<b>41,793</b>	<b>31,279</b>

Basic earnings per share as shown in the financial statements was 47.10 cents per share (1H15: 41.17 cents per share) and on a diluted basis was 47.00 cents per share (1H15: 40.97 cents per share).

Refer to the accompanying December 2015 Half-Year Results Announcement for more details on the financial results.

### 3. Net tangible assets per share

	31 Dec 2015	30 Jun 2015
Ordinary shares	\$1.17	\$1.53

### 4. Control gained or lost over entities during the period

Name of entities where control was gained during the period	Date control acquired
United Financial Services Pty Ltd, United Financial Services (Queensland) Pty Ltd and United Financial Service Network Pty Ltd (collectively known as UFS)	31 July 2015
Anglo Scottish Asset Finance Limited (UK) (Anglo Scottish)	4 November 2015
<i>Name of entities where control was lost during the period</i>	Date control lost
None	N/A

### 5. Dividend

Dividends	Amount per share Cents	Franked amount per share Cents
Final dividend in respect of the financial year ended 30 June 2015 per share	27.0	27.0
Interim dividend	29.0	29.0
The record date for determining entitlement to the interim dividend is 1 April 2016. The interim dividend is payable on 15 April 2016.		

<b>6. Dividend reinvestment plans</b>	
	None

<b>7. Investment in associates and joint ventures</b>	
	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 \$608,000 (1H15: \$556,000).

<b>8. Foreign entities</b>	
	None

McMillanShakespeareGroup

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## HALF YEAR RESULTS ANNOUNCEMENT McMILLAN SHAKESPEARE LIMITED

McMillan Shakespeare Limited (ASX: MMS) today released its results for the half-year ended 31 December 2015, with a reported after tax profit of \$38.9.

Highlights of the operating results were:

### Consolidated financial performance

	1H16 \$000	1H15 \$000	% change	1H16 <sup>(3)</sup> \$000	1H15 \$000	% change	1H16 <sup>(2)</sup> \$000	1H16 \$000	1H15 \$000	% change
	Group Remuneration Services	Group Remuneration Services		Asset Management	Asset Management <sup>(1)</sup>		Retail Financial Services	Total	Total	
Revenue from operating activities	91,416	82,801	10%	97,428	98,374	(1%)	54,642	243,486	181,175	34.4%
Expenses	49,150	46,590	5%	85,133	87,228	(2%)	43,411	177,694	133,818	32.8%
EBITDA	42,266	36,211	17%	12,295	11,146	10%	11,231	65,792	47,357	38.9%
D&A of PPE and software	2,069	2,178	(5%)	1,740	1,542	13%	571	4,380	3,720	17.8%
Amortisation of intangibles	-	-	-	315	190	66%	1,296	1,611	190	>100%
NPBT	40,197	34,033	18%	10,240	9,414	9%	9,364	59,801	43,447	37.6%
Operating margin	44.0%	41.1%		10.5%	9.6%		17.1%	24.6%	24.0%	
Tax	11,878	9,454	26%	2,965	2,648	12%	3,153	17,996	12,102	
<b>Segment net profit after tax pre-UK JV</b>	<b>28,319</b>	<b>24,579</b>	<b>15%</b>	<b>7,275</b>	<b>6,766</b>	<b>8%</b>	<b>6,211</b>	<b>41,805</b>	<b>31,345</b>	<b>33.4%</b>
<b>Unallocated items</b>										
Net interest income								(181)	1,218	
Public company costs								(623)	(715)	
Tax on unallocated items								241	(165)	
<b>Profit after tax pre-UK JV and acquisition expenses</b>								<b>41,242</b>	<b>31,683</b>	<b>30.2%</b>
Share of JV				(608)	(556)			(608)	(556)	
Acquisition expenses for business combination <sup>(1)</sup>								(2,293)	-	
Tax on Acquisition expenses								594	-	
<b>Net profit after tax</b>	<b>28,319</b>	<b>24,579</b>		<b>6,667</b>	<b>6,211</b>		<b>6,211</b>	<b>38,935</b>	<b>31,127</b>	<b>25.1%</b>
<b>NPAT growth</b>								<b>25.1%</b>	<b>61.6%</b>	
<b>Underlying NPATA<sup>(4)</sup></b>								<b>41,793</b>	<b>31,279</b>	<b>33.6%</b>
<b>Key Metrics</b>										
Return on equity								23.0%	27.0%	
Return on capital employed								20.5%	25.0%	
Basic earnings per share (cents)								47.10	41.17	14.4%
Diluted earnings per share (cents)								46.99	40.97	14.7%
Diluted EPS growth								14.7%	61.5%	
Interim dividend paid per share (cents)								29.00	25.00	16.0%
Payout ratio								62%	61%	

