McMillan Shakespeare Limited Annual Report 2016

Driving possibilities

McMillanShakespeareGroup

Collectively, the McMillan Shakespeare Group's (MMS) business divisions provide expertise in novated leasing, salary packaging, associated Fringe Benefits Tax administration and management, operating leases and asset management for 'tool of trade' vehicles and other business assets, retail finance, insurance and warranty. No other provider offers this breadth of service or industry experience.

Financial calendar

- **24 August 2016** Announcement of 2016 Annual Results
- **29 September 2016** 2016 Final Dividend Ex-Date
- **30 September 2016** 2016 Final Dividend Record Date
- **14 October 2016** 2016 Final Dividend Payment Date
- **25 October 2016** 2016 Annual General Meeting

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 25 October 2016 at 10am at the State Library of Victoria, Ground Floor, 328 Swanston Street, Melbourne, Victoria in the Theatrette.

www.mmsg.com.au

Contents

Chairman's Report

I am pleased to report that MMS delivered another record profit for the 2016 financial year (FY16), assisted by the execution of our diversification strategy.

After regaining our traditional momentum last year, in FY16 our entry into the consumer vehicle financing market helped increase our net profit after tax to $82.5 million, up 22%, while simultaneously reducing the regulatory risk associated with FBT legislation. Our performance also reflected higher net profit contributions from our three other operating divisions, stretching our excellent track record of profit growth to 12 years since MMS listed on the Australian Securities Exchange (ASX).

The final dividend of 34 cents per share brings the total dividend for the year to 63 cents per share fully franked, an increase of 21% over the prior year. The dividend payout ratio is 60% which is consistent with the prior year.

Diversification strategy

During the past two years we have had a focus on diversifying our business into new markets and geographies. FY16 has been another year of achievement. In Australia, we completed the acquisition of three United Financial Services companies (collectively known as 'UFS') in July 2015 and progressed the integration of this business along with Presidian under the Retail Financial Services (RFS) segment. We also continued to put our customers at the forefront of everything we do by increasing our investment in customer service, and improving their service experience by leveraging the connectivity of digital channels. Our Australasian fleet financing and management unit returned to profit growth in FY16 notwithstanding the highly competitive market. In the UK, the newly-acquired Anglo Scottish Asset Finance business made a better than expected maiden profit contribution and our UK businesses increased assets under management to more than 16,100 units.

Board composition

The last year marked the end of an era for your Board. As previously announced, Ronald Pitcher AM retired as Chairman and Director on 27 October 2015. Ron has a distinguished record of service to your Company in the role of Chairman since it listed on the ASX in March 2004, chairing the Board through both favourable and challenging market conditions. Since the company listed, Ron has presided over MMS' continued profit growth, the evolution of our businesses, and expansion into new markets both at home and offshore. Returns to shareholders have remained strong and MMS' market capitalisation has climbed from $33 million to more than $1.1 billion today. We thank Ron for 11 years of outstanding service to MMS and wish him the best for the future.

Following Ron's retirement, I was proud to be appointed as Chair of your Board, and thank Ron for his wise counsel during what was a seamless handover of duties.

In January we were delighted to appoint Sue Dahn as an independent Director and Chair of your Board's Audit, Risk and Compliance Committee. Sue brings to the Board her extensive experience in senior roles within the Victorian Government, and global and local accounting firms. As a partner leading Investment Advisory Services at Pitcher Partners, and Non-Executive Director of MTAA Super, she is well placed to provide counsel to MMS as it strives to serve diverse stakeholders including long-standing clients in Not-for-Profit (NFP) organisations and government agencies.

$82.5m FY16 Net Profit after Tax

63.0c FY16 Dividend per Share

Outlook

Pursuing our diversification strategy has provided MMS the opportunity to deepen relationships with clients through an enhanced range of products and services. In the year ahead our focus will be on extracting more benefits from this strategy as the integration of our acquired businesses progress. Continued earnings growth in the medium term will be underpinned by increased organic growth across business segments, supported by increased cross-selling opportunities, the launch of new products, and investment in infrastructure and systems.

Against a backdrop of political uncertainty in the UK, we anticipate clients and consumers will prefer to purchase used vehicles over new vehicles. We expect our acquisition of Anglo Scottish to be bedded down, and generate a greater contribution to earnings by year's end. In Australasia, our business will be strengthened by new business wins for our GRS segment, and the commencement of Principal and Agency (P&A) agreements for our Asset Management segment.

Your Company's regulatory risk exposure has also been reduced from the pledge by both major political parties in Australia to retain the current FBT arrangement for novated leases. This, together with our diversification strategy, means MMS is well placed to deliver more value to our shareholders, customers and the community. We thank you for your loyalty as a shareholder and look forward to your continued support in 2017.

Finally, on behalf of shareholders, I would like to thank all of our people located around the world for their tireless efforts in achieving another record result for MMS. Our team is highly talented, deeply committed to our customers, and very well led by our Managing Director and Chief Executive Officer Mike Salisbury. I thank Mike, and the rest of my fellow Board members, for the invaluable skills and expertise they bring to your Company.

Yours sincerely,

Tim Poole

Tim Poole
Chairman

Chief Executive Officer's Report

MMS has delivered another record performance in 2016 through a consistent focus on delivering our diversification strategy by strengthening our existing businesses, expanding into new markets and driving growth across all business segments.

Revenue grew by 30% as newly acquired UFS and Anglo Scottish Asset Finance made solid maiden contributions to the Group, and our customer base expanded to include both corporate partnerships and direct relationships with consumers. MMS took a market leading position in the independent used vehicle financing market in Australia, and enjoyed market share gains in the UK as we continued to invest in our strategy and future growth. Our traditional salary packaging and novated leasing business proved again to be a reliable engine of growth as new business wins, participation growth and productivity improvements supported overall profitability. Pleasingly, it was also a year when this business's exposure to regulatory risk was reduced as both major political parties recognised the value of our industry to the wider community and confirmed no change would be made to the FBT treatment of novated leases.

Segment performance

In Australia our salary packaging and novated leasing business enjoyed another record profit, up 8%, due to the hard work of our talented employees across the country. Customer numbers rose again on the back of solid organic growth, we delivered good cost containment, and a raft of additional contract wins. Improving our customers' access to workplace benefits has always been what makes our business tick, and we estimate that Maxxia and RemServ now deliver salary packaging services to 45% of Australia's public health employees.

Our clients' confidence in our service was also demonstrated by several renewals of large contracts, including our exclusive contract with the Tasmanian Government's Department of Health and Human Services, Peninsula Health, and our sole provider contract with the Government of South Australia. The latter ensures we continue to provide education and support to 104,000 government employees in South Australia, and supports our deeper investment in the state, including the creation of 25 new jobs and the opening of Maxxia's third Customer Care Centre by the Premier of South Australia, Jay Weatherill. Another highlight was RemServ's reappointment as a salary packaging provider to the Queensland Government for another five years until April 2021. This will extend our long-standing partnership to 20 years and underlines the success of RemServ's focus on 'Queenslanders serving Queenslanders'.

New client wins have included coverage of two large health organisations in NSW.

In recent years we have articulated our diversification strategy to create value for our shareholders and customers by becoming a leader in adjacent and complementary sectors. In 2015 this manifested in the acquisition of Presidian and UFS and the creation of our Retail Financial Services (RFS) segment. The post-merger integration phase is unfolding and is proceeding to expectations; and I am delighted to report that profitability in RFS was solid in FY16. Cross sales of products into our GRS segment have also commenced with the soft launch of our Maxxia Plus service.

Our Asset Management segment in Australasia delivered a 19% increase in profitability despite continued fleet inertia across the market. New business wins, including the appointment of Interleasing to the NSW Government's panel of vehicle leasing providers, was a highlight during the year and will underpin growth in FY17. Importantly, our pursuit of greater flexibility and a more capital light funding model reached a milestone with the development of our first P&A funding arrangement that will lift your Company's return on equity in the years ahead.

In the UK, the integration of our newly-acquired Anglo Scottish Asset Finance business progressed ahead of plan and a maiden profit contribution has exceeded expectations and helped lift overall profitability for this segment. Solid organic growth helped consolidate our foothold in the UK, and was reinforced by originations from repeat business and the addition of new tied agents to the group. By year end we had P&A funding arrangements with six UK banks and finance companies in place.

Prepared for new challenges

As we embark on a new financial year, I am proud that the actions of all of our people around the world have made your Company more vibrant, nimble, and resilient. This achievement has, in part, been borne out of our relentless commitment to improve our customers' experience at every touch point with an MMS business, thereby giving them greater value and enabling our businesses to compete in any market conditions. It is why during FY16 we offered a wider choice of digital channels to customers, including the launch of our Maxxia and RemServ Claims Apps which, by 30 June, had driven more than 60% of all claims being lodged via the online channel. Finally, it is also why we continue our investment in on-the-ground education events for our clients' employees – a personalised approach to service for which we are renowned. In FY16 we received feedback from the market that these events increase program participation and help to set us apart from our competitors. Conducted at worksites across Australia, they include group information sessions and one-on-one consultations in which our dedicated Customer Education Managers ensure our customers fully understand the financial benefits of salary packaging and novated leases. We put our people into worksites spanning metropolitan, regional and remote locations every day; and over the last year conducted around 20,000 educational activities, including 5,552 consultations with individuals.

This level of dedication from our people reflects our core values that our inaugural Chairman, Ron Pitcher, helped embed, and I thank Ron for his 11 years of leadership and service to MMS. It also instils confidence in our clients and customers, and will sustain our competitive position and earnings growth in the years to come. I thank our customers and our people for their support.

I also thank you, our shareholders, for your trust and investment in MMS as it moves into the future from a position of strength.

Yours sincerely

Mike Salisbury
Managing Director &
Chief Executive Officer

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The journey to who we are today

1980s–2000

MMS' origins date back to the 1980s with the Australian federal government's introduction of the Fringe Benefits Tax (FBT) in 1986. In 1988 Melbourne economics teacher, Anthony Podesta, joined a Geelong-based taxation and accounting firm established by accountants Neil McMillan and Edward Shakespeare. Following an ownership change and his elevation to Managing Director and Chief Executive Officer, Anthony revived the business as McMillan Shakespeare and Associates Ltd (MSA) and began offering remuneration advice and administration services. During the 1990s MSA grew as a range of organisations signed on as clients, including many schools across Australia who enjoyed the FBT concessions available at the time and remain clients today. MSA began growing a national footprint, and opened an office in Perth in 1998. This initial success cemented the position of MSA as the pioneer of Australia's salary packaging industry as customers learned how best to 'package' their remuneration according to FBT concessions amid a decade of changes to taxation measures, including superannuation.

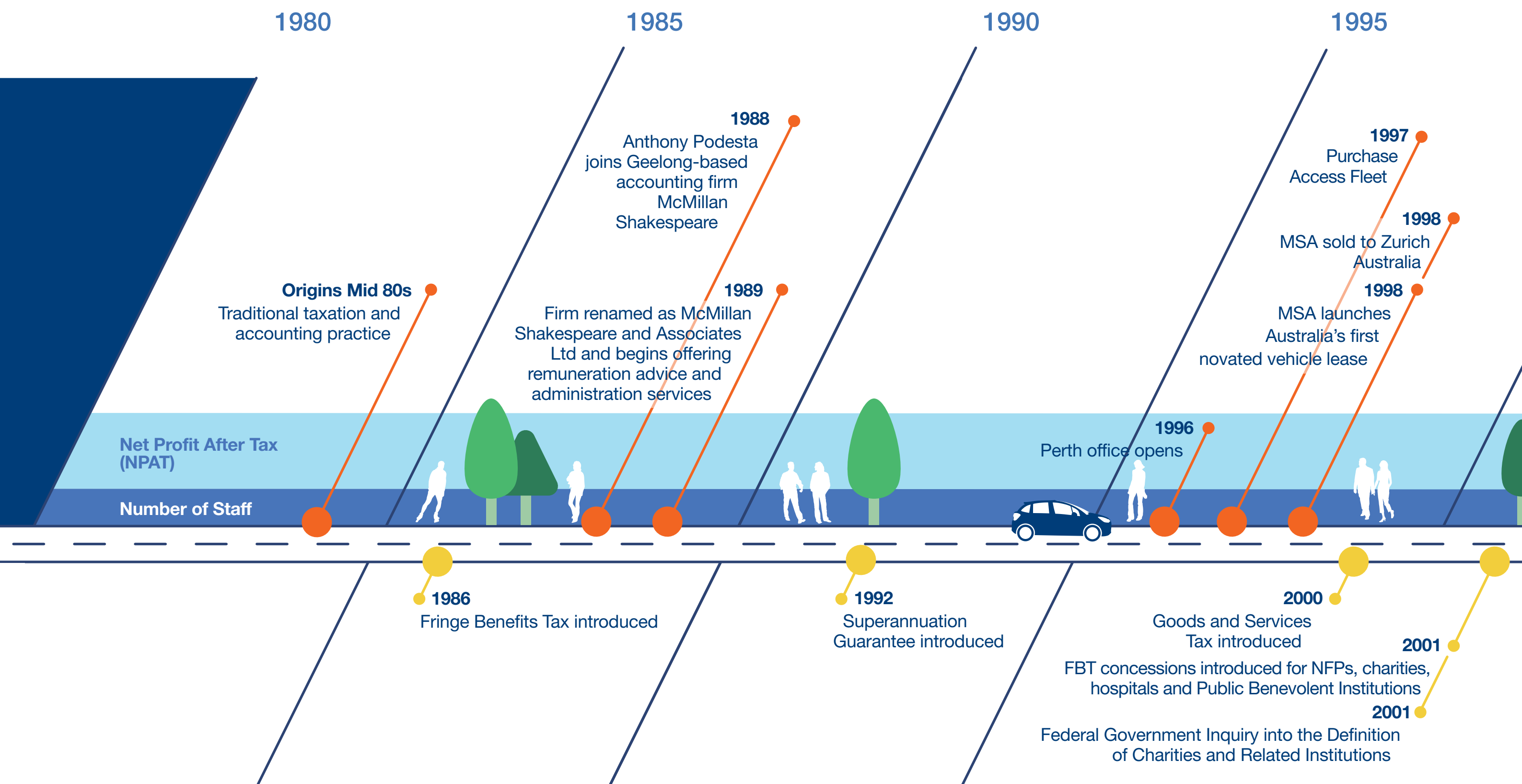
By 1998 a lack of investment capital led Anthony to sell 80% of MSA to Zurich Australia for $20 million. A reinvigorated MSA launched Australia's first novated lease product to the market that year – a ground-breaking financial product that gave more people access to new cars.

2000–2016

MSA's client numbers grew, with the profile of the client base broadening in 2001 after the federal government's Inquiry into the Definition of Charities and Related Institutions led to FBT concessions being introduced for charities, Not-For-Profits (NFP), hospitals and Public Benevolent Institutions. Success with large NFP and public sector clients stimulated MSA's growth in scale, and by early 2004 Anthony, Ross Chessari and John Bennetts seized the opportunity to buy the company back from Zurich for $32.5 million. On 15 March 2004 it was listed on the Australian Securities Exchange as McMillan Shakespeare Limited (ASX: MMS).

Under Anthony's leadership, MMS expanded into Queensland by acquiring Brisbane-based salary packager PKF Remuneration Services in October 2004. Greater expertise in vehicle leasing was gained by the acquisition of Easifleet Management in January 2006. Our national footprint continued expanding with the opening of our Adelaide office.

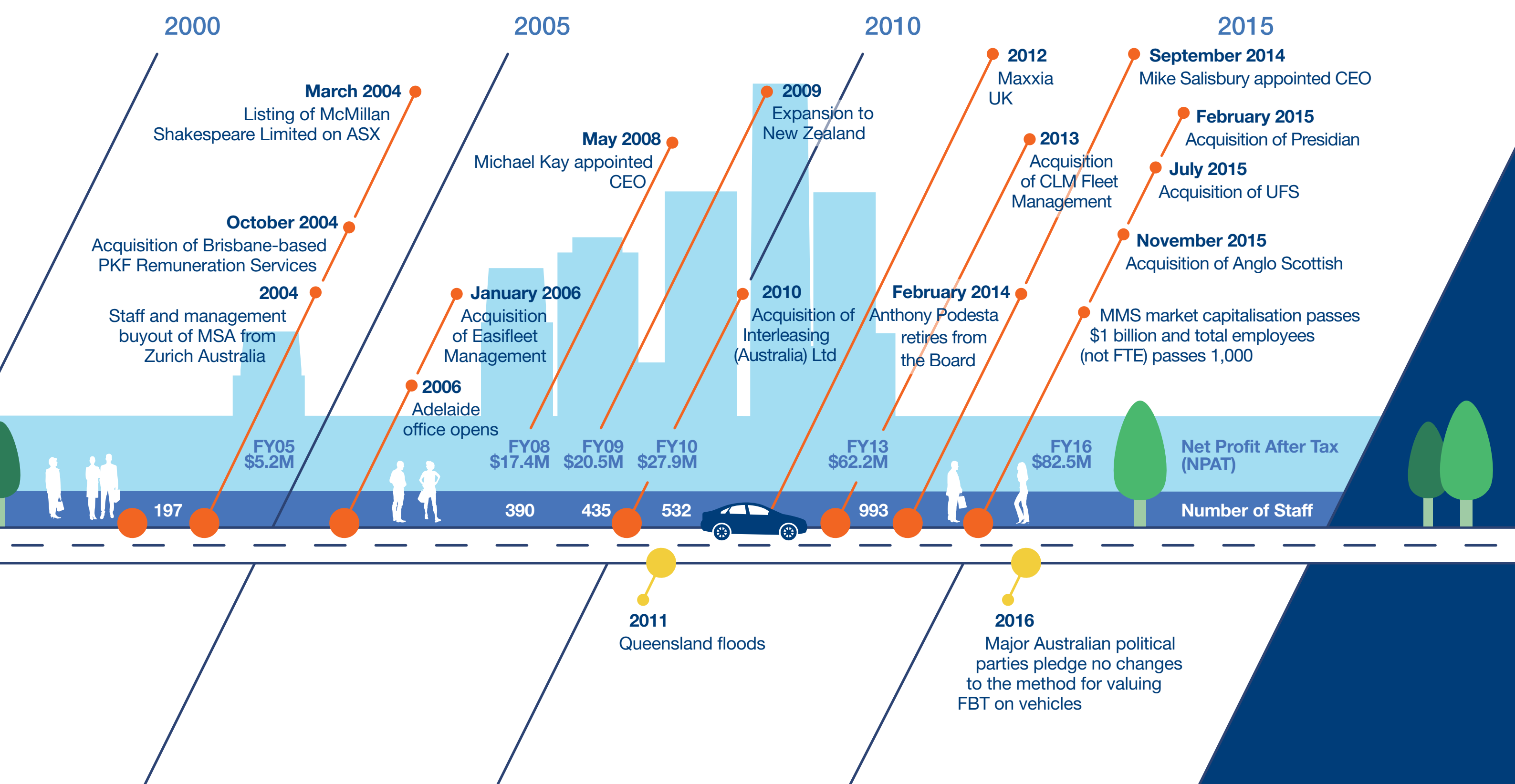
In May 2008, Anthony stepped down as CEO following the appointment of former AAMI CEO Michael Kay to the role. Anthony was named Ernst & Young Australian Entrepreneur of the Year in 2012 and remained a MMS Board director until his retirement in February 2014.



