McMillanShakespeareGroup

McMillan Shakespeare Limited
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23 February 2022

Manager, Company Announcements
ASX Limited

Via E-lodgement

Dear Sir/Madam

McMillan Shakespeare Limited (MMS)
Interim Results

Please find attached the Appendix 4D Half-year Report, Directors' Report, Financial Report and Auditor's Independent Review Report for the half-year ended 31 December 2021.

This information should be read in conjunction with McMillan Shakespeare Limited's 2021 Annual Report.

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

Yours faithfully
McMillan Shakespeare Limited

Ashley Conn
Chief Financial Officer and Company Secretary

This document was authorised for release by the MMS Board.

MMS
McMillanShakespeareGroup

Interim Financial Statements and Appendix 4D

Half-year ended
31 December 2021

MMS
Appendix 4D – Half-year Report

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

Current period: 1 July 2021 to 31 December 2021
Previous corresponding period: 1 July 2020 to 31 December 2020

2. Results for announcement to the market

	Key information	Percentage change	Half-year ended 31 Dec 2021 $'000
2.1	Revenues from continuing operations	25.8%	311,613
2.2	Profit from ordinary activities after tax attributable to members	18.1%	30,101
2.3	Net profit after tax attributable to members	18.1%	30,101
2.3.1	Underlying net profit after tax and acquisition amortisation (UNPATA) attributable to members	(6.5%)	39,975

	Dividends	Amount per share	Franked amount per share
2.4	Interim dividend	$0.34	$0.34
2.5	Ex-dividend date		10 March 2022
	Record date for determining entitlements to the dividend		11 March 2022
	Dividend payment date		25 March 2022

2.6 Commentary on results for the period

Underlying net profit after tax and acquisition amortisation (UNPATA), being net profit after-tax but before the after-tax impact of acquisition related and non-business operational items (as outlined in the following table), has been used to measure the financial performance of the Group. The Group believes this measure of performance best represents the underlying operating results of the Group. For the half-year ended 31 December 2021 Group UNPATA of $40.0m (1HFY21: $42.7m) was 6.5% lower than the previous corresponding period (pcp).

	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
Net profit after income tax attributable to members of the parent entity (item 2.3)	30,101	25,482
Amortisation of intangible assets from acquisitions	952	839
Impairment of CLM goodwill	6,028	1,962
Loss and loan finance charge on disposal of subsidiary	1,267	-
Acquisition & disposal related expenses[1]	1,233	-
Accounting standard agenda decisions[2]	394	-
UK restructuring expenses – cash	-	1,805
UK restructuring expenses – non-cash[3]	-	12,651
Consolidated UNPATA	**39,975**	**42,739**

1 Costs incurred in relation to the acquisition and disposal of Group subsidiaries which included the acquisition of Plan Tracker Pty Ltd which completed on 1 July 2021 and the disposal of Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the RFS Retail business) which completed on 30 September 2021.

2 Impact of IFRIC and IFRS Interpretation Committee agenda decisions adopted during the period (refer Note 3 of the financial report).

3 Includes the impairment of Maxxia Limited, impairment of the joint venture (the JV) subordinated loan and impairment of deferred tax asset.

Group UNPATA for the half was lower than pcp.

	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
	Revenue		UNPATA	
Group Remuneration Services	100,459	99,848	20,624	30,639
Asset Management Services	191,431	135,795	17,105	10,000
Plan and Support Services	19,516	11,931	2,906	2,816
Total segment operations	**311,406**	**247,574**	**40,635**	**43,455**
Unallocated public company costs and net interest			(660)	(716)
Consolidated UNPATA			**39,975**	**42,739**

Basic earnings per share as shown in the financial statements, using statutory net profit after-tax ("NPAT"), was 38.9 cents per share (1HFY21: 32.9 cents per share) and on a diluted basis was 38.8 cents per share (1HFY21: 32.8 cents per share). Basic UNPATA per share is 51.7 cents (1HFY21: 45.8 cents per share excluding the impact of JobKeeper or 55.2 cents per share including the impact of JobKeeper).

Refer to the FY22 Half-Year Results Presentation announced to the Australian Securities Exchange ("ASX") on 23 February 2022.

3. Net tangible assets per share

	31 Dec 2021	30 June 2021
Ordinary shares	$1.79	$1.74

Net tangible assets per share is calculated including the lease right-of-use asset.

4. Control gained or lost over entities during the period

Name of entities where control was gained during the period	Date control acquired
Plan Tracker Pty Ltd	1 July 2021

Name of entities where control was lost during the period	Date control lost
Davantage Group Pty Ltd	30 September 2021
Presidian Management Services Pty Ltd	30 September 2021

5. Dividend

Dividends	Amount per share Cents	Franked amount per share Cents
Final dividend in respect of the financial year ended 30 June 2021 per share	31.1	31.1
Interim dividend in respect of the financial half-year ended 31 December 2021 per share	34.0	34.0

The record date for determining entitlement to the interim dividend is 11 March 2022.

The interim dividend is payable on 25 March 2022.

6. Dividend reinvestment plan

None.