<sup>(1)</sup> Acquisition expenses incurred for UFS and Anglo Scottish (UK).

<sup>(2)</sup> Includes Presidian for the six months and UFS from 31 July to 31 December 2015.

<sup>(3)</sup> Includes Anglo Scottish 4 November to 31 December 2015.

<sup>(4)</sup> Underlying NPATA excludes the after-tax one-off items in relation to the transaction costs incurred for the acquisition of UFS and Anglo Scottish and amortisation of acquisition related intangible assets.

## Review of Operations

The improvement in the Group result for the first half was predominantly due to a strong performance by existing businesses and the contribution from the Presidian, UFS and Anglo Scottish acquisitions.

The key points from the last six months are:

- Consolidated (UNPATA) of \$41.8m, which was a 33.6% increase over the prior period, was attributable to both strong performance from existing business and the contribution in the period from acquired businesses. The growth in existing businesses was underpinned by new business wins, increased penetration levels, strong cost control and realisation of efficiency benefits from investment in IT platforms.
- Group Remuneration Services UNPATA of \$28.3m was \$3.7m or a 15% increase over the prior period. Revenue increased by 10.4% over the prior period whilst total expenses were well controlled.
- Assets under management in our Asset Management segment grew by 3% during the half, driven largely by our UK operations and also reflects the level of price competition that remains in the Australian market. Asset growth was achieved in the UK notwithstanding a portion of the fleet (\$27.4m) was moved off balance sheet as part of the principal and agency arrangements with a number of funding providers. Our UK operations will be strengthened by the acquisition of Anglo Scottish on 4 November 2015 which provided an UNPATA contribution of \$0.4m since acquisition date in the half.
- The Company announced the completion of the acquisition of UFS on 31 July 2015 to augment the Presidian acquisition in February 2015 in forming the Retail Financial Services segment (RFS). This segment contributed UNPATA of \$7.1m in the half.
- Cash generation before investment in fleet and financing activities was strong at \$54.3m.
- Cash at bank as at 31 December 2015 was \$67.2m. Excluding debt associated with funding fleet assets, the Group had net cash of \$11.6m at 31 December 2015.
- 733,008 shares were issued in relation to the vesting of executive options (proceeds to the Group of \$5.4m).
- Return on equity was 23.0% and return on capital employed was 20.5%.
- Basic and diluted earnings per share were 47.1 cents and 47.0 cents respectively.
- The company declared an interim fully franked dividend of 29 cents per share (1H15: 25.0 cents per share). The record date is 1 April 2016 and it will be paid on 15 April 2016.

Yours faithfully,  
McMILLAN SHAKESPEARE LIMITED



Tim Poole  
Chairman  
Melbourne, 23 February 2016



Mike Salisbury  
Managing Director

For more information, please contact:

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## **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 2015 (the Group or Consolidated Group).

The names of the Directors of the Company during the whole of the reporting period and up to the date of this report are as follows:

Mr T. Poole (Chairman from 28 October 2015)  
Mr M. Salisbury  
Mr J. Bennetts  
Mr R. Chessari  
Mr I. Elliot

Ms. Sue Dahn was appointed as a non-Executive Director on 1 January 2016 and chairs the Audit Committee.