In September 2009 our trading company, MSA, re-branded as Maxxia Pty Ltd and more acquisitions followed. Interleasing (Australia) Ltd was purchased from GMAC Australia LLC in March 2010 which gave MMS two more brands – Holden Leasing and Interleasing. This consolidated the company's position as Australia's leading single source provider of salary packaging, novated leases, insurance, and fleet financing and management services. In 2009 MMS established a fleet management business in New Zealand. In 2012 MMS established our UK joint venture. In 2013 we acquired CLM Fleet Management plc and commenced financing assets via Maxxia Finance (UK). This was followed by the acquisition of Anglo Scottish Asset Finance Ltd in November 2015.

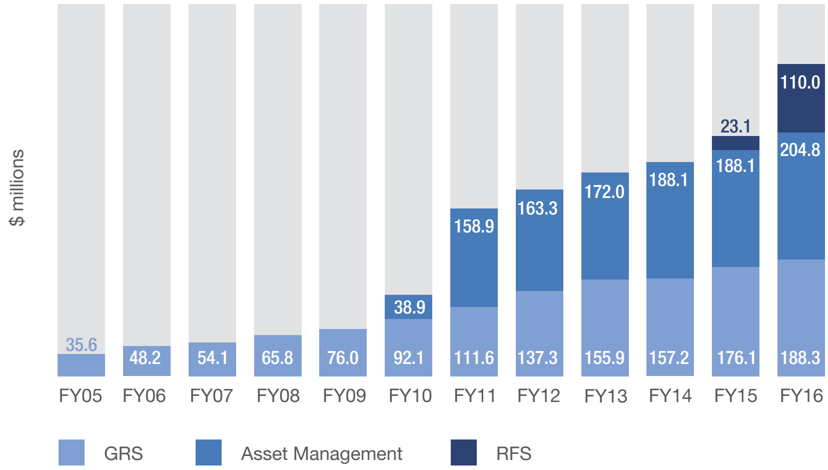
Meanwhile, in our home market over the years, developments in Australia's taxation law have presented challenges. The uncertainty about the tax treatment of novated leasing during the election period reduced sales and dented MMS's 2014 financial result. The company rebounded in 2015 under the leadership of new CEO Mike Salisbury, and by 4 May 2016 both major political parties in Australia had recognised the value of our industry to the wider community and pledged to retain the current FBT arrangement for novated leases.

At the start of the 2015 calendar year, MMS embarked on a strategic journey to create value for shareholders by diversifying our core business and entering the consumer vehicle financing market. MMS sought to apply our expertise as a novated lease leader and asset manager to this market to become a single source provider of all types of consumer vehicle finance. The acquisitions of privately-owned Presidian Holdings Pty Ltd and United Financial Services Pty Ltd followed, and 18 months later the integration of these businesses has significant momentum, with investors alert to the benefits of our long-term diversification strategy.

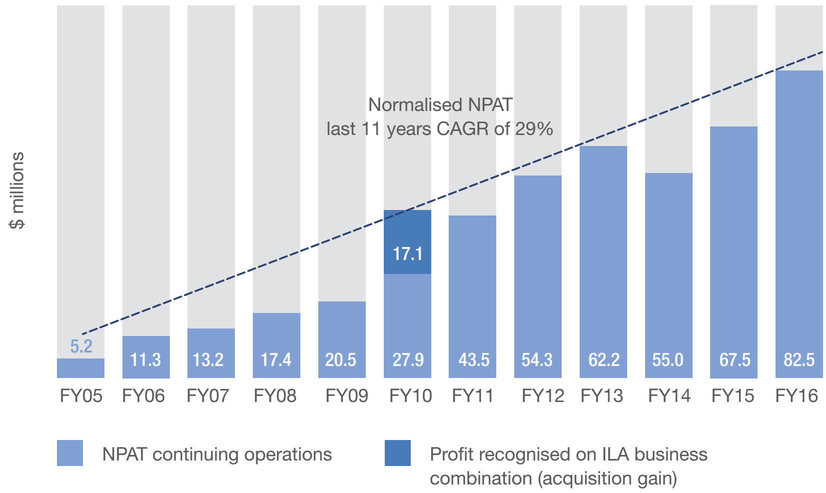


8 Financial History

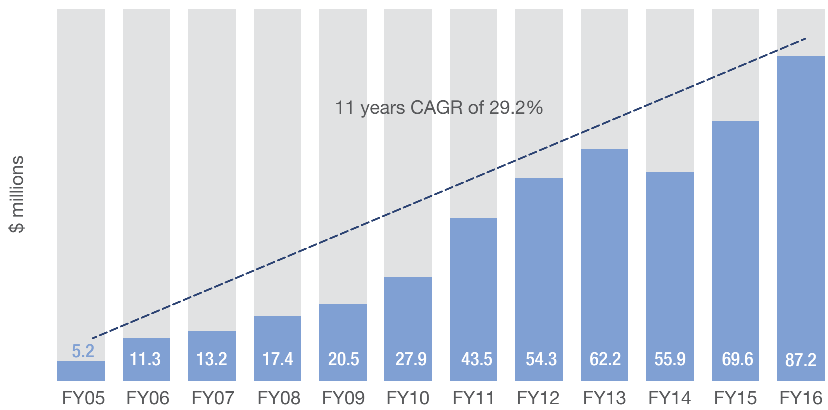
Segment revenue performance



NPAT performance [1]

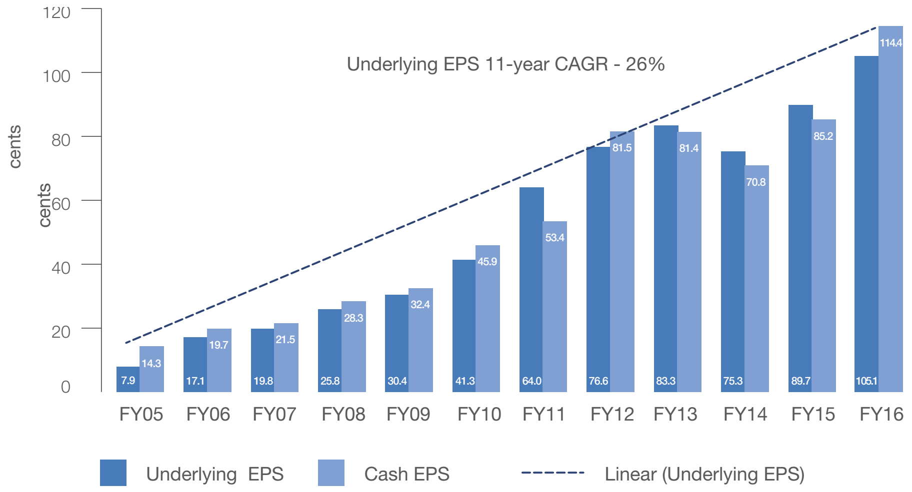


UNPATA performance [2]

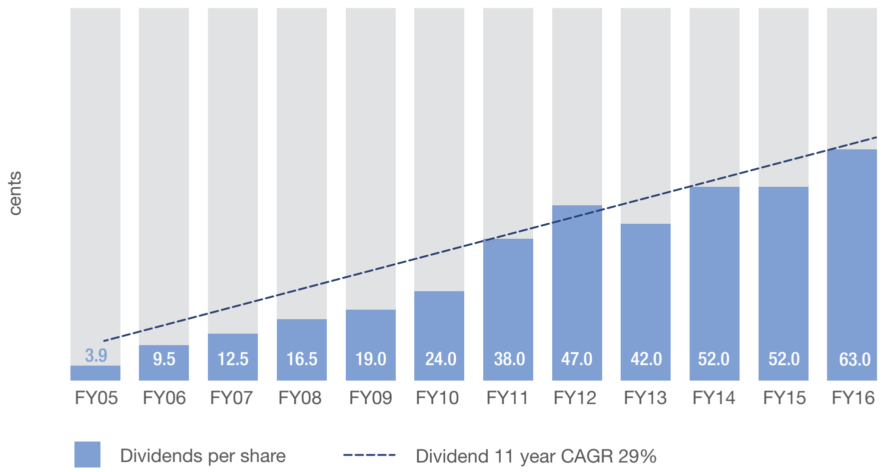


1 NPAT and EPS CAGR are normalised to exclude the profit recognised on acquisition of Interleasing (Australia) Limited in FY10 ($17m profit after tax).
2 Underlying NPATA (UNPATA) excludes one-off payments in relation to transaction costs incurred in acquisitions and the amortisation of acquisition intangibles

Underlying earnings per share EPS [3]

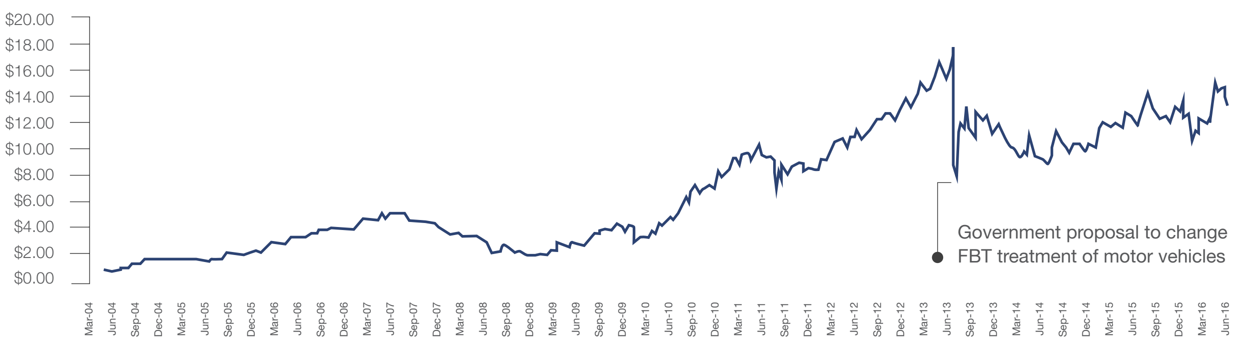


Dividends per share



MMS Share price:

March 2004 - June 2016



3 Underlying EPS excludes the profit recognised on acquisition of Interleasing (Australia) Limited, and the after tax acquisition costs and acquired intangibles amortisation. Cash EPS includes CAPEX but excludes the investment in Fleet growth.

10 Non-financial Highlights

Our customers

11.5 million pa
Payments processed

888,556 pa
Number of phone calls accepted

49
Industry leading Net Promoter Score (NPS) (Average monthly score during FY16)

19,898
Number of onsite educational activities delivered to clients located around Australia

34%
Maxxia and RemServ website visits originating from smartphones and mobile devices

2.2 million
Maxxia and RemServ website visits

61%
Claims lodged online via private self-serve websites (as a % of total claims lodged)

100%
Number of customer complaints resolved by MMS and our Customer Advocate without referral to an external arbitrator

53,000
Claims App downloads

Our people

1,157

Employees across MMS Group

81%*

Employee Engagement
High performance work environment ranking

* 2015 survey result (survey biennial)

272 hrs

Company sponsored staff volunteering hours

Our environment

9%
(YOY reduction)

% reduction in greenhouse emissions from car fleet

Carbon neutrality
(printed material)

Carbon neutrality

(net zero carbon footprint) achieved from the offset of 100% of CO_2 emissions caused by the production of printed material

15%
(YOY reduction)

% reduction in greenhouse emissions from electricity

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 2016 (Group or MMSG).

Directors

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

Mr Tim Poole
(Independent Non-Executive Director)

Mr John Bennetts (Non-Executive Director)

Mr Ross Chessari (Non-Executive Director)

Mr Ian Elliot
(Independent Non-Executive Director)

Mr Mike Salisbury (Managing Director and CEO)

Mr Ronald Pitcher AM retired as Independent Chairman on 27 October 2015.

Mr Tim Poole was appointed to the position of Independent Chairman effective 28 October 2015.

Ms Sue Dahn was appointed to the position of Independent Non-Executive Director and Chair of the Audit, Risk and Compliance Committee effective 1 January 2016.

Mr Ian Elliot was appointed to the position of Chairman of the Remuneration and Nomination Committee on 26 April 2016.

Details of the qualifications, experience and special responsibilities of the Directors at the date of this Annual Report are set out on pages 22 and 23.

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 2016.

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 2016 were as indicated in the table below.

Ms Sue Dahn attended one meeting by invitation prior to her formal appointment.

Principal activities

The principal activities of the Company and its controlled entities during the course of the financial year ended 30 June 2016 was the provision of salary packaging, vehicle leasing administration, fleet management and retail financial services.

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 2016 that are not otherwise disclosed in this Annual Report.

	Board Meetings		Audit, Risk & Compliance Committee Meetings [1]		Remuneration & Nomination Committee Meetings [1]	
Director	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr T. Poole (Chariman)	16	16	4	4	5	5
Mr M. Salisbury (Managing Director and CEO)	16	16	-	-	-	-
Mr J. Bennetts	16	14	4	4	3	3
Mr R. Chessari	16	15	-	-	5	4
Mr I. Elliot	16	15	-	-	5	5
Ms S. Dahn	6	6	3	3	2	2
Mr R. Pitcher, AM	4	4	1	1	3	3

1 The Audit, Risk & Compliance Committee and Remuneration & Nomination Committee were reconstituted in May 2016. There have been two meetings of the reconstituted committees with the expanded responsibilities. See the Corporate Governance Statement for further details www.mmsg.com.au/about/governance

Results

Details of the results for the financial year ended 30 June 2016 are as follows:

Results	2016	2015
Net profit after income tax (NPAT)	$82,469,341	$67,486,611
Basic earnings per share (EPS)	99.4 cents	87.0 cents
Earnings per share on a diluted basis (DPS)	99.0 cents	86.8 cents

Dividends

Details of dividends paid by the Company during the financial year ended 30 June 2016 are as follows:

Dividends	2016	2015
Final dividend for the financial year ended 30 June 2015 of 27.0 cents (2014: 31.0 cents) per ordinary share paid on 16 October 2015 fully franked at the tax rate of 30% (2015: 30%).	$22,462,500	$23,632,463
Interim dividend for the financial year ended 30 June 2016 of 29.0 cents (2015: 25.0 cents) per ordinary share paid on 15 April 2016 fully franked at the tax rate of 30% (2015: 30%).	$24,126,389	$20,279,628
Total	**$46,588,889**	**$43,912,091**

Subsequent to the financial year ended 30 June 2016, the Directors declared a final dividend of 34.0 cents per ordinary share (fully franked at the tax rate of 30%) to be paid on 14 October 2016, bringing the total dividend to be paid for the financial year ended 30 June 2016 to 63.0 cents per ordinary share.

Directors' Report

Review of operations – Group

This year marked another record profit for MMS with our entry into the consumer vehicle financing market contributing substantially to the result.

Consolidated Group NPAT for FY16 was $82.5 million, up 22% on FY15. This increased our NPAT compound annual growth rate (CAGR) to 22% over the 10 years since MMS shares were listed on the ASX in 2004.

After adjusting for one off costs associated with the acquisition of UFS and Anglo Scottish Asset Finance as well as non-operating amortisation, underlying NPATA was 25% higher at $87.2 million.

Return on Equity for FY16 was 24%, however using underlying NPATA Return on Equity was 27%, a marginal decline on the previous year's result.

The Group Remuneration Services (GRS) business saw earnings before interest, tax, depreciation and amortisation (EBITDA) increase to $88.9 million. New business in the health sector provide a significant opportunity to improve program participation rates for both the salary packaging and novated leasing services.

Asset Management (AM) operations in the UK enjoyed a second consecutive year of profitability, which included a strong maiden contribution from our newly-acquired Anglo Scottish. EBITDA more than doubled to $5.5 million, up from $2.4 million in FY15. The EBITDA of our Australian AM operations increased to $21.7 million, up from $18.1 million in FY15.

The integration of Presidian and UFS proceeded under the newly-created Retail Financial Services (RFS) segment, EBITDA reached $21.2 million compared with $5.5 million a year earlier and included a 12 and 11 month contribution from Presidian and UFS, respectively.

Digital channels widen customer's choice

With an enlarged customer base brought about by new business wins and recent acquisitions, MMS stepped up our commitment to provide superb customer experiences by offering a wider choice of convenient online communication channels. In FY16 we processed 11.5 million payments, a 5% increase on the previous year. Our Customer Care Centre remained the most used channel, followed by our websites.

We also worked to ensure our existing online channels delivered flexible, adaptable processes that recognise the individuality of our customers and improve their experience with what is essentially intangible products focused on transactions. The overwhelming popularity of our Maxxia and RemServ online claims function embedded in our private self-service sites was evident in the swift adoption by our customers that saw the proportion of claims lodged online reach 72% for Maxxia customers and 49% for RemServ customers by 30 June 2016. The usage rate was accelerated by the launch of our free Maxxia and RemServ Claims Apps in August 2015. By year's end, Claims App downloads reached 53,000.

The rapid uptake of online claims by our customers also reduced our average cost to serve our growing customer base, producing both streamlined processes and operational efficiencies. As MMS continues to expand our retail platform and achieve higher levels of cross sales, this and other digital initiatives will help boost margins and deliver earnings growth. One such digital initiative is our refreshed RemServ private site launched in June 2016. Accessible from any mobile device, the site delivers full functionality and convenience to our RemServ customers wherever they are.

Our people also benefited from MMS' digital expertise, with the redesign of our staff intranet site. Improved navigability, streamlined information, and better design provided for greater ease of working for our expanding workforce. The inclusion of our new internal cultural framework (unveiled in July 2015) on the intranet also helped embed MMS' revised purpose and values across our expanded number of businesses. In addition, a new App for our employees became our first interactive channel whereby our people from all businesses and locations worldwide can connect.

Key highlights and activities included:

- Consolidated Group FY16 NPAT of $82.5 million, up 22% on FY15.
- Free cash flow (pre increase in operating lease assets) of $93.5 million provided a sound footing for investing and financing activities. Cash at 30 June 2016 was $95.6 million.
- Group vehicle assets under management including Novated totalled 92,900 units as at 30 June 2016.
- Group funding facilities have been renegotiated with extended maturity dates.

State of affairs

In FY16 the Group cemented its foothold in the finance sector and with the Anglo Scottish acquisition in November 2015 established a broker aggregation platform in the UK. There were no other significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year ended 30 June 2016 that are not otherwise disclosed in this Annual Report.

Outlook

The Group was successful in winning a number of new business contracts during the first weeks of FY17.

Initiating principal and agency (P&A) agreements with a number of funding providers to convert a portion of the loan back to a capital lighter business model. At 30 June 2016 a funding provider has been secured with funding to commence in August 2016.

Following the successful launch of Maxxia Plus the company expects to grow its customer base with employees of clients who do not novate or salary package.

As planned, our largest novated leasing client is currently evaluating tender proposals to provide novated leasing services. If reappointed, MMS expects UNPATA may reduce by approximately $450,000 to $650,000 per month.

The overall commercial impact of 'Brexit' to our UK operations is unclear. Despite the political uncertainty and long-term economic changes that are still to play out, we believe our UK businesses remain well positioned. Whilst the pound sterling has reduced in value the impact is negated by having sterling denominated debt. We anticipate some foreign-domiciled banks to scale back. As a precautionary measure against potential heightened credit risks, Maxxia Finance will move to confine our funding panel to UK-based lenders.

On 10 August 2016 the HM Revenue & Customs (HMRC) (UK) published a report titled "Consultation on salary sacrifice for the provision of benefits in kind". Uncertainty that now surrounds salary sacrifice schemes will mean that potential adopters are likely to place the introduction of a non-exempt scheme on hold until the outcome of the consultation is known. This could adversely impact our ability to further develop the lifestyle lease product.

