McMillanShakespeareGroup

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23 August 2017

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

By E-lodgement

McMillan Shakespeare Limited 2017 Appendix 4E

This release contains an announcement to the Australian Stock Exchange Limited (**ASX**) regarding the following Appendix 4E in accordance with listing rule 4.3A of the ASX Listing Rules.

Yours faithfully
McMillan Shakespeare Limited

Mark Blackburn
Chief Financial Officer and Company Secretary

McMillan Shakespeare Limited

Appendix 4E

Preliminary Final Report Provided Under Listing Rule 4.3A

Year Ended 30 June 2017

McMillanShakespeareGroup

MMS Appendix 4E

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1. Details of the reporting period and the previous corresponding period

Current period: 1 July 2016 to 30 June 2017

Previous corresponding period: 1 July 2015 to 30 June 2016

2. Results for announcement to the market

	Key information	Percentage change	Year ended 30 June 2017 $'000
2.1	Revenue from continuing operations	1.7%	513,032
2.2	Profit from ordinary activities after income tax attributable to members	(17.7%)	67,902
2.3	Net profit from ordinary activities after income tax attributable to members	(17.7%)	67,902

2.4 Dividends

	Amount per security	Franked amount per security
Final dividend	$0.35	$0.35
Interim dividend	$0.31	$0.31
Total dividend (interim plus final)	$0.66	$0.66

There is no dividend reinvestment plan in operation.

2.5 Dividend record date

Ex-dividend date	28 September 2017
Record date for determining entitlements to the dividend	29 September 2017
Dividend payment date	13 October 2017

MMS Appendix 4E

2. Results for announcement to the market (continued)

2.6 Commentary on results for the financial year

Underlying Net Profit after Income Tax and Amortisation (UNPATA), being net profit after tax but before the after-tax impact of acquisition related items (including impairment charge for intangible assets, acquisition expenses, amortisation of acquired intangible assets and deferred consideration items) has been used to measure financial performance of the Group. The Group believes this measure of performance best represents the underlying operating results of the Group. For the year ended 30 June 2017, Group UNPATA of $87.2 million was in line with the previous year.

	FY17 $'000	FY16 $'000
NPAT (item 2.2)	67,902	82,469
Impairment of intangible assets after-tax [1]	15,345	-
Acquisition transactions costs after-tax	991	1,937
Amortisation of intangibles from acquisitions after-tax	3,019	2,767
Deferred consideration fair valuation	(90)	-
Consolidated UNPATA	**87,167**	**87,173**

1 Non-cash impairment for the carrying value of intangible assets in the warranty and insurance business which forms part of the Group's Retail Financial Services (RFS) segment. This business represents approximately 5% of the Group's FY17 UNPATA.

UNPATA for the Group matched last year's record result.

	FY17 $'000	FY16 $'000	FY17 $'000	FY16 $'000
	Revenue		UNPATA [3]	
Group Remuneration Services	189,709	188,310	58,341	58,662
Asset Management [1]	215,748	204,812	17,506	15,262
Retail Financial Services [2]	106,023	110,037	12,379	13,966
Segment operations	**511,480**	**503,159**	**88,226**	**87,890**

1 Asset Management includes the acquisition in the UK of EVC on 1 December 2016, CAPEX on 3 January 2017 and Anglo Scottish Finance Limited plc on 4 November 2015.

2 Retail Financial Services includes the United Financial Services entities from 31 July 2015.

3 Segment UNPATA does not include unallocated public company costs and interest from Group treasury funds.

Basic earnings per share as shown in the financial statements was 81.6 cents per share (2016: 99.4 cents per share) and on a diluted basis was 81.5 cents per share (2016: 99.0 cents per share). Basic UNPATA per share is 104.8 cents per share (2016: 105.1 cents).

Refer to the FY17 Results Presentation announced to the ASX on 23 August 2017.

MMS Appendix 4E

3. Statement of Comprehensive Income

Refer attached Consolidated Income Statement

4. Statement of Financial Position

Refer attached.