Mr Ronald Pitcher served as Chairman from the start of the period to the date of his retirement on 27 October 2015.

### **Review of Operations**

A review of the operations of the consolidated entity during the half-year ended 31 December 2015 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 2015 attributable to the members of the Company after providing for income tax was \$38.9m.

### **Dividend**

On 23 February 2016, the Board of Directors declared a fully franked dividend of 29.0 cents per ordinary share. The record date is 1 April 2016 and the dividend will be paid on 15 April 2016.

### **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**

The Company announced the extension of its sole provider contract to the South Australian Government for salary packaging until June 2023.

## 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 11 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*.



Tim Poole  
Chairman

Melbourne, 23 February 2016



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 2015, 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, 23 February 2016

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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 consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement 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 2015 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 2015 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, 23 February 2016

## DIRECTORS' DECLARATION

In the Directors opinion:

- (a) The financial statements and notes of McMillan Shakespeare Limited for the half-year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including;
  - i. giving a true and fair view of its financial position as at 31 December 2015 and of 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.



Tim Poole  
Chairman



Mike Salisbury  
Managing Director

Melbourne, 23 February 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>Half-year ended 31 Dec 2015 \$000</b>	Half-year ended 31 Dec 2014 \$000
<b>Revenue from continuing operations (refer note 4)</b>	<b>244,261</b>	182,465
<b>Expenses</b>		
Employee expenses	<b>(58,837)</b>	(43,614)
Depreciation and amortisation	<b>(45,753)</b>	(44,663)
Leasing and vehicle management expenses	<b>(25,608)</b>	(30,238)
Brokerage commissions and incentives	<b>(27,485)</b>	-
Consulting costs	<b>(1,614)</b>	(814)
Marketing costs	<b>(1,929)</b>	(1,463)
Property and corporate expenses	<b>(5,670)</b>	(3,907)
Technology and communication expenses	<b>(5,363)</b>	(4,473)
Other expenses	<b>(6,463)</b>	(4,129)
Finance costs	<b>(6,543)</b>	(5,214)
Share of joint venture result	<b>(608)</b>	(556)
Acquisition expenses	<b>(2,293)</b>	-
<b>Total expenses</b>	<b>(188,166)</b>	(139,071)
<b>Profit before income tax expense</b>	<b>56,095</b>	43,394
Income tax expense	<b>(17,160)</b>	(12,267)
<b>Net profit for the period</b>	<b>38,935</b>	31,127
<b>Other comprehensive income</b>		
<b>Items that may be re-classified subsequently to profit or loss:</b>		
Changes in fair value of cash flow hedges	<b>446</b>	24
Exchange differences on translating foreign operations	<b>(719)</b>	749
Deferred tax associated with employee share options recognised in equity	-	2,275
Income tax	<b>(146)</b>	(4)
Other comprehensive (loss) / profit, net of tax	<b>(419)</b>	3,044
<b>Total comprehensive income for the period</b>	<b>38,516</b>	34,171
Basic earnings per share (cents)	<b>47.10</b>	41.17
Diluted earnings per share (cents)	<b>47.00</b>	40.97

