McMillanShakespeareGroup

McMillan Shakespeare Limited
ABN 74 107 233 983 AFSL No. 299054
The Tower, Melbourne Central,
Floor 21, 360 Elizabeth Street,
Melbourne VIC 3000
Phone: 03 9097 3000
Fax: 03 9097 3048
Web: www.mmsg.com.au

29 August 2022

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

By E-lodgement

McMillan Shakespeare Limited 2022 Appendix 4E

This release contains an announcement to the Australian Securities Exchange Limited (ASX) regarding the following:

1. Appendix 4E in accordance with listing rule 4.3A of the ASX listing rules.
2. Financial information for the year ended 30 June 2022.

Yours faithfully
McMillan Shakespeare Limited

Ashley Conn
Chief Financial Officer and Company Secretary

This document was authorised for release by the MMS Board.

McMillan Shakespeare Limited

Appendix 4E

Preliminary Final Report Provided Under Listing Rule 4.3A

Year Ended 30 June 2022

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

Current period: 1 July 2021 to 30 June 2022

Previous corresponding period: 1 July 2020 to 30 June 2021

2. Results for announcement to the market

	Key information	Percentage change	Year ended 30 June 2022 $'000	Year ended 30 June 2021 $'000
2.1	Revenues from continuing operations	9.1%	594,138	544,451
2.2	Profit from ordinary activities after income tax attributable to members	15.2%	70,349	61,065
2.3	Net profit from ordinary activities after income tax attributable to members	15.2%	70,349	61,065
2.3.1	Underlying net profit after tax and acquisition amortisation (UNPATA) attributable to members	3.6%	82,072	79,213
2.3.2	Normalised[1] UNPATA attributable to members	16.5%	83,766	71,898

2.4 Dividends

	Amount per security	Franked amount per security
Final dividend	$0.740	$0.740
Interim dividend	$0.340	$0.340
Total dividend (interim plus final)	$1.080	$1.080

There is no dividend reinvestment plan in operation.

2.5 Dividend record date

Ex-dividend date	26 October 2022
Record date for determining entitlements to the dividend	27 October 2022
Dividend payment date	10 November 2022

2.6 Information on Note 2.2 and 2.3

Net profit after-tax for the year of $70,349,000 includes the after-tax impact of acquisition related and non-business operational items as detailed in Note 2.1 of the following financial information. Underlying Net Profit after Income Tax and Amortisation that excludes these items is $82,072,000 which is up 3.6% on the preceding year of $79,213,000.

[1] Normalised refers to adjustments made for the negative earnings transitional period for the implementation of the funding warehouse, OnBoard Finance ("Warehouse"). It normalises for the Warehouse's in year operating and establishment expenses and for an adjustment for commissions that would have otherwise been received in period had the sales been financed via a principal and agency funder rather than through the Warehouse. Normalised financials are stated for FY22 and FY21 (for comparative purposes) and are currently expected to be stated up to and including FY25. For FY21 normalisations only include an adjustment to remove the impact of JobKeeper.

3. Statement of Comprehensive Income

Refer Statements of Profit or Loss and Other Comprehensive Income in the following financial information.

4. Statement of Financial Position

Refer Statements of Financial Position in the following financial information.

5. Statement of Cash Flows

Refer Statements of Cash Flows in the following financial information.

6. Statement of Changes in Equity

Refer Statements of Changes in Equity in the following financial information.

7. Details of Dividend Payment

Refer Dividends note in the following financial information.

8. Dividend reinvestment plan

None.

9. Net tangible assets per security

	Year ended 30 June 2022 $	Year ended 30 June 2021 $
Ordinary shares	2.01	1.74

10. Control gained or lost over entities during the financial year

Name of entities where control was gained during the period	Date control acquired
Plan Tracker Pty Ltd (Plan Tracker)	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
CLM Fleet Management plc	31 May 2022
The Car House Milton Keynes Limited	31 May 2022
Corporate Vehicle Rentals Limited	31 May 2022
Total Vehicle Mgt Limited	31 May 2022

11. Details of Joint Venture entities

McMillan Shakespeare Limited (the Company) obtained control of Maxxia Limited on 31 December 2020 through the acquisition of the remaining 50% equity interest in Maxxia Limited. The acquisition cost of $1,805,000 was based on an historical incentive arrangement to retain prior management. The 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 net investment in the joint venture.

Refer to Note 6.3 of the following financial information.

12. Significant information on financial performance and financial position for investors

Principal activities

The principal activities of the Company and its controlled entities (MMS or the Group) were the provision of salary packaging, novated leasing, disability plan management and support co-ordination, asset management and related financial products and services.

Review of operations

The Group delivered a strong financial performance in FY22 and delivered on several strategic priorities amidst a complex operating environment including continued global motor vehicle supply constraints.

Key achievements and initiatives during FY22 included driving organic growth in salary packaging customers and novated lease orders, the ongoing enhancement of our digital channels, the acquisition of Plan Tracker, diversifying our funding sources through the establishment of our funding warehouse, Onboard Finance (Warehouse), and expanding and executing on our sustainability strategy. .

Segment Review

Group Remuneration Services (GRS)

In GRS, total normalised revenue earned for the period was $206.6 million, up 2.0% on FY21, whilst normalised UNPATA was $48.4 million, a 2.1% decrease on the previous period.

Salary Packaging and Novated Leasing

The Group experienced growth in our customer base of 13,500 salary packages across the period which was a combination of new business and organic growth.

In FY22 we were re-appointed as one of two salary packing providers on a major existing contract and secured new business wins across the government, health, not for profit and private sectors. In particular, MMS announced that it is to become the sole provider of salary packaging and novated leases to the Department of Education and Training (Victoria) during the year which is scheduled to commence in FY23.

Ongoing global motor vehicle supply constraints continued to impact our novated lease business, with normalised revenue increasing 2.0% on FY21 with MMS novated lease sales outperforming the new car sales market. While demand remains high, a lack of available new car stock has meant that expenses have been incurred to originate orders that were not able to be fulfilled in FY22 resulting in a significant volume of customer orders carried over into future periods where the revenue is expected to recognised. The total carry over value as at 30 June 2022 was ~$26m. Higher average yields resulting from inflated retail pricing in the automotive market helped to offset the impact to revenue for FY22.

During the period a principal and agent (P&A) funder to MMS sold its motor vehicle dealer finance and novated lease funding business and connected with the transaction MMS executed new supply and transition agreements.

Onboard Finance –Funding Warehouse

During FY22 we established our funding warehouse, Onboard Finance, which operates as a funding option alongside existing P&A funders.

Onboard Finance was created to enhance long term profitability for MMS and offer a secure, flexible and alternative funding source for our novated lease customers. By transitioning to more annuity style revenue over the life of a lease, Onboard Finance will deliver higher overall value from each transaction. Following Australian Securities and Investment Commission (ASIC) approval of our credit licence in April 2022 and with strong support from funders, the business commenced financing novated leases leveraging our RemServ and Maxxia brands. Our target is for 20% of novated lease funding to be financed via the Warehouse and we expect to ramp up during FY23 to this level.

Digital Strategy

During the period we continued to implement and invest in our Digital Strategy. The strategy seeks to invest in technology that will enable us to improve efficiency, execution and distribution, focusing on building customer self serve capability.

A key focus of our Digital Strategy for FY22 was on building out capability to deliver personalised and connected customer experiences.

Initiatives during FY22 included:

- expanded roll out of a new Digital Estimate platform to 85% of clients which also enables Electric Vehicle (EV) comparisons;
- launched a new identity management solution enabling enhanced security, improved password management and streamlined login; and
- introduced new Maxxia and RemServ LiveChat experience, which improved customer connection and operational efficiency through integration with core contact centre operating systems.

These initiatives contributed to an average monthly Net Promoter Score (NPS) for our GRS segment of 53, above the sector benchmark and above pre-pandemic levels.

Plan and Support Services (PSS)

Our newly created Plan and Support Services segment during FY22 delivered plan management and support coordination customer growth of 64% to 25,876, helping to produce a 21.4% increase in Segment UNPATA to $6.6m.