5. Statement of Cash Flows

Refer attached.

6. Statement of Changes in Equity

Refer attached.

7. Details of Dividend Payments

Refer attached.

8. Dividend reinvestment plan

None.

9. Net tangible assets per security

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Per ordinary share	1.45	1.39

10. Control gained over entities during the financial year

Details of the control gained over entities during the financial year as follows:

- European Vehicle Contracts Limited (100%)
- Capex Asset Finance Limited (100%)

These entities are incorporated in the UK and provide brokerage and finance procurement services to complement Asset Management's business in the UK.

MMS Appendix 4E

11. Investment in associates and joint ventures

The Group's 50% joint venture interest in Maxxia Limited, a company operating in the UK that was acquired on 1 February 2013, was a loss of $1,260,000 (2016: $1,495,000 loss).

12. Other significant information

Refer financial statements and notes thereto and the accompanying investor presentation.

13. Foreign entities reporting in Australia

Not applicable.

14. Commentary on results for the period

Refer Review of Operations attached.

15. Audit

This report is based on accounts which are currently in the process of being audited.

Consolidated Income Statement
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue and other income	3	513,032	504,666
Employee benefits expense		(121,421)	(120,206)
Depreciation and amortisation expenses		(89,046)	(91,380)
Leasing and vehicle management expenses		(72,082)	(60,063)
Brokerage commissions and incentives		(45,746)	(46,960)
Net claims incurred		(9,392)	(7,823)
Consulting expenses		(3,265)	(3,003)
Marketing expenses		(4,102)	(3,380)
Property and corporate expenses		(11,371)	(11,230)
Technology and communication expenses		(10,560)	(11,206)
Other expenses		(11,011)	(13,327)
Finance costs		(11,353)	(12,841)
Share of equity accounted joint venture loss		(1,260)	(1,495)
Impairment charge	4	(20,000)	-
Acquisition expenses		(1,076)	(2,289)
Profit before income tax		**101,347**	**119,463**
Income tax expense		**(33,445)**	**(36,994)**
Profit attributable to members of the parent entity		**67,902**	**82,469**
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		685	(73)
Exchange differences on translating foreign operations		(3,662)	(8,145)
Income tax on other comprehensive income		(165)	(16)
Total other comprehensive income for the year		**(3,142)**	**(8,234)**
Total comprehensive income for the year		**64,760**	**74,235**
Basic earnings per share (cents)	2	81.6	99.4
Diluted earnings per share (cents)	2	81.5	99.0

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	6	59,416	95,583
Trade and other receivables		45,922	37,396
Finance lease receivables		60,920	46,280
Inventory		6,047	7,282
Prepayments		6,564	7,827
Deferred acquisition costs		2,246	2,084
Total current assets		181,115	196,452
Non current assets			
Property, plant and equipment	14	306,731	302,132
Finance lease receivables		107,255	89,279
Intangible assets	5	250,746	261,365
Other financial assets		1,583	1,732
Deferred tax assets		175	194
Deferred acquisition costs		1,375	964
Total non current assets		667,865	655,666
TOTAL ASSETS		848,980	852,118

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current liabilities			
Trade and other payables		73,301	70,561
Unearned premium liability		6,949	5,966
Other liabilities	7	14,007	16,384
Provisions	8	12,997	13,023
Current tax liability		7,833	10,116
Borrowings	9	88,727	12,944
Derivative financial instruments		134	819
Total current liabilities		203,948	129,813
Non-current liabilities			
Borrowings	9	250,877	332,626
Unearned premium liability		3,926	2,755
Other financial liabilities		10,815	6,740
Provisions	8	2,900	1,705
Deferred tax liabilities		5,519	7,984
Total non-current liabilities		274,037	351,810
TOTAL LIABILITIES		477,985	481,623
NET ASSETS		370,995	370,495
Equity			
Issued capital	10	141,088	144,380
Reserves		(5,948)	4,086
Retained earnings		235,855	222,029
TOTAL EQUITY		370,995	370,495