Notes to the financial statements are annexed.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	31 Dec 2015 \$000	30 Jun 2015 \$000
<b>Current assets</b>			
Cash and cash equivalents		67,187	85,729
Trade and other receivables		39,883	46,941
Finance lease receivables		43,241	35,253
Deferred acquisition costs		2,303	2,137
Inventory		5,295	7,165
Prepayments		8,591	6,361
<b>Total current assets</b>		<b>166,500</b>	<b>183,586</b>
<b>Non-current assets</b>			
Assets under operating lease		298,566	293,125
Finance lease receivables		90,663	89,911
Property, plant and equipment		8,058	12,003
Goodwill	6	183,820	134,841
Other intangible assets	6	77,476	59,830
Deferred acquisition costs		939	973
Other financial assets		1,453	1,871
Deferred tax assets		204	1,183
<b>Total non-current assets</b>		<b>661,179</b>	<b>593,737</b>
<b>Total assets</b>		<b>827,679</b>	<b>777,323</b>
<b>Current liabilities</b>			
Trade payables		71,798	63,862
Other liabilities	7	18,879	16,187
Provisions	8	11,261	10,591
Unearned premium liability		6,547	6,105
Current tax liability		4,951	3,789
Borrowings	9	9,893	5,658
Derivative financial instruments		262	699
<b>Total current liabilities</b>		<b>123,591</b>	<b>106,891</b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	31 Dec 2015 \$000	30 Jun 2015 \$000
<b>Non-current liabilities</b>			
Borrowings	9	332,599	346,046
Provisions	8	1,526	2,228
Other financial liability	13	7,659	-
Unearned premium liability		2,682	2,781
Deferred tax liabilities		1,300	934
<b>Total non-current liabilities</b>		<b>345,766</b>	<b>351,989</b>
<b>Total liabilities</b>		<b>469,357</b>	<b>458,880</b>
<b>Net assets</b>		<b>358,322</b>	<b>318,443</b>
<b>Equity</b>			
Issued capital	10	144,380	121,617
Reserves		11,321	10,677
Retained earnings		202,621	186,149
<b>Total equity</b>		<b>358,322</b>	<b>318,443</b>

Notes to the financial statements are annexed.

**CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>Half-year ended 31 Dec 2015 \$000</b>	Half-year ended 31 Dec 2014 \$000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	<b>285,134</b>	184,937
Cash payments to suppliers and employees	<b>(135,233)</b>	(80,137)
Proceeds from sale of assets under lease	<b>25,587</b>	25,067
Proceeds from sale of lease portfolio <sup>(1)</sup>	<b>32,805</b>	-
Payments for lease assets	<b>(135,394)</b>	(92,570)
Interest received	<b>931</b>	1,290
Interest paid	<b>(6,261)</b>	(4,919)
Income taxes paid	<b>(17,363)</b>	(13,558)
Subsidiaries' acquisition expenses	<b>(2,616)</b>	-
<b>Net cash from operating activities</b>	<b>47,590</b>	20,110
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	<b>(1,301)</b>	(1,683)
Payments for software	<b>(2,278)</b>	(3,001)
Payments for joint venture subordinated loan	<b>(190)</b>	(496)
Payments for contract rights	-	(465)
Payments for other non-current assets	-	(828)
Acquisition of subsidiaries (net of cash acquired, refer note 13)	<b>(35,732)</b>	-
<b>Net cash used in investing activities</b>	<b>(39,501)</b>	(6,473)
<b>Cash flows from financing activities</b>		
Proceeds from issue of new shares	<b>5,358</b>	13,272
Proceeds from borrowings	<b>26,978</b>	22,662
Repayment of borrowings	<b>(36,483)</b>	-
Payment of borrowing costs	-	(74)
Dividends paid	<b>(22,463)</b>	(23,632)
<b>Net cash (used in)/ from financing activities</b>	<b>(26,610)</b>	12,228
Effects of foreign currency translation	<b>(21)</b>	307
Net (decrease)/ increase in cash and cash equivalents	<b>(18,542)</b>	26,172
Cash and cash equivalents at the beginning of the half year	<b>85,729</b>	71,197
<b>Cash and cash equivalents at the end of the half-year</b>	<b>67,187</b>	97,369

<sup>(1)</sup> Proceeds from a portion of the UK fleet was moved off balance sheet as part of the principal and agency arrangements with a number of funding providers.