7. Investment in associates and joint ventures

The Group obtained control of Maxxia Limited (ML) which was previously a joint venture, a company operating in the UK, on 31 December 2020 through the acquisition of the remaining 50% equity interest. The acquisition cost of $1,805,000 was based on an historical incentive arrangement to retain prior management. The Group's 50% joint venture interest reported a loss after-tax for period ended 31 December 2020 of $652,000. The loss for 1HFY21 was not equity accounted as it exceeded the carrying amount of the Group's net investment in the joint venture.

8. Foreign entities reporting in Australia

Not applicable.

9. Review

This report contains an unqualified review conclusion from an independent auditor.

McMillan Shakespeare Limited (ASX: MMS) has released its results for the half-year ended 31 December 2021, with a reported after-tax profit of $30.1m (attributable to owners of the Company).

Highlights of the operating results were:

$m	1H22	1H21 (excl. JobKeeper)	1H21	Variance[4]
Revenue	311.6	247.6	247.6	*25.8%*
EBITDA	**59.5**	**57.6**	**68.1**	***3.2%***
EBITDA margin (%)	*19.1%*	*23.3%*	*27.5%*	
NPBT	42.6	35.8	46.3	*19.0%*
NPAT	30.1	18.2	25.5	*65.7%*
UNPATA	**40.0**	**35.4**	**42.7**	***12.8%***
Underlying earnings per share (cents)	51.7	45.8	55.2	*12.9%*
Interim dividend per share (cents)	34.0	30.2	30.2	*12.7%*
Payout ratio (%)[1]	*65.9%*	*66.0%*	*54.7%*	
Free cash flow[2]	**37.8**	**28.1**	**42.2**	***34.6%***
Free cash flow % of UNPATA	*94.6%*	*79.3%*	*98.8%*	
Return on equity (%)[3]	*28.4%*	*19.9%*	*24.1%*	
Return on capital employed (%)[3]	*33.6%*	*18.5%*	*22.8%*	

1 Dividend payout ratio is calculated as total dividend for the financial period divided by UNPATA for the financial period.

2 Free operating cash flow before investing, financing and net fleet movements.

3 Return on equity (ROE) and return on capital employed (ROCE), are based on last 12 months' UNPATA and underlying earnings before interest and tax (EBIT). Underlying EBIT is before the pre-tax impact of acquisition related and non-business operational items (refer to Appendix for post tax amounts). Equity and capital employed (excluding lease liabilities) used in the calculations includes the add back of impairment of acquired intangible asset charges incurred in the respective financial period.

4 Compared to 1H21 (excl. JobKeeper).

Review of Operations

MMS Group

- Group revenue of $311.6m was up 25.8% primarily as a result of vehicle remarketing revenues and strong customer growth including the acquisition of Plan Tracker. UNPATA increased by 12.8% to $40.0 on a pcp basis after adjusting for JobKeeper of $7.3m (net of tax) in 1H21 whilst actual UNPATA decreased by 6.5% compared with pcp.

  During the half the Group delivered strong operational performance, achieving an uplift in consolidated revenue underpinned by customer demand and elevated yields in the Group's novated lease business and asset management businesses.

  Client renewals and new business wins underpin salary package growth, with growth in customer demand and increasing carryover to benefit future periods. Novated fleet units experienced a decline due to the global automotive supply shortage with carryover levels increasing 154% on pcp with an estimated $19m of future revenue.

  As a result of the global automotive supply dynamic and the demand for high quality used vehicles, the Group's Asset Management businesses in Australia and the UK experienced favourable residual value conditions. The restructure of the Group's UK business in FY21 continued to benefit group performance in the half.

  Continued customer growth in our Plan and Support Services business benefited Group performance together with the ongoing integration of NSW based plan management provider Plan Tracker.

  During the half the Group continued to focus on the engagement and support of its people, together with its strategic priorities, including ongoing investment in various digital channels in order to improve the customer value proposition, progressing its sustainability initiatives and diversifying funding sources through the establishment of the Group's own funding warehouse facility, Onboard Finance.
- Cash at bank at 31 December 2021 was $131.0m. Excluding fleet funded net debt, the Group has net cash of $115.7m.
- Return on equity was 28.4% and return on capital employed was 33.6%.
- Underlying earnings per share was 51.7 cents.
- The Company declared an interim fully franked dividend of 34 cents per share. The record date is 11 March 2022 and it will be paid on 25 March 2022.

Group Remuneration Services (GRS)

- The GRS segment achieved revenue uplift of 0.6% to $100.5m for the half, with the global automotive supply shortage impacting revenue and EBITDA growth for the period. With growth of 4% in novated lease order rates over the prior period, constrained vehicle supply further increased carry over levels traditionally earned in period, standing to benefit profit in future periods. Segment UNPATA was down 15.3% after adjusting for JobKeeper of $6.3m (net of tax) in 1H21 or 32.7% down including JobKeeper.
- GRS experienced strong client renewals and new business wins which contributed to positive salary package growth of 6,587 packages under management. Novated fleet units experienced a decline as a result of the ongoing automotive supply constraints however carry-over levels increased with an estimated $19m of revenue to benefit future periods.
- With consumer demand continuing to outstrip vehicle supply, GRS continued to witness upward pressure on retail vehicle pricing, resulting in ongoing elevated novated lease yields and average net amount financed.