Consolidated Cash Flow Statement

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		570,101	516,531
Payments to suppliers and employees		(254,380)	(226,279)
Proceeds from sale of assets under lease		63,587	52,188
Proceeds from sale of lease portfolio		-	32,805
Payments for assets under lease		(281,412)	(234,601)
Interest received		1,410	1,855
Interest paid		(10,531)	(11,329)
Income taxes paid		(40,635)	(33,586)
Subsidiaries' acquisition expense		(1,076)	(2,612)
Net cash from operating activities		47,064	94,972
Cash flows from investing activities			
Payments for capitalised software		(6,888)	(3,396)
Payments for plant and equipment		(1,353)	(4,468)
Payments for subsidiary investments (net of cash acquired)	13	(8,919)	(39,000)
Payments for joint venture subordinated loans		(1,220)	(1,356)
Net cash used in investing activities		(18,380)	(48,220)
Cash flows from financing activities			
Proceeds from borrowings		58,032	116,360
Repayment of borrowings		(58,042)	(111,343)
Payment for treasury shares		(10,184)	-
Proceeds from share issues		-	5,358
Payment of borrowing costs		-	(184)
Dividends paid by parent entity	15	(54,076)	(46,589)
Net cash used in financing activities		(64,270)	(36,398)
Effect of exchange changes on cash and cash equivalents		(581)	(500)
Net (decrease) / increase in cash and cash equivalents		(36,167)	9,854
Cash and cash equivalents at beginning of year		95,583	85,729
Cash and cash equivalents at end of year	6	59,416	95,583

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

2017	Note	Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Cash flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Treasury Reserve $'000	Total $'000
Equity as at beginning of year		144,380	222,029	10,092	(615)	(5,391)	-	370,495
Profit attributable to members of the parent entity		-	67,902	-	-	-	-	67,902
Other comprehensive income after tax		-	-	-	520	(3,662)	-	(3,142)
Total comprehensive income for the period		-	67,902	-	520	(3,662)	-	64,760
Transactions with owners in their capacity as owners:								
Treasury shares	10	(3,292)	-	-	-	-	(6,892)	(10,184)
Dividends paid	15	-	(54,076)	-	-	-	-	(54,076)
Equity as at 30 June 2017		141,088	235,855	10,092	(95)	(9,053)	(6,892)	370,995

2016	Note	Issued capital $'000	Retained Earnings $'000	Option Reserve $'000	Cash flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	Treasury Reserve $'000	Total $'000
Equity as at beginning of year		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		22,763	-	-	-	-	-	22,763
Employee share schemes - value of employee services		-	-	1,643	-	-	-	1,643
Dividends paid	15	-	(46,589)	-	-	-	-	(46,589)
Equity as at 30 June 2016		144,380	222,029	10,092	(615)	(5,391)	-	370,495

Notes to the Financial Statements

1. Basis of preparation

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

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

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

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

Reporting Basis and Conventions

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

Notes to the Financial Statements

2. Earnings per share

	2017	2016
Basic EPS – cents per share	81.6	99.4
Net profit after tax ($'000)	$67,902	$82,469
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS ('000)	83,205	82,927

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.

	2017	2016
Diluted earnings per share		
Diluted EPS – cents per share	81.5	99.0
Earnings used to calculate basic earnings per share ($'000)	**$67,902**	**$82,469**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS ('000)	83,205	82,927
Weighted average number of options on issue outstanding ('000)	132	335
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS ('000)	**83,337**	**83,262**

3. Revenue

	2017 $'000	2016 $'000
Revenue from continuing operations		
Remuneration services	190,094	188,483
Lease rental services	136,587	148,184
Proceeds from sale of leased assets	57,724	47,361
Brokerage commissions and financial services	124,615	118,295
Interest – other persons	1,410	1,855
Other	2,602	488
Total revenue	**513,032**	**504,666**
Underwriting premium from direct business included in Retail Financial Services Revenue		
Gross written premium	31,853	31,700
Movement in deferred income	2,155	(165)
Premium revenue	**34,008**	**31,535**

Notes to the Financial Statements

4. Impairment expense

	2017 $'000	2016 $'000
Goodwill	4,483	-
Brands	12,479	-
Dealer relationships	3,038	-
Impairment charge	**20,000**	**-**

The carrying value of intangible assets of the RFS warranty and insurance business was adjusted for impairment following the recoverable value review of goodwill, brands and dealer relationships.