Notes to the financial statements are annexed.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued capital \$000	Retained Earnings \$000	Option Reserve \$000	Cash flow Hedge Reserve \$000	Foreign Currency Translation Reserve \$000	Total \$000
<b>Half-year ended 31 December 2015</b>						
Equity as at beginning of period	121,617	186,149	8,449	(526)	2,754	318,443
Profit attributable to members of the parent entity	-	38,935	-	-	-	38,935
Other comprehensive income/ (loss) after tax	-	-	-	300	(719)	(419)
<b>Total comprehensive income for the period</b>	-	38,935	-	300	(719)	38,516
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	22,763	-	-	-	-	22,763
Option expense	-	-	1,063	-	-	1,063
Dividends paid	-	(22,463)	-	-	-	(22,463)
<b>Equity as at 31 December 2015</b>	<b>144,380</b>	<b>202,621</b>	<b>9,512</b>	<b>(226)</b>	<b>2,035</b>	<b>358,322</b>
<b>Half-year ended 31 December 2014</b>						
Equity as at beginning of period	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
<b>Total comprehensive income for the period</b>	-	31,127	2,275	20	749	34,171
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	13,272	-	-	-	-	13,272
Option expense	-	-	569	-	-	569
Dividends paid	-	(23,632)	-	-	-	(23,632)
<b>Equity as at 31 December 2014</b>	<b>69,728</b>	<b>170,069</b>	<b>7,692</b>	<b>(427)</b>	<b>1,165</b>	<b>248,227</b>

Notes to the financial statements are annexed.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

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**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 2015 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 23 February 2016.

**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 Group's last annual financial report for the year ended 30 June 2015.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**4. REVENUE**

	<b>Half-year ended 31 December 2015 \$000</b>	Half-year ended 31 December 2014 \$000
Remuneration Services	<b>91,490</b>	82,801
Asset Management Services	<b>95,095</b>	98,374
Brokerage Services	<b>56,528</b>	-
Other revenue	<b>1,148</b>	1,290
	<b>244,261</b>	182,465

**5. DIVIDENDS**

On 23 February 2016, the Board of Directors declared a fully franked dividend of 29.0 cents per ordinary share. The record date is 1 April 2016 and the dividend will be paid on 15 April 2016.

	<b>Half-year ended 31 December 2015</b>		Half-year ended 31 December 2014	
	<b>Cents per share</b>	<b>Total \$000</b>	Cents per share	Total \$000
<u>Recognised amounts</u>				
Fully paid ordinary shares - Final dividend	<b>27.0</b>	<b>22,463</b>	31.0	23,632
<u>Unrecognised amounts</u>				
Fully paid ordinary shares - Interim dividend	<b>29.0</b>	<b>24,126</b>	25.0	20,280

**6. GOODWILL AND OTHER INTANGIBLE ASSETS**

<b>Goodwill</b>	<b>31 Dec 2015 \$000</b>
Balance at the beginning of the period	<b>134,841</b>
Additions from business combinations (refer note 13)	<b>49,761</b>
Foreign exchange translation	<b>(782)</b>
<b>Balance at the end of the period</b>	<b>183,820</b>

NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

6. Goodwill and other intangible assets (cont'd)

Other intangibles

	Brands	Dealer relationships	Customer contracts and relationships	Software	Contract rights	Total
31 December 2015	\$000	\$000	\$000	\$000	\$000	\$000
Balance at the beginning of the period	22,443	11,724	3,566	19,643	2,454	59,830
Additions from business combinations (note 13)	6,598	10,115	3,235	-	-	19,948
Additions	-	-	-	2,073	-	2,073
Amortisation	(458)	(700)	(335)	(2,265)	(434)	(4,192)
Foreign exchange translation	-	(68)	(115)	-	-	(183)
Balance at the end of the period	28,583	21,071	6,351	19,451	2,020	77,476

7. OTHER LIABILITIES

	31 Dec 2015	30 Jun 2015
	\$000	\$000
Maintenance instalments received in advance	7,739	6,622
Receipts in advance	5,982	4,379
Unearned property incentives	5,158	5,186
Net carrying value	18,879	16,187