Reviews of the practices of credit insurance providers by ASIC are in progress and has identified areas for review across the industry, including point-of-sale products, flex commissions within asset origination pricing structures, and commission payments to brokers. MMS has been working with regulators and industry bodies to ensure safeguards for consumers are embedded across all our businesses, our sales practices comply with all disclosure requirements and all other regulatory standards and our pricing structures remain viable for our broker network.

Strategy and prospects

The Group's medium term strategic direction is to continue to look selectively to diversify, enhance and refine our core business for the benefit of our shareholders, clients and customers. The rollout of Maxxia Plus will provide our salary packaging customers with an unrivalled product offering. We will retain our market leading position in Australia's independent used vehicle financing market and continue to develop our integrated range of asset finance and management services in the UK. We will also enhance our client and customer experiences through continued investment in leading edge administration platforms and customer facing technology. In addition, the Board will consider making more value-adding acquisitions in complementary and adjacent market sectors, depending on market conditions and the value proposition to MMS.

Events subsequent to balance date

Other than matters disclosed in the Annual Report, there were no material events subsequent to reporting date.

Likely developments

Other than information disclosed in this Annual Report, there are no other material likely developments affecting the operations of the Group.

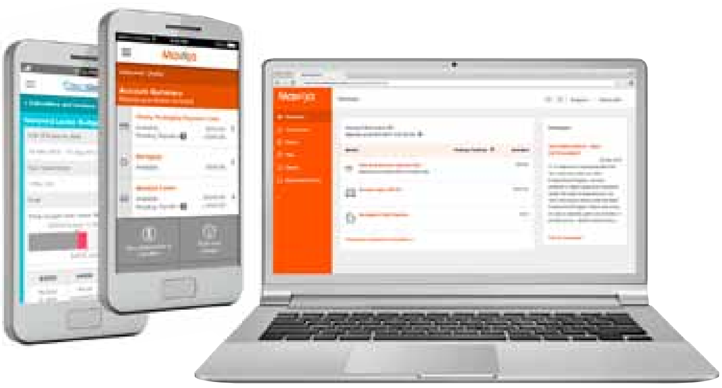
Group Remuneration Services

Group Remuneration Services

Profitability for GRS remained strong during FY16. Solid organic growth, new business wins and firm cost control generated a 8% increase in NPAT to $58.7 million. Revenue rose 7% to $188.3 million as our total salary packages under management topped 293,000, and our novated lease volumes climbed to reach 55,800 – a record level. Our pipeline of new business contracts strengthened throughout the year; and client participation rates have improved. As well, the composition of our client base by industry sector is richer than it has even been. It extends beyond our core government, health and NFP organisations, to include global mining companies, major entertainment companies, and national performing arts organisations.

A major highlight of the year was the reappointment of RemServ as salary packaging provider to the Government of Queensland. This flagship contract was extended for another three years to 2019, with the potential for a further extension to 2021. This will stretch our long-standing partnership to 20 years and underlines our commitment to this state.

Maxxia was also reappointed as the sole provider of salary packaging and novated leasing services to the Government of South Australia in February 2016 – a sole contract we first secured in 2012 after spending 13 years as a panel member. This significant contract has been extended to 30 June 2023, a decision the Government of South Australia made following an independent biennial review of Maxxia's performance by PricewaterhouseCoopers. It covers approximately 104,000 employees and ensures we retain access to this large customer base for our new offerings such as Maxxia Plus. It also supports our deepening investment in the state, which includes the opening of our third Customer Care Centre in August 2016.



Key highlights and activities included:

- GRS FY16 NPAT was 8% higher than the previous corresponding period.
- Operational efficiencies and new digital channels lowered our customer 'cost to serve' ratio, suppressing segment cost growth and increased the EBITDA margin to 47%. In turn, this drove the segment's NPAT margin higher to 31%.
- As at 30 June 2016 GRS increased its salary packaging units to 293,000 and had a book of 55,800 novated leases.
- Our exclusive contract with Tasmania's Department of Health and Human Services was extended for another five years.
- Major contract wins included Mid North Coast Local Health District and South Western Sydney Local Health District, which together allowed Maxxia to access 13,000 new employees for five years from 1 April 2016. New starters for Mid North Coast Local Health District were able to commence packaging from 1 March 2016.
- The soft launch of the Maxxia Plus service in early 2016 which combines our Maxxia Rewards retail discount program with the array of competitive vehicle finance solutions offered under our RFS brands. This enables more cross-sell opportunities by allowing MMS to better target the 29% of people who approach Maxxia to discuss a novated lease, only to change course and purchase a vehicle by other means. It also enables us to reach out to all employees and offer them a consumer finance product. Initial feedback from customers has been very favourable and steady sales growth is expected in FY17.
- In FY16 RemServ moved to develop innovative products to lift organic sales growth of salary packaging benefits. RemServ laid the ground-work for the release of a new exempt bus travel benefit to a portion of South-East Queensland commuters in the first quarter of FY17. The new benefit will allow customers to package their bus travel to and from work.

Capping of Meal Entertainment and Venue Hire Benefits

The 2015 Federal Budget introduced an annual cap limit of $5,000 applying to Meal Entertainment and Venue Hire salary packaging benefits. The change took effect from 1 April 2016 and applies as a combined cap across both benefits each FBT year. For our customers, the 10-month lag between the Budget announcement and the date the change took effect, meant in early 2016 a bottleneck developed in their requests for package amendments ahead of the end of the FBT year. Maxxia and RemServ saw a year-end surge of calls, claims and other forms of customer contact that stretched our operational capacity both in our Customer Care Centres and other teams. Our year-end call volume tripled compared to previous years.

Asset Management

Asset Management – Aust/NZ

Diversified revenue streams enabled a significant jump in profitability for this segment despite relatively flat sales volumes amid competitive market conditions as the business moves to a capital lighter funding model. This model will drive MMS' Return on Equity higher in the years ahead by funding a proportion of the credit risk of assets in Australia off balance sheet.

Principal and interest income remained the biggest contributor to revenue which reversed its decline in the first half of FY16 to lift 2% to $179.5 million compared to a year earlier. The EBITDA margin improved to reach 12% by year's end and maintained strong end of contract yields. NPAT was $12.8 million, or 19% higher than the previous year, and the NPAT margin improved by 100 basis points to 7%.

Growth in our portfolio was flat during the year, mainly as a result of above average levels of fleet 'inertia' as customers veered away from replacing assets in favour of lease extensions. The downsizing of some industrial customers, and the impact of market consolidation activity on others, produced headwinds for our portfolio. This was partially offset by new business wins; and, pleasingly there were no material asset impairments. These influences caused minimal movement in the written down value of fixed assets which totalled $307.0 million at year end.

Key highlights and activities included:

- New business wins included Interleasing (Australia) Ltd's appointment to the Government of NSW's panel of vehicle leasing providers. As one of six fleet funding providers on the panel, Interleasing gained exposure to the NSW Government's owned fleet of 22,000 vehicles. Funding of these vehicles under the new arrangements commenced on 1 July 2016.
- The development of P&A funding arrangements that will enable MMS to improve the Group's return on equity by funding the credit risk of assets in Australia off balance sheet, and to offer this facility to clients with appropriate credit profiles.
- Good cost containment which reduced annual employee and non-vehicle related costs by 5% for the year and drove margin improvement.
- Assets under management totalled approximately 21,000.

Asset Management – UK

After posting its maiden profit in FY15, additional investment and solid momentum in our UK businesses generated an increase in profit for this segment as we continue to replicate the MMS business model in this market. New business wins, strong organic growth, and a better than expected maiden profit contribution from our newly-acquired Anglo Scottish unit pushed NPAT to $1.8 million (£0.9 million) in the year to 30 June. The segment enjoyed a strong jump in revenue to $25.3 million (£12.6 million) on the back of $8.9 million derived from brokerage commission income, a $6.4 million increase in principal and interest income and a $9.4 million lift in revenue from other vehicle related services.

Together Maxxia Ltd and Anglo Scottish originated $327.5 million of asset finance business, and Maxxia grew the number of assets managed to 16,100. Demonstrating the continued maturity of Maxxia in the UK, 30% of originations are now from repeat customers.

Key highlights and activities included:

- Completion of the integration of Anglo Scottish smoothly into our wider UK business. This proceeded ahead of plan, and was pivotal in elevating the unit's maiden contribution to the segment's profitability during the year.
- An increase in the Group EBITDA margin to 22% (FY15: 19%) and NPAT margin to 7% (FY15: 4%).
- Asset written down value grew by 13.8% to finish the year at $128.9 million.
- $27.4 million of our UK fleet had been moved off balance sheet by 30 June as part of our P&A funding arrangements with six UK banks and asset finance companies.
- Strong sales of our unique IT leasing product targeting schools was launched in late FY15. By the end of FY16 the number of schools using this product totalled 39.

The Group will continue to execute its long-term strategic plan in the UK, including pursuing synergistic acquisitions if they present sound value for shareholders and market conditions are favourable.

Retail Financial Services

Retail Financial Services

Calendar year 2015 was a watershed year for MMS, with our acquisitions of UFS (July 2015) building on the acquisition of Presidian (February 2015) to secure a market leading position for our company in the independent used vehicle financing market and a large B2C customer base. With the integration of the acquisitions well advanced, in FY16 the spotlight fell on the need to reposition these businesses and unify them as one RFS division to ensure all identified revenue and cost synergies are captured. Profitability within the newly-formed RFS segment increased four-fold on a year earlier with NPAT reaching $11.8 million as a result of a full 12 months of trading for Presidian, and 11 months for UFS. Organic growth and cross sell of warranty products into our GRS segment pushed revenue to $110.0 million.

Key highlights and activities included:

- Increased net amount financed to $937m an increase of 10%.
- 76,000 warranty products were written, an increase of 7%.
- EBITDA grew by 22%.

Post-merger integration

The acquisitions of Presidian and UFS aimed to enable MMS to expand into a new market and channel, thereby diversifying our core business while extracting new sources of revenue via cross-selling and other paths to revenue growth. Following the acquisitions, the post-merger integration phase unfolded, with more than 200 Presidian and UFS employees being relocated to MMS premises; and eight key integration processes being structured around the key sources of value to be extracted from the combined entities. Finance terms were quickly renegotiated so that new pricing arrangements for Presidian products took effect from July 2015. Throughout FY16 resources were allocated to priority processes that would accelerate the integration of information platforms and reporting systems. These included the integration of the Presidian and UFS IT development teams, and the broader consolidation of all back office functions and property. By year's end these processes were nearing completion, allowing more resources to be applied to the remaining processes (see table opposite).

In addition, during FY16 the Group completed a review of MMS' brand portfolio to reposition and simplify our house of brands architecture following the acquisitions of Presidian and UFS. The acquisitions resulted in MMS offering multiple products (such as insurances and warranties) under different customer-facing brands. In the post-merger integration phase we will grow our brand equity by harmonising existing brands with our post-merger strategic direction to achieve a consistent public face for our customers and other stakeholders, as well as a source of sustainable competitive advantage. To achieve this, in FY17 we will reduce the number of customer-facing brands and reposition those remaining to focus resources and to concentrate marketing efforts. MMS' corporate brand will remain unchanged.


Ford
USED
CARS
Used Car


money now
1300 937 937
CAR
FINANCE
SOLUTIONS
WHY MONEY NOW?
How can we help you?
National

Directors' experience and special responsibilities

Tim Poole CA, B Com

Appointed: 17 December 2013 (Non-Executive Director), 28 October 2015 (Chairman)

Positions: Chairman of the Board
Member of the Audit, Risk and Compliance Committee
Member of the Remuneration and Nomination Committee

Mr Poole is currently Chairman of Aurizon Holdings Limited and Lifestyle Communities Limited and a Non-Executive Director of Reece Limited. Previously, Mr Poole was an executive of Hastings Funds Management (1995 to 2007), and he was appointed the Managing Director in 2005. He was formerly the Chairman of Asciano Limited and a Non-Executive Director of Newcrest Mining Limited and Japara Healthcare Limited. Mr Poole is considered an independent director under the Company's definition of independence.

Mike Salisbury MBA

Appointed: 1 October 2014 (as Chief Executive Officer), 5 February 2015 (as Managing Director)

Positions: Managing Director and Chief Executive Officer

Mr Salisbury joined MMS as Managing Director of RemServ in April 2008 and was appointed to the position of Chief Executive Officer in October 2014. Before joining the company in April 2008, Mr Salisbury was a member of the senior management team at AAMI. Mr Salisbury held a variety of management positions within the organisation, including a number of state management roles and the position of Product Manager for Compulsory Third Party Insurance. Mr Salisbury is a member of the Australian Institute of Company Directors, and is a Director of the National Automotive Leasing & Salary Packaging Association. Mr Salisbury is a graduate of the Advanced Management Program at Harvard Business School.

John Bennetts B Ec, LLB

Appointed: 1 December 2003

Positions: Non-Executive Director
Member of the Audit, Risk and Compliance Committee

Mr Bennetts is an experienced investor and has been the founder and director of many successful Australian companies with businesses in technology, finance and manufacturing. He is a founder of Cellestis Limited and private equity investment firm, Mooroolbark Investments Pty Limited (M-Group). He has also previously 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.

Ross Chessari LLB, M Tax

Appointed 1 December 2003

Positions: Non-Executive Director
Member of the Remuneration and Nomination 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.

Ian Elliot

Appointed: 27 May 2014

Positions: Non-Executive Director
Chairman of the Remuneration and Nomination Committee

Mr Elliot is currently a Non-Executive Director of Salmat Limited and a Non-Executive Director of Hills Industries Limited. Mr Elliot was formerly Chairman and CEO at Australia's largest advertising agency George Patterson Bates. He is a Fellow of the Australian Institute of Company Directors and a graduate of the Advanced Management Program at Harvard Business School. Mr Elliot is considered an independent director under the Company's definition of independence.

Sue Dahn BCom, MBA, FCPA, FAICD

Appointed: 1 January 2016

Positions: Non-Executive Director, Chair of the Audit, Risk and Compliance Committee

Ms Dahn is a partner in Investment Advisory Services at Pitcher Partners and Chair of the firm's Investment Committee. She is also a Non-Executive Director of MTAA Super and serves on the Victorian Council of the Australian Institute of Company Directors. Prior to joining Pitcher Partners Ms Dahn spent 14 years in senior positions within the Victorian Government including the Departments of Premier and Cabinet and Treasury and Finance. Before this she was an accountant with big 4 chartered accounting firms.
Ms Dahn is considered an independent director under the Company's definition of independence.

Mark Blackburn Dip Bus (Acct), CPA, GAICD

Positions: Chief Financial Officer and Company Secretary

Mark Blackburn, 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, Westpac, 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 MMS, Mr Blackburn was Chief Financial Officer of IOOF Holdings Ltd and iSelect Pty Ltd.

Remuneration Report

Executive Remuneration Guide

This short guide is intended to provide shareholders with an overview of executive remuneration outcomes for FY16 having regard to the Company's performance, as well as a brief update on the actions the Board and Remuneration and Nomination Committee have taken to improve the structure and reporting of the Company's remuneration practices. This guide is audited and is in addition to the audited information set out in the formal Remuneration Report.

Company performance

The Board undertakes an annual strategic review and sets the strategy agenda for the Company. Three year financial plans, annual budgets, forecasts and financial and operational targets are prepared by executive management. These are reviewed and approved by the Board. In the approval process the Board considers Company financial returns and targets, strategic issues such as markets and competition for its products and businesses, regulatory and operating risks, operating capability and importantly, how these plans measure against stakeholder expectations. Current performance is reviewed by the Board through periodic reporting against approved targets. This framework of strategic management and the rollout of plans enable the Board to set Long Term Incentive (LTI) plan targets and its annual expectations that, together with operational performance, determine any annual cash bonuses for the executive management team.

The NPAT and EPS four year CAGR (FY12–FY16) is 11% and 7% respectively as summarised in the key metrics table below.

The Company has historically used Net Profit After Tax (NPAT) and Earnings Per Share (EPS) as key metrics for assessing LTI awarded to executive management to align more closely with Company performance. The Company has chosen to solely apply an EPS hurdle to the FY15 LTI options grant. The EPS growth hurdle requires that the Company's EPS growth over the performance period is greater than the target set by the Board (see page 25).

Indices	FY16	FY15	FY14[1]	FY13	FY12	4 year CAGR
Net profit attributable to Company members	$82,469,341	$67,486,611	$54,969,799	$62,163,519	$54,305,163	11%
NPAT growth	22.2%	22.8%	(11.6%)	14.5%	25.0%	-
Basic earnings per share	99.4 cents	87.0 cents	73.8 cents	83.4 cents	76.6 cents	7%
Dividend per share	63.0 cents	52.0 cents	52.0 cents	42.0 cents	47.0 cents	-

1 Impacted by the former Government's announcement on 16 July 2013 of proposed changes to the treatment of FBT on vehicles.

FY16 Remuneration outcomes

Company performance was reflected in executive remuneration outcomes for FY16.

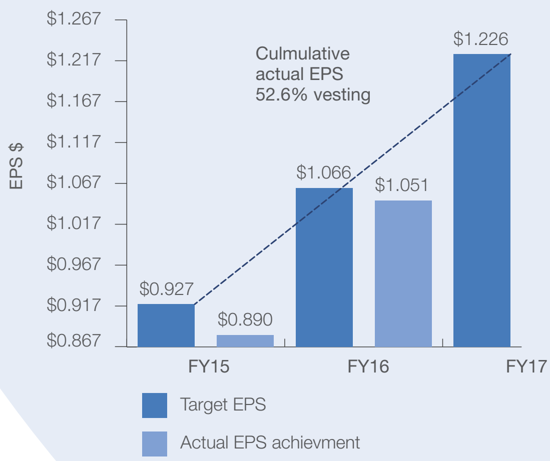
No options vested during the year. The current tranche of options granted in FY15 and on 28 August 2015 will vest on 31 August 2017 subject to the achievement of performance hurdles over the vesting period and continuity of employment with the Company on 31 August 2017.

FY16 bonuses were determined taking into consideration a number of company and individual performance metrics that included sales growth, cost to income ratio, customer satisfaction, productivity index, staff engagement, capital management, execution of selective acquisitions and group strategy.

Annual bonuses are capped at 25% of fixed remuneration. The achievement of individual performance metrics for FY16 is discussed further on page 29.

The vesting of current Performance Options are measured against target EPS. The target for FY15 was based on the MMS budget with annual increases in EPS over the FY15 year of 15% for FY16 and a further 15% for FY17. The performance hurdles are discussed in detail on pages 32 and 33. The actual EPS performance achieved 89% of the FY16 target and 69% of the FY15 target. The actual EPS performance achieved for FY16 and FY15 and target EPS for the remaining year in the current programme is shown in the chart below.

FY15 - FY17 LTI Programme Achievement against performance hurdles



Directors have assessed FY16 EPS for the purpose of the LTI using underlying NPATA of $87.2m which is based on reported NPAT of $82.5m and adding back $1.9m for the after-tax one-off acquisition costs for UFS and Anglo Scottish and after-tax amortisation of intangibles acquired through acquisitions of $2.8m.

On this basis and using the formula as disclosed on page 32, the vesting entitlement for FY16 is 89% (FY15 is 69%). This results in cumulative vesting of the first two tranches of 53%.

Details of Key Management Personnel (KMP) remuneration for FY16 and FY15, prepared in accordance with statutory obligations and accounting standards, are contained in section 3 of this Report.