5. Goodwill and other intangible assets

2017	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	189,362	27,509	19,914	5,407	17,644	1,529	261,365
Additions	-	-	6,451	-	6,888	-	13,339
Acquisition through business combination	8,127	-	-	-	1,112	-	9,239
Impairment (note 4)	(4,483)	(12,479)	(3,038)	-	-	-	(20,000)
Amortisation	-	(1,296)	(2,019)	(677)	(5,994)	(982)	(10,968)
Change in foreign currency	(1,820)	-	(199)	(279)	69	-	(2,229)
Closing balance	**191,186**	**13,734**	**21,109**	**4,451**	**19,719**	**547**	**250,746**

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 [1]	141,574	22,443	11,724	3,566	19,643	2,454	201,404
Additions	-	-	-	-	3,396	-	3,396
Acquisition through business combination	52,186	6,598	10,115	3,235	-	-	72,134
Amortisation	-	(1,532)	(1,585)	(723)	(5,395)	(925)	(10,160)
Change in foreign currency	(4,398)	-	(340)	(671)	-	-	(5,409)
Closing balance	**189,362**	**27,509**	**19,914**	**5,407**	**17,644**	**1,529**	**261,365**

1 Adjustment to prior year addition from business combination following a change in accounting policy to recognise a deferred tax liability for an indefinite-life asset.

Notes to the Financial Statements

6. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash on hand	5	3
Bank balances	32,566	14,992
Short term deposits	26,845	80,588
	59,416	**95,583**

Pursuant to contractual arrangement with clients, the GRS segment administers the cash flows on behalf of clients as part of the remuneration benefits administration service. Cash held in trust for clients are therefore, not available for use in the Group's operations. For some clients, cash is held in bank accounts specified in their name and other client monies are held in bank accounts specifically designated as monies in trust for clients. All client monies are segregated from the Group's own cash. At reporting date, the balance of monies held in bank accounts in trust for clients representing all client contributions to operate their accounts were as follows.

	Consolidated Group		Consolidated Group	
	2017		2016	
	Average interest rate %	$'000	Average interest rate %	$'000
Client monies in trust	2.50%	380,794	2.74%	373,489
Client monies in trust free from administration fees	2.34%	29,755	2.67%	33,077
		410,549		**406,566**

Pursuant to contractual agreement with clients, the Group received the following interest for managing client monies and as part substitute for administration service fees.

	Consolidated Group	
	2017 000	2016 000
Interest received	9,489	9,587

Notes to the Financial Statements

7. Other liabilities

	2017 $'000	2016 $'000
Maintenance instalments received in advance	4,794	5,815
Receivables in advance	3,821	5,300
Unearned property incentives	5,392	5,269
	14,007	16,384

8. Provisions

	2017 $'000	2016 $'000
Current		
Employee benefit liabilities	9,276	9,333
Provision for rebate and cancellations	3,356	3,337
Provision for onerous contracts	365	353
	12,997	13,023
Non current		
Provision for long service leave	1,379	717
Provision for onerous contracts	1,521	988
	2,900	1,705

Notes to the Financial Statements

9. Borrowings

	2017 $'000	2016 $'000
Current		
Bank loans – at amortised cost	88,727	12,944
Non current		
Bank loans – at amortised cost	250,877	332,626

Current bank borrowings include revolving facilities of $69,344,000 that mature on 31 March 2018. These facilities are intended to be reduced as part of the Group's strategic shift to increase the use of off-balance sheet funding under principal and agency (P&A) arrangements in the Asset Management segment.