Asset Management Services[1] (AMS)

- For the AMS segment in Australia and New Zealand, the increase in demand for used vehicles continued to generate increased remarketing yields. These favourable conditions contributed to a 21.8% uplift in revenue and delivered a 47.2% increase in UNPATA compared with the previous period excluding JobKeeper. Asset Written Down Value at $311.3m (including fleet assets funded utilising principal and agency arrangements) was in line with the prior period with sales remaining subdued and vehicle return rates slowing due to vehicle supply shortages leading to additional extensions.
- In the UK, as a result of restructuring undertaken in FY21, and the ongoing limited supply of new vehicles resulting in increased demand for used vehicles elevating remarketing yields, the business experienced strong revenue and profit growth as the country moved out of COVID-19 lockdowns. Revenue of $74.1m and UNPATA achieved of $5.4m were materially up on the previous period.

  The recovery anticipated in the CLM business on the back of pent-up demand post the COVID-19 lockdowns has not been as strong as initially expected. This, combined with the vehicle supply shortage has impacted CLM which relies on the volume of cars being sold to its customers, has resulted in an impairment of the goodwill recognised for $6.0m.
- In RFS, our Aggregation business achieved 27.3% UNPATA growth excluding JobKeeper in the pcp with Net Amount Financed increasing more than 29% on the previous period. The Group completed the divestment of its RFS Retail warranty business in September 2021, resulting in a loss on disposal of $1.2m being recorded in the period.

1 AMS in the current period includes details of the Retail Financial Services (RFS) business.

Plan and Support Services (PSS)

- Plan and Support Services represents a new reporting segment for the Group and includes plan management and support co-ordination services provided to NDIS participants. PSS experienced strong organic customer acquisition driving revenue growth, supplemented with the acquisition of Plan Tracker. Revenue was up 63.6% to $19.5m compared to the prior period. UNPATA of $2.9m for the half reflected significant investments made in the period in people, technology and brand marketing to further expand services to our customers to generate future growth.
- PSS increased its market share during the period with customer growth achieved organically and through the acquisition of Plan Tracker of 69% to 22,729 plan management and support co-ordination customers by period end.

Outlook

The Group continues to pursue organic growth and efficiency across the business, including customer growth, enhancing our digital capability, the implementation of the funding warehouse and potentially through targeted M&A. Trading conditions relating to constrained supply in the global automotive market continue through until at least the end of the 2022 calendar year. COVID-19 also remains a variable. The Group and its people remain well prepared to respond to further changes in conditions.

Yours faithfully,
McMILLAN SHAKESPEARE LIMITED

Helen Kurincic
Chair

Mike Salisbury
Managing Director & Chief Executive Officer

23 February 2022
Melbourne, Australia

For more information, please contact:

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Managing Director and Chief Executive Officer

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Mr Ashley Conn

Chief Financial Officer and Company Secretary

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Directors' Report

Directors

The Directors of McMillan Shakespeare Limited (the Company) present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the half-year ended 31 December 2021 (the Group or Consolidated Group).

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

Ms H. Kurincic

Mr B. Akhurst

Mr J. Bennetts

Mr R. Chessari

Ms K. Parsons

Mr T. Poole

Mr M. Salisbury

Review of operations

A review of the operations of the Consolidated Group during the half-year ended 31 December 2021 and the results of these operations are set out in the attached results announcement.

Results

The consolidated net profit for the half-year ended 31 December 2021 attributable to the members of the Company after providing for income tax was $30,101,000 (1HFY21: $25,482,000).

Dividend

On 23 February 2022, the Board of Directors declared a fully franked dividend of 34 cents per ordinary share. The record date is 11 March 2022 and the dividend will be paid on 25 March 2022.

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 directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument.

Subsequent events

At the date of this report, uncertainties remain in the economic environment and the impact of COVID-19 on the business sectors affecting the Group's businesses. COVID-19 restrictions remain to various degrees across Australia, New Zealand and the UK. Accordingly, there is ongoing uncertainty as to the condition of markets that the Group operates in that may affect the recoverable value of assets, adequacy of provisions and the financial cash flow assumptions used to assess the carrying value of non-current assets.

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

Auditor's independence declaration

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

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

Yours faithfully,
McMILLAN SHAKESPEARE LIMITED

Helen Kurincic
Chair

Mike Salisbury
Managing Director & Chief Executive Officer

23 February 2022
Melbourne, Australia

Auditor's Independence Declaration

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Auditor's Independence Declaration

To the Directors of McMillan Shakespeare Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of McMillan Shakespeare Limited for the half-year ended 31 December 2021. I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 23 February 2022

GrantThornton

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Independent Auditor's Review Report

To the Members of McMillan Shakespeare Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of McMillan Shakespeare Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 23 February 2022

Directors' Declaration

Directors' Declaration

The Directors declare that:

a) The financial statements and notes of McMillan Shakespeare Limited for the half-year ended 31 December 2021 are in accordance with the *Corporations Act 2001,* including;

   i. giving a true and fair view of its financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

   ii. complying with Accounting Standards and the *Corporations Regulations 2001.*

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Yours faithfully,
McMILLAN SHAKESPEARE LIMITED