In addition to this Guide the report includes:

- more detailed disclosure of the Company's approach to annual bonuses;
- clearer disclosure in relation to LTI opportunities and the terms and conditions that apply to the current grant;
- additional discussion of the Company's remuneration governance structures and the link between the company's performance and remuneration outcomes; and
- more information about Non-Executive Directors' fees.

Other relevant remuneration initiatives that apply to the current tranche of options implemented during FY15 are set out below:

- earnings per share (EPS) performance hurdle is used for long term incentive option grant;
- scaled reward system for LTI rather than a cliff vesting structure that could apply using a NPAT hurdle; and
- a twelve month holding lock applies to options issued to the four KMPs.

Remuneration Report

Contents

1. Who does this Report cover?

This Report sets out the remuneration arrangements for the Group's KMP (who are listed in the table below) during FY16. Throughout this Remuneration Report, the KMP are referred to as either Executive KMP or Non-Executive Directors.

All individuals held their positions for all of FY16 unless otherwise indicated.

Non-Executive Directors

Name	Position
Mr T. Poole	Non-Executive Chairman [2]
Mr J. Bennetts	Non-Executive Director
Mr R. Chessari	Non-Executive Director
Mr I. Elliot	Non-Executive Director
Ms S. Dahn	Non-Executive Director [3]
Mr R. Pitcher, AM	Non-Executive Chairman [1]

Executive KMP [4]

Name	Position
Mr M. Salisbury	CEO and Managing Director
Mr G. Kruyt	Chief Operating Officer
Mr M. Blackburn	Group CFO and Company Secretary
Mr A. Tomas	Managing Director, Fleet and Financial Products

1 Mr R Pitcher, MA retired as Non-Executive Chairman effective 27 October 2015.

2 Mr T Poole was appointed Non-Executive Chairman effective 28 October 2015.

3 Ms S Dahn was appointed Non-Executive Director effective 1 January 2016.

4 There were no changes to Key Management Personnel after the reporting date and before the Annual Report was authorised for issue.

2. Remuneration policy and guiding principles

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 Group's remuneration structure consists of cash and non-cash components. The table below shows which KMP are eligible for the various components.

	Fixed Remuneration	LTI's – Performance Options
Non-Executive Directors	✓	x
Executive KMP	✓	✓

	LTI's-Voluntary Options	Annual Cash Bonus
Non-Executive Directors	x	x
Executive KMP	✓	✓

Non-Executive Director remuneration

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.

The Non-Executive Directors are remunerated for their services from the maximum annual aggregate amount approved by the shareholders of the Company on 29 October 2014 (currently $900,000 per annum). The Board sets the fees for the Chairman and the other Non-Executive Directors.

Neither the Chairman nor the other Non-Executive Directors are entitled to any performance related remuneration. 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.

See key section 4. Non-Executive Director remuneration in detail section for further information.

Executive KMP remuneration

The components of remuneration for Executive KMP consist of fixed remuneration (including superannuation and benefits) and long-term incentives (in the form of options). In addition Executive KMP may also receive an annual bonus based on key performance indicators (KPIs).

The Board believes that this is an appropriate mix as it ensures that executives are primarily focused on generating value for shareholders over the long term (based on targeted financial metrics), while also being modestly rewarded in the short term for exceeding KPIs that contribute to company performance. Executive KMP are not incentivised to focus on short term goals at the expense of long term goals and business priorities.

See key section 3. Executive remuneration in detail section for further information.

Remuneration governance

Role of the Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination 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 and Nomination Committee, please refer to the Corporate Governance Statement www.mmsg.com.au/about/governance

Remuneration consultants and other advisors

The Remuneration and Nomination Committee obtains external independent advice when required, and will use it to guide and inform their decision-making. During FY16, no remuneration recommendations (as defined in the Corporations Act) were received.

Remuneration Report

3. Executive remuneration in detail

As outlined above, the key components of Executive KMP remuneration are fixed remuneration and long term incentive grants. However, the Remuneration and Nomination Committee also has the authority to make annual bonus awards.

Fixed Remuneration

Components

– Fixed remuneration comprises base salary, superannuation and, in some cases, non-cash benefits, such as motor vehicle lease payments and car parking benefits
– It is determined on an individual basis, reflecting the duties, responsibilities and performance levels of the relevant executive, general market conditions and comparable remuneration offered in related industry sectors
– It does not vary over the course of a year based on performance
– Neither the Chief Executive Officer nor the Chief Financial Officer are remunerated separately for acting as an officer of the Company or any entities in the Group

Review

– Fixed remuneration is reviewed by the Remuneration and Nomination Committee annually (or on promotion) to ensure fixed remuneration remains competitive in the market place and reflects the individual's skills, knowledge, accountability and general performance
– The Company conducts market based reviews
– The Company generally positions itself at the median
– There is no guarantee that fixed remuneration will be increased as a result of the annual review

The Remuneration and Nomination Committee has reviewed remuneration based on analysis from multiple data sources and taken into consideration factors such as annual revenue, employee numbers, market capitalisation and comparable companies. The Company generally positions itself at the market median. In certain circumstances, for exceptional candidates or high responsibility positions, the Company may position itself up to the seventy-fifth percentile of the market. The Company has sourced additional data through external remuneration consultancies to inform Remuneration and Nomination Committee decision making.

Annual Bonus Program

During the year, a total of $230,000 was awarded to Executive KMP under the annual bonus program.

No Key Management Personnel has a contractual right to a bonus.

However, the Remuneration and Nomination Committee has the authority to award bonuses based on contribution to operational, individual and financial performance. The Remuneration and Nomination Committee has opted for implementing bonuses rather than adopting the standard STI concept to ensure that the Company/KMP can remain nimble and switch priorities to quickly adapt to dynamic or evolving circumstances. One such instance occurred in FY14, to adapt to the disruption to the business caused by the former Government's announcement on 16 July 2013 of proposed changes to the treatment of FBT on motor vehicles.

The assessment criteria that applied to the annual cash bonus program in FY16 is set out below.

Annual bonuses were paid to Executive KMPs during the year for their contribution to key strategic, operational and financial focus areas. The following were outperformance above expectations by Executive KMPs in FY16.

Mr M. Salisbury (CEO and Managing Director)

- Stakeholder management, including bipartisan political support for existing taxation arrangements concerning salary packaging and novated leasing
- Recontracting of major GRS clients
- Business development including new products (bus travel benefit)
- Acquisitions (UFS and Anglo Scottish)

Mr M. Blackburn
(Group CFO and Company Secretary)

- Stakeholder management, including investor relations
- Treasury and credit management
- Acquisitions (UFS and Anglo Scottish)
- Retail financial services integration
- Productivity improvements delivering financial results and analysis for the MMS Group

Mr G. Kruyt (Chief Operating Officer)

- Business development including new products (Maxxia Plus) and acquisitions (UFS and Anglo Scottish)
- Retail Financial Services integration
- Supply chain management
- People development focus for senior and future leaders

Mr A. Tomas
(Managing Director, Fleet and Financial Products)

- Business development including new products (white label services)
- Acquisitions (Anglo Scottish)
- Development of principal and agency funding capability

	Sales Growth	Cost to Income Ratio	Customer Satisfaction	Productivity Index	Staff Engagement	Capital Manage-ment	Mergers / Acquisitions	Group Strategy
CEO and Managing Director	✓	✓	✓	✓	✓	✓	✓	✓
CFO and Company Secretary	x	✓	✓	✓	✓	✓	✓	✓
Chief Operating Officer	✓	✓	✓	✓	✓	x	✓	✓
Managing Director, Fleet and Financial Products	✓	✓	✓	✓	✓	x	✓	x

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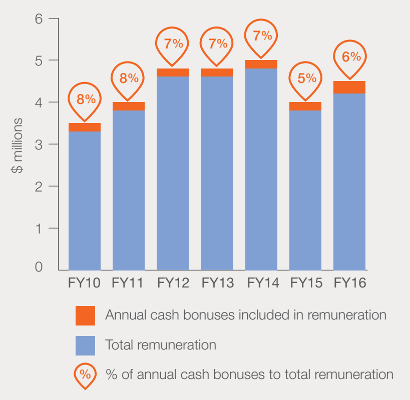
Remuneration Report

What is the annual bonus program?	A bonus may be awarded by the Remuneration and Nomination Committee if the employee's contribution to the Company's financial performance, operating capability and growth initiatives together with the other metrics mentioned in the FY16 outcomes above, has exceeded expectations.
Who is eligible?	Executives
What is the performance period	1 July – 30 June
How and when are bonuses determined?	Shortly after the end of the financial year, the CEO considers the issue of performance related annual bonuses. Any award of performance related bonuses is based on an assessment of a number of Company and individual performance metrics including sales growth, cost to income ratio, customer satisfaction, productivity index, staff engagement, capital management, corporate acquisitions and group strategy. The CEO makes a recommendation about bonuses (excluding his own) to the Chairman of the Remuneration and Nomination Committee. The CEO's bonus is determined by the Remuneration and Nomination Committee. Performance related annual cash bonuses are capped at 25% of fixed remuneration per employee and have historically not exceeded 8% of total remuneration. In FY16 the highest bonus paid was 9% of that Executive's total remuneration. The Remuneration and Nomination Committee makes the final determination about payment of all executive bonuses.
How is it delivered?	In cash. The Executive must be employed at the time the bonus is paid.
Why does the Board consider the bonus program appropriate?	Recognition of Executive contributions over and above role responsibility and the value created for the business.
Is there a performance threshold that must be met before bonuses can be paid?	Company results must meet Board expectations. Individuals must exceed performance KPIs and meet organisational behavioural standards. Measures for Executives for FY16 included contribution to: – Acquisitions and the integration of acquired companies while minimising disruption to business as usual; – Record levels of novated lease sales; – Successful contract tenders and extensions resulting in maintaining clients/new business/increased market share; and – Record low cost to income ratio.
Were bonuses paid in FY16?	Executive KMP bonuses paid in FY16 totalled $230,000 and the highest bonus paid to an Executive represented 9% of their total remuneration. All FY16 bonuses were paid in August 2016. Total bonuses paid to Executive KMP in relation to FY15 totalled $205,000. Annual bonuses paid to Executive KMPs relative to total remuneration for the last six years have not exceeded 8% per annum and is presented in the chart at right.



NOTE
1 Total remuneration is based on the amount as disclosed in the "total remuneration" column of the statutory table on page 38.
2 The annual bonuses paid in FY12 do not include $300,000 that was paid to Mr A Tomas under a contractual arrangement as disclosed in the Remuneration Report for that financial year.
3 The annual bonuses in respect of FY13 were declared and paid in FY14 and consequently, included in the FY14 results but for the purpose of this graph, have been attributed to FY13 to show the relative proportion to total remuneration.

Long-term Incentives

The Company issues options to certain executives and employees under the McMillan Shakespeare Limited Employee Option Plan (Plan) every three years.

Two types of options may be granted under this Plan:

1. Performance options

   Options that will only vest subject to performance hurdles and continuity of employment; and

2. Voluntary options

   Options that are not subject to performance hurdles, but which:

- Executives must purchase;
- will only vest if the Executive continue in employment (and thereby contribute to the performance of the Company); and
- Executives will only realise value from if the Company's share price increases above a set 'strike price'

Voluntary Options were granted in FY11 and again in FY15 to provide Executives with an additional opportunity to purchase up to a maximum of $50,000 per executive. The terms and conditions relevant to these Options were disclosed in prior years Remuneration Reports.

No Executive can enter into a transaction that is designed or intended to hedge the Executive's exposure to any unvested option. Executives are required to provide declarations to the Board on compliance with this policy from time to time.

Further details are set out below.

Performance Options

No Performance Options were granted during the year to Executives as their LTI.

The value of options included in the remuneration of Executive KMP were granted in FY15.

The number of Performance Options awarded is determined by multiplying the relevant Executive's fixed remuneration by a pre-determined percentage, which varies depending on the position, duties and responsibilities of the relevant executive (between 10% and 40%).

This figure is then multiplied by three, recognising that grants are made on a three yearly basis rather than annually. The EPS performance hurdle is subject to the measurement of the Company's average annual growth in EPS for a three year period. The performance hurdle was derived from the EPS targets put in place in respect of the Company's FY15 – FY17 Three Year Financial Plan. The Remuneration and Nomination Committee considers this to be a key indicator of the financial success of the business. The EPS performance hurdle was designed so that Executives are incentivised to ensure that the Three Year Financial Plan is met or exceeded. The EPS performance hurdle provides the KMP with a sole and unambiguous target which they collectively need to achieve, thereby encouraging a collaborative approach across the business. The Remuneration and Nomination Committee considers that achieving the EPS target will have a positive impact on total shareholder return.

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, it is implied that increased shareholder wealth is required before the senior executive will receive any value from the options.

Details of the key terms and conditions of the current Performance Options are outlined on pages 32 and 33.

Remuneration Report

What are Performance Options?

An option to acquire a fully paid ordinary share in the Company (subject to payment of an exercise price), that will only vest and become exercisable if performance hurdles and service conditions are satisfied.

Do Executives pay for Performance Options?

Performance Options are granted as part of remuneration and therefore there is no payment required for a grant. However, Executives are required to pay an exercise price to exercise them and receive shares.

What is the performance period?

Three years

What is the performance hurdle and why was it chosen?

An earnings per share (EPS) hurdle applies to the FY15 grant.

An EPS hurdle has been chosen as it provides evidence of the Company's growth in earnings. The EPS growth hurdle requires that the Company's EPS growth over the performance period is greater than the target set by the Board.

Performance conditions (EPS targets)	Weighting
Achievement of FY15 EPS target of not less than $0.927	33.3%
Achievement of FY16 EPS target of not less than $1.066 (15% growth from FY15 target)	33.3%
Achievement of FY17 EPS target of not less than $1.226 (15% growth from FY16 target)	33.3%
Maximum Entitlement	100%

How does the EPS performance hurdle work?

The EPS performance hurdle is subject to the measurement of the Company's average annual growth in EPS for a three year period. Basic EPS is determined by dividing the Company's NPAT before significant items and acquisition related items by the weighted average number of ordinary shares on issue during the financial year. Growth in EPS will be measured by comparing the EPS at the start of the year of issue and the measurement year. The EPS hurdle is a 'line of sight' hurdle, as the achievement of the hurdle directly correlates to improved shareholder value. The Remuneration and Nomination Committee considers it a key indicator of the financial success of the business. Achieving the EPS target will have a positive impact on total shareholder return.

The EPS target in FY15 is based on the Budgeted EPS for FY15: the Base Year. In the event that the EPS target in any one year is not achieved, at the end of the three year period ending 30 June 2017 the total EPS for the three year period will be calculated, and if the total EPS for the three year period exceeds the sum of EPS targets for each of the three years, the participant will be entitled to exercise all un-forfeited options.

The vesting scale is as follows:

Financial years	0% vesting	50-100% vesting	100% vesting
FY15	EPS less than $0.867	EPS between $0.867 & $0.927	EPS at least $0.927
FY16	EPS less than $0.997	EPS between $0.997 & $1.066	EPS at least $1.066
FY17	EPS less than $1.146	EPS between $1.146 & $1.266	EPS at least $1.226

Process for assessing performance conditions

To determine the extent to which the EPS performance hurdle is satisfied, the Remuneration and Nomination Committee relies on audited financial results and vesting is determined in accordance with the Plan Rules.

The Remuneration and Nomination Committee believes this method of assessment provides an appropriate and objective assessment of performance.

The Remuneration and Nomination Committee will take account of capital raisings and acquisitions where necessary or appropriate to do so.

What are the rights attaching to the Performance Options?	No voting rights or entitlements to dividends are attached to Performance Options.
What is the exercise price and how was it determined?	There are multiple prices depending on when the executive joined. The exercise price is normally equal to or higher than the spot price at the date of grant and is based on 5 Day Volume Weighted Average Price of Shares traded in the period immediately prior to grant date of the options.
When do the Performance Options expire?	On 30 September 2018 for options without a "holding lock". In relation to the Performance Options granted to the four Executive KMPs a mandatory 12 month 'holding lock' will apply to those Options such that any shares acquired by exercising vested Options cannot be sold until 12 months after the Options vest (the Options vest on 31 August 2017, so the 'holding lock' will apply until 31 August 2018 with the options expiring 30 September 2019).
What happens on cessation of employment?	If the employee leaves employment with the Group before 31 August 2017 regardless of the circumstances, the options lapse without any payment to the employee.
What happens on a change of control?	On a change of control, the Board has discretion to bring forward the exercise date of all performance options and to waive or vary the exercise conditions or performance conditions attached to the performance options.
What Performance Options were granted in FY16?	No Performance Options were granted to Executive KMPs in FY16.

Remuneration Report

Voluntary Options – FY15 LTI grant

No Voluntary Options were offered to Executives in FY16.

Details of the key terms and conditions of the FY15 Voluntary Options granted in FY15 are as follows.

What are Voluntary Options?	An option to acquire a fully paid ordinary share in the Company (subject to payment of an exercise price) that may be purchased by Executives. Voluntary Options provide executives with an additional opportunity to invest in the Company as a LTI. A Voluntary Option may be purchased by the Executive when offered by the Company. The Voluntary Option will only vest if the senior executive remains employed at vesting date.
Do Executives pay for Voluntary Options?	Yes. The maximum amount that can be applied towards the purchase of Voluntary Options is $50,000 and the number of options to be granted is determined by dividing the amount invested by the fair value of the option at grant date. The consideration payable per option is based on the fair value of the option at grant date less a 25% discount. In addition, an exercise price is payable when the options are exercised for shares.
What is the vesting period?	Three years.
What is the performance hurdle and why was it chosen?	No performance hurdles. The Executive buys the option at grant date.
What are the rights attaching to the Voluntary Options?	No voting rights or entitlements to dividends are attached to Voluntary Options.
What is the exercise price and how was it determined?	The exercise price is normally equal to or higher than the spot price at the date of grant and is based on 5 Day Volume Weighted Average Price of Shares traded in the period immediately prior to grant date
When do the Voluntary Options expire?	30 September 2018.
What happens on cessation of employment?	If the Executive leaves employment with the Group before 31 August 2017, the executive will forfeit 25% (representing the discount) of their entitlement for consideration, paid by the Company, in the amount of $1.
What happens on a change of control?	On a change of control, the Board has discretion to bring forward the exercise date of all performance options and to waive or vary the exercise conditions or performance conditions attached to the performance options.
What Voluntary Options were granted in FY16?	None.

Fixed vs performance based remuneration

The relevant proportions of fixed versus performance based remuneration received in FY16 are set out in the table below.

The proportion of performance based remuneration received increased from FY15 to FY16, and the Remuneration and Nomination Committee will keep the remuneration 'mix' under review to ensure that it remains appropriate in the Company's circumstances.