	Facility	Used	Unused
Total borrowings (AUD) (excluding borrowing costs)	402,652	339,965	62,687

Borrowing facilities in local currency

Secured bank borrowings (excluding borrowing costs)	Maturity dates	Facility	Used	Unused
AUD'000	31/03/2018	50,000	49,800	200
AUD'000	31/03/2019	65,000	41,200	23,800
AUD'000	31/03/2020	101,625	101,625	-
NZD'000	31/03/2019	10,500	4,800	5,700
NZD'000	31/03/2020	10,500	9,850	650
GBP'000	31/03/2018	3,950	3,950	-
GBP'000	03/04/2018	12,000	11,550	450
GBP'000	31/03/2020	42,000	22,600	19,400
GBP'000	31/03/2019	35,000	35,000	-
GBP'000	31/03/2020	5,723	5,723	-

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.

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, 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.

Notes to the Financial Statements

10. Share capital

Issued capital	2017 $'000	2016 $'000
83,204,720 (2016: 83,204,720) fully paid ordinary shares	141,088	144,380

Movements in issued capital	Number of shares	Issue price	Ordinary shares $'000
Balance at 1 July 2016	83,204,720		144,380
Treasury shares brought forward	(10,276)		-
Treasury shares acquired by the EST	(245,476)		(3,292)
Shares held by external shareholders at 30 June 2017	82,948,968		141,088

	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 EST 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 external shareholders at 30 June 2016	83,194,444		

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.

Treasury shares are shares in McMillan Shakespeare Limited that are held by the McMillan Shakespeare Limited Employee Share Plan Trust (EST) for the purpose of issuing shares under the McMillan Shakespeare Limited Executive Option Plan. Treasury shares are deducted from issued shares to show the number of issued shares held by the public. Details of treasury shares during the year are as follows.

During the year, the Company contributed $10,184,000 to the EST to acquire MMS shares for distribution to employees under the Group executive option plan. At reporting date, 245,476 MMS shares were acquired for $3,292,000 to leave a balance of $6,892,000 in reserve.

Treasury shares	Number of shares
Balance of shares at the beginning of the year	10,276
Shares acquired by the EST	245,476
Balance of treasury shares at 30 June 2017	255,752

Notes to the Financial Statements

At 30 June 2017, there were 1,680,259 (2016: 1,825,334) options outstanding and exercisable at an average price of $10.51.

These options are subject to two vesting conditions, the achievement of financial hurdles and each participating employee's continuity of employment at 31 August 2017. Following the adoption of the FY 2017 financial statements, the options will have been considered to have satisfied a cumulative 55% of the financial hurdles for vesting.

11. Segment reporting

(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 operational 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. During the year, the segment acquired European Vehicle Contracts Limited and Capex Asset Finance Limited to complement the existing business and provide extended geographical coverage in the UK. Anglo Scottish Finance Limited plc was acquired by the segment on 4 November 2015.

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) Description of Segments

	Segment revenue		Segment profit after tax	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Group Remuneration Services	189,709	188,310	58,341	58,662
Asset Management [3]	215,748	204,812	16,618	14,634
Retail Financial Services [1, 2]	106,023	110,037	(5,006)	11,827
Segment operations	**511,480**	**503,159**	**69,953**	**85,123**
Corporate administration and directors' fees			(1,558)	(1,398)
Acquisition expenses			(1,076)	(2,289)
Net interest income			45	(438)
Tax on unallocated items			538	1,471
Net profit after tax from continuing operations for the year			**67,902**	**82,469**

1 The UFS entities joined the Retail Financial Services segment from 31 July 2015.
2 RFS result includes an impairment expense of $15,345,000 after tax.
3 Asset Management includes EVC from 1 December 2016, CAPEX from 3 January 2017 and Anglo Scottish from 4 November 2015

Notes to the Financial Statements

11. Segment reporting (continued)

	2017 $'000	2016 $'000
Segment assets		
Group Remuneration Services	89,503	59,067
Asset Management	538,717	520,785
Retail Financial Services	172,069	191,306
Segment assets	800,289	771,158
Non-segment assets		
Unallocated assets [1]	48,691	80,960
Consolidated assets per statement of financial position	848,980	852,118
Segment liabilities		
Group Remuneration Services	56,189	53,680
Asset Management	351,691	337,537
Retail Financial Services	28,548	38,437
Segment liabilities	436,428	429,654
Non-segment liabilities		
Unallocated liabilities [1]	41,557	51,969
Consolidated liabilities per statement of financial position	477,985	481,623

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.