Helen Kurincic
Chair

Mike Salisbury
Managing Director & Chief Executive Officer

23 February 2022
Melbourne, Australia

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Notes	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Revenue from contracts with customers		311,398	247,415
Interest revenue		215	229
Revenue from continuing operations		311,613	247,644
Fair value on previously held equity interest		-	1,805
Expenses			
Employee benefit expenses	5	(76,961)	(58,636)
Leasing and vehicle management expenses		(102,396)	(48,444)
Brokerage commissions and incentives		(12,792)	(13,288)
Depreciation and amortisation expenses		(34,199)	(33,838)
Net claims incurred		(3,305)	(5,863)
Other operating expenses		(29,533)	(22,934)
Impairment expense	5	(6,028)	(16,338)
Loss on disposal of subsidiary	13	(1,221)	-
Finance costs		(2,558)	(3,832)
Total expenses		(268,993)	(203,173)
Profit before income tax expense		42,620	46,276
Income tax expense		(12,519)	(20,794)
Net profit for the period		30,101	25,482
Profit is attributable to:			
Owners of the Company		30,101	25,482
Non-controlling interests		-	-
		30,101	25,482
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		587	813
Exchange differences on translating foreign operations		537	(582)
Income tax on other comprehensive income		(176)	(188)
Other comprehensive income, net of tax		948	43
Total comprehensive income for the half-year		31,049	25,525
Total comprehensive income for the half-year is attributable to:			
Owners of the Company		31,049	25,525
Non-controlling interests		-	-
		31,049	25,525
Basic earnings per share (cents)		38.9	32.9
Diluted earnings per share (cents)		38.8	32.8

Notes to the financial statements are annexed.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 Dec 2021 $'000	30 June 2021 $'000
Current assets			
Cash and cash equivalents	8	131,021	157,997
Trade and other receivables		38,840	40,975
Finance lease receivables		19,976	21,478
Inventory		15,619	15,312
Current tax receivable		9,337	-
Assets under operating lease		63,283	62,877
Lease incentive receivable, net of lease liability		6,421	-
Prepayments		7,530	4,660
Deferred acquisition costs	13	-	5,218
Derivative financial instruments		314	-
Total current assets		292,341	308,517
Non-current assets			
Finance lease receivables		19,073	29,770
Assets under operating lease		152,002	147,441
Right-of use assets		40,748	40,511
Property, plant and equipment		3,568	4,174
Prepayments		542	-
Intangible assets	7	138,347	134,852
Deferred tax assets		18,580	13,753
Deferred acquisition costs	13	-	6,912
Total non-current assets		372,860	377,413
Total assets		665,201	685,930
Current liabilities			
Trade and other payables		100,549	102,085
Contract liabilities		7,820	7,181
Other liabilities		2,767	8,090
Provisions		13,182	13,722
Unearned premium liability	13	-	19,142
Current tax liability		-	4,148
Borrowings	9	18,658	23,886
Lease Liabilities		3,958	1,602
Derivative financial instruments		-	213
Total current liabilities		146,934	180,069
Non-current liabilities			
Provisions		1,351	1,484
Unearned premium liability	13	-	22,748
Borrowings	9	154,541	152,444
Lease Liabilities		51,761	47,273
Deferred tax liabilities		33,466	12,717
Total non-current liabilities		241,119	236,666
Total liabilities		388,053	416,735
Net assets		277,148	269,195
Equity			
Issued capital	10	76,257	76,257
Reserves		(7,592)	(9,510)
Retained earnings		208,483	202,448
Total equity		277,148	269,195

Notes to the financial statements are annexed.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Notes	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Cash flows from operating activities			
Receipts from customers		297,130	234,201
Payments to suppliers and employees		(232,536)	(161,125)
Proceeds from sale of assets previously under lease		62,774	47,477
Proceeds from sale of lease portfolio		611	32,520
Payments for assets under lease		(63,605)	(31,134)
Government subsidies		10	14,685
Interest received		215	229
Interest paid		(3,185)	(4,295)
Income taxes paid		(11,995)	(16,397)
Net cash from operating activities		49,419	116,161
Cash flows from investing activities			
Payments for capitalised software		(4,174)	(3,417)
Payments for plant and equipment		(665)	(782)
Payments for joint venture subordinated loans		-	(3,520)
Cash transferred on disposal of net assets of subsidiaries	13	(20,140)	-
Acquisition of subsidiary, net of cash acquired	12	(10,736)	5,963
Net cash used in investing activities		(35,715)	(1,756)
Cash flows from financing activities			
Repayment of borrowings		(13,703)	(84,471)
Payments of lease liabilities		(3,083)	(4,001)
Payments for treasury shares		-	(162)
Dividends paid		(24,066)	-
Net cash used in financing activities		(40,852)	(88,634)
Effects of foreign currency translation		172	(109)
Net (decrease) / increase in cash and cash equivalents		(26,976)	25,662
Cash and cash equivalents at the beginning of the half-year		157,997	91,408
Cash and cash equivalents at the end of the half-year	8	131,021	117,070

Notes to the financial statements are annexed.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