The increase in customers is consistent with our growth strategy and has been complemented by the acquisition in July 2021 of Plan Tracker. While growth in the support coordination customers contributed to a 20% increase in delivered support coordination hours.

Throughout FY22, we continued our focus on creating an engaging customer experience through the development of innovative digital technology. The investment made in the digital strategy seeks to provide our customers with tools to help navigate the NDIS and improve their outcomes. Further initiatives were completed this period, including an NDIS Budget Calculator, an online tool that allows participants, carers and support coordinators to budget more effectively.

Other key digital measures introduced during FY22 include the enhancement of our Customer Dashboards to encourage greater self-service, the creation of an online Knowledge Centre and a new website which provides a more accessible user experience.

Asset Management Services - Australia and New Zealand (AMS ANZ)

AMS ANZ achieved UNPATA of $18.0 million, an increase of 19.6% on FY21. Through FY22 new business volumes continued to be negatively affected by delays in new vehicle supply, however an increase in demand for high quality used vehicles resulted in higher yields through our wholesale and retail remarketing channels. Remarketing profits for the year increased by 36% on FY21. AMS ANZ also recorded a significant number of new client wins and renewed a number of contracts in FY22.

The contraction of new vehicle supply also contributed to an increase in contract extensions, which increased the average duration and age of the fleet. This led to a 2.2% increase in written down value of assets under management, which was $318 million as at 30 June 2022. Our two Just Honk retail yards in New South Wales and Victoria were strong contributors to the segment's performance, despite being closed to the public in early FY22 as a result of pandemic restrictions.

Through FY22 we continued to support our customers as they looked to reduce their carbon footprint and increase the number of zero emissions vehicles in their fleets, including a pilot program that involved Interleasing providing EV's for the organisation to use in its national fleet.

We rebranded Maxxia Fleet New Zealand to Interleasing, providing us with a platform for improved service of customers between the two countries and the ability to provide the New Zealand market with online tools previously only available within Australia.

Asset Management Services – UK (AM UK)

AM UK delivered UNPATA of $8.5 million, up from $1.4 million in FY21.

The limited supply of new vehicles impacting our ANZ business also was experienced in the UK, with demand for used vehicles – and in turn elevated used car prices and remarketing yields – increasing markedly over the period. The strong performance was also driven by the strategic restructuring which we undertook last year.

Off-balance sheet originations increased over the period with Net Amount Financed (NAF) of $841 million representing an 7.8% increase on FY21 and in part due to the lifting of COVID-19 restrictions and the gradual improvement in business confidence.

Through FY22 we continued to run down the existing on balance sheet lease portfolio, which has reduced by 55% over the period to $23.3 million. We will continue to execute on this strategy into FY23, with much of the book expected to run off during the first half of the year.

We also made the decision to divest the CLM fleet management business after a strategic review. The business was divested on 31 May 2022.

Aggregation

Aggregation business NAF of $1.168 billion an increase of 15.9% on FY21. This result occurred against a backdrop of challenging market conditions that included increased competition and a shift in our business mix away from Consumer to Commercial lending.

State of affairs

There were no other significant changes in the state of affairs of the Company and its controlled entities during the financial year ended 30 June 2022 that are not otherwise disclosed in this document.

Risks

MMS's approach to risk management, underpinned by the Group's risk management policy, framework and risk appetite, overseen by the Audit, Risk and Compliance Committee, is embedded in our culture and decision making.

MMS bases its risk management procedures on the Risk Management Standard AS ISO 31000:2018. As part of normal business activities, Senior Executives identify and/or review key risks. The results of these reviews are recorded in the MMS risks register, which is used by the Management Risk and Compliance Committee and the Board Audit, Risk and Compliance Committee to monitor risks and mitigation strategies.

Key risks include:

MMS's approach to risk management, underpinned by the Group's risk management policy, framework and risk appetite, overseen by the Audit, Risk and Compliance Committee, is embedded in our culture and decision making.

MMS bases its risk management procedures on the Risk Management Standard AS ISO 31000:2018. As part of normal business activities, Senior Executives formally identify and/or review key risks. The results of these reviews are recorded in the MMS risks register, which is used by the Management Risk and Compliance Committee and the Board Audit, Risk and Compliance Committee ("ARCC") to actively monitor risks and associated mitigation strategies.

Key risks include:

Key risks	Strategy
Geopolitical and macro environment: impacts due to geopolitical risks and/or economic conditions such as a recession.	• Maintain and regularly review appropriate capital and balance sheet position. • Asset Management portfolio concentration tolerance settings, reviews and stress testing. •
New vehicle supply chain: global impact due to supply chain challenges, further exacerbated by the Russia / Ukraine conflict.	• Strengthening and broadening of relationships with supply chain partners. • Business model diversification.
Regulatory and policy change: changes to government regulation and policy such as: NDIS, Fringe Benefit Tax ("FBT"), import or luxury vehicle taxes, FBT exemption on Electric Vehicles ("EV").	• Stakeholder engagement across Governments. • Active participation and support of peak industry bodies such as NALSPA and Disability Intermediaries Australia. • Development of products and services to support clients and customers as and when they transition to EV. • Business model diversification
Labour and skills shortages and wage inflation: upward labour cost pressures, shortage of skilled staff and increased staff turnover.	• Reviewing and aligning remuneration appropriate to market settings. • Investment in people including learning and development programs. • Creating an inclusive culture that supports a hybrid working model and organisational purpose and values.
Customer contracts: Material customer contracts and/or multiple contracts at risk when up for renewal.	• Maintaining and strengthening client relationships. • Delivering high levels of customer service. • Different tenures of contracts
Interest rate increases and credit spread changes: Market interest rate increases and increases in credit spreads may create upward pressure on pricing.	• Management Interest Committee in place to monitor interest rate changes, outlook and MMS businesses' pricing • Hedging policy in place designed to minimise interest rate risk. • Diversity of competitive funding channels (including MMS's newly established OnBoard Finance funding warehouse) to minimise credit spread risk and pricing impact for our customers. • Benefit from increases in interest rates on cash balances.
Cyber security: Threat of cyber-attacks on MMS systems.	• Dedicated cyber security team in place. • Ongoing cyber security program to continuously review and strengthen security controls. • Security controls cover the key functions of "identify, protect, detect, respond, recover", and include policies, technical controls, operating procedures, training and awareness.
Technology: The non-performance or failure of key technology and operating systems.	• Information & Communication Technology (ICT) Risk Committee in place to monitor and manage technology risks. • Operational monitoring and governance of technology asset life cycle and resiliency in place. • Crisis management framework in place incorporating business continuity plans (BCPs), disaster recovery plan (DRP) and cyber security incident response plan (CSIRP).
Data and privacy: occurrence of a significant incident of MMS's data and privacy obligations.	• Data incident policies and response plan in place. • Compliance Framework and mandatory training in place. • Incident monitoring and reporting in place.

Key risks	Strategy
Key suppliers: non-performance or failure of MMS key suppliers.	• MMS Group Procurement Policy and Supplier Code of Conduct in place. • Annual review of key suppliers, including risk assessment. • Monitoring of performance standards.
Auto financier market: Capital market constraints and Australian auto financier restructuring impacting the security and ongoing commitment of funding in the automotive segment.	• MMS owned funding warehouse, Onboard Finance established. • Contracts in place with a panel of funders to have diversification of supply.
Credit risk management: including credit risk in the asset financing and warehouse businesses.	• Managed via business credit policies and tolerance settings. • Management Credit Committee in place to monitor credit risk and performance against tolerance settings. • ESG risk assessment is factored in where it is relevant to a credit rating.
Commission caps on sale of add-on insurance products: commission caps by ASIC may result in impact to revenue.	• Product reform already undertaken to reduce the impact of future caps. • Active participation and support of peak industry bodies (such as NALSPA) to ensure MMS is informed on potential changes to regulation.
Pricing pressure from competition and/or impacts of disruption: result in loss of customers and decreased revenue.	• Delivering high standards of client service. • Maintaining and strengthening client engagement to ensure we understand and focus on supporting client needs. • Market awareness and disciplined approach to pricing.