12. Contingent liabilities

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

	2017 $'000	2016 $'000
Guarantee provided for the performance of a contractual obligation not supported by term deposit.	12,050	11,050
Guarantees provided in respect of property leases.	6,168	5,967
	18,218	17,017

Notes to the Financial Statements

13. Business combination

(a) Businesses acquired

The Group completed its acquisition of 100% of European Vehicle Contracts Limited (EVC) and Capex Asset Finance Limited (CAPEX) on 1 December 2016 and 3 January 2017 respectively. These entities are incorporated in the UK and specialise in the broker aggregation and financing business in the motor vehicle sector with a strong regional presence. The acquisitions continue MMS' investment strategy to be a leading provider of a fully integrated financial services provider in the UK. The acquisition of EVC and CAPEX enhances the product offering of the Group and brings numerous cross selling opportunities across the UK businesses and the realisation of corporate and operational synergies.

(b) Consideration transferred

Consideration for the EVC and CAPEX acquisitions was $16,451,000 that comprised cash paid of $11,795,000 and contingent consideration of $4,656,000.

Cash consideration was funded by internal cash of $1,860,000 and new borrowings in the UK of $9,935,000.

The contingent consideration of EVC and CAPEX were based on the probability weighted assessment of projected EBITDA under the acquisition business cases and present valued using the segment's incremental borrowing rate of 2.8%.

Under the sale agreement, contingent consideration for the EVC and CAPEX acquisitions have a maximum earnout of $11,500,000. The earnout amounts are payable in tranches on 31 December 2018, 31 December 2020 and 31 December 2021 based on the achievement against the earnout EBITDA targets as set out in the agreements. The earnout amount is based on a staggered level of targets and earnout rate for each level. The maximum amounts payable for each tranche is set out below.

Earnout measurement date	Maximum earnout payment
31 December 2018	$3.2 million
31 December 2020	$7.1 million
31 December 2021	$1.2 million

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 $8,100,000. Acquisition-related expenses of $1,100,000 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

The net cash transferred for the EVC and CAPEX acquisitions was $8,919,000 where the cash paid of $11,795,000 was offset by cash assumed from the acquired entities of $2,876,000.

Notes to the Financial Statements

13. Business combination (continued)

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

The fair value of identifiable net assets acquired with EVC and CAPEX was $8,324,000 and goodwill of $8,127,000 in the following table.

Fair Value at acquisition date (provisional)	$'000
Cash	2,876
Dealer and customer relationships	6,451
Property, plant & equipment and software	1,234
Trade, other receivables and prepayments	1,334
Assets acquired	11,895
Trade payables and accrued expenses	1,494
Income tax provision	572
Deferred tax liabilities	1,505
Liabilities assumed	3,571
Identifiable net assets acquired	8,324
Goodwill	8,127
Consideration	**16,451**

The fair value of identifiable net assets have been provisionally assessed pending the finalisation of income taxation balances.

Total trade receivables from the acquisitions of $746,000 have resulted from trade sales with customers and are considered fair value and their collection and conversion to cash are expected in full pursuant to customer terms.

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

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

The profit result for the period includes sales revenue of $7,085,000 and net profit after tax of $292,000 for the new acquisitions.

Had the acquisitions occurred effective 1 July 2016, "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 other intangible assets at their fair value would have been $13,178,000 and $581,000 respectively.

14. Property, plant and equipment

	Consolidated Group	
	2017 $'000	2016 $'000
Assets under operating lease	299,189	292,825
Plant and equipment	7,542	9,307
Total plant and equipment	**306,731**	**302,132**

Included in assets under operating leases are principal repayments receivable within the next twelve months of $179,790,000 (2016: $169,029,000).