Half-year ended 31 December 2021	Issued capital $'000	Retained earnings $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Acquisition reserve $'000	Total $'000
Equity as at the beginning of period	76,257	202,448	1,254	(228)	(3,332)	(7,204)	269,195
Profit attributable to members of the parent entity	-	30,101	-	-	-	-	30,101
Other comprehensive income after tax	-	-	-	411	537	-	948
Total comprehensive income for the period	-	30,101	-	411	537	-	31,049
Transactions with owners in their capacity as owners:							
Share-based payment expense	-	-	970	-	-	-	970
Dividends paid	-	(24,066)	-	-	-	-	(24,066)
Equity as at 31 December 2021	76,257	208,483	2,224	183	(2,795)	(7,204)	277,148

Half-year ended 31 December 2020	Issued capital $'000	Retained earnings $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Acquisition reserve $'000	Total $'000
Equity as at the beginning of period	76,419	164,545	360	(1,288)	(4,018)	(7,132)	228,886
Profit attributable to members of the parent entity	-	25,482	-	-	-	-	25,482
Other comprehensive income / (loss) after tax	-	-	-	625	(582)	-	43
Total comprehensive income / (loss) for the period	-	25,482	-	625	(582)	-	25,525
Transactions with owners in their capacity as owners:							
Treasury shares	(162)	-	-	-	-	-	(162)
Share-based payment expense	-	-	732	-	-	-	732
Equity as at 31 December 2020	76,257	190,027	1,092	(663)	(4,600)	(7,132)	254,981

Notes to the financial statements are annexed.

Notes to the Financial Statements

For the half-year ended 31 December 2021

1. Corporate information

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

2. Basis of preparation

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

This half-year financial report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the half-year period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

The Company is of a kind referred to in 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 Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The consolidated half-year financial report was approved by the Board of Directors on 23 February 2022.

3. Significant accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the Group's last annual financial report for the year ended 30 June 2021 except as outlined below. There were no new or amended Accounting Standards that are effective for the current period which have a material impact upon the Group.

IFRIC agenda decisions on Software-as-a-Service (SaaS) arrangements

The IFRIC has issued two final agenda decisions which impact SaaS arrangements:

– Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
– Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group reviewed the IFRIC agenda decisions during the half-year ended 31 December 2021 and expensed $0.3m (pre-tax) in the financial half-year relating to costs incurred to configure and customise software under a SaaS contract. Furthermore, $0.8m was reclassified from software development costs to prepayments as a result of the agenda decisions.

The accounting policy for capitalised software development costs has been updated to include the following relating to SaaS contracts:

– Software-as-a-Service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. Fees for the use of the application software and customisation costs are recognised as an operating expense over the contract term if not distinct while other configuration, data conversion, testing and training costs are expensed as the service is received. Other costs which give rise to a separate intangible asset are recognised as capitalised software development costs.

IFRS Interpretations Committee agenda decision on Costs necessary to sell Inventories (issued June 2021)

AASB 102 Inventories does not define costs necessary to sell inventories when determining net realisable value. The agenda decision confirmed that an entity cannot limit the costs it includes to those that are only incremental in determining which of its costs are necessary to sell its inventories. The Group reviewed the decision during the half-year ended 31 December 2021 which resulted in a $0.3m (pre-tax) increase in the accumulated provision for impairment loss recognised against assets under operating lease.

4. Segment reporting

During the period the Group changed the structure of its internal organisation and reporting lines in a manner that caused the composition of the reportable segments to change. This was based on internal reports reviewed and used by the Group's Chief Operating 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, type of customer and distribution methods.

The corresponding comparative period has been restated to reflect the change in reportable segments.

Reportable Segment	Services provided
Group Remuneration Services (GRS)	Administrative services in respect of salary packaging and facilitates motor vehicle novated leases for customers Ancillary services associated with motor vehicle novated lease products
Asset Management Services (AMS)	Financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment Retail brokerage services, aggregation of finance originations (but not the provision of finance) and previously provided extended warranty cover prior to the disposal of the RFS Retail business on 30 September 2021 (refer Note 13)
Plan and Support Services (PSS)	Plan management and support coordination services to participants in the National Disability Insurance Scheme (NDIS)

Underlying net profit after-tax and amortisation (UNPATA), being net profit after-tax but before the after-tax impact of acquisition related and non-business operational items (as outlined in the following tables), is the key measure by which management monitors the performance of the segments.

Half-year ended 31 December 2021	GRS $'000	AMS $'000	PSS $'000	Unallocated $'000	Consolidated $'000
Revenue from contracts with customers	100,459	191,423	19,516	-	311,398
Interest revenue	-	8	-	207	215
Segment revenue	**100,459**	**191,431**	**19,516**	**207**	**311,613**
Timing of revenue recognition:					
At a point in time	61,387	133,952	6,651	-	201,990
Over time	39,072	57,471	12,865	-	109,408
Segment revenue from contracts with customers	**100,459**	**191,423**	**19,516**	**-**	**311,398**
UNPATA	20,624	17,105	2,906	(660)	39,975
Reconciliation to statutory net profit/(loss) after tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	(650)	(302)	-	(952)
Impairment of CLM goodwill	-	(6,028)	-	-	(6,028)
Loss and loan finance charge on disposal of subsidiary	-	(1,267)	-	-	(1,267)
Acquisition & disposal related expenses[1]	-	-	(468)	(765)	(1,233)
Accounting standard agenda decisions[2]	-	(394)	-	-	(394)
UNPATA adjustments after-tax	-	(8,339)	(770)	(765)	(9,874)
Statutory net profit/(loss) after-tax attributable to members of the parent entity	**20,624**	**8,766**	**2,136**	**(1,425)**	**30,101**

1 Costs incurred in relation to the acquisition and disposal of Group subsidiaries which included the acquisition of Plan Tracker Pty Ltd which completed on 1 July 2021 and the disposal of Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the RFS Retail business) which completed on 30 September 2021.