Outlook and likely developments

It is expected that many of the market conditions experienced this year will flow into FY23 such as the COVID-19 pandemic and global motor vehicle supply constraints. An environment of labour market constraints, rising inflation and interest rates will also present both challenges and opportunities.

GRS will benefit from continued elevated new and used car prices on novated lease yields. While demand remains high, a lack of available new car stock has meant that expenses have been incurred to originate orders that were not able to be fulfilled in FY22 resulting in a significant volume of customer orders carried over into future periods where the revenue is expected to recognised. We will also be on-boarding recent customer wins and invest in enhancing the customer experience through digital and data analytics for future productivity benefits. Through the establishment of the Warehouse we will continue to ramp up to 20% of novated volume which is expected to have an ~($11m) UNPATA impact in FY23.

AMS will continue to focus on customer needs, including working with clients on reducing their carbon footprint as they plan transitioning their fleets to EVs, benefit from ongoing elevated used vehicles prices and explore exit options for the UK business.

PSS growth will continue as the NDIS expands towards an expected 859,000 participants by 2030. Our focus is to fully integrate the Plan Tracker business and develop a scalable platform to grow the business whilst actively pursuing further acquisition opportunities.

Our balance sheet remains in a position to support organic customer growth, diversification of our funding sources through the Warehouse and exploring opportunities for acquisitions.

In terms of capital management and improved returns to shareholders we will complete the announced up to 10% off-market share buyback in 1HFY23 and also apply our new dividend policy of a payout ratio of 70%-100% of UNPATA for the warehouse transition period.

Events subsequent to balance date

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

In August 2022 MMS entered into an agreement to obtain new five year debt facilities totaling $60m to support working capital requirements.

On 29 August 2022 MMS announced that it intends to undertake an off-market buy-back of up to 10% of MMS ordinary shares as part of its ongoing capital management strategy.

13. Accounting standards used by foreign entities

No differences to Group Policies or International Financial Reporting Standards (IFRS).

14. Commentary on the results for the financial year

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 year ended 30 June 2022, Group UNPATA of $82.1m (2021: $79.2m) was 3.6% higher than the previous corresponding period (pcp).

	FY22 $'000	FY21 $'000
Net profit after income tax attributable to members of the parent entity (item 2.2)	70,349	61,065
Amortisation of intangible assets acquired on business combination	1,836	1,578
Impairment of CLM goodwill and intangible assets	6,028	1,962
Loss on disposal of subsidiaries	1,221	-
UK restructuring expenses – cash and non-cash [1]	-	14,560
Acquisition and disposal related expenses [2]	2,249	48
Other	389	-
Consolidated UNPATA	**82,072**	**79,213**

1 Includes the impairment of Maxxia Limited, impairment of the JV subordinated loan and impairment of deferred tax asset.
2 Costs incurred in relation to the acquisition and disposal of Group subsidiaries which included the acquisition of Plan Tracker Pty Ltd on 1 July 2021 and the disposal of Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the RFS Retail business) on 30 September 2021 and CLM UK on 31 May 2022.

	FY22 $'000	FY21 $'000	FY22 $'000	FY21 $'000
	Revenue		UNPATA[1]	
Group Remuneration Services	206,480	202,552	46,688	55,723
Asset Management Services	346,065	315,520	30,257	19,544
Plan & Support Services	41,261	26,229	6,605	5,437
Segment operations	**593,806**	**544,301**	**83,550**	**80,704**
Unallocated	332	150	(1,478)	(1,491)
Consolidated	**594,138**	**544,451**	**82,072**	**79,213**

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

Basic earnings per share as shown in the financial information was 90.9 cents per share (2021: 78.9 cents per share) and on a diluted basis 90.6 cents per share (2021: 78.4 cents per share). Basic UNPATA per share is 106.1 cents per share (2021: 102.4 cents per share).

For additional information and commentary, refer to the FY22 Results Presentation announced to the ASX on 29 August 2022.

15. Audit

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

For more information, please contact:

Mr Rob De Luca
Managing Director and Chief Executive Officer
McMillan Shakespeare Limited
Telephone: +61 3 9097 3000

Mr Ashley Conn
Chief Financial Officer and Company Secretary
McMillan Shakespeare Limited
Telephone: +61 3 9097 3000

McMillan Shakespeare Limited

Financial Information
For the year ended 30 June 2022

Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Revenue					
Revenue from contracts with customers	2.2	593,773	544,222	-	-
Interest income		365	229	-	106
Dividends received	2.3	-	-	50,375	128,109
Revenue from continuing operations		**594,138**	**544,451**	**50,375**	**128,215**
Fair value on previously held equity interest	6.1	-	1,805	-	-
Expenses					
Employee benefit expenses		(154,824)	(130,690)	(1,202)	(1,006)
Leasing and vehicle management expenses		(177,393)	(141,189)	-	-
Brokerage commissions and incentives		(25,004)	(27,489)	-	-
Depreciation and amortisation expenses	2.4	(69,036)	(67,113)	-	-
Net claims incurred		(3,305)	(12,264)	-	-
Other operating expenses	2.4	(54,538)	(46,473)	(2,877)	(1,196)
Finance costs		(5,022)	(8,386)	(21)	(161)
Operational expenses excluding impairment & other non-operational items		(489,122)	(433,604)	(4,100)	(2,363)
Impairment of intangible assets	2.4	(6,028)	(13,541)	-	
Impairment of financial assets	2.4	-	(2,270)	-	(5,541)
Gain/(loss) on loss of control of subsidiary		(1,221)	305	-	-
Related party loan forgiveness		-	-	-	52,640
Impairment & other non-operational items		(7,249)	(15,506)	-	47,099
Total expenses		**(496,371)**	**(449,110)**	**(4,100)**	**44,736**
Profit / (loss) before income tax		**97,767**	**97,146**	**46,275**	**172,951**
Income tax (expense) / benefit	2.5	**(27,418)**	**(36,081)**	**1,165**	**687**
Net profit / (loss) for the year		**70,349**	**61,065**	**47,440**	**173,638**
Net profit / (loss) attributable to Owners of the Company		**70,349**	**61,065**	**47,440**	**173,638**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Changes in fair value of cash flow hedges		3,216	1,514	-	-
Exchange differences on translating foreign operations		(1,862)	652	-	-
Reclassification of exchange differences on disposal of foreign operation		266	34	-	-
Income tax on other comprehensive income		(965)	(454)	-	-
Other comprehensive income / (loss) for the year		**655**	**1,746**	**-**	**-**
Total comprehensive income / (loss) for the year		**71,004**	**62,811**	**47,440**	**173,638**

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2022

Total comprehensive income / (loss) for the year attributable to:					
Owners of the Company		**71,004**	**62,811**	**47,440**	**173,638**
Non-controlling interest		**-**	**-**	**-**	**-**
Total comprehensive income / (loss) for the year		**71,004**	**62,811**	**47,440**	**173,638**
Basic earnings per share (cents)	2.6	**90.9**	**78.9**		
Diluted earnings per share (cents)	2.6	**90.6**	**78.4**		

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Statements of Financial Position
As at 30 June 2022