Notes to the Financial Statements

15. Dividend payments

	Consolidated Group	
	2017 $'000	2016 $'000
Final fully franked ordinary dividend for the year ended 30 June 2016 of $0.34 (2015: $0.27) per share franked at the tax rate of 30% (2015: 30%)	28,286	22,463
Interim fully franked ordinary dividend for the year ended 30 June 2017 of $0.31 (2016: $0.29) per share franked at the tax rate of 30% (2016: 30%)	25,790	24,126
	54,076	46,589
Franking credits available for subsequent financial years based on a tax rate of 30% (2016 – 30%)	92,723	90,370

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.

Dividends are brought to account when declared and appropriately authorised before the end of the financial year but not distributed at balance date.

16. Events subsequent to reporting date

Other than matters disclosed in this report, there were no material events subsequent to reporting date.

McMillanShakespeareGroup

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23 August 2017

McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983
Preliminary Final Report
Announcement of results for the year ended 30 June 2017

McMillan Shakespeare Limited (ASX:MMS) today released its preliminary results for the year ended 30 June 2017, with a reported preliminary net profit after tax (NPAT) of $67.9m (unaudited). This compares to the previous year's result of $82.5m. Underlying NPATA (UNPATA) was $87.2m (before the after-tax impairment charge of $15.3m, after-tax acquisition expenses of $1.0m, amortisation of intangibles from acquisition of $3.0m and deferred consideration items), compared to FY16 UNPATA of $87.2m.

Highlights of the operating results were:

$m	FY17	FY16	Variance
Revenue	513.0	504.7	*1.6%*
EBITDA	137.3	135.9	*1.0%*
EBITDA margin (%)	*26.8%*	*27.0%*	
NPBT	101.3	119.5	*(15.2%)*
NPAT	67.9	82.5	*17.7%*
Underlying NPATA	87.2	87.2	-
Basic earnings per share (cents)	81.6	99.4	*(17.9%)*
Underlying earnings per share (cents)	104.8	105.1	*(0.3%)*
Final dividend per share (cents)	35.0	34.0	*2.9%*
Total dividend per share (cents)	66.0	63.0	*4.8%*
Payout ratio (%)[1]	*63.0%*	*59.9%*	
Free cash flow[2]	84.0	93.5	*(10.2%)*
Return on equity (%)[3]	*23.6%*	*25.6%*	
Return on capital employed (%)[3]	*20.1%*	*20.8%*	

1 Payout ratio calculated by total dividend per share (cents) divided by underlying earnings per share (cents)
2 Free operating cash flow before investing, financing activities and fleet increases
3 Return on equity and capital employed has been adjusted to reflect 12 months trading for acquisitions made during the financial year, both calculations exclude one-off payments in relation to transaction costs incurred in acquisitions, the amortisation of acquisition intangibles and impairment of acquired intangible assets.

Review of Operations

Review of operations

This year showed another profitable result for MMS, matching last year's record underlying net profit after tax and amortisation (UNPATA) result of $87.2 million.

Consolidated Group statutory net profit after tax (NPAT) for FY17 was $67.9 million, after adjusting for one-off costs associated with acquisitions of Capex and EVC, as well as non-operating amortisation, deferred consideration items and a one-off asset impairment adjustment.

Return on equity was 23.6% adjusted to reflect 12 months trading for acquisitions made during the FY17 financial year and return on capital employed was 20.1%.

In the Group Remuneration Services business earnings before interest, tax, depreciation and amortisation (EBITDA) increased to $89.5 million. Increasing the foothold in the health sector and renewal of state government contracts provided substantial progress in augmenting penetration and increasing program participation rates for both the salary packaging and novated leasing services.

Asset Management operations exhibited solid growth with the Australia and New Zealand AM operations contributing EBITDA of $21.9 million and the UK AM operations contributing $6.1 million.