2 Impact of IFRIC and IFRS Interpretation Committee agenda decisions adopted during the period (refer Note 3 of the financial report).

Half-year ended 31 December 2020	GRS $'000	AMS $'000	PSS $'000	Unallocated $'000	Consolidated $'000
Revenue from contracts with customers	99,848	135,636	11,931	-	247,415
Interest revenue	-	159	-	70	229
Segment revenue	99,848	135,795	11,931	70	247,644
Timing of revenue recognition:					
At a point in time	59,801	80,233	2,224	-	142,258
Over time	40,047	55,403	9,707	-	105,157
Segment revenue from contracts with customers	99,848	135,636	11,931	-	247,415
UNPATA	30,639	10,000	2,816	(716)	42,739
Reconciliation to statutory net profit/(loss) after-tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	(1,088)	-	-	(1,088)
United Kingdom (UK) restructuring expenses – cash	-	(1,805)	-	-	(1,805)
UK restructuring expenses – non-cash[1]	-	(12,651)	-	-	(12,651)
Impairment of CLM goodwill	-	(1,962)	-	-	(1,962)
Income tax	-	249	-	-	249
UNPATA adjustments after-tax	-	(17,257)	-	-	(17,257)
Statutory net profit/(loss) after-tax attributable to members of the parent entity	30,639	(7,257)	2,816	(716)	25,482

1 Includes the impairment of Maxxia Limited, impairment of the joint venture (the JV) subordinated loan and impairment of deferred tax asset.

5. Material Profit or Loss items

Significant items

(a) UK Impairment and restructuring

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
Subordinated loan loss allowance [1]	-	3,520
Impairment of goodwill and other restructuring expenses [2]	6,028	12,818
	6,028	16,338

1 The subordinated loan loss allowance expense brings to account the loss allowance for the receivable due from Maxxia Ltd prior to acquiring the remaining 50% equity interest on 31 December 2020.

2 Impairment of goodwill in the current period relates to CLM as outlined in Note 7.

The prior period includes the impairment of CLM and Maxxia Ltd goodwill. Impairment of Maxxia Ltd goodwill included the $1,805,000 cost for the acquisition of the remaining JV interest which was based on an historic incentive arrangement to retain prior management.

(b) Government subsidies

	Half-year ended 31 Dec 2021 $'000	Half-year ended 31 Dec 2020 $'000
JobKeeper payment	-	10,450
Coronavirus Job Retention Scheme	10	567
	10	11,017

The Group received the Federal Government economic response subsidy, JobKeeper Payment, for the period from April to September 2020. The UK entities received the Coronavirus Job Retention Scheme, a temporary relief to provide financial support to assist in the retention of employees who may otherwise be laid off during the COVID-19 pandemic. The JobKeeper Payment subsidy assisted the Group to retain its employees and reduce stand downs. In the UK, the subsidy was a pass through for those employees that were furloughed.

The subsidies have been accounted for as a reduction to employee benefit expenses in the Consolidated Statement of Profit or Loss.

6. Dividends

On 23 February 2022, the Board of Directors declared a fully franked dividend of 34 cents per ordinary share. The record date is 11 March 2022 and the dividend will be paid on 25 March 2022.

	Half-year ended 31 Dec 2021		Half-year ended 31 Dec 2020	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares – Final dividend	31.1	24,066	-	-
Unrecognised amounts				
Fully paid ordinary shares – Interim dividend	34.0	26,310	30.2	23,369

7. Goodwill and other intangible assets

Half-year ended 31 Dec 2021	Goodwill $'000	Brands $'000	Dealer relationships $'000	Customer contracts & relationships $'000	Software development costs $'000	Contract rights $'000	Total $'000
Net book amount							
Balance beginning of year	87,862	9,272	6,106	965	30,647	-	134,852
Additions	-	-	-	-	4,174	-	4,174
Additions from business combinations (refer Note 12)	7,215	630	-	4,057	377	-	12,279
Disposal of subsidiary (refer Note 13)	-	-	-	-	(283)	-	(283)
Impairment	(6,028)	-	-	-	-	-	(6,028)
Amortisation	-	-	(672)	(550)	(4,925)	-	(6,147)
Impact of IFRIC agenda decisions	-	-	-	-	(795)	-	(795)
Changes in foreign currency	246	-	25	24	-	-	295
Closing balance	89,295	9,902	5,459	4,496	29,195	-	138,347

(a) Impairment test of goodwill

An impairment loss is recognised in the profit or loss for the amount that the asset's carrying value exceeds the recoverable amount. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and value-in-use (VIU). 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 independent cash flows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of goodwill is allocated to the Group's cash-generating units (CGUs) listed below based on the organisation and management of its businesses.