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Current assets					
Cash and cash equivalents	4.1	160,796	157,997	580	74
Trade and other receivables	3.2	35,267	40,975	496	481
Finance lease receivables	3.3	14,609	21,478	-	-
Assets under operating lease	3.4	73,945	62,877	-	-
Inventories	3.6	15,574	15,312	-	-
Prepayments		5,525	4,660	-	19
Deferred acquisition costs	3.7	-	5,218	-	-
Derivative financial instruments		2,931	-	-	-
Total current assets		**308,647**	**308,517**	**1,076**	**574**
Non-current assets					
Finance lease receivables	3.3	13,531	29,770	-	-
Assets under operating lease	3.4	149,722	147,441	-	-
Right-of-use assets	3.5	35,982	40,511	-	-
Property, plant and equipment		11,322	4,174	-	-
Intangible assets	3.1	135,548	134,852	-	-
Deferred tax assets	2.5	25,145	13,753	-	-
Deferred acquisition costs	3.7	-	6,912	-	-
Other financial assets	6.2	-	-	254,822	253,303
Total non-current assets		**371,250**	**377,413**	**254,822**	**253,303**
TOTAL ASSETS		**679,897**	**685,930**	**255,898**	**253,877**
Current liabilities					
Trade and other payables	3.8	83,819	102,085	25,942	12,372
Contract liabilities	3.9	7,823	7,181	-	-
Other liabilities	3.9	18,842	8,090	-	-
Provisions	3.10	13,383	13,722	-	-
Unearned premium liability	3.7	-	19,142	-	-
Current tax liability		1,158	4,148	2,906	2,824
Borrowings	4.2	15,851	23,886	-	5,761
Lease liabilities	3.5	4,212	1,602	-	-
Derivative financial instruments		-	213	-	-
Total current liabilities		**145,088**	**180,069**	**28,848**	**20,957**
Non-current liabilities					
Unearned premium liability	3.7	-	22,748	-	-
Provisions	3.10	1,195	1,484	-	-
Borrowings	4.2	151,933	152,444	-	3,991
Lease liabilities	3.5	46,852	47,273	-	-
Deferred tax liabilities	2.5	43,398	12,717	391	942
Total non-current liabilities		**243,378**	**236,666**	**391**	**4,933**
TOTAL LIABILITIES		**388,466**	**416,735**	**29,239**	**25,890**
NET ASSETS		**291,431**	**269,195**	**226,659**	**227,987**
Equity					
Issued capital	4.5	76,257	76,257	76,257	76,257
Reserves		(7,248)	(9,510)	2,861	1,254
Retained earnings		222,422	202,448	147,541	150,476
TOTAL EQUITY		**291,431**	**269,195**	**226,659**	**227,987**

The above Statements of Financial Position should be read in conjunction with the accompanying notes

Statements of Changes in Equity
For the year ended 30 June 2022

2022	Note	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
		Consolidated Group						
Equity as at beginning of year	4.5	76,257	202,448	1,254	(228)	(3,332)	(7,204)	269,195
Net profit for the year		-	70,349	-	-	-	-	70,349
Other comprehensive income for the year		-	-	-	2,251	(1,596)	-	655
Total comprehensive income for the year		**-**	**70,349**	**-**	**2,251**	**(1,596)**	**-**	**71,004**
Transactions with owners in their capacity as owners:								
Share-based expense	5.1	-	-	1,607	-	-	-	1,607
Dividends paid	4.6	-	(50,375)	-	-	-	-	(50,375)
Equity as at 30 June 2022		**76,257**	**222,422**	**2,861**	**2,023**	**(4,928)**	**(7,204)**	**291,431**

2021	Note	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
		Consolidated Group						
Equity as at beginning of year	4.5	76,419	164,545	360	(1,288)	(4,018)	(7,132)	228,886
Net profit for the year		-	61,065	-	-	-	-	61,065
Other comprehensive income for the year		-	-	-	1,060	686	-	1,746
Total comprehensive income for the year		-	61,065	-	1,060	686	-	62,811
Transactions with owners in their capacity as owners:								
Share-based expense	5.1	-	-	1,101	-	-	-	1,101
Treasury shares	4.5	(162)	-	-	-	-	-	(162)
Reclassification of share-based payment reserve		-	207	(207)	-	-	-	-
Adjustment to acquisition reserve		-	-	-	-	-	(72)	(72)
Dividends paid	4.6	-	(23,369)	-	-	-	-	(23,369)
Equity as at 30 June 2021		**76,257**	**202,448**	**1,254**	**(228)**	**(3,332)**	**(7,204)**	**269,195**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes

Statements of Changes in Equity

For the year ended 30 June 2022

		Parent				
2022	**Note**	**Issued capital $'000**	**Retained earnings $'000**	**Share-based payment reserve $'000**	**Cash flow hedge reserve $'000**	**Total $'000**
Equity as at beginning of year	4.5	**76,257**	**150,476**	**1,254**	**-**	**227,987**
Profit attributable to owners of the Company		-	47,448	-	-	47,448
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	47, 440	-	-	47,448
Transactions with owners in their capacity as owners:						
Share-based expense	5.1	-	-	1,607	-	1,607
Dividends paid	4.6	-	(50,375)	-	-	**(50,375)**
Equity as at 30 June 2022		**76,257**	**147,541**	**2,861**	**-**	**226,659**

		Parent				
2021	**Note**	**Issued capital $'000**	**Retained earnings $'000**	**Share-based payment reserve $'000**	**Cash flow hedge reserve $'000**	**Total $'000**
Equity as at beginning of year	4.5	76,419	-	360	-	76,779
Profit attributable to owners of the Company		-	173,638	-	-	173,638
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	173,638	-	-	173,638
Transactions with owners in their capacity as owners:						
Share-based expense	5.1	-	-	1,101	-	1,101
Treasury shares		(162)	-	-	-	(162)
Reclassification of share-based payment reserve		-	207	(207)	-	-
Dividends paid	4.6	-	(23,369)	-	-	(23,369)
Equity as at 30 June 2021		**76,257**	**150,476**	**1,254**	**-**	**227,987**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes

Statements of Cash Flows
For the year ended 30 June 2022

	Note	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Cash flows from operating activities					
Receipts from customers		584,831	551,400	-	-
Payments to suppliers and employees		(425,591)	(371,002)	(2,582)	(514)
Proceeds from sale of assets previously under lease		99,468	81,758	-	-
Proceeds from sale of lease portfolio		-	34,909	-	-
Payments for assets under lease		(117,091)	(76,942)	-	-
Government subsidies		-	14,809	-	-
Interest received		365	229	331	106
Interest paid		(8,223)	(9,938)	(21)	(161)
Dividends received		-	-	50,375	23,369
Income taxes paid		(13,814)	(30,258)	-	-
Net cash from/(used) in operating activities	4.1	**119,945**	194,965	**48,103**	22,800
Cash flows from investing activities					
Payments for capitalised software	3.1	(8,188)	(7,572)	-	-
Payments for plant and equipment		(1,066)	(2,367)	-	-
Payments for joint venture subordinated loans	6.2	-	(3,520)	-	-
Cash transferred on disposal of subsidiaries, net of cash consideration received		(22,401)	(565)	-	-
Acquisition of subsidiary, net of cash consideration paid	6.1	(10,736)	5,963	-	-
Net cash used in investing activities		**(42,391)**	(8,061)	**-**	-
Cash flows from financing activities					
Dividends paid by parent entity	4.6	(50,375)	(23,369)	(50,375)	(23,369)
Proceeds from borrowings	4.1	73,707	124,792	-	-
Repayments of borrowings	4.1	(89,910)	(215,070)	(9,752)	(5,124)
Payments for lease liabilities		(7,486)	(6,726)	-	-
Payment for treasury shares	4.5	-	(162)	-	(162)
Proceeds from loans from controlled entities		-	-	12,530	5,709
Net cash from financing activities		**(74,064)**	(120,535)	**(47,597)**	(22,946)
Net increase / (decrease) in cash and cash equivalents		**3,490**	66,589	**506**	(146)
Effect of exchange changes on cash and cash equivalents		(691)	220	-	-
Cash and cash equivalents at beginning of year		**157,997**	91,408	**74**	220
Cash and cash equivalents at end of year	4.1	**160,796**	157,997	**580**	74

The above Statements of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Financial Statements
For the year ended 30 June 2022

1. Introduction

Reporting entity

The Company is a for-profit company limited by shares which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX).

Basis of preparation and accounting policies

These financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001 (Cth)*. These financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Except for cash flow information, the financial statements have been prepared on an accrual and historical cost basis except for certain financial instruments measured at fair value as explained in the notes to the financial statements (the Notes).

The accounting policies adopted are consistent with those of the previous financial year unless stated otherwise. These financial statements present reclassified comparative information where required for consistency with current year's presentation.

Key judgements, estimates and assumptions

The preparation of the financial statements requires judgement and the use of estimates and assumptions in applying the Group's accounting policies, which affects amounts reported for assets, liabilities, income and expenses.