	Fixed remuneration		At risk – Annual Bonus		At risk – LTI	
	FY16	FY15	FY16	FY15	FY16	FY15
Mr M. Salisbury	71%	74%	6%	5%	23%	21%
Mr G. Kruyt	68%	70%	9%	10%	23%	20%
Mr M. Blackburn	68%	72%	6%	5%	26%	23%
Mr A. Tomas	73%	76%	4%	4%	23%	20%

Consequences of performance on shareholders' wealth

The table below sets out the Company's performance over the past five years in respect of key financial and non-financial indicators. 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, these indicators are generally considered:

Indices	FY16	FY15	FY14 [3]	FY13	FY12
Net profit attributable to Company members	$82,469,341	$67,486,611	$54,969,799	$62,163,519	$54,305,163
NPAT growth	22%	23%	(12%)	15%	25%
Dividends paid	$46,588,889	$43,912,091	$29,064,347	$36,516,743	$31,422,422
Dividend payout ratio [1]	60%	61%	70%	50%	65%
Share price as at 30 June [2]	$13.68	$12.09	$9.17	$16.18	$11.82
Earnings per share	99.4 cents	87.0 cents	73.8 cents	83.4 cents	76.6 cents

1 Dividend payout ratio is calculated as total dividend for the financial year divided by UNPATA for the financial year.
2 Share price at the start of FY12 was $9.58.
3 Impacted by an announcement on 16 July 2013 of possible changes to the treatment of FBT on vehicles.

Remuneration Report

Key terms of Executive KMP service agreements

All Executive KMP are party to a written executive service agreement. The key terms are set out below.

	Key terms of Executive Service Agreement for CEO
Duration	Ongoing.
Periods of notice required to terminate	9 months written notice by the Company or CEO. The agreement may, however, be terminated by the Company for cause without notice or any payment.
Termination payments	The Company has discretion to make a payment in lieu of notice. No contracted retirement benefits are in place with any of the Company's executives.
Restraint of trade	The Company can elect to invoke a restraint period not exceeding 6 months.

	Key terms of Executive Service Agreements for other Executive KMP
Duration	Ongoing.
Periods of notice required to terminate	Generally, 6 months written notice, by the Company or the Executive KMP. The agreement may, however, be terminated by the Company for cause without notice or any payment.
Termination payments	The Company has discretion to make a payment in lieu of notice. No contracted retirement benefits are in place with any of the Company's Executive KMP.
Restraint of trade	The Company can elect to invoke a restraint period not exceeding 6 months.

4. Non-Executive Director remuneration in detail

The remuneration of Non-Executive Directors comprises Directors' fees and superannuation contributions, and takes into account the size and complexity of the Company's operations, their responsibility for the stewardship of the Company and their workloads.

As stated in the Executive Remuneration Guide section, total fees are not to exceed the annual limit of $900,000 approved by shareholders in October 2014.

Details of the fees paid to the Non-Executive Directors are set out in the table below.

Directors' Fees

The annual Directors' fees (including superannuation contributions) payable to Non-executive Directors for FY16 were as follows:

Position	Fee ($)
Chairman	205,000 (from 1 January 2016)
Audit, Risk and Compliance Committee Chair	130,000 (from 1 January 2016)
Remuneration and Nomination Committee Chairman	130,000 (from 1 January 2016)
Director (base fee)	115,000 (from 1 January 2016)

No fees are payable in respect of membership of Board Committees.

Superannuation contributions	Contributions required under legislation are made by the Company on behalf of Non-Executive Directors.
Retirement Benefits	There is no scheme for the payment of retirement benefits.

5. Statutory remuneration disclosures

Non-Executive Director remuneration – statutory disclosures
The tables below set out the out the statutory disclosures required under the *Corporations Act 2001* (Cth) and in accordance with the Accounting Standards.

		Short-term benefits		Post-employment benefits	
		Cash salary/fees [1]	Other Benefits [2]	Superannuation	Total Remuneration
Non-Executive Directors		$	$	$	$
Mr T. Poole (Non-Executive Chairman)	2016	164,852	-	14,799	179,651
	2015	107,182	-	10,182	117,364
Mr J. Bennetts (Non-Executive Director)	2016	101,536	-	9,646	111,182
	2015	85,322	-	8,106	93,428
Mr R. Chessari (Non-Executive Director)	2016	93,278	8,259	9,646	111,183
	2015	85,322	-	8,106	93,428
Mr I. Elliot (Non-Executive Director)	2016	104,037	-	9,884	113,921
	2015	98,050	-	9,315	107,365
Ms S. Dahn (Non-Executive Director	2016	39,574	19,787	5,639	65,000
	2015	-	-	-	-
Mr R. Pitcher, AM (Non-Executive Chairman)	2016	61,800	-	5,871	67,671
	2015	182,907	-	17,376	200,283

1 The amounts shown for the Non-Executive Directors reflect directors' fees only.
2 Other benefits comprise salary packaging.

Remuneration Report

Executive KMP remuneration – statutory disclosures

The following table sets out the statutory disclosures required under the *Corporations Act 2001* (Cth) and in accordance with the Accounting Standards.

		Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments			
		Cash salary/ fees	Current year Cash Bonus	Other Benefits [1]	Super-annuation	Long Service Leave	Options [2]	Total remuneration	Percentage of remuneration as options	Total value of remuneration received [4]
Non-Executive Directors		$	$	$	$	$	$	$		$
Mr M. Salisbury (CEO and Managing Director) [3]	2016	714,022	75,000	77,150	37,635	28,226	270,760	1,202,793	23%	874,039
	2015	554,237	50,000	98,023	29,987	47,369	208,035	987,651	21%	964,393
Mr G. Kruyt (Chief Operating Officer)	2016	497,292	75,000	23,467	19,308	20,886	193,400	829,353	23%	624,615
	2015	438,973	75,000	76,950	18,783	15,400	159,026	784,132	20%	1,155,618
Mr M. Blackburn (Group CFO and Company Secretary)	2016	557,231	50,000	(11,717)	38,642	10,686	229,621	874,463	26%	657,889
	2015	543,165	50,000	37,888	35,000	35,087	208,280	909,420	23%	1,502,047
Mr A. Tomas (Managing Director, Fleet and Financial Products)	2016	379,622	30,000	158,287	35,628	9,117	182,967	795,621	23%	574,966
	2015	379,709	30,000	138,124	35,000	37,648	155,547	776,028	20%	5,220,340

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 KMP on termination.

No payments were made to any Executive KMP in respect of termination of services in FY16.

1 Other benefits reflect annual leave entitlements, motor vehicle packaging payments, travel benefits and car parking benefits.

2 The equity value comprises the value of options issued. No shares were issued to any Non-executive Director (and no options were granted to any Non-executive Director) during the financial years ended 30 June 2016 and 30 June 2015. The value of options issued to Executive KMP (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 to Executive KMPs during the year ended 30 June 2016.

3 Mr Salisbury was appointed CEO from 1 October 2014 and Managing Director on 5 February 2015 and was formerly Managing Director, Remuneration Services.

4 Value of remuneration received comprises salary, benefits and superannuation salary packaged, annual and long service leave used and bonuses paid in the year. Cash remuneration paid in FY15 includes the intrinsic value of options that vested in the year as disclosed on page 36 of the 2015 Annual Report.

Option Details

No options were granted to, exercised by or lapsed with respect to Non-Executive Directors during FY16 or FY15.

The terms and conditions of each grant of options to executives affecting their remuneration in FY16 or FY15 and each relevant 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
19 August 2014	30 September 2018	$10.18	$10.18	$2.78	100% after 31 August 2017
19 August 2014 [2]	30 September 2019	$10.18	$10.18	$3.01	100% after 31 August 2017
23 September 2014	30 September 2018	$10.83	$10.83	$2.91	100% after 31 August 2017
28 October 2014	30 September 2018	$10.17	$10.17	$2.68	100% after 31 August 2017
24 March 2015	30 September 2018	$11.87	$11.87	$2.94	100% after 31 August 2017
26 May 2015	30 September 2018	$12.88	$12.88	$3.18	100% after 31 August 2017
25 August 2015	30 September 2018	$13.82	$13.82	$3.23	100% after 31 August 2017

1 Reflects the fair value at grant date for options granted as part of remuneration calculated in accordance with AASB 2: Share-based Payment.

2 This tranche of options is subject to a holding lock where any shares acquired by exercising these options cannot be sold until twelve months after the options vest.

Details of the options over ordinary shares in the Company provided as remuneration to each Executive KMP are set out below. When exercised each option is convertible into one ordinary share of McMillan Shakespeare Limited.

Name	Date of grant	Type of option	Number of options granted	Value of options granted during the year	Number of options vested during year	Vested %	Number of options forfeited/ lapsed during the year	Forfeited or lapsed %	Year in which options may vest	Maximum value of options yet to vest [1]
Mr M. Salisbury	19 August 2014	Performance	302,158	-	-	-	-	-	FY 2018	$709,860
Mr G. Kruyt	19 August 2014	Performance	215,827	-	-	-	-	-	FY 2018	$506,914
Mr M. Blackburn	19 August 2014	Performance	256,248	-	-	-	-	-	FY 2018	$601,850
Mr A. Tomas	19 August 2014	Performance	204,184	-	-	-	-	-	FY 2018	$479,568

1 There is no minimum or maximum value attached to the options at the vesting date.

Remuneration Report

Movement of options granted to Executive KMP

The table below reconciles the options held by each Executive KMP from the beginning to the end of FY16.

Name	Options	Balance at start of year	Granted as compen-sation	Vested during the year	Exercised during the year	Forfeited	Other changes during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Mr M. Salisbury	Performance	302,158	-	-	-	-	-	-	302,158
Mr G. Kruyt	Performance	215,827	-	-	-	-	-	-	215,827
Mr M. Blackburn	Performance	256,248	-	-	-	-	-	-	256,248
Mr A. Tomas	Performance	204,184	-	-	-	-	-	-	204,184

Shares issued on exercise of performance options

Details of fully paid ordinary shares in the Company that were issued following the exercise of performance options by KMPs during the year are set out below.

Equity instrument details relating to key management personnel

The tables below show the number of shares in the Company held during the financial year by each Director and each of the Executive Key Management Personnel, including their personally related parties There were no shares granted during the year as compensation.

	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 T. Poole	8,000	-	11,000	19,000
Mr J. Bennetts	3,543,025	-	-	3,543,025
Mr R. Chessari	6,050,941	-	-	6,050,941
Mr I. Elliot	-	-	-	-
Ms S Dahn	-	-	-	-
Key Management Personnel				
Mr M. Salisbury	10,276	-	-	10,276
Mr G. Kruyt	7,953	-	-	7,953
Mr M. Blackburn	1,250	-	8,750	10,000
Mr A. Tomas	464,449	-	-	464,449

End of the audited Remuneration Report

Directors' Report

Unissued shares

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	978,417	$10.18	30 September 2019
Performance Options	469,081	$10.18	30 September 2018
Performance Options	107,877	$10.83	30 September 2018
Performance Options	150,831	$11.87	30 September 2018
Performance Options	85,692	$12.88	30 September 2018
Performance Options	33,436	$13.82	30 September 2018

No options were granted to the Directors or any of the five highest remunerated officers of the Company since the end of the financial year.

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. T Poole (Chairman)	-	19,000
Mr M. Salisbury (Managing Director)	302,158	10,276
Mr J. Bennetts	-	3,543,025
Mr R. Chessari	-	6,050,941
Mr I Elliot	-	-
Ms S Dahn	-	-

No Director, during FY16, became 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.

Directors' Report

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 Directors have not included the details of the premium paid with respect to this policy as this information is confidential under the terms of the policy.

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 FY16, 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, Risk and Compliance Committee has approved that work in advance, as appropriate.

The Audit, Risk and Compliance Committee has reviewed a summary of non-audit services provided during the financial year ended 30 June 2016 by Grant Thornton Audit Pty Ltd. Given that the only non-audit services related to client contract audits and review of banking covenant and trust account compliance, the Audit, Risk and Compliance 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 98 of this Annual Report.

Directors' declaration

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.

Signed in accordance with a resolution of the Directors.

Tim Poole
Chairman

Michael Salisbury
Managing Director

24 August 2016
Melbourne, Australia

Corporate governance practices

Our full corporate governance statement is available on our website at
www.mmsg.com.au/about/governance

Five year summary 2012–2016

	2016	2015	2014	2013	2012
FINANCIAL PERFORMANCE					
Group					
Revenue ($m)	504.7	389.6	347.5	330.1	302.0
NPAT ($m)	82.5	67.5	55.0	62.2	54.3
UNPATA ($m)	87.2	69.6	56.1	62.2	54.3
Group Remuneration Services segment					
Segment revenue ($m)	188.3	176.1	157.2	155.9	137.3
Segment NPAT ($m)	58.7	54.3	42.0	46.8	40.3
Asset Management segment					
Segment revenue ($m)	204.8	188.1	188.1	172.0	163.3
Segment NPAT ($m)	14.6	11.3	13.6	14.6	14.3
Retail Financial Services segment					
Segment revenue ($m)	110.0	23.1	-	-	-
Segment NPAT ($m)	11.8	3.0	-	-	-
SHAREHOLDER VALUE					
Dividends per share (cps)	63.0	52.0	52.0	42.0	47.0
Dividend payout ratio (%) [2]	60	61	70	50	65
Basic earnings per share (cps)	99.4	87.0	73.8	83.4	76.6
Return on Equity (%) [3]	24	25	26	34	38
OTHER					
Employees	1,157	1,035	873	700	730
Employee engagement score (%) [4]	No survey	81	No survey	84	No survey

1 Underlying NPATA (UNPATA) is reported NPAT normalised for items considered to be capital in nature or not directly relating to operational performance. UNPATA is likely to better reflect maintainable earnings and presents a better comparable measure of performance year on year. UNPATA items included in FY16 comprise after-tax adjustments for acquisition expenses from business combination relating to UFS and Anglo Scottish of $1.9m in FY16 (Presidian of $1.5m in FY15, CLM of $0.8m in FY14), and after-tax amortisation of intangibles acquired from business combination of $2.8m in FY16 (FY15: $0.6m).

2 Dividend payout ratio is calculated as total dividend for the financial year divided by UNPATA for the financial year.

3 Return on equity has been adjusted to reflect 12 months trading for acquisitions made in each financial year.

4 Employee engagement survey conducted biennially.

Financial Report 2016

McMillanShakespeareGroup

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Revenue and other income	3	504,666	389,590	46,715	68,363
Employee benefits expense		(120,206)	(96,856)	(726)	(677)
Depreciation and amortisation expenses and impairment	4(a)	(91,380)	(92,825)	-	-
Leasing and vehicle management expenses		(60,063)	(50,717)	-	-
Brokerage commissions and incentives		(46,960)	(5,535)	-	-
Net claims incurred		(7,823)	(2,160)	-	-
Consulting expenses		(3,003)	(2,119)	(356)	(213)
Marketing expenses		(3,380)	(3,477)	-	-
Property and corporate expenses		(11,230)	(10,059)	(400)	(358)
Technology and communication expenses		(11,206)	(8,673)	-	-
Other expenses		(13,327)	(9,350)	-	-
Finance costs		(12,841)	(10,865)	(1,973)	(507)
Share of equity accounted joint venture loss	11(b)	(1,495)	(816)	-	-
Acquisition expenses		(2,289)	(2,196)	-	-
Profit before income tax		119,463	93,942	43,260	66,608
Income tax (expense) / benefit	5(a)	(36,994)	(26,455)	734	517
Profit attributable to members of the parent entity		82,469	67,487	43,994	67,125
Other comprehensive income					
Items that may be re-classified subsequently to profit or loss:					
Changes in fair value of cash flow hedges		(73)	(107)	-	-
Exchange differences on translating foreign operations		(8,145)	2,338	-	-
Income tax on other comprehensive income		(16)	28	-	-
Total other comprehensive (loss) / income for the year		(8,234)	2,259	-	-
Total comprehensive income for the year		74,235	69,746	43,994	67,125
Basic earnings per share (cents)	6	99.4	87.0		
Diluted earnings per share (cents)	6	99.0	86.8		

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 2016

	Note	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Current assets					
Cash and cash equivalents	8	95,583	85,729	5,716	2,598
Trade and other receivables	9	37,396	46,941	6,477	2,413
Finance lease receivables	10	46,280	35,253	-	-
Inventory		7,282	7,165	-	-
Prepayments		7,827	6,361	14	18
Deferred acquisition costs		2,084	2,137	-	-
Total current assets		196,452	183,586	12,207	5,029
Non current assets					
Property, plant and equipment	13	302,132	305,128	-	-
Finance lease receivables	10	89,279	89,911	-	-
Intangible assets	15	254,632	194,671	-	-
Other financial assets	11	1,732	1,871	337,900	261,646
Deferred tax assets	14	194	1,183	-	105
Deferred acquisition costs		964	973	-	-
Total non current assets		648,933	593,737	337,900	261,751
TOTAL ASSETS		845,385	777,323	350,107	266,780
Current liabilities					
Trade and other payables	16	70,561	63,862	105,617	47,908
Unearned premium liability		5,966	6,105	-	-
Other liabilities	17	16,384	16,187	-	-
Provisions	18	13,023	10,591	-	-
Current tax liability		10,116	3,789	9,439	2,182
Borrowings	19	12,944	5,658	11,500	4,016
Derivative financial instruments		819	699	-	-
Total current liabilities		129,813	106,891	126,556	54,106
Non current liabilities					
Borrowings	19	332,626	346,046	41,528	53,002
Unearned premium liability		2,755	2,781	-	-
Other financial liabilities	20	6,740	-	-	-
Provisions	18	1,705	2,228	-	-
Deferred tax liabilities	14	1,251	934	540	-
Total non current liabilities		345,077	351,989	42,068	53,002
TOTAL LIABILITIES		474,890	458,880	168,624	107,108
NET ASSETS		370,495	318,443	181,483	159,672
Equity					
Issued capital	21(a)	144,380	121,617	144,380	121,617
Reserves		4,086	10,677	10,092	8,449
Retained earnings		222,029	186,149	27,011	29,606
TOTAL EQUITY		370,495	318,443	181,483	159,672

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 2016

2016	Note	Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Cash flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
		Consolidated Group					
Equity as at beginning of year	21, 22	121,617	186,149	8,449	(526)	2,754	318,443
Profit attributable to members of the parent entity		-	82,469	-	-	-	82,469
Other comprehensive income after tax		-	-	-	(89)	(8,145)	(8,234)
Total comprehensive income for the period		-	82,469	-	(89)	(8,145)	74,235
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	21(b)	22,763	-	-	-	-	22,763
Employee share schemes - value of employee services	28	-	-	1,643	-	-	1,643
Dividends paid	7	-	(46,589)	-	-	-	(46,589)
Equity as at 30 June 2016		144,380	222,029	10,092	(615)	(5,391)	370,495

2015	Note	Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Cash flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
		Consolidated Group					
Equity as at beginning of year	21	56,456	162,574	4,848	(447)	416	223,847
Profit attributable to members of the parent entity		-	67,487	-	-	-	67,487
Other comprehensive income after tax		-	-	-	(79)	2,338	2,259
Total comprehensive income for the period		-	67,487	-	(79)	2,338	69,746
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	21(b)	65,161	-	-	-	-	65,161
Employee share schemes - value of employee services	28	-	-	1,326	-	-	1,326
Income tax associated with share based payments recognised in equity		-	-	2,275	-	-	2,275
Dividends paid	7	-	(43,912)	-	-	-	(43,912)
Equity as at 30 June 2015		121,617	186,149	8,449	(526)	2,754	318,443

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

For the year ended 30 June 2016

2016	Note	Parent Entity Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Total $'000
Equity as at beginning of year	21	121,617	29,606	8,449	159,672
Profit attributable to members of the parent entity		-	43,994	-	43,994
Other comprehensive income after tax		-	-	-	-
Total comprehensive income for the period		-	43,994	-	43,994
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	21(b)	22,763	-	-	22,763
Employee share schemes - value of employee services	28	-	-	1,643	1,643
Dividends paid	7	-	(46,589)	-	(46,589)
Equity as at 30 June 2016		**144,380**	**27,011**	**10,092**	**181,483**