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

<b>8. PROVISIONS</b>	<b>31 Dec 2015</b>	30 Jun 2015
	<b>\$000</b>	\$000
<b>Current</b>		
Employee benefit entitlements	<b>8,469</b>	7,586
Provision for rebate and cancellations	<b>2,469</b>	2,174
Provision for onerous contracts	<b>323</b>	650
Other	-	181
	<b>11,261</b>	10,591
<b>Non-current</b>		
Provision for onerous contracts	<b>1,001</b>	1,089
Employee benefit entitlements	<b>525</b>	1,139
	<b>1,526</b>	2,228

<b>9. BORROWINGS</b>	<b>31 Dec 2015</b>	30 Jun 2015
	<b>\$000</b>	\$'000
<b>Current</b>		
Bank borrowings	<b>9,893</b>	5,658
<b>Non-current</b>		
Bank borrowings	<b>332,599</b>	346,046
	<b>342,492</b>	351,704

Details of the Group's facilities and amounts drawn to are as follows.

<b>Borrowing</b>	<b>Facility</b>	<b>Drawn</b>	<b>Undrawn</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>
Revolving	<b>AUD 270,000</b>	<b>174,200</b>	<b>95,800</b>
Amortising <sup>(1)</sup>	<b>AUD 55,641</b>	<b>55,641</b>	-
Revolving	<b>GBP 57,000</b>	<b>45,600</b>	<b>11,400</b>
Amortising <sup>(2)</sup>	<b>GBP 5,750</b>	<b>5,750</b>	-
Revolving	<b>NZD 20,000</b>	<b>9,700</b>	<b>10,300</b>

<sup>(1)</sup> This facility has been used for the acquisition of the Presidian Group.

<sup>(2)</sup> This facility has been used to finance the acquisition of CLM.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

10. SHARE CAPITAL

(i) Movement in ordinary shares during the period.

	Half-year ended 31 December 2015		
	Number of shares	Average issue price	\$'000
Balance at 1 July 2015	81,810,993		121,617
Fully paid shares issued for the acquisition of UFS	1,342,926	\$12.96	17,405
Fully paid shares issued pursuant to the exercise of employee options	733,008	\$7.31	5,358
Shares distributed from the EST to employees on exercise of options	(682,206)	-	-
Total issued capital at 31 December 2015	83,204,721		144,380
Treasury shares	(10,276)		
Shares held by public at 31 December 2015	83,194,445		

(ii) Treasury shares

Treasury shares are shares in McMillan Shakespeare Limited that are held by the McMillan Shakespeare Limited Share Plan Trust (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
Balance of treasury shares at the start of the period	692,482
Shares distributed from the exercise of options	(682,206)
Balance of treasury shares at 31 December 2015	10,276

(iii) Options

Employee options on issue at 31 December 2015.

	Number	Exercise price	Expiry date
Employee Performance options	978,417	\$10.18	30 September 2019
Employee Performance options	543,695	\$10.18	30 September 2018
Employee Performance options	107,877	\$10.83	30 September 2018
Employee Performance options	109,142	\$10.17	30 September 2018
Employee Performance options	294,336	\$11.87	30 September 2018
Employee Performance options	85,692	\$12.88	30 September 2018
Employee Performance options	33,436	\$13.82	30 September 2018
Employee Voluntary options	23,981	\$10.18	30 September 2018
	<b>2,176,576</b>		



NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

11. SEGMENT REPORTING

*Reportable segments*

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

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

**Asset Management** - This segment provides financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment. During the half-year, the segment was complemented by the acquisition of Anglo Scottish.

**Retail Financial Services** - This segment provides retail brokerage services, aggregation of finance originations and extended warranty cover, but does not provide financing. During the half-year, the segment was complemented by the acquisition of UFS.