Judgements, estimates and assumptions are continuously evaluated and are based on:

- historical experience
- current market conditions
- reasonable expectations of future events

Actual results may differ and uncertainty about these judgements, estimates and assumptions could result in a material adjustment to the carrying amount of assets or liabilities in future periods. Significant judgement was required to derive reasonable estimates of the significant uncertainties including COVID-19 on future business plans, operating capability and cash flow projections.

The key areas involving judgement or significant estimates and assumptions are set out below:

Note	Item	Judgements, Estimates and Assumptions
3.1	Intangible assets	Assessment of recoverable amount
3.4	Assets under operating lease	Lease assets residual value
4.3(b)	Trade and other receivables and finance lease receivables	Impairment of financial assets

Detailed information about each of these judgements, estimates and assumptions are included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

Notes to the Financial Statements
For the year ended 30 June 2022

The Notes

The Notes include information which is required to understand the financial statements and is material and relevant to the operations, financial performance and position of the Group. Information is considered material and relevant where:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group; or
- it helps explain the impact of significant changes in the Group's business

The Notes are organised into the following sections:

2 **Performance:** information on the performance of the Group, including segment results, earnings per share (EPS) and income tax.

3 **Assets and Liabilities:** details the assets used in the Group's operations and the liabilities incurred as a result.

4 **Capital Management:** information relating to the Group's capital structure and financing as well as the Group's exposure to various financial risks.

5 **Employee Remuneration and Benefits:** information relating to remuneration and benefits provided to employees and key management personnel.

6 **Group Structure:** information relating to subsidiaries and other material investments of the Group.

7 **Unrecognised Items:** information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial performance or position in the future.

8 **Other Disclosures:** other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group's financial performance or position.

Basis of consolidation

Subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group's share of results of its equity accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Group's share of all intercompany balances, transactions and unrealised profits are eliminated.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Foreign currency

The consolidated financial statements of the Group are presented in Australian dollars which is the presentation currency. The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Differences resulting at settlement of such transactions and from the translation of monetary assets and liabilities at reporting date are recognised in the profit or loss.

Non-monetary items are not retranslated at reporting date and are measured at historical cost (being the exchange rates at the dates of the initial transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Group companies

On consolidation of the financial results and affairs of foreign operations, assets and liabilities are translated to the presentation currency at prevailing exchange rates at reporting date and income and expenses for the year at average exchange rates. The resulting exchange differences on consolidation are recognised in other comprehensive income (OCI) and accumulated in equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Accounting policies

Accounting policies that summarise the classification, recognition and measurement basis of financial statement line items and that are relevant to the understanding of the consolidated financial statements are provided throughout the notes.

Current versus non-current classification

Assets and liabilities are presented in the Statements of Financial Position based on current / non-current classification.

An asset is current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

- it is expected to be settled in the Group’s normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after reporting date; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after reporting date.

The Group classifies all other liabilities as non-current.

Rounding of amounts

The amounts contained in these financial statements have been rounded to the nearest thousand dollars (unless specifically stated to be otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191.

2. Performance

2.1. Segment Reporting

Description of segments

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 with operations in AU, NZ and the UK 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 6.1)
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. Segment revenue and expenses are reported as attributable to the shareholders of the Company and excludes outside equity interests share.

Normalised UNPATA refers to adjustments made for the negative earnings transitional period for the implementation of the funding warehouse, OnBoard Finance ("Warehouse"). It normalises for the Warehouse's in year operating and establishment expenses and for an adjustment for commissions that would have otherwise been received in period had the sales been financed via a principal and agency funder rather than through the Warehouse. Normalised financials are stated for FY22 and FY21 (for comparative purposes) and are currently expected to be stated up to and including FY25. For FY21 normalisations only include an adjustment to remove the impact of JobKeeper.

Notes to the Financial Statements
For the year ended 30 June 2022

2022	GRS $'000	AMS $'000	PSS $'000	Unallocated[1] $'000	Consolidated $'000
Revenue from contracts with customers	206,480	346,059	41,234	-	593,773
Interest revenue	-	6	27	332	365
Segment revenue	**206,480**	**346,065**	**41,261**	**332**	**594,138**
Timing of revenue recognition:					
- At a point in time	126,932	240,390	13,683	-	381,005
- Over time	79,548	105,669	27,551	-	212,768
Segment revenue from contracts with customers	**206,480**	**346,059**	**41,234**	**-**	**593,773**
Normalised UNPATA	**48,382**	**30,257**	**6,605**	**(1,478)**	**83,766**
Warehouse	(2,420)	-	-	-	(2,420)
Income tax related to normalised UNPATA adjustments	726	-	-	-	726
UNPATA	**46,688**	**30,257**	**6,605**	**(1,478)**	**82,072**
Reconciliation to statutory net profit after-tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	(1,695)	(904)	-	(2,599)
Impairment of CLM goodwill	-	(6,028)	-	-	(6,028)
Loss on disposal of subsidiaries	-	(1,221)	-	-	(1,221)
Acquisition & disposal related expenses[3]	-	(271)	(955)	(1,648)	(2,874)
Other[4]	-	(556)	-	-	(556)
Income tax related to UNPATA adjustments	-	564	558	433	1,555
UNPATA adjustments after-tax	-	(9,207)	(1,301)	(1,215)	(11,723)
Statutory net profit / (loss) after-tax attributable to members of the parent entity	**46,688**	**21,050**	**5,304**	**(2,693)**	**70,349**
Assets and liabilities					
Segment assets	176,422	379,830	11,627	112,018	679,897
Segment liabilities	136,905	241,356	8,509	1,696	388,466
Additions to segment non-current assets	16,936	2,568	13,078	107,289	139,871
Segment depreciation and amortisation[2]	13,594	59,864	1,606	-	75,064

1. Unallocated revenue and assets include cash and bank balances of segments other than AMS, maintained as part of the centralised treasury and funding function of the Group and interest earned on those balances.
2. Depreciation and amortisation includes impairment of goodwill and other intangibles of $6.0 million (2021: $13.5 million).
3. 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, the disposal of Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the RFS Retail business) which completed on 30 September 2021 and the disposal of CLM UK which completed on 31 May 2022.
4. Impact of IFRIC and IFRS Interpretation Committee agenda decisions adopted during the period.

Segment profit includes the segment's share of centralised general management and operational support services which are shared across segments based on the lowest unit of measurement available to allocate shared costs that reasonably measure each segment's service level requirements and consumption. Segment profit does not include corporate costs of the parent entity including Director's fees and finance costs relating to borrowings not specifically sourced for segment operations, costs directly incurred in relation to acquisitions and divestments or interest revenue not directly attributable to a segment.

Included in Segment revenue for GRS are revenues of $61,715,952 (2021: $64,200,316) from the Group's largest contract. This is the only customer representing greater than 10% of total segment revenue.

2021	GRS $'000	AMS $'000	PSS $'000	Unallocated[1] $'000	Consolidated $'000
Revenue from contracts with customers	202,552	315,441	26,229	-	544,222
Interest revenue	-	79	-	150	229
Segment revenue	**202,552**	**315,520**	**26,229**	**150**	**544,451**
Timing of revenue recognition:					
At a point in time	123,527	197,145	4,949	-	325,621
Over time	79,025	118,296	21,280	-	218,601
Segment revenue from contracts with customers	**202,552**	**315,441**	**26,229**	**-**	**544,222**
Normalised UNPATA	**49,432**	**18,520**	**5,437**	**(1,491)**	**71,898**
JobKeeper (refer Note 2.4 e)	8,987	1,463	-	-	10,450
Income tax related to normalised UNPATA adjustments	(2,696)	(439)	-	-	(3,135)
UNPATA	**55,723**	**19,544**	**5,437**	**(1,491)**	**79,213**
Reconciliation to statutory net profit after-tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	(2,049)	-	-	(2,049)
United Kingdom (UK) restructuring expenses – cash	-	(1,805)	-	-	(1,805)
UK restructuring expenses – non-cash[3]	-	(12,755)	-	-	(12,755)
Impairment of CLM goodwill	-	(1,962)	-	-	(1,962)
Acquisition costs	-	-	-	(69)	(69)
Income tax related to UNPATA adjustments	-	471	-	21	492
UNPATA adjustments after-tax	-	(18,100)	-	(48)	(18,148)
Statutory net profit / (loss) after-tax attributable to members of the parent entity	**55,723**	**1,444**	**5,437**	**(1,539)**	**61,065**
Assets and liabilities					
Segment assets	138,165	384,474	56,202	107,089	685,930
Segment liabilities	106,207	248,916	48,904	12,708	416,735
Additions to segment non-current assets	40,415	76,445	20	-	116,880
Segment depreciation and amortisation[2]	14,798	64,558	1,298	-	80,654

1. Unallocated assets include cash and bank balances of segments other than AM, maintained as part of the centralised treasury and funding function of the Group.
2. Depreciation and amortisation includes impairment of goodwill and other intangibles of $6.0 million (2021: $13.5 million).
3. Includes the impairment of Maxxia Limited, impairment of the joint venture (the JV) subordinated loan and impairment of deferred tax asset.