2015	Note	Parent Entity Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Total $'000
Equity as at beginning of year	21	56,456	6,393	4,848	67,697
Profit attributable to members of the parent entity		-	67,125	-	67,125
Other comprehensive income after tax		-	-	-	-
Total comprehensive income for the period		-	67,125		67,125
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	21(b)	65,161	-	-	65,161
Employee share schemes - value of employee services	28	-	-	1,326	1,326
Income tax associated with share based payments recognised in equity		-	-	2,275	2,275
Dividends paid	7	-	(43,912)	-	(43,912)
Equity as at 30 June 2015		121,617	29,606	8,449	159,672

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 2016

	Note	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Cash flows from operating activities					
Receipts from customers		516,531	372,471	-	-
Payments to suppliers and employees		(226,279)	(153,766)	(1,834)	(1,485)
Proceeds from sale of assets under lease		52,188	47,688	-	-
Proceeds from sale of lease portfolio	23(b)	32,805	-	-	-
Payments for assets under lease		(234,601)	(243,441)	-	-
Interest received		1,855	2,681	123	39
Interest paid		(11,329)	(9,832)	(1,947)	-
Dividends received		-	-	46,592	68,324
Income taxes paid		(33,586)	(29,042)	-	-
Subsidiaries acquisition expense		(2,612)	(2,416)	-	-
Net cash from / (used in) operating activities	23(a)	**94,972**	**(15,657)**	**42,934**	**66,878**
Cash flows from investing activities					
Payments for capitalised software	15(b)	(3,396)	(4,777)	-	-
Payments for plant and equipment		(4,468)	(7,698)	-	-
Proceeds from sale of plant and equipment		-	1,921	-	-
Payments for contract rights		-	(512)	-	-
Payments for subsidiary investments (net of cash acquired)	29(c)	(39,000)	(63,620)	(55,982)	(64,450)
Subsidiaries' acquisition expenses		-	-	(1,225)	(2,416)
Payments for joint venture subordinated loans		(1,356)	(961)	-	-
Net cash used in investing activities		**(48,220)**	**(75,647)**	**(57,207)**	**(66,866)**
Cash flows from financing activities					
Proceeds from borrowings	23(c)	116,360	146,298	-	57,500
Repayment of borrowings	23(c)	(111,343)	(11,872)	(4,016)	(359)
Proceeds from share issues		5,358	15,112	5,358	15,112
Payment of borrowing costs		(184)	(542)	-	(130)
Dividends paid by parent entity	7	(46,589)	(43,912)	(46,589)	(43,912)
Proceeds from / (repayments to) controlled entities		-	-	62,638	(26,630)
Net cash (used in) / provided by financing activities		(36,398)	105,084	17,391	1,581
Effect of exchange changes on cash and cash equivalents		(500)	752	-	-
Net increase in cash and cash equivalents		9,854	14,532	3,118	1,593
Cash and cash equivalents at beginning of year		85,729	71,197	2,598	1,005
Cash and cash equivalents at end of year	8	95,583	85,729	5,716	2,598

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2016

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 2016 was authorised for issue in accordance with a resolution of the directors on 24 August 2016 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 control 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 2016

(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 over the period representative of the achievement of control the transfer of the benefits from the achievement of control unless, in rare circumstances, it can be demonstrated that the published price on that day 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(j)(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.

Any contingent consideration to be transferred by the Group will be recognised at fair value at acquisition date. Contingent consideration that includes an asset or liability is classified as an asset or liability and is re-measured for fair value changes. Subsequent changes to the fair value of contingent consideration that qualify as measurement period adjustments are retrospectively adjusted against goodwill. For changes to the fair value of contingent consideration that occur beyond the measurement period are recognised in profit or loss. Contingent consideration that is classified as an equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

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) Employee Share Trust

The Group maintains the McMillan Shakespeare Limited Employee Share Plan Trust (EST) to facilitate the distribution 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 issued shares.

(f) Current versus non-current classification

The Group presents assets and liabilities in the statements of financial position based on current/ non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the Group's normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after reporting date, or
- Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting date.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the Group's normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after reporting date, or
- There is an unconditional right to defer the settlement of the liability for at least twelve months after reporting date.

The Group classifies all other liabilities as non-current.

(g) 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 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

Notes to the Financial Statements

For the year ended 30 June 2016

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.

(h) 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.

(i) 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%
Motor vehicles under operating lease	20% – 33%

The assets' residual values and useful lives are reviewed and adjusted, at the end of the reporting period.

Motor vehicles no longer held under an operating lease are classified as inventory.

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets acquired in a business combination are recognised at their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at their initial value less any accumulated amortisation and accumulated impairment losses. Specific criteria for various classes of intangible assets are stated below.

(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(k)).

(iv) Identifiable intangible assets acquired on business combination

Identifiable intangible assets with finite lives are amortised over their useful lives and assessed for impairment. Amortisation of identifiable intangible assets is calculated on a straight-line basis over the estimated useful lives as follows:

Intangible asset	Useful life
Dealer relationships and networks	10 to 13 years
Customer contracts	13 years
Brand names	6 years to indefinite

Brand names that have indefinite useful lives will consequently, not be amortised but are subject to annual impairment assessments. Brand names that are restructured or consolidated with other brands and which consequently, are considered to have a finite life are amortised over a useful life that represents the expected run-off of economic benefits expected from them.

(k) 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.

(l) 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.

Notes to the Financial Statements

For the year ended 30 June 2016

(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.

(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,

Notes to the Financial Statements

For the year ended 30 June 2016

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.

(m) 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 high quality corporate bonds 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 statement of financial position 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.

(ii) Superannuation

The amount charged to the profit or loss 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. As has been past practice, an additional amount is included where the Board has decided to pay discretionary bonuses for exceptional performance and a provision recognised for this constructive obligation.

(n) 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 Group has concluded that it acts as agent in some of its revenue arrangements and principal in other arrangements. The following are specific criteria that are applied for the recognition of revenue:

(i) Rendering of services

Revenue from services provided is recognised by reference to the stage of completion of the services provided to the customer. This includes revenue derived from services that the Group has performed mainly as agent and consequently, does not possess any significant credit, carry or residual risks of ownership of the underlying financial arrangement with the customer. Revenue is recognised when the customer accepts delivery or on completion of the contract for the underlying financial arrangement with the financier or insurer,

(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 & 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

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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.

(vii) Warranty revenue

Warranty revenue comprises product income from direct business, charged to product holders, but excluding stamp duties, GST and other amounts collected on behalf of third parties.

Warranty revenue, including that on unclosed business, is recognised when it has been earned, calculated from attachment date over the period of the contract for direct business. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The proportion of revenue received or receivable not earned in the profit and loss at reporting date is recognised in the consolidated statement of financial position as an unearned liability.

Income on unclosed business is brought to account using estimates based on the previous year's actual unclosed business with due allowance made for any changes in the pattern of new business and renewals.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

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For the year ended 30 June 2016

(s) 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.

(t) 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.

(u) 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.

(v) 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.

Provision for cancellations and clawbacks

Specific provisions are provided for cancellation of contracts and the consequential clawback of commissions received at the time revenue is recognised. This provision reflects an obligation to refund commissions received from the financier or insurer for early termination of a loan or policy.

Rebate provisions relate to the clawback of commission from financiers, based on the various financier clawback policies.

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.

Onerous provision

Contractual and unavoidable costs of meeting obligations that exceed the economic benefits expected to be received under it are recognised as an onerous provision. The provision is measured on the net cash outflow and present valued using the pre-tax rate that reflects current market rates to reflect the time value of money and any specific risks to the liability.

(w) Deferred acquisition costs (DAC)

Acquisition costs incurred in deriving warranty income are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to warranty revenue in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence risk under the warranty contracts to which they relate. The pattern of amortisation corresponds to the earning pattern of warranty revenue.

(x) Unearned premium liability

The Group assesses the risk attached to unexpired warranty contracts based on risk and earning pattern analysis, to ascertain whether the unearned warranty liability is sufficient to cover all expected future claims against current warranty contracts. This assessment is performed quarterly, to ensure that there have been no significant changes to the risk and earning pattern and to ensure the liability recorded is adequate.

(y) Outstanding claims liability

The liability represents claims authorised, prior to reporting date, and paid in the subsequent reporting period.

(z) 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.

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For the year ended 30 June 2016

(aa) 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.

(ab) 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.

(ac) 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.

(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.

(ad) 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.

(ae) 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.

Notes to the Financial Statements

For the year ended 30 June 2016

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.

In recognising premium revenue for the direct business is the consequential recognition of unearned premium liability at reporting date. The measurement is based upon the expected future pattern of incidence of risk in relation to warranty contracts. In determining the estimated pattern of incidence of risk, the Group uses a variety of estimation techniques generally based on statistical analysis of the Group and industry experience that assumes that the development pattern of current claims will be consistent with past experience as appropriate.

No other judgements, estimates or assumptions are considered significant.

(af) New accounting standards and interpretations

Several new accounting standards or amendments to accounting standards were issued during the year. None of these standards and amendments materially affected any of the amounts recognised in the current period or any prior period.

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 2016, 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. The new standard replaces 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. In relation to the impairment of financial assets, the new requirement is for the use of an expected credit loss model, to replace the current incurred credit loss model.

The Group has not yet assessed in detail the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

(ii) AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods on or after 1 January 2018)

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 Group has not yet assessed in detail the full impact of this standard. However, from a preliminary assessment of the Group's products sold, contractual terms with customers and current revenue recognition accounting policies, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

(iii) AASB 16 Leases (effective from annual reporting periods on or after 1 January 2019)

AASB 16 replaces AASB 117 Leases that introduces the accounting model that requires lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. The Group has not completed a detailed assessment of the impact of AASB 16 and it has not been practicable to provide a reasonable estimate until this has been completed. However, based on the preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes the following.

– It is not expected there is any significant impact on the Group's accounting model and the disclosure of the transactions and balances as lessor.

– The Group's currently transacted operating leases for property will be brought on to the balance sheet. The outstanding commitments will be recognised as a liability with a corresponding asset for the right to use the asset.

– It is probable that equity will be affected from the timing of the use of the asset which is likely to be quicker compared to the discharge of the liability.

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For the year ended 30 June 2016

– Performance measures such as EBIT will be higher as the implicit interest in lease payments for former off balance sheet leases will be represented as part of finance costs rather than being included in operating expenses.
– Operating cash flow in the statement of cash flows will be higher as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Cash flow from financing activities will now be correspondingly, lower.

(iv) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 (effective for annual reporting periods on or after 1 January 2016)

The amendments to AASB 101 Presentation of Financial Statements are as follows.

– Clarify the materiality requirements to include and emphasis on the potentially detrimental effect of obscuring useful information with immaterial information.
– Clarify that AASB 101's specified line items in the statement of profit or loss and other comprehensive income and the statement of financial position can be disaggregated.
– Add requirements for how the Group should present subtotals in the statements of profit or loss and statements of financial position.
– Clarify that entities have flexibility as to the order that notes are presented but also emphasise that understandability and comparability should be considered by an entity when deciding that order .

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

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.

(ag) 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.

(ah) Parent entity accounts

In accordance with ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 the Group will continue to include parent entity financial statements in the financial report.

(ai) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, 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 risk report is presented to the Audit, Risk and Compliance Committee at least four times per year. The Credit and Treasury reports are provided to the Credit Committee and Interest Committee respectively, by the Group Treasurer and Head of Credit, 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 daily 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.

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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.

		2016			2015		
Secured bank borrowings	Maturity dates	Facility	Used	Unused	Facility	Used	Unused
AUD'000	31/03/2018	165,000	132,000	33,000	250,000	186,000	64,000
NZD'000	31/03/2018 [1]	10,000	8,500	1,500	20,000	8,662	11,338
NZD'000	31/03/2019 [1]	10,000	2,000	8,000	-	-	-
AUD'000	31/03/2019	75,000	46,200	28,800	-	-	-
GBP'000	03/04/2018	42,000	37,900	4,100	57,000	43,500	13,500
GBP'000	31/03/2019	35,000	15,500	19,500	-	-	-
Total borrowings (AUD)		**398,148**	**284,654**	**113,494**	**386,995**	**283,947**	**103,048**

1 Part of AUD facilities to be drawn in NZD20m

The facilities have been provided by a financing club of three major Australian banks operating under common terms and conditions. During the year, the mix of facilities and amounts drawn from changed between Club members. 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 one of these facilities has been extended to 31 March 2019.

In addition to the borrowing facilities to finance Asset Management's lease portfolio, the Group has a GBP4.75 million facility that was fully drawn down for the acquisition of CLM Fleet Management plc. This borrowing is an amortising facility that matures on 31 August 2018. The Group also has a facility of AUD53.1 million which was fully drawn on to fund the acquisition of the Presidian Group. This is an amortising facility that matures on 31 March 2020.

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.

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 2016: Contractual maturities of financial liabilities

	Less than 6 months $'000	6–12 months $'000	1–2 years $'000	2–5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount / liabilities $'000
Trade payables	20,792	-	-	-	-	20,792	20,792
Other creditors and liabilities	64,706	176	1,481	7,164	-	73,527	74,618
Borrowings	9,733	12,517	295,853	129,396	-	447,499	345,570
	95,231	**12,693**	**297,334**	**136,560**	**-**	**541,818**	**440,980**

Consolidated Group – at 30 June 2015: Contractual maturities of financial liabilities

	Less than 6 months $'000	6–12 months $'000	1–2 years $'000	2–5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount / liabilities $'000
Trade payables	19,399	-	-	-	-	19,399	19,399
Other creditors and liabilities	57,282	-	-	-	-	57,282	57,282
Borrowings	8,502	11,603	27,415	346,136	-	393,656	351,704
	85,183	**11,603**	**27,415**	**346,136**	**-**	**470,337**	**428,385**

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Parent – at 30 June 2016: Contractual maturities of financial liabilities

	Less than 6 months $'000	6–12 months $'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 and other payables	105,617	-	-	-	-	105,617	105,617
Borrowings	6,561	6,469	12,664	31,287	-	56,981	53,028
Financial guarantee contracts	3,173	6,048	283,189	98,109	-	390,519	-
	115,351	12,517	295,853	129,396	-	553,117	158,645

Parent – at 30 June 2015: Contractual maturities of financial liabilities

	Less than 6 months $'000	6–12 months $'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 and other payables	47,908	-	-	-	-	47,908	47,908
Borrowings	2,836	3,817	13,770	44,718	-	65,141	57,018
Financial guarantee contracts	5,666	7,786	13,645	301,418	-	328,515	-
	56,410	11,603	27,415	346,136	-	441,564	104,926

(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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other receivables	37,396	46,941	-	-
Deposits with banks	95,583	85,729	5,716	2,598
Finance lease & CHP receivables	135,559	125,164	-	-
Operating lease assets	292,825	293,125	-	-
	561,363	550,959	5,716	2,598

Lease assets of the Asset Management business represents future lease rentals that have yet to be invoiced. Such assets are secured against underlying assets.

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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 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 rating 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. 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, regions and asset manufacturer. There is a broad spread of credit risk concentration through the Group's exposure to individual customers, industry sectors, asset types, 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 tool, 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.

(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, 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 other loan facilities drawn on.

	2016		2015	
	Borrowings '000	Weighted average interest rate %	Borrowings '000	Weighted average interest rate %
AUD'000	241,365	2.94	251,803	3.00
GBP'000	58,150	1.40	49,250	1.36
Total AUD'000	**345,570**	**2.64**	**351,704**	**2.73**

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 2016, the Group's borrowings for the Asset Management business of $229,554,000 (2015: $295,750,000) were covered by interest rate swaps at a fixed rate of interest of 3.38% (2015: 3.58%).

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

Notes to the Financial Statements

For the year ended 30 June 2016

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

	2016 Balance $'000	2015 Balance $'000
Cash and deposits	95,583	85,729
Bank loans (Asset Management segment) [1]	(293,230)	(295,750)
Interest rate swaps (notional amounts)	229,554	275,554
Bank loans (Presidian Group acquisition) [1]	(53,125)	(57,141)
Net exposure to cash flow interest rate risk	**(21,218)**	**8,392**

1 Excluding capitalised borrowing costs of $785,000 (2015: $1,064,000) for Asset Management and $97,000 (2015: $123,000) for the bank loan for Presidian.

Sensitivity analysis – floating interest rates:

At 30 June 2016, the Group's and parent entity's cash and cash equivalents give rise to credit and interest rate risk. Cash and cash equivalent funds held by the Group and the parent entity include funds at bank and in deposit net of bank borrowings that are not hedged. The Group also holds cash and cash equivalent funds in trust to which the Group has contractual beneficial entitlement to the interest. If the Australian interest rate weakened or strengthened by 25 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 $649,000 (2015: $577,000) higher or lower and the parent entity $83,000 (2015: $95,000) higher or lower, depending on which way the interest rates moved based on the cash and cash equivalents and borrowings balances at reporting date.

(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 $292,825,000 (2015: $293,125,000) included a residual value provision of $4,381,000 (2015: $5,237,000).

(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).

Notes to the Financial Statements

For the year ended 30 June 2016

Financial asset/ (financial liability)	Fair value at			
	2016 $'000	2015 $'000	Fair value hierarchy	Valuation technique and key input
Interest rate swaps – cash flow hedge	(819)	(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

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			
	Carrying amount 2016 $'000	Fair value 2016 $'000	Carrying amount 2015 $'000	Fair value 2015 $'000
Finance lease receivables – non-current	89,279	86,496	89,911	89,589

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 3.83% (2015: 3.96%). They are classified as level 3 fair values in the fair values hierarchy due to the inclusion of unobservable inputs.