	Segment revenue		Segment profit after tax	
	Half-year Dec 2015	Half-year Dec 2014	Half-year Dec 2015	Half-year Dec 2014
	\$000	\$000	\$000	\$000
Group Remuneration Services	91,416	82,801	28,319	24,579
Asset Management	97,428	98,374	6,667	6,210
Retail Financial Services	54,642	-	6,211	-
Total for segment operations	243,486	181,175	41,197	30,789
Net interest income			(181)	1,218
Corporate administration and directors' fees			(623)	(715)
Acquisition expenses			(2,293)	-
Tax on unallocated items			835	(165)
Profit after tax from continuing operations for the half-year			38,935	31,127

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

11. SEGMENT REPORTING (cont'd)

	31 Dec 2015	30 Jun 2015
	\$000	\$000
<b>Segment assets</b>		
Group Remuneration Services	84,136	77,080
Asset Management	506,271	483,898
Retail Financial Services	185,142	141,280
Total segment assets	775,549	702,258
Unallocated	52,130	75,065
Consolidated assets per statement of financial position	827,679	777,323

	31 Dec 2015	30 Jun 2015
	\$000	\$000
<b>Segment liabilities</b>		
Group Remuneration Services	42,025	44,149
Asset Management	340,974	335,617
Retail Financial Services	39,091	27,878
Total segment liabilities	422,090	407,644
Unallocated	47,267	51,236
Consolidated liabilities per statement of financial position	469,357	458,880

12. 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 2015	30 Jun 2015		
	\$000	\$000		
Interest rate swaps	(262)	(699)	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.

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**13. BUSINESS COMBINATION**

**(a) Subsidiaries acquired**

The Group completed its acquisition of 100% of United Financial Services Pty Ltd, United Financial Services Network Pty Ltd and United Financial Services (Queensland) Pty Ltd (collectively known as "UFS") on 31 July 2015. The UFS companies are incorporated in Australia and specialises in the delivery of consumer and commercial finance and insurance products in the Australian sector. The acquisition consolidates MMS' position in the auto financing sector and builds on the investment in Presidian that was completed in February 2015. The addition of UFS will enhance the Retail Financial Services business segment and brings numerous cross selling opportunities across the businesses in MMS and the realisation of corporate and operational synergies.

On 4 November 2015, the Group completed the acquisition of 100% of Anglo Scottish Asset Finance ("Anglo Scottish"). Anglo Scottish is incorporated in the UK and provides integrated asset finance and asset management business in the UK sector. Anglo Scottish brings a comprehensive network of funder relationships and will complement the existing CLM business in the UK. The addition of Anglo Scottish to the Asset Management segment is anticipated to facilitate the cross-sharing of service capabilities to enhance operational efficiencies and a broader range of asset finance solutions. Its addition to existing UK operations also strengthens business capability and reach through wider geographic access across the UK.

**(b) Consideration transferred**

Consideration for the UFS acquisition was \$43.1m, less cash assumed of \$2.1m, funded by \$25.7m of cash and 1,342,926 of fully paid ordinary shares that were fair valued at \$17.4m on completion. Fair value was determined as the volume weighted average closing price of the Company's shares for the 30 days to completion date. The shares issued are free from encumbrances but will be held in escrow for various periods up to 24 months.

Anglo Scottish was acquired for a consideration of \$26.7m (£12.8m) that comprised upfront cash payments of \$18.9 (£9.0m) less cash assumed of \$4.5m (£2.2m) and a contingent consideration that has been fair valued at \$7.9m (£3.8m). The contingent consideration is based on the cumulative EBITDA of Anglo Scottish over the three year period from 1 January 2016 to 31 December 2018. The earn-out payment up to a maximum of £7.0m is determined from the following cumulative EBITDA targets.

EBITDA	Earn-out consideration
• Equal to or exceeds £8.1m; and	£4.0m
• Equal to or exceeds £9.4m; and	£1.0m
• Equal to or exceeds £12.5m	£2.0m

It has been estimated that a potential undiscounted earn-out consideration of £4.0m (\$8.4m) is payable under the sale agreement. The fair value is based on a probability weighted assessment of projected EBITDA under the existing business plan and present valued using the segment's incremental borrowing rate of 2.8%.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

**13. Business combination (cont'd)**

Consideration for the acquisitions is summarised as follows.