	31 Dec 2021 $'000	30 June 2021 $'000
Maxxia Pty Limited (Maxxia)	24,190	24,190
Remuneration Services (Qld) Pty Limited (RemServ)	9,102	9,102
CLM Fleet Management plc (CLM)	-	5,959
Anglo Scottish Asset Finance Limited (ASF)	16,979	16,717
Retail Financial Services aggregation business (RFS Aggregation)	31,809	31,894
Plan Tracker Pty Ltd (Plan Tracker)	7,215	-
	89,295	87,862

(b) Key assumptions used for value-in-use ("VIU") calculations

Cash flow projections

The cash flow projections are based on the current calendar year ("CY") 2022 forecast results. The growth assumption used for subsequent years reflect strategic business plans and forecast growth rates. Financial projections also take into account any risk exposures in changes to the trading, market and regulatory environments.

The after-tax discounted cash flow models were based on after-tax cash flows discounted by an after-tax discount rate. The equivalent pre-tax discount rates are provided below.

CLM CGU

COVID-19 resulted in significant uncertainty in the economic environment affecting the Group's businesses in particular the CLM CGU. CLM's business is driven by transactional activities related to the delivery, service, maintenance, repair and disposal of motor vehicles. The COVID-19 lockdown periods had a greater than anticipated impact on these sectors causing a substantial loss to CLM's maintenance management and outsourced fleet management services.

The recovery anticipated on the back of pent-up demand for required services has not been as strong as initially expected. Furthermore, the UK automotive market has been impacted by reduced supply as a result of COVID-19 and a global shortage on microchips that has impacted CLM which relies on the volume of cars being sold to its customers. The current forecasts used in the VIU calculation do not anticipate a return to pre-COVID-19 levels of profitability which has impacted the recoverable amount of the business.

Cash flows beyond the five year period are extrapolated using a terminal growth rate of 2.0% (in-line with long term CPI).

CLM Revenue growth rate assumptions				
CY2022	CY2023	CY2024	CY2025 – CY2026	
(21.5%)	0.1%	0.5%	6.6%	Gradual recovery in CLM's business activities during calendar years 2022 to 2024 as supply dynamics normalise and a recovery in business is anticipated post COVID-19. This is expected to translate into stronger revenue growth in calendar years 2025 and 2026 before a return to normalised revenue growth subsequent to calendar year 2026 in-line with long term CPI.

A 0.25% increase to the discount rate indicated a reduction in VIU of $0.1m and a 5% decrease to revenue indicated a reduction in VIU of $0.2m.

An impairment of $6,028,000 has been estimated from the cash flow scenarios modelled for CLM. The equivalent pre-tax discount rate of 13.6% (2021: 13.2%) was applied in the value-in-use calculation.

RFS Aggregation CGU

The motor vehicle market has been stronger than anticipated with origination levels recovering from the initial decline experienced toward the end of FY2020 due to COVID-19. However, risk remains over future cash flows due to reduced yields due to increased competition and the lender mix.

Cash flows beyond the five year period are extrapolated using a terminal growth rate of 2.0% (in-line with long term CPI).

RFS Aggregation Revenue growth rate assumptions				
CY2022	CY2023	CY2024	CY2025 – CY2026	
(3.0%)	1.1%	2.3%	2.4%	The volume of finance originations is assumed to increase however lower net yields are expected to continue to remain as the business faces increased competition and a change in financier mix.

A 0.25% change to the discount rate indicated an increase or decrease in the VIU of $0.9m. A 5% change to revenue indicated an increase or decrease in the VIU of $5.2m.

Goodwill is considered to be supportable and no impairment has been brought to account based on the VIU model. The equivalent pre-tax discount rate of 16% (2021: 16%) was applied in the value-in-use calculation.

8. Cash and cash equivalents

	31 Dec 2021 $'000	30 June 2021 $'000
Cash on hand	3	5
Bank balances	130,776	157,750
Short term deposits	242	242
	131,021	157,997

Cash and cash equivalents held in trust and not recognised in the Consolidated Statement of Financial Position

Pursuant to contractual arrangements with clients, GRS administers 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 specially designated as monies in trust for clients. All client monies are segregated from the Group's own cash and not included in the Consolidated Statement of Financial Position. 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.

	31 December 2021		30 June 2021	
	Average interest rate	$'000	Average interest rate	$'000
Client monies in trust - interest accruing to the Group	0.28%	439,142	0.51%	435,376
Client monies in trust - interest accruing to clients	0.11%	27,810	0.49%	23,828
		466,952		459,204

Pursuant to contractual agreement with clients, the Company received interest of $807,000 at an average interest rate of 0.28% (half-year ended 31 December 2020: $1,401,000 at an average interest rate of 0.62%) for managing client monies and as part substitute for administration fees.

Notes to the Financial Statements

For the half-year ended 31 December 2021

9. Borrowings

	31 Dec 2021 $'000	30 June 2021 $'000
Current		
Bank borrowings	18,658	23,886
Non-current		
Bank borrowings	144,920	152,444
Other external loans payable	9,621	-
Total non-current borrowings	154,541	152,444
Total borrowings	173,199	176,330

Other external loans payable relates to the promissory note payable to Davantage Group Pty Ltd as a result of the conversion of the amount payable to wholly owned entities of the Group upon disposal of the subsidiary (refer Note 13). The loan has been discounted to present value based on an average interest rate of 1.86%.