3 Revenue

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue from continuing operations				
Remuneration services [1]	188,483	176,096	-	-
Lease rental services	148,184	144,436	-	-
Brokerage commissions and financial services	118,295	23,106	-	-
Proceeds from sale of leased assets	47,361	43,270	-	-
Dividends received	-	-	46,592	68,324
Interest – other persons	1,855	2,682	123	39
Other	488	-	-	-
Total revenue	504,666	389,590	46,715	68,363
1 Included in remuneration services revenue is interest income derived from the holding of trust funds	9,587	10,108	-	-
Underwriting premium from direct business included in Retail Financial Services Revenue				
Gross written premium	31,700	13,483	-	-
Movement in deferred income	(165)	(971)	-	-
Premium revenue	31,535	12,512	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

4 Expenses

(a) Profit before income tax includes the following specific expenses

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Depreciation and amortisation expenses and impairment				
Amortisation of software development	5,395	4,743	-	-
Amortisation of contract rights acquired	590	1,061	-	-
Depreciation of assets under operating lease	78,172	79,785	-	-
Depreciation of plant and equipment	2,998	3,292	-	-
Residual value impairment loss	385	3,219	-	-
Amortisation of intangibles	3,840	725	-	-
	91,380	92,825	-	-
Rental expense on operating leases				
Minimum lease payments	9,123	6,886	-	-
Superannuation				
Defined contribution superannuation expense	8,259	6,677	-	-

(b) Other individually significant items

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Contracted property rental payments for vacant space included in property and corporate expense in the profit or loss	-	1,725	-	-
Credit losses included in other expenses in the profit or loss	-	448	-	-

(c) Auditor's remuneration

	Consolidated Group		Parent Entity	
	2016 $	2015 $	2016 $	2015 $
Remuneration of the auditor (Grant Thornton Audit Pty Ltd) of the parent entity for:				
Audit or review of the financial statements	278,000	277,000	-	-
Other compliance	46,400	46,400	-	-
Agreed upon procedures:				
– review of borrowing covenant	1,900	1,900	-	-
Remuneration of a network firm of the parent entity auditor:				
Audit or review of the financial statements (UK)	139,656	100,265	-	-
Other compliance	4,062	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

5 Income Tax Expense / (Benefit)

(a) Components of tax expense / (benefit)

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Current tax expense/(benefit)	39,066	22,054	(1,494)	(425)
Adjustments for current tax of prior years	668	(311)	115	-
Deferred tax	(2,740)	4,712	645	(92)
Income tax expense / (benefit)	**36,994**	**26,455**	**(734)**	**(517)**

(b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense / (benefit) as follows:

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Profit before income tax	119,463	93,942	43,260	66,608
Prima facie tax payable on profit before income tax at 30% (2015: 30%)	35,839	28,182	12,978	19,982
Add tax effect of:				
– non-deductible costs	828	409	150	-
– overseas tax rate differential of subsidiaries	(341)	(154)	-	-
– over-provision of tax from prior year	668	(311)	116	-
– share based payments	-	121	-	-
– research & development	-	(354)	-	-
– deductible expenses not previously recognisable	-	(1,438)	-	-
	36,994	26,455	13,244	19,982
Less tax effect of:				
– dividends received	-	-	(13,978)	(20,499)
Income tax expense/(benefit)	**36,994**	**26,455**	**(734)**	**(517)**
Amounts recognised directly in equity				
Expense relating to the setting up of Employee Share Trust for the distribution of employee share-based payments	-	67	-	67
Deductible share-based payments that were not previously recognisable as there was no basis for a tax deduction	-	2,275	-	2,275
	-	2,342	-	2,342
Unrecognised temporary differences				
Foreign currency translation of investments in subsidiaries for which no deferred tax (assets)/liabilities have been recognised	(5,391)	2,754	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

6 Earnings per Share

Basic earnings per share	Consolidated Group 2016 000	2015 000
Basic EPS – cents per share	99.4	87.0
Net profit after tax	$82,469	$67,487
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	82,927	77,537
Diluted earnings per share		
Diluted EPS – cents per share	99.0	86.8
Earnings used to calculate basic earnings per share (EPS)	**$82,469**	**$67,487**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	82,927	77,537
Weighted average number of options on issue outstanding	335	211
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	**83,262**	**77,748**

7 Dividends

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Final fully franked ordinary dividend for the year ended 30 June 2015 of $0.27 (2014: $0.31) per share franked at the tax rate of 30% (2014: 30%)	22,463	23,632	22,463	23,632
Interim fully franked ordinary dividend for the year ended 30 June 2016 of $0.29 (2015: $0.25) per share franked at the tax rate of 30% (2015: 30%)	24,126	20,280	24,126	20,280
	46,589	**43,912**	**46,589**	**43,912**
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 – 30%)	90,370	78,806	90,370	78,806

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.

Notes to the Financial Statements

For the year ended 30 June 2016

8 Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash on hand	3	4	-	-
Bank balances	14,992	47,437	86	173
Short term deposits	80,588	38,288	5,630	2,425
	95,583	**85,729**	**5,716**	**2,598**

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 2016, the floating interest rates for the Group and parent entity were between 1.43% and 2.06% (2015: 1.53% and 3.46%). The short term deposits are also subject to floating rates, which in 2016 were between 2.04% and 3.04% (2015: 2.42% and 3.39%). These deposits have an average maturity of 90 days (2015: 90 days) and are highly liquid.

9 Trade and Other Receivables

	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current				
Trade receivables	13,998	16,246	-	-
Other receivables	23,398	30,695	70	130
Amounts receivable from wholly owned entities	-	-	6,407	2,283
	37,396	**46,941**	**6,477**	**2,413**

The carrying amount of all current receivables are equal to their fair value as they are short term and fully recoverable.

(a) Ageing and impairment losses

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

	2016			2015		
Consolidated Group	Total $'000	Amount impaired $'000	Amount not impaired $'000	Total $'000	Amount impaired $'000	Amount not impaired $'000
Not past due	11,243	(451)	10,792	13,766	-	13,766
Past due 30 days	2,608	(145)	2,463	1,747	(59)	1,688
Past due 31–60 days	446	(119)	327	497	(128)	369
Past due 61–90 days	201	(65)	136	213	(105)	108
Past due >90 days	776	(496)	280	944	(629)	315
Total	**15,274**	**(1,276)**	**13,998**	**17,167**	**(921)**	**16,246**

(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(k).

Notes to the Financial Statements

For the year ended 30 June 2016

10 Finance Lease Receivables

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current finance lease receivables	46,280	35,253	-	-
Non-current finance lease receivables	89,279	89,911	-	-
	135,559	125,164	-	-

	Consolidated Group			
Amounts receivable under finance lease receivables	Minimum lease payments 2016 $'000	Present value of lease payments 2016 $'000	Minimum lease payments 2015 $'000	Present value of lease payments 2015 $'000
Within one year	51,411	44,653	39,842	35,253
Later than one but not more than five years	94,795	90,841	95,551	89,727
Later than five years	66	65	186	184
	146,272	135,559	135,579	125,164
Less: unearned finance income	(10,713)	-	(10,415)	-
Present value of minimum lease payments	135,559	135,559	125,164	125,164

There were no unguaranteed residual values of assets leased under finance leases at reporting date (2015: nil)

11 Other Financial Assets

	Consolidated Group		Parent Entity	
(a) Investment in subsidiaries	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Shares in subsidiaries at cost	-	-	337,900	261,646

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).

Notes to the Financial Statements

For the year ended 30 June 2016

Name	Country of Incorporation	Percentage Owned 2016	Percentage Owned 2015	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
Interleasing (Australia) Ltd [1]	Australia	100%	100%	Asset management and services
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%	100%	Fleet management services
Anglo Scottish Asset Finance Limited plc	United Kingdom	100%	-	Fleet management services
Presidian Holdings Pty Ltd	Australia	100%	100%	Retail financial services
Davantage Group Pty Ltd	Australia	100%	100%	Retail financial services
Money Now Pty Ltd	Australia	100%	100%	Retail financial services
National Finance Choice Pty Ltd	Australia	100%	100%	Retail financial services
Franklin Finance Group Pty Ltd	Australia	100%	100%	Retail financial services
Australian Dealer Insurance Pty Ltd	Australia	100%	100%	Retail financial services
National Finance Solutions Pty Ltd	Australia	100%	100%	Retail financial services
National Insurance Choice Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services Pty Ltd	Australia	100%	-	Retail financial services
United Financial Services Network Pty Ltd	Australia	100%	-	Retail financial services
United Financial Services (Queensland) Pty Ltd	Australia	100%	-	Retail financial 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 30.

(b) Loan receivable	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Loan receivable	3,827	3,211	-	-
Other expense receivable	1,297	996	-	-
Share of losses of equity accounted joint venture	(3,504)	(2,009)	-	-
Change in foreign currency	112	(327)	-	-
Carrying value at end of the financial year	**1,732**	**1,871**	**-**	**-**

The loan and other 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 $1,495,000 (2015: $816,000) recognised under the equity method that is in excess of the Company's fully written down carrying value of its investment (2015: $nil - refer note 12).

Risk exposure

The maximum facility under the arrangement is GBP1.8 million together with other expenses agreed between the JV parties to accelerate growth are fully 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 2016

12 Investment in Joint Venture

	Consolidated Group		Parent Entity	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
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.

	Consolidated Group	
	2016 $'000	2015 $'000
Current assets	3,632	1,649
Non-current assets	-	853
Total assets	**3,632**	**2,502**
Current liabilities	5,557	2,397
Non-current liabilities	5,124	5,070
Total liabilities	**10,681**	**7,467**
Net liabilities	**(7,049)**	**(4,965)**

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	(7,049)	(4,965)
Group ownership interest (50%)	(3,524)	(2,483)
Carrying amount	-	-
Cumulative losses of JV equity accounted	**(3,841)**	**(2,346)**

	Consolidated Group	
Joint venture financial results	2016 $'000	2015 $'000
Revenues	2,906	2,644
Expenses	(5,896)	(4,684)
Loss before income tax	(2,990)	(2,040)
Income tax	-	408
Loss after income tax	(2,990)	(1,632)
Share of joint venture capital commitments	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

13 Property, Plant and Equipment

(a) Plant and equipment	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
At cost	28,667	31,393	-	-
Less accumulated depreciation	(19,360)	(19,390)	-	-
	9,307	12,003	-	-
Assets under operating lease				
At cost	457,722	457,684	-	-
Less accumulated depreciation	(164,897)	(164,559)	-	-
	292,825	293,125	-	-
Total plant and equipment	**302,132**	**305,128**	**-**	**-**

Consolidated Group

(b) Movements in cost and accumulated depreciation	Plant and equipment $'000	Assets under operating lease [1] $'000	Total $'000
Year ended 30 June 2016			
Balance at the beginning of year	12,003	293,125	305,128
Additions	4,626	126,520	131,146
Acquisitions through business combination	283	-	283
Transfer to software	(2,800)	2,800	-
Disposals / transfers to assets held for sale	(1,623)	(51,953)	(53,576)
Depreciation expense	(2,998)	(78,172)	(81,170)
Impairment loss	-	(385)	(385)
Change in foreign currency	(184)	890	706
Balance at 30 June	**9,307**	**292,825**	**302,132**
Year ended 30 June 2015			
Balance at the beginning of year	9,797	303,408	313,205
Additions	7,248	122,124	129,372
Acquisitions through business combination	1,075	-	1,075
Transfer to software	(1,246)	-	(1,246)
Disposals / transfers to assets held for sale	(1,863)	(49,136)	(50,999)
Depreciation expense	(3,292)	(79,785)	(83,077)
Impairment loss	-	(3,219)	(3,219)
Change in foreign currency	284	(267)	17
Balance at 30 June	**12,003**	**293,125**	**305,128**

1 Accumulated provision for impairment loss at reporting date is $4,381,000 (2015: 5,237,000).

(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 2016

14 Deferred Tax Assets / (Liabilities)

(a) Asset / (Liability)	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
The balance comprises temporary differences and tax losses attributed for:				
Amounts recognised in profit or loss				
Doubtful debts	137	185	-	-
Provisions	4,290	4,070	-	-
Property, plant and equipment	(8,435)	(10,021)	-	-
Accrued expenses	7,061	6,954		88
Other receivables/prepayments	467	-	-	-
Other	(9)	389		17
Losses	511	467	-	-
Deferred acquisition expenses	1,708	1,356	(540)	-
Intangible assets	(8,093)	(3,799)	-	-
Unearned income	217	150		
Employee share rights	885	278	-	-
	(1,261)	29	(540)	105
Amounts recognised in equity				
Derivatives recognised directly in equity	204	220	-	-
Closing balance at 30 June	(1,057)	249	(540)	105
Recognised as:				
Deferred tax asset	194	1,183	-	105
Deferred tax liability	(1,251)	(934)	(540)	-
	(1,057)	249	(540)	105
(b) Movement				
Opening balance at 1 July	249	5,073	105	13
Charged to profit or loss	3,193	(3,673)	(645)	92
Charged to other comprehensive income	(16)	28	-	-
Acquired at acquisition	(4,620)	(1,130)	-	-
Change in foreign currency	137	(49)	-	-
Closing balance at 30 June	(1,057)	249	(540)	105

Notes to the Financial Statements

For the year ended 30 June 2016

15 Intangible Assets

(a) Carrying values

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Goodwill				
Cost	182,665	134,877	-	-
Impairment loss	(36)	(36)	-	-
Net carrying value	182,629	134,841	-	-
Brands				
Brands at cost - indefinite life	22,443	22,443	-	-
Brands at cost - finite life	6,598	-	-	-
Accumulated amortisation	(1,532)	-	-	-
Net carrying value	27,509	22,443	-	-
Dealer relationships				
Cost	21,795	12,033		
Accumulated amortisation	(1,881)	(309)	-	-
Net carrying value	19,914	11,724	-	-
Software development costs				
Cost [1]	38,930	35,631	-	-
Accumulated amortisation	(21,286)	(15,988)	-	-
Net carrying value	17,644	19,643	-	-
Contract rights				
Cost	13,070	13,070	-	-
Accumulated amortisation	(11,541)	(10,616)	-	-
Net carrying value	1,529	2,454	-	-
Customer list and relationships				
Cost	6,713	4,302	-	-
Accumulated amortisation	(1,306)	(736)	-	-
Net carrying value	5,407	3,566	-	-
Total Intangibles	**254,632**	**194,671**	**-**	**-**

1 Software includes capitalised internal costs.

Notes to the Financial Statements

For the year ended 30 June 2016

(b) Reconciliation of net book amount

2016	Goodwill $'000	Brands $'000	Dealer relationships $'000	Customer lists and relationships $'000	Software development costs $'000	Contract rights $'000	Total $'000
Net book amount							
Balance beginning of year	134,841	22,443	11,724	3,566	19,643	2,454	194,671
Additions	-	-	-	-	3,396	-	3,396
Acquisition through business combination (note 29(d))	52,186	6,598	10,115	3,235	-	-	72,134
Amortisation[1]	-	(1,532)	(1,585)	(723)	(5,395)	(925)	(10,160)
Change in foreign currency	(4,398)	-	(340)	(671)	-	-	(5,409)
Closing balance	182,629	27,509	19,914	5,407	17,644	1,529	254,632

2015	Goodwill $'000	Brands $'000	Dealer relationships $'000	Customer lists and relationships $'000	Software development costs $'000	Contract rights $'000	Total $'000
Net book amount							
Balance beginning of year	46,387	-	-	2,567	14,655	3,050	66,659
Additions	-	-	-	-	4,312	465	4,777
Acquisition through business combination	86,672	22,443	12,033	1,100	4,173	-	126,421
Transfer from property, plant & equipment	-	-	-	-	1,246	-	1,246
Amortisation[1]	-	-	(309)	(416)	(4,743)	(1,061)	(6,529)
Change in foreign currency	1,782	-	-	315	-	-	2,097
Closing balance	134,841	22,443	11,724	3,566	19,643	2,454	194,671

1 Amortisation of contract rights is recognised in expenses of $590,000 (2015: $1,061,000) and as a discount to revenue of $335,000 (2015: Nil)

Notes to the Financial Statements

For the year ended 30 June 2016

(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	
	2016 $'000	2015 $'000
Maxxia Pty Limited	24,190	24,190
Remuneration Services (Qld) Pty Limited	9,102	9,102
CLM Fleet Management plc	13,086	14,877
Anglo Scottish Finance Limited	16,882	
Retail Financial Services segment risk business	51,608	86,672
Retail Financial Services segment retail finance business	67,761	-
	182,629	134,841

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 the Board for next year and financial projections by management for four years hence covering a five-year period in total.

(d) Key assumptions used for value-in-use calculation

	Discount rate	
	2016 %	2015 %
Maxxia Pty Limited	10.46	15.06
Remuneration Services (Qld) Pty Limited	10.46	15.06
CLM Fleet Management plc	14.01	12.08
Anglo Scottish Finance Limited	14.01	-
Retail Financial Services segment risk business	10.46	15.06
Retail Financial Services segment retail finance business	10.46	15.06

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 between 1% and 10% based on business plans and initiated strategies. Cash flows beyond the five-year period are extrapolated using conservative growth rates between 0% and 3%. 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 business.

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.

Notes to the Financial Statements

For the year ended 30 June 2016

16 Trade and Other Payables

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Unsecured liabilities				
Trade payables	20,792	19,399	-	-
GST payable	1,677	2,046	-	-
Sundry creditors and accruals	48,092	42,417	181	599
Amounts payable to wholly owned entities	-	-	105,436	47,309
	70,561	63,862	105,617	47,908

Trade and other payables are non-interest bearing. These are short-term liabilities and the carrying value is representative of the fair value.

17 Other Liabilities

	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Maintenance instalments received in advance	5,815	6,622	-	-
Receivables in advance	5,300	4,379	-	-
Unearned property incentives	5,269	5,186	-	-
	16,384	16,187	-	-

18 Provisions

	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current				
Employee benefit liabilities	9,333	7,586	-	-
Provision for rebate and cancellations	3,337	2,174	-	-
Provision for onerous contracts	353	650	-	-
Other	-	181	-	-
	13,023	10,591	-	-
Non current				
Provision for long service leave	717	1,139	-	-
Provision for onerous contracts	988	1,089	-	-
	1,705	2,228	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

19 Borrowings

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Current				
Bank loans – at amortised cost	12,944	5,658	11,500	4,016
Non current				
Bank loans – at amortised cost	332,626	346,046	41,528	53,002

(a) Security

The parent entity guarantees all bank loans of subsidiaries in the Group, totalling $345,570,000 (2015: $351,704,000).

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

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

(i) Group Asset Management 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 is not less than $200,000,000 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.

20 Other Financial Liabilities

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Contingent consideration	6,740	-	-	-

Contingent consideration represents the estimated fair value of future consideration payable upon the achievement of certain performance targets in relation to the acquisition of Anglo Scottish Asset Finance Limited. There has been no change to fair value since acquisition date.

Notes to the Financial Statements

For the year ended 30 June 2016

21 Issued Capital

(a) Share capital

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
83,204,720 (2015: 81,810,993) fully paid ordinary shares	144,380	121,617	144,380	121,617

(b) Movements in issued capital

	Number of shares	Issue price	Ordinary shares $'000
Balance at 1 July 2015	81,810,993		121,617
Shares issued for the acquisition of the United Financial Services companies	1,342,926	$12.96	17,405
Fully paid shares issued pursuant to the exercise of employee options	733,007	$7.31	5,358
Shares distributed from the employee share trust to employees on exercise of options	(682,206)	-	-
	1,393,727		22,763
Total issued capital at 30 June 2016	83,204,720		144,380
Treasury shares	(10,276)		
Shares held by public at 30 June 2016	83,194,444		

	Number of shares	Issue price	Ordinary shares $'000
Balance at 1 July 2014	74,523,965		56,456
Shares issued for the acquisition of Presidian Holdings Pty Ltd	4,285,192	$11.66	49,982
Shares purchased by the McMillan Shakespeare Limited Share Plan Trust ("EST")	692,482	-	-
Shares purchased by the employee share trust and distributed to employees	2,035,301	$6.53	13,283
Fully paid shares issued pursuant to the exercise of employee options	274,053	$7.31	2,003
Proceeds from issue of new options	-		50
Share issue expenses			(224)
Less: tax effect of expenses			67
	7,287,028		65,161
Total issued capital at 30 June 2015	81,810,993		121,617
Treasury shares	(692,482)		
Shares held by public at 30 June 2015	81,118,511		

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) Treasury shares

	Number of shares
Balance of shares at the beginning of the year	692,482
Shares distributed from the exercise of options	(682,206)
Balance of treasury shares at 30 June 2016	10,276

(d) Options

At 30 June 2016, there were 1,825,334 (2015: 2,876,147) 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 28 on page 88.

(e) 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. 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 40% (2015: 46%) calculated as net debt of $249,987,000 (2015: $267,162,000) divided by total debt and equity of $620,482,000 (2015: $585,605,000).

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 and allocation of capital and the risks associated with each class of capital.

22 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revaluation - gross	(819)	(746)	-	-
Deferred tax	204	220	-	-
Balance at the end of the financial year	(615)	(526)	-	-

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at the end of the financial year	(5,391)	2,754	-	-

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.