	UFS \$000	Anglo Scottish \$000	Total \$000
Cash	25,683	18,857	44,540
Shares	17,405	-	17,405
Contingent consideration	-	7,865	7,865
<b>Total</b>	<b>43,088</b>	<b>26,722</b>	<b>69,810</b>

The assets and liabilities acquired have been fair valued in accordance with AASB 3 "Business Combinations", and translated at acquisition date foreign exchange rates, has resulted in goodwill of \$49.8m. Acquisition-related expenses of \$2.3m were incurred and expensed on consolidation and included in the Statement of Consolidated Profit or Loss and Other Comprehensive Income for the period.

**(c) Reconciliation of consideration to cash flow**

Purchase consideration – cash outflow	UFS \$000	Anglo Scottish \$000	Total \$000
Cash consideration	25,683	18,857	44,540
Cash acquired	(2,148)	(4,512)	(6,660)
Net cash consideration	23,535	14,345	37,880
Cash paid after reporting date	-	(2,148)	(2,148)
Net cash outflow	23,535	12,197	35,732

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

Fair Value at acquisition date (provisional)	UFS \$000	Anglo Scottish \$000	Total \$000
Cash	2,148	4,512	6,660
Brands	6,598	-	6,598
Dealer relationships	7,513	2,602	10,115
Customer contracts and JV agreement	-	3,235	3,235
Property, plant & equipment and software	402	37	439
Trade, other receivables and prepayments	2,242	1,471	3,713
<b>Assets acquired</b>	<b>18,903</b>	<b>11,857</b>	<b>30,760</b>
Trade payables and accrued expenses	4,753	3,038	7,791
Income tax provision	-	650	650
Deferred tax liabilities	1,093	1,177	2,270
<b>Liabilities assumed</b>	<b>5,846</b>	<b>4,865</b>	<b>10,711</b>
Identifiable net assets acquired	13,057	6,992	20,049
Goodwill	30,031	19,730	49,761
<b>Consideration</b>	<b>43,088</b>	<b>26,722</b>	<b>69,810</b>

NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

**13. Business combination (cont'd)**

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

The following trade receivables of UFS and Anglo Scottish 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.

	<b>FV of Trade Receivables \$000</b>
UFS	<b>2,198</b>
Anglo Scottish	<b>1,418</b>
Total FV of Trade Receivables	<b>3,616</b>

Goodwill arising on acquisition is attributable to the profitability, financial synergies from complementarities in business generation for some products, operating software and competent skill base of the acquired businesses and growth potential. None of the goodwill is expected to be tax deductible.

Further review is being undertaken on the assessment of fair values and is contemplated for completion for the next annual financial report.

**(f) Impact of acquisition on the results of the Group**

The Consolidated Statement of Comprehensive Income for the period includes sales revenue and net profit after tax of the new acquisitions as follows.

	<b>Revenue \$000</b>	<b>Net profit after tax \$000</b>
UFS (period 31 July to 31 Dec 2015)	<b>17,716</b>	<b>1,047</b>
Anglo Scottish (period 4 November to 31 Dec 2015)	<b>2,179</b>	<b>364</b>
Total	<b>19,895</b>	<b>1,411</b>

Had the acquisition occurred effective 1 July 2015, the respective "pro-forma" revenue and net profit after tax adjusted for differences in the accounting policies between the Group and the acquired entities including the recognition of the amortisation of Dealer networks and customer contracts and JV agreement at their fair value is summarised below.

	<b>Revenue \$000</b>	<b>Net profit after tax \$000</b>
UFS	<b>21,591</b>	<b>1,056</b>
Anglo Scottish	<b>6,429</b>	<b>869</b>
Total	<b>28,020</b>	<b>1,925</b>

**14. EVENTS SUBSEQUENT TO REPORTING DATE**

On 4 February 2016, the South Australian Government extended the contract with MMS' wholly owned subsidiary, Maxxia Pty Ltd, as the sole provider of salary packaging administration and novated leasing service until June 2023.