Other segment information

Assets are allocated based on the operations of the segment. The parent entity's borrowings are not considered to be segment liabilities.

Geographical segment information

Revenue from continuing operations by location of operations and assets are detailed below.

	Revenue from external customers		Non-current assets[1]	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Australia	442,775	425,169	302,023	280,415
United Kingdom	131,925	102,776	19,024	56,303
New Zealand	19,106	16,356	24,403	26,942
	593,806	**544,301**	**345,450**	**363,660**

1. Non-current assets do not include deferred tax assets.

2.2. Revenue from Contracts with Customers

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Remuneration services	206,480	202,552	-	-
Sale of leased and other assets	166,224	123,394	-	-
Lease rental services	105,890	102,131	-	-
Brokerage commissions and financial services	71,903	89,518	-	-
Plan and support services	41,234	26,229		
Other	2,042	398	-	-
Total revenue from contracts with customers	**593,773**	**544,222**	**-**	**-**

Revenue	Description
Remuneration services	Administration fees for the provision of salary packaging and ancillary services including novated leasing and finance procurement, motor vehicle administration and other services, but not the provision of financing. Fees are recognised at the point in time that the services are rendered, net of any rebates payable to the employer organisation. Fee rates are contractually agreed with each client employer and the provision of administration services are considered to have been satisfied for each period completed. Interest is received for managing funds held in trust for clients pursuant to the contractual agreement and is recognised when received (refer Note 4.1). Fees derived from the origination of financing and insurance products are recognised at a point in time when the customer has executed the lease finance or activated the insurance cover and the Group has no outstanding obligations. The Group acts as an agent and does not include the premium on policies as revenue. Volume based rebates from providers are estimated and recognised based on the period of entitlement.
Sale of leased and other assets	The Group assumes control of motor vehicles at the termination of lease contracts and disposes of the asset as principal. The net proceeds are recognised when settlement is completed and ownership of the motor vehicle passes to the purchaser.
Lease rental services	Rental income received for operating lease assets is recognised on a straight line basis over the term of the lease. Interest from finance leases is recognised over the term of the lease for a constant periodic return on the amount invested in the lease asset. Fees for tyre and maintenance services are recognised to the extent that services are completed based on the percentage of costs incurred relative to total expected costs. Fleet administration fees are recognised in the period that services are provided.
Brokerage commissions and financial services	Volume based incentives (VBI) are received based on the volume of financial products introduced by the network of dealers and brokers with financiers using contracted rates. VBI's are recognised in the period the financier activates the finance originations net of rebates provided to dealers and brokers in the network. Commission income is received from brokerage services for the procurement of lease finance to motor vehicle fleet operators and other customers as agent under a principal and agency arrangement (P&A) with financiers. Income is recognised when the financing arrangements are funded free from any service deliverables net of estimated clawback of commissions from future terminations. Under a P&A

	arrangement the Group acts as agent for the procurement of lease asset financing and does not possess credit risk or carry on risks of ownership of the underlying finance or asset with the customer. Fees from the sale of wholesale warranty discretionary products are recognised over time based on the risk and earning pattern analysis measured using the historical profile of claims to estimate probable future performance obligations net of premium clawbacks. Underwriting premium revenue is subject to clawback for policy terminations and is estimated based on a historical profile of termination rates.
Plan and support services	Fees for the provision of set up & renewal fees and support coordination services are recognised at the point in time of providing the service. Fees for the provision of plan management services are recognised over time based on the individual plans.

2.3. Dividends Received

Dividends are recognised when the Company's right to receive payment is established.

2.4. Profit and Loss Information

(a) Impairment of intangible assets

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Impairment of goodwill	6,028	12,537	-	-
Impairment of other intangible assets	-	1,004	-	-
	6,028	**13,541**	**-**	**-**

Impairment of goodwill in financial year 2022 relates to the impairment of CLM Fleet Management plc (CLM) goodwill which was recognised in the half-year ended 31 December 2021 as outlined within Note 3.1.

Impairment of goodwill and other intangible assets in financial year 2021 includes the impairment of CLM Fleet Management plc (CLM) and Maxxia Limited (ML) goodwill which was recognised in the half-year ended 31 December 2020.

Refer Note 3.1 for the assumptions used in the assessments.

(b) Impairment of financial assets

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Impairment of subordinated loan	-	3,520	-	-
Trade debtors specific and expected credit loss allowance / (gain)	53	(833)	-	-
Finance receivables specific loss allowance gain	-	(80)	-	-
Finance lease receivable expected credit loss allowance / (gain)	(534)	(337)	-	-
Impairment of investment in subsidiaries	-	-	-	5,541
	(481)	**2,270**	**-**	**5,541**

Group

The subordinated loan loss allowance in 2021 of $3,520,000 related to the net investment in ML in the UK to which the Group had a joint venture arrangement prior to obtaining control on 31 December 2020.

Finance lease receivables Expected Credit Loss (ECL) allowance gain of $534,000 is affected largely by the reduction of the carrying value of Finance Lease receivables of $28,140,000 from $51,248,000 in 2021. The Group uses the assessment criteria from its credit management system and adds forward looking indicators to reflect macro-economic factors to estimate ECL including the downgrade of the credit rating of some clients due to their industry COVID-19 risk.

Parent entity

In FY21 the carrying value of investments in controlled entities were assessed for recoverable value that resulted in an impairment of $5,541,000 in 2021 (refer Note 6.2).

(c) Other operating expenses

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Consulting and professional services	8,585	7,161	1,914	245
Marketing	10,405	8,601	-	-
Property and other corporate costs	10,373	8,637	348	431
Technology and communication	19,714	16,692	-	-
Other	5,461	5,382	615	520
	54,538	**46,473**	**2,877**	**1,196**

(d) Other expense items

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Depreciation and amortisation expenses				
Depreciation of assets under operating lease	48,689	47,445	-	-
Amortisation of software development	9,444	8,181	-	-
Depreciation of plant and equipment	1,974	2,843	-	-
Amortisation of intangible assets	2,431	2,050	-	-
Depreciation of right-of-use (ROU) assets	6,498	6,594	-	-
	69,036	**67,113**	**-**	**-**
Superannuation				
Superannuation contribution expense	10,899	9,010	-	-

(e) Government subsidies

JobKeeper	-	10,450	-	-
Coronavirus Job Retention Scheme	10	700	-	-
	10	**11,150**	**-**	**-**

In FY21 the Group received the Federal Government economic response subsidy, JobKeeper, for the period from July 2020 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 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.

2.5. Income Tax

Components of tax expense / (benefit)

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current tax expense / (benefit)	10,131	29,305	(661)	(781)
Adjustments for current tax of prior years	(1,014)	(38)	46	(34)
Deferred tax expense / (benefit)	18,301	6,814	(551)	128
Income tax expense / (benefit)	**27,418**	**36,081**	**(1,165)**	**(687)**

The tax expense included in the Statements of Profit or Loss consist of current and deferred income tax.