The decline in the foreign currency reserve was a direct result of GBP weakening sharply against the Australian dollar several days before reporting date following the referendum in the United Kingdom to leave the European Union. The Group does not have plans to realise its investments in the UK in the foreseeable future.

Notes to the Financial Statements

For the year ended 30 June 2016

23 Cash Flow Information

(a) Reconciliation of cash flow from operations with profit from operating activities after tax	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Profit for the year	82,469	67,487	43,994	67,125
Non cash flows in profit from operating activities				
Amortisation	9,825	6,529		-
Impairment loss	385	3,219	-	-
Depreciation	81,170	83,077	-	-
Option expense	1,643	1,326	1,643	1,326
Share of equity accounted joint venture loss	1,495	816	-	-
Purchase of assets under lease	(234,601)	(243,441)	-	-
Written down value of assets sold	94,101	34,816	-	-
Finance lease receivables principle repayments	33,202	11,727		
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
Decrease / (increase) in trade receivables and other assets	11,898	(11,722)	64	(1,456)
Increase / (decrease) in trade payables and accruals	9,738	34,155	(10,669)	8,076
Increase / (decrease) in income taxes payable	5,677	(5,816)	7,257	(8,101)
(Decrease) / increase in deferred taxes	(3,278)	1,282	645	(92)
Increase in other liabilities	-	(113)	-	-
(Decrease) in unearned revenue	(49)	(918)	-	-
Increase / (decrease) in provisions	1,297	1,919	-	-
Net cash from operating activities	94,972	(15,657)	42,934	66,878

(b) Proceeds from sale of lease portfolio

Proceeds from a portion of the UK fleet that was moved off balance sheet as part of principal and agency arrangements with a number of funding providers.

(c) Proceeds and repayments of borrowings

Proceeds from and repayments of borrowings were predominantly to change the mix of funding between syndicate banks together with the repayment of amortising loans.

24 Commitments

(a) Operating lease commitments	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Non cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable minimum lease payments				
– Not later than 12 months	8,891	8,568	-	-
– Between 12 months and 5 years	30,071	30,738	-	-
– Greater than 5 years	14,447	19,444	-	-
	53,409	58,750	-	-

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.

Notes to the Financial Statements

For the year ended 30 June 2016

25 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.

Three reportable segments have been identified, 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.

Retail Financial services - This segment provides retail brokerage services, aggregation of finance originations and extended warranty cover, but does not provide financing. The United Financial Services group of companies were added to this segment from 31 July 2015.

(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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group Remuneration Services	188,310	176,096	58,662	54,306
Asset Management	204,812	188,061	14,634	11,281
Retail Financial Services [1]	110,037	23,106	11,827	3,027
Segment operations	**503,159**	**387,263**	**85,123**	**68,614**
Corporate administration and directors' fees			(1,398)	(1,250)
Acquisition expenses			(2,289)	(2,196)
Net interest income			(438)	1,836
Tax on unallocated items			1,471	483
Profit after tax from continuing operations for the year			**82,469**	**67,487**

1 Retail Financial Services comprising the Presidian Group is reported from 27 February 2015 to 30 June 2015. The UFS entities joined this segment from 31 July 2015 to 30 June 2016.

Notes to the Financial Statements

For the year ended 30 June 2016

(c) Other segment information

(i) Segment revenue

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

	2016 $'000	2015 $'000
Total segment revenue	503,159	387,263
Interest revenue	1,507	2,327
Total revenue per Consolidated Statement of Profit or Loss	**504,666**	**389,590**

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, consisting of 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 $63,714,000 (2015: $61,898,000) in respect of the Group's largest contract.

(ii) Segment result

The following items are included in the segment results.

	2016 $'000	2015 $'000
Segment depreciation and amortisation		
Group Remuneration Services	4,782	5,587
Asset Management	82,203	86,323
Retail Financial Services	4,395	915
	91,380	92,825
Share of loss from joint venture		
Group Remuneration Services	-	-
Asset Management	1,495	816
Retail Financial Services	-	-
	1,495	816

(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

Notes to the Financial Statements

For the year ended 30 June 2016

The reportable segments' assets and liabilities are reconciled to total assets as follows:	2016 $'000	2015 $'000
Segment assets		
Group Remuneration Services	59,067	77,080
Asset Management	520,785	483,898
Retail Financial Services	184,573	141,280
Segment assets	764,425	702,258
Non-segment assets		
Unallocated assets [1]	80,960	75,065
Consolidated assets per statement of financial position	845,385	777,323
Segment liabilities		
Group Remuneration Services	53,680	44,149
Asset Management	337,537	335,617
Retail Financial Services	38,437	27,878
Segment liabilities	429,654	407,644
Non-segment liabilities		
Unallocated liabilities [1]	45,236	51,236
Consolidated liabilities per statement of financial position	474,890	458,880

1 Unallocated assets comprise cash and bank balances of segments other than Asset Management, maintained as part of the centralised treasury and funding function of the Group. Unallocated liabilities comprise borrowings for the acquisition of the Retail Financial Services segment, utilising the Group's borrowing capacity and equity to fund the initial acquisition and ongoing loan maintenance utilising centralised treasury controlled funds.

	2016 $'000	2015 $'000
Additions to non-currrent assets		
Group Remuneration Services	5,302	5,634
Asset Management	154,210	128,189
Retail Financial Services	47,328	127,822
	206,840	261,645

(d) Geographical 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 [1]	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Australia	475,507	374,520	576,704	477,521
United Kingdom	25,277	12,628	60,532	101,257
New Zealand	3,902	2,442	9,771	11,905
	504,666	389,590	647,007	590,683

1 Non-current assets do not include deferred tax asset and subordinated loans.

Notes to the Financial Statements

For the year ended 30 June 2016

26 Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000	Parent Entity 2016 $'000	Parent Entity 2015 $'000
Guarantee provided for the performance of a contractual obligation not supported by term deposit.	11,050	10,050	50	50
Guarantees provided in respect of property leases.	5,967	5,970	-	-
	17,017	16,020	50	50

27 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 2016 and 2015 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 2016 $	Consolidated Group 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Dividend revenue	-	-	46,592,000	68,324,463
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current payables	-	-	105,436,102	47,309,114
(b) Key management personnel compensation				
Compensation				
Short-term employment benefits	3,218,477	3,513,224	2,054,809	2,153,525
Post-employment benefits	186,698	216,247	131,763	153,072
Long-term employment benefits	68,915	54,206	38,912	82,456
Share-based payments	876,748	836,041	500,381	505,938
	4,350,838	4,619,718	2,725,865	2,894,991

28 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 and Nomination 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.

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

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Consolidated Group and parent entity - 2016

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 [1]	Balance at end of the year	Exercisable at end of the year
16 August 2011	30 September 2015	$7.31	682,206	-	(682,206)	-	-	-
16 August 2011	30 September 2015	$7.31	50,801	-	(50,801)	-	-	-
19 August 2014	30 September 2019	$10.18	978,417	-	-	-	978,417	-
19 August 2014	30 September 2018	$10.18	567,676	-	-	(98,595)	469,081	-
23 September 2014	30 September 2018	$10.83	107,877	-	-	-	107,877	-
28 October 2014	30 September 2018	$10.17	109,142	-	-	(109,142)	-	-
24 March 2015	30 September 2018	$11.87	294,336	-	-	(143,505)	150,831	-
26 May 2015	30 September 2018	$12.88	85,692	-	-	-	85,692	-
25 August 2015	30 September 2018	$13.82	-	33,436	-	-	33,436	-
			2,876,147	33,436	(733,007)	(351,242)	1,825,334	-
Weighted average exercise price			$9.73	$13.82	$7.31	$10.87	$10.55	-

Consolidated Group and parent entity - 2015

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 [1]	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	30 September 2015	$7.31	1,805,957	-	(1,123,751)	-	682,206	682,206
16 August 2011	30 September 2015	$7.31	314,578	-	(263,777)	-	50,801	50,801
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 2012	30 September 2015	$11.42	121,331	-	-	(121,331)	-	-
19 August 2014	30 September 2019	$10.18	-	978,417	-	-	978,417	-
19 August 2014	30 September 2018	$10.18	-	832,719	-	(265,043)	567,676	-
23 September 2014	30 September 2018	$10.83	-	107,877	-	-	107,877	-
28 October 2014	30 September 2018	$10.17	-	109,142	-	-	109,142	-
24 March 2015	30 September 2018	$11.87	-	294,336	-	-	294,336	-
26 May 2015	30 September 2018	$12.88	-	85,692	-	-	85,692	-
			3,163,692	2,408,183	(2,309,354)	(386,374)	2,876,147	733,007
Weighted average exercise price			$6.96	$10.51	-	$10.57	$9.73	$7.31

The weighted average remaining contractual life of options outstanding at the end of the year was 1.9 years (2015: 2.17 years).

1 None of the forfeited options represented expired options (2015: Nil).

Notes to the Financial Statements

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Fair value of options granted

The assessed fair value at grant date of options granted during the 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.

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.

Model input	August 2015
Consideration payable upon grant	Nil
Exercise price	$13.82
Grant date	25 August 2015
Expected life	2.1 years
Share price at grant date	$13.82
Expected price volatility	47%
Expected dividend yield	3.5%
Risk-free interest rate	1.7%

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	
	2016 $	2015 $	2016 $	2015 $
Options expense recognised under the Employee Option Plan	1,643,091	1,326,493	-	-

Notes to the Financial Statements

For the year ended 30 June 2016

29 Business Combination

(a) Businesses 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 specialise 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 cross selling opportunities across the businesses in MMS and the realisation of corporate and operational synergies.

In addition to the acquisition of the UFS companies to complement the RFS segment, an ancillary UFS business was acquired for $250,000 to provide coverage of a certain geographical area.

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 services 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 $44.2m, funded by $26.8m of cash and 1,342,926 of fully paid ordinary shares that were fair valued at $17.4m on completion. Cash assumed from UFS was $2.1m. Fair value was determined using the Company's share price. The shares issued are free from encumbrances but will be held in escrow for various periods up to a maximum of 24 months.

Anglo Scottish was acquired for consideration of $26.6m (£12.8m) that comprised upfront cash payments of $18.9 (£9.0m) and a contingent consideration that has been fair valued at $7.7m (£3.8m). Cash assumed from Anglo Scottish was $4.5m (£2.2m). Under the arrangement, the contingent consideration payable is £4m, £5m or up to £7m, depending on the achievement of EBITDA against EBITDA targets over the three year period from 1 January 2016 to 31 December 2018.

At reporting date, 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%.

Consideration for the acquisitions is summarised as follows.	UFS $'000	Anglo Scottish $'000	Total $'000
Cash	26,755	18,857	45,612
Shares	17,405	-	17,405
Contingent consideration	-	7,690	7,690
Total	**44,160**	**26,547**	**70,707**

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 $52.2m. 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

	UFS $'000	Anglo Scottish $'000	Total $'000
Cash consideration	26,755	18,857	45,612
Cash acquired	(2,147)	(4,465)	(6,612)
Net cash outflow	**24,608**	**14,392**	**39,000**

Notes to the Financial Statements

For the year ended 30 June 2016

(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	4,465	6,613
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	245	37	282
Trade, other receivables and prepayments	2,242	1,518	3,760
Assets acquired	18,746	11,857	30,603
Trade payables and accrued expenses	3,932	2,880	6,812
Income tax provision	-	650	650
Deferred tax liabilities	3,311	1,309	4,620
Liabilities assumed	7,243	4,839	12,082
Identifiable net assets acquired	11,503	7,018	18,521
Goodwill	32,657	19,529	52,186
Consideration	**44,160**	**26,547**	**70,707**

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.	FV of Trade Receivables $'000
UFS	2,198
Anglo Scottish	1,418
Total fair value of Trade Receivables	3,616

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

The profit result for the period includes sales revenue and net profit after tax of the new acquisitions as follows.	Revenue $'000	Net profit after tax $'000
UFS (period 31 July 2015 to 30 June 2016)	38,377	2,337
Anglo Scottish (period 4 November 2015 to 30 June 2016)	9,271	1,414
Total	**47,648**	**3,751**

Had the acquisitions 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.

	Revenue $'000	Net profit after tax $'000
UFS	42,251	2,445
Anglo Scottish	13,538	2,122
Total	**55,789**	**4,567**

Notes to the Financial Statements

For the year ended 30 June 2016

30 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. This closed group and the Presidian group of entities no longer holds deeds of cross guarantee.

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 2016 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.

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

	2016 $'000	2015 $'000
Statement of Comprehensive Income		
Revenue and other income	370,321	374,442
Employee and director benefits expenses	(87,714)	(91,718)
Depreciation and amortisation expenses and impairment	(83,169)	(90,611)
Leasing and vehicle management expenses	(54,822)	(49,438)
Brokerage commissions and incentives	-	(5,535)
Net claims incurred	-	(2,160)
Consulting cost expenses	(2,100)	(1,580)
Marketing expenses	(2,286)	(2,738)
Property and corporate expenses	(7,893)	(9,375)
Technology and communication expenses	(7,918)	(7,964)
Finance costs	(9,942)	(9,429)
Other expenses	(7,451)	(8,206)
Acquisition expenses	(1,387)	(2,196)
Profit before income tax	105,639	93,492
Income tax expense	(31,732)	(26,242)
Profit attributable to members of the parent entity	**73,907**	**67,250**
Other comprehensive income		
Other comprehensive income for the year after tax	1,643	3,559
Total comprehensive income for the year	**75,550**	**70,809**
Movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	189,094	165,756
De-consolidation of Presidian group no longer supported by deeds of cross guarantee	(3,027)	-
Profits for the year	73,907	67,250
Dividends paid	(46,589)	(43,912)
Retained earnings at the end of the financial year	**213,385**	**189,094**

Notes to the Financial Statements

For the year ended 30 June 2016

(b) Consolidated Statement of Financial Position

	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	76,395	80,606
Trade and other receivables	26,810	47,869
Finance lease receivables	3,337	3,752
Deferred acquisition costs	-	973
Inventory	7,218	7,021
Total current assets	113,760	140,221
Non current assets		
Property, plant and equipment	285,294	291,177
Intangible assets	48,985	177,306
Deferred tax asset	3,970	1,120
Finance lease receivables	3,625	7,882
Other financial assets	226,045	38,404
Deferred acquisition costs	-	2,137
Total non current assets	567,919	518,026
TOTAL ASSETS	681,679	658,247
Current liabilities		
Trade and other payables	63,675	71,984
Current tax liability	9,672	3,552
Unearned premium liability	-	6,105
Provisions	8,381	10,588
Borrowings	11,500	2,451
Total current liabilities	93,228	94,680
Non current liabilities		
Provisions	1,597	2,227
Unearned premium liability	-	2,781
Borrowings	219,257	239,888
Total non current liabilities	220,854	244,896
TOTAL LIABILITIES	314,082	339,576
NET ASSETS	367,597	318,671
Equity		
Issued capital	144,380	121,617
Reserves	9,832	7,960
Retained earnings	213,385	189,094
TOTAL EQUITY	367,597	318,671

Directors' Declaration

The Directors are of the opinion that:

1. the financial statements and notes on pages 47 to 94 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 2016 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 30 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 30.

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.

Tim Poole
Chairman

Michael Salisbury
Managing Director

24 August 2016
Melbourne, Australia

Independent Audit Report

As at 30 June 2016

Grant Thornton

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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 consolidated statement of financial position as at 30 June 2016, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of 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 2016

Grant Thornton

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 consolidated entity's financial position as at 30 June 2016 and of its 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 24 to 40 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 24 August 2016

Auditor's Independence Declaration

As at 30 June 2016

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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 2016, 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 24 August 2016

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Our Ref: YEA Independence Declaration.Docx

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 8 August 2016, the number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares [1]
HSBC Custody Nominees (Aust) Ltd	26,508,197	31.86
JP Morgan Nominees Australia Limited	11,842,740	14.23
Chessari Holdings Pty Limited [2]	6,050,941	7.27

1 As at 8 August 2016, 83,204,720 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.

NUMBER OF SHARE & OPTION HOLDERS

As at 8 August 2016, 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	5,944
Options exercisable at $10.18 and expiring on 30 September 2019	4
Options exercisable at $10.18 and expiring on 30 September 2018	13
Options exercisable at $10.83 and expiring on 30 September 2018	1
Options exercisable at $11.87 and expiring on 30 September 2018	2
Options exercisable at $12.88 and expiring on 30 September 2018	2
Options exercisable at $13.82 and expiring on 30 September 2018	2

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 8 August 2016, 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	3,376
1,001 – 5,000	2,012
5,001 – 10,000	312
10,001 – 100,000	208
100,000+	35

As at 8 August 2016 there were 201 shareholders who held less than a marketable parcel of 37 fully paid ordinary shares in the Company.

ON-MARKET BUY BACK

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

Shareholder Information

TOP 20 SHAREHOLDERS

As at 8 August 2016, 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	HSBC Custody Nominees (Aust) Ltd	26,508,197	31.86
2	J P Morgan Nominees Australia Limited	11,842,740	14.23
3	Chessari Holdings Pty Limited [2]	6,050,941	7.27
4	Citicorp Nominees Pty Limited	3,563,393	4.28
5	Asia Pac Technology Pty Limited [3]	3,543,025	4.26
6	BNP Paribas Noms Pty Ltd < DRP>	3,536,157	4.25
7	National Nominees Limited	3,167,827	3.81
8	NWC Group Pty Ltd	1,178,427	1.42
9	Ann Leslie Ryan	1,008,418	1.21
10	RBC Investor Services Australia Nominees Pty Ltd <MBA A/C>	975,831	1.17
11	BNP Paribas Nominees Pty Ltd <Agency Lending DRP AC>	769,968	0.93
12	RBC Investor Services Australia Nominees Pty Ltd <PI Pooled A/C>	725,240	0.87
13	Magic Bay Nominees Pty Ltd (Findus Property A/C)	607,829	0.73
14	Milton Corporation Limited	532,488	0.64
15	AFICO Pty Ltd	512,776	0.62
16	I-Capital Australia Pty Ltd (Hewtom Family Disc A/C)	462,399	0.56
17	AMP Life Limited	414,297	0.50
18	MOHL Invest Pty Ltd (MOHL Super Fund A/C)	365,000	0.44
19	HSBC Custody Nominees (Australia) Limited – A/C 2	318,308	0.38
20	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	310,605	0.37
Totals: Top 20 holders of issued Capital		**66,393,866**	**79.80**
Total Remaining Holders Balance		**16,810,854**	**20.20**

1 As at 8 August 2016, 83,204,720 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, the following securities in the Company were subject to voluntary escrow.

Number of ordinary shares	Date of escrow expiry
1,863,122	27 February 2017
671,464	31 July 2017
279,470	26 February 2019

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 $10.18 and expiring on 30 September 2019	978,417	4
Options exercisable at $10.18 and expiring on 30 September 2018	469,081	13
Options exercisable at $10.83 and expiring on 30 September 2018	107,877	1
Options exercisable at $11.87 and expiring on 30 September 2018	150,831	2
Options exercisable at $12.88 and expiring on 30 September 2018	85,692	2
Options exercisable at $13.82 and expiring on 30 September 2018	33,436	2
Options do not carry a right to vote		

Corporate Directory

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Company Auditor
Grant Thornton Audit Pty Ltd
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Melbourne Victoria 3000

Share Registry
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Yarra Falls, 452 Johnston Street
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McMillanShakespeareGroup