(a) Bank borrowings

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

Borrowing	Maturity dates	Facility in local currency '000	Facility $'000	Used[1] $'000	Unused $'000
Revolving	31/03/2023	AUD 75,000	75,000	51,800	23,200
Revolving	31/03/2024	AUD 58,000	58,000	48,000	10,000
Revolving	31/03/2025	AUD 20,000	20,000	5,300	14,700
Revolving	31/03/2023	NZD 11,000	10,358	6,215	4,143
Revolving	31/03/2024	NZD 29,000	27,306	21,751	5,555
Revolving	31/03/2023	GBP 5,000	9,293	-	9,293
Amortising	31/03/2023	GBP 13,500	25,092	25,092	-
Amortising	30/06/2023	GBP 3,068	5,702	5,702	-
			230,751	163,860	66,891

1 Drawn amounts are before borrowing costs.

10. Equity

(a) Movement in issued capital during the period

No movement in ordinary shares occurred during the half-year.

(b) Share-based payments

Employee performance rights granted under the Company's Long-Term Incentive Plan ("LTIP") at 31 December 2021 are as follows:

	Number	Exercise price	Exercise date
Employee Performance Rights	140,652	-	30 September 2022
Employee Performance Rights	398,654	-	30 September 2023
Employee Performance Rights[1]	360,494	-	30 September 2024
	899,800		

1 Performance rights granted during the period under the company's LTIP.

11. Financial instruments

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

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

Financial asset/ (financial liability)	Fair value at 31 Dec 2021 $'000	Fair value at 30 June 2021 $'000	Valuation technique and key input
Interest rate swaps	314	(213)	Discounted cash flow using estimated future cash flows based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted to reflect the credit risk of various counterparties.

Notes to the Financial Statements

For the half-year ended 31 December 2021

12. Business combination

Acquisition of Plan Tracker

On 1 July 2021, the Group acquired 100% of the equity instruments of Plan Tracker Pty Ltd ("Plan Tracker") thereby obtaining control. Plan Tracker is a well-established New South Wales (NSW) based national plan management provider with a footprint in NSW, Queensland, South Australia and Western Australia. The business provides a strong operational and cultural alignment with the Group.

Reconciliation of consideration to cash flow

Purchase consideration – cash outflow for Plan Tracker acquisition	$'000
Cash consideration	11,000
Cash acquired	(264)
Net cash outflow in period	10,736

Assets acquired and liabilities assumed at the date of acquisition

Fair Value at acquisition date (provisional)	$'000
Cash and cash equivalents	264
Trade and other receivables, and prepayments	175
Current tax receivable	63
Property, plant and equipment	77
Right-of-use assets	97
Intangible assets	5,064
Deferred tax assets	55
Assets acquired	5,795
Trade payables and accrued expenses	388
Provisions	117
Lease liabilities	99
Deferred tax liabilities	1,406
Liabilities assumed	2,010
Identifiable net assets acquired	3,785
Goodwill	7,215
Consideration	11,000

The assets and liabilities acquired have been stated provisionally and in accordance with AASB 3 Business Combinations. Goodwill of $7,215,000 primarily represents growth expectations, future profitability, the skill and expertise of Plan Tracker's workforce and expected cost synergies. Goodwill has been allocated to the Plan Tracker CGU and none of the goodwill is expected to be tax deductible.

13. Disposal of subsidiaries

On 30 September 2021, the Group disposed of its 100% equity interest in its subsidiaries Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the RFS Retail business). At the date of disposal, the carrying amounts of the RFS Retail business' net assets were as follows:

	$'000
Current assets	
Cash and cash equivalents	20,140
Trade and other receivables	2,074
Promissory note receivable[1]	9,576
Current tax receivable	266
Prepayments	26
Deferred acquisition costs	5,156
Total current assets	37,238
Non-current assets	
Property, plant and equipment	69
Right-of-use assets	51
Intangible assets	283
Deferred tax assets	231
Deferred acquisition costs	6,933
Total non-current assets	7,567
Total assets	44,805
Current liabilities	
Trade and other payables	84
Provisions	833
Unearned premium liability	19,349
Lease liabilities	65
Total current liabilities	20,331
Non-current liabilities	
Provisions	112
Unearned premium liability	23,141
Total non-current liabilities	23,253
Total liabilities	43,584
Net assets	1,221

1 Promissory note receivable represents the conversion of the amount receivable from wholly owned entities of the Group as at completion and is repayable by the Group to Davantage Group Pty Ltd (refer to Note 9).

14. Events subsequent to reporting date

At the date of this report, uncertainties remain in the economic environment and the impact of COVID-19 on the business sectors affecting the Group's businesses. COVID-19 restrictions remain to various degrees across Australia, New Zealand and the UK. Accordingly, there is ongoing uncertainty as to the condition of markets that the Group operates in that may affect the recoverable value of assets, adequacy of provisions and the financial cash flow assumptions used to assess the carrying value of non-current assets.

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

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