Current income tax is:	Deferred income tax is:
> the expected tax payable on the current period's taxable income > calculated using tax rates for each jurisdiction enacted or substantively enacted at the end of the reporting period in the countries where the entities in the Group operate and generate taxable income > inclusive of any adjustment to income tax payable or recoverable of prior years	> recognised using the liability method > based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases > calculated using the tax rates that are expected to apply when the assets are recovered or liabilities settled, based on those rates which are enacted or substantially enacted > not recognised if they arise from the initial recognition of goodwill

Current and deferred income tax is recognised in the Statements of Profit or Loss. However, when it relates to items charged directly to the Statements of Other Comprehensive Income or Statements of Changes in Equity, the tax is recognised in OCI or equity respectively.

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

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit / (loss) before income tax	97,767	97,146	46,275	172,951
Prima facie tax payable on profit before income tax at 30% (2020: 30%)	29,330	29,144	13,883	51,885
Add tax effect of:				
- Non-deductible impairment expense	1,145	2,382	-	1,662
- Non-deductible costs	310	604	16	25
- Non-deductible loss on business disposal	174	-	-	-
- Overseas tax rate differential of subsidiaries	(67)	1,477	-	-
- Other	(2,460)	694	-	-
- Impairment of deferred tax asset	-	2,161	-	-
- (Over) under provision of tax from prior year	(1,014)	(38)	45	(34)
	27,418	36,424	13,948	53,538
Less tax effect of:				
- Dividends received	-	-	(15,113)	(38,433)
- Non-assessable fair value on previously held equity interest	-	(343)	-	-
- Non-assessable loan forgiveness	-	-	-	(15,792)
Income tax expense / (benefit)	**27,418**	**36,081**	**(1,165)**	**(687)**

Deferred tax asset / (liability)

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
The balance comprises temporary differences attributed for:				
Amounts recognised in profit or loss				
Doubtful debts	386	487	-	-
Provisions	6,620	6,760	-	-
Property, plant and equipment	(37,359)	(13,783)	-	-
Accrued expenses	6,224	5,756	110	64
Finance and other receivables / prepayments	7,609	3,245	(855)	(1,051)
Other	(110)	131	106	45
Losses	319	646	-	-
Deferred acquisition expenses	504	271	248	-
Intangible assets	(4,657)	(4,386)	-	-

Unearned income	2,155	1,583	-	-
	(18,309)	**710**	**(391)**	**(942)**
Amounts recognised in equity				
Derivatives recognised directly in equity	(774)	(46)	-	-
Share-based payments reserve	830	372	-	-
Closing balance at 30 June	**(18,253)**	**1,036**	**(391)**	**(942)**
Recognised as:				
Deferred tax asset (DTA)	25,145	13,753	-	-
Deferred tax liability (DTL)	(43,398)	(12,717)	(391)	(942)
	(18,253)	**1,036**	**(391)**	**(942)**
Movements in deferred tax asset / (liability)				
Opening balance at 1 July	1,036	8,453	(942)	(814)
Charged to profit or loss	(18,301)	(6,814)	551	(128)
Charged to other comprehensive income	(965)	(454)	-	-
Adjustment to acquisition of Outside Equity Interest	-	(72)	-	-
Foreign exchange translation	(23)	(77)	-	-
Closing balance at 30 June	**(18,253)**	**1,036**	**(391)**	**(942)**

The carrying value of DTA's are reduced to the extent that it is probable future taxable profits will be available to utilise these temporary differences. DTA's and DTL's are offset only if certain criteria are met with respect to legal enforceability and within the same tax jurisdiction.

DTA's and DTL's are not recognised for temporary differences between the carrying amounts and tax bases of investments in subsidiaries where the parent entity is able to control the timing of reversal and it is probable that the differences will not reverse in the foreseeable future.

Unrecognised temporary differences

	Consolidated Group		Parent Entity	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Temporary differences that have not been tax effected:				
Unused tax losses and deferred tax assets	44,593	31,406	-	-
Foreign currency translation reserve for investment in subsidiaries	4,928	3,332	-	-
	49,521	**34,738**	**-**	**-**

Unused tax losses relate to either subsidiaries that are dormant and/or are unlikely to generate sufficient taxable income to use these losses or capital losses on disposal of subsidiaries.

Foreign exchange translation differences in overseas investments will only be realised when the investments are disposed of in the foreseeable future.

Tax consolidation

The Company and its wholly-owned Australian resident entities are members of a tax consolidated group under Australian taxation law. The Company is the head entity in the tax consolidated group. Entities within the tax consolidated group have entered into a tax funding agreement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, the Company and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the head entity.

2.6. Earnings Per Share

	Consolidated Group	
	2022	**2021**
Basic EPS – cents per share	90.9	78.9
Diluted EPS – cents per share	90.6	78.4
Earnings used to calculate basic and diluted EPS ($'000)		
Net profit after-tax ($'000)	$70,349	$61,065
Weighted average number of ordinary shares used in the calculation of basic EPS ('000)	77,381	77,381
Weighted average number of options and rights on issue outstanding ('000)	232	555
Weighted average number of ordinary shares used in the calculation of diluted EPS ('000)	**77,613**	77,936

Basic EPS 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.

Diluted EPS is calculated from earnings and the weighted average number of shares used in calculating basic EPS adjusted for the dilutive effect of all potential ordinary shares from the employee incentive plan.

Notes to the Financial Statements
For the year ended 30 June 2022

3. Assets and Liabilities

3.1. Intangible Assets

The Group's intangible assets comprise brands, dealer relationships, customer lists and relationships, software development costs, contract rights and goodwill.

	Consolidated Group							
2022	**Goodwill $'000**	**Brands – indefinite life $'000**	**Brands – finite life $'000**	**Dealer relationships $'000**	**Customer lists and relationships $'000**	**Software development costs $'000**	**Contract rights $'000**	**Total $'000**
Useful life (range)	*Not applicable*	*Indefinite*	*2-6 years*	*6-13 years*	*5-13 years*	*3-5 years*	*Contract life*	
Cost	201,026	23,073	6,598	14,010	7,942	77,972	13,139	343,761
Accumulated depreciation	-	-	(6,598)	(2,399)	(4,024)	(49,290)	(13,139)	(75,451)
Accumulated impairment loss	(112,601)	(13,171)	-	(6,990)	-	-	-	(132,762)
Net carrying value	**88,425**	**9,902**	**-**	**4,621**	**3,918**	**28,682**	**-**	**135,548**
Reconciliation of written down values								
Balance beginning of year	87,862	9,272	-	6,106	965	30,647	-	134,852
Additions	-	-	-	-	-	8,188	-	8,188
Additions from business combinations (refer Note 6.1)	7,215	630	-	-	4,057	377	-	12,279
Disposal of subsidiary	-	-	-	-	-	(291)	-	(291)
Accounting standard adoption reclassification (refer Note 3.6)	-	-	-	-	-	(795)	-	(795)
Impairment	(6,028)	-	-	-	-	-	-	(6,028)
Amortisation	-	-	-	(1,345)	(1,085)	(9,444)	-	(11,874)
Changes in foreign currency	(624)	-	-	(140)	(19)	-	-	(783)
Closing balance	**88,425**	**9,902**	**-**	**4,621**	**3,918**	**28,682**	**-**	**135,548**

2021	Goodwill $'000	Brands – indefinite life $'000	Brands – finite life $'000	Dealer relationships $'000	Customer lists and relationships $'000	Software development costs $'000	Contract rights $'000	Total $'000
	Consolidated Group							
Useful life (range)	*Not applicable*	*Indefinite*	*6 years*	*6-13 years*	*5-13 years*	*3-5 years*	*Contract life*	
Cost	208,164	22,443	6,598	26,183	6,874	71,355	13,139	354,756
Accumulated depreciation	-	-	(6,598)	(13,087)	(5,909)	(40,708)	(13,139)	(79,441)
Accumulated impairment loss	(120,302)	(13,171)	-	(6,990)	-	-	-	(140,463)
Net carrying value	**87,862**	**9,272**	**-**	**6,106**	**965**	**30,647**	**-**	**134,852**
Reconciliation of written down values								
Balance beginning of year	89,326	9,272	-	7,348	1,573	32,894	-	140,413
Additions	-	-	-	-	-	7,572	-	7,572
Additions from business combinations (refer Note 6.1)	10,575	-	-	-	-	-	-	10,575
Disposal of subsidiary	-	-	-	-	-	(682)	-	(682)
Impairment	(12,537)	-	-	-	-	(958)	-	(13,495)
Amortisation	-	-	-	(1,384)	(666)	(8,181)	-	(10,231)
Changes in foreign currency	498	-	-	142	58	2	-	700
Closing balance	**87,862**	**9,272**	**-**	**6,106**	**965**	**30,647**	**-**	**134,852**

Goodwill

Goodwill represents the excess of the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. Goodwill is measured at cost less any accumulated impairment losses and is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any impairment is recognised immediately in the Statement of Profit or Loss.