Further integration of the Retail Financial Services segment has continued with prospects for additional cross-selling synergies across the Group commencing implementation. RFS EBITDA in FY17 totalled $19.6 million which represented a marginal decline compared to the prior year, however we maintain a confident outlook for long term profitability in this sector.

Our commitment to further enhancing customer experiences through broadened options has been effective. The introduction of new digital channels within the GRS segment for customer communications and online transactions in FY16 has been a continued success. The proportion of claims lodged online through self-service sites grew to 85% for Maxxia customers and 56% for RemServ customers by 30 June 2017.

Uptake of our free Maxxia and RemServ Claims apps continued with 91,300 downloads since being launched in 2016. This has led to 72% of all claims being lodged via our Maxxia and RemServ Claims apps.

We expect the average cost to serve our growing customer base will continue to reduce. This will be supported as MMS continues to expand, and as we improve penetration of our digital transaction channels to customers, streamline processes and increase operational efficiencies.

In our RFS segment, investment in digital solutions has also achieved results, with the launch of an industry-leading multi-funder portal, which has been embraced by the broker network. Following its initial success, additional capacities and further integration into our dealer network are planned for FY18.

We are committed to generating ongoing improvement and innovation in our digital channels. Looking ahead, several projects are in place in FY18 and are expected to further enhance the digital experience MMS has to offer for investors, our customers, and our workforce. This includes the proposed launch of a digital smartphone application linked directly to our new payment card which also features an interactive discount partnership program.

Review of Operations

Outlook

This year's results demonstrate the resilience of the Group, which has performed well after an interrupted first half. We have set the foundations to continue to drive organic growth and value for the company in the long-term.

In FY17, the Group won several new business contracts and renewed and extended some existing contracts resulting in a record number of clients. Significant new business wins included the expansion of our relationship with Local Health District (LHD) services in New South Wales and appointment to the Queensland Government novated leasing panel.

The introduction of a new customer-facing card payment facility has provided our salary packaging customers with an innovative product that increases the capacity for self-servicing and delivers further operational efficiencies.

The introduction of a flexible funding model via Principal and Agency (P&A) agreements was initiated in August 2016 resulting in a less capital-intensive balance sheet associated with the AM business segment. We continue to expand the range of P&A agreements globally to deliver on our 'capital light strategy', and maintain a focus on enhancing Return on Capital Employed.

Our presence in the UK continues to grow, with the EVC and Capex acquisitions adding to our operations in the region. The effect of 'Brexit' on our UK operations appears to have had no material impact other than the devaluation of the Pound Sterling and subsequent impact on Australian denominated profits. Uncertainty around changes to regulation following the HM Revenue & Customs (HMRC) (UK) review of salary sacrifice schemes has been settled effective April 2017. The continuation of our existing car scheme remains permitted under new rules around low emission vehicles. This has not had a significant impact on our product offering in the UK and we have not seen a change in the sales and marketing activity since this time.

Reviews of add-on insurance products and distribution practices by the Australian Securities and Investments Commission (ASIC) are ongoing. We continue to work with our distribution partners to ensure our sales practices comply with regulatory standards and requirements.

Whilst we expect competitive market conditions and continued varying consumer confidence to remain, the markets we operate within remain attractive, are growing and generate a high return on capital employed. When combined with what we trust will be a more certain regulatory environment moving forward and a diminishing of some of the challenges experienced in the 2017 financial year, we look forward to driving organic growth and returns to shareholders in the year ahead.

MMS Appendix 4E

Dividend

The Company has declared a fully franked final dividend of 35.0 cents per share bringing the total dividend for the year ended 30 June 2016 to 66.0 cents per share. The record date for the dividend is 29 September 2016 and it is payable on 13 October 2017.

In accordance with Listing Rule 3.13.1 of the ASX Listing Rules, the Company also wishes to advise that its Annual General Meeting will be held on Tuesday, 24 October 2017 at 10:00am.

For more information, please contact:

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McMillan Shakespeare Limited

Mr Mark Blackburn

Chief Financial Officer and Company Secretary

McMillan Shakespeare Limited

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