Identifiable intangible assets acquired from business combination

Brands, dealer relationships and customer lists and relationships acquired in a business combination are recognised at their fair value at the date of acquisition. Following initial recognition, these assets are carried at their initial value less any accumulated amortisation and accumulated impairment.

Identifiable intangible assets with finite lives are amortised over their estimated useful lives on a straight-line basis and assessed for impairment annually. Brand names that have indefinite useful lives are not amortised but are subject to annual impairment assessments. Brands are assessed for impairment as part of the relevant CGU. Brand names that have an indefinite life are pursuant to the Group's plan for its continued use into the foreseeable future are expected to continue to generate cash flows indefinitely. The useful life assessment is reviewed annually.

Capitalised software development costs

Software development costs which are not acquired from a business combination are initially measured at cost and subsequently re-measured at cost less amortisation and impairment.

Costs are capitalised when it is probable that future economic benefits will flow to the entity through revenue generation and/or cost reduction. Costs include external direct costs for services, materials and internal labour related costs directly involved in the development of the software and are amortised from the date of commissioning on a straight line basis over three to five years, during which the benefits are expected to be realised.

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.

Contract rights

Contract costs not acquired from a business combination are initially measured at cost being the amounts paid plus any expenditure directly attributable to the transactions and subsequently measured at cost less amortisation and impairment. Contracts are amortised over the life of the contract and reviewed annually for indicators of impairment.

Impairment test of goodwill

An impairment loss is recognised in 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) below based on the organisation and management of its businesses.

Key judgement: Assessment of recoverable amount

Recoverable amounts of cash generating units have been determined using the value-in-use methodology. The variables used require the use of assumptions that affect earnings projections and the estimation of a discount rate that uses a cost of capital and risk premium specific to the cash generating unit amongst other factors.

Cash projections used in the financial models to assess the recoverable amount of goodwill and indefinite life intangible assets required significant estimates in uncertain economic and business environments. These are discussed in more detail below.

	Consolidated Group					
	Goodwill 2022 $'000	Intangibles 2022 $'000	Total 2022 $'000	Goodwill 2021 $'000	Intangibles 2021 $'000	Total 2021 $'000
Maxxia Pty Limited (Maxxia)	24,190	21,321	45,511	24,190	25,211	49,401
Remuneration Services (Qld) Pty Limited (RemServ)	9,102	5,077	14,179	9,102	4,047	13,149
CLM Fleet Management plc (CLM)	-	-	-	5,959	-	5,959
Anglo Scottish Asset Finance Limited (ASF)	16,024	3,592	19,616	16,717	4,693	21,410
Retail Financial Services aggregation business (RFS Aggregation)	31,894	11,536	43,430	31,894	11,956	43,850
Plan Tracker Pty Ltd (Plan Tracker)	7,215	4,160	11,375	-	-	-
Other	-	1,437	1,437	-	1,083	1,083
	88,425	**47,123**	**135,548**	87,862	46,990	134,852

Key assumptions used for VIU calculations

Cash flow projections

Cash flow projections are based on the financial year 2023 (FY2023) budgets. Growth assumptions used for subsequent years reflect strategic business plans and forecast growth rates. Financial projections take into account any risk exposures in changes to the trading, market and regulatory environments.

The after-tax discounted cash flow (DCF) models were based on after-tax cash flows discounted by an after-tax discount rate.

Cash flows beyond five years are extrapolated using conservative growth rates of 2.0% (lower than long term CPI).

GRS CGUs

The Maxxia and RemServ CGUs that form the GRS segment operate largely in the same business environment and are exposed to similar risks. The equivalent pre-tax discount rate of 17% (2021:16%) was applied in the VIU calculation.

Cash flow projections for GRS are substantially higher than the carrying value of goodwill and any reasonable changes to the key assumptions would not cause an impairment. A key assumption in the GRS segment is that there is no significant change to Australian tax legislation that could affect the salary packaging and novated lease businesses.

PSS CGUs

The Plan Tracker business was acquired 1 July 2021 with goodwill and other intangibles recognised on acquisition. Goodwill has been allocated fully to the Plan Tracker CGU given that they will benefit from the synergies of the business combination. The equivalent pre-tax discount rate of 17% was applied in the VIU calculation.

We have reviewed actual and forecast performance and there are no indications of impairment. The impairment analysis (via DCF) has been conducted and no impairment is required. The FY23 draft budget is driven by continuing the growth achieved in FY22. The Group has considered the impact of changes in key assumptions on the impairment testing results and the recoverable amount exceeds the carrying amount when testing for any reasonably possible changes in key assumptions.

AMS CGUs

ASF and CAPEX

The UK consumer new car finance market reported higher new business volumes in this market than in 2021.There is continued strength in used vehicle values and growth in Anglo Scottish net amount financed. Goodwill is considered to be supportable and no impairment has been brought to account base do the VIU model. The equivalent pre-tax discount rate of 13.5% (2021: 13.2%) was applied in the VIU calculation. The Group has considered the impact of changes in key assumptions on the impairment testing results and the recoverable amount exceeds the carrying amount when testing for any reasonably possible changes in key assumptions.

CLM

On 24 February 2022, the Group announced an $6,028,000 impairment of CLM goodwill, reducing the carrying value to $nil, with no further impairment testing being required. CLM UK was disposed on 31 May 2022.

RFS Aggregation

During FY22 the RFS Aggregation business experienced an increase in the net amount financed of 15.8%. For the impairment analysis the volume of finance originations is expected to increase and the net yields expected to remain constant. An equivalent pre tax discount rate of 17% (2021: 16%) was applied in VIU calculation. From sensitivity tests applied, a 0.25% increase to the discount rate caused a reduction in carrying value of $0.5m and a 5% decrease in gross margin reduced the carrying value by $4.2m.

3.2. Trade and Other Receivables

	Consolidated Group		Parent Entity	
Current	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Trade receivables	31,781	34,016	-	-
Other receivables	3,486	6,959	-	-
Amounts receivable from wholly owned entities	-	-	496	481
	35,267	40,975	496	481

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business and held with the objective of collecting cash flows. They are generally settled within 30 days and the carrying amount includes a loss allowance of $978,000 (FY21: $924,000) and specific doubtful debts allowance of $284,000 (2021: $284,000). The carrying amount is generally considered to equal their fair value.

Other receivables

Other receivables include transactions accruing and customer related funds that are to be recovered.

None of the other receivables are impaired or past due.

3.3. Finance Lease Receivables

	Consolidated Group		Parent Entity	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Current finance lease receivables	14,609	21,478	**-**	-
Non-current finance lease receivables	13,531	29,770	**-**	-
	28,140	51,248	**-**	-

AM finance lease contracts entered into are recognised as finance lease receivables and classified as financial assets measured at amortised cost as the contract transfers substantially all the risks and rewards of ownership of an underlying asset. The net investment in the lease equals the net present value of the future minimum lease payments. Finance lease income is recognised as income in the period to reflect a constant periodic rate of return.

Amounts receivable under finance lease receivables	Consolidated Group Minimum lease payments 2022 $'000	Present value of lease payments 2022 $'000	Minimum lease payments 2021 $'000	Present value of lease payments 2021 $'000
Within one year	15,564	14,609	23,608	21,478
Later than one but not more than five years	15,182	13,421	32,287	29,551
Later than five years	118	110	234	219
	30,864	**28,140**	56,129	51,248
Less: unearned finance income	(2,724)	-	(4,881)	-
Present value of minimum lease payments	**28,140**	**28,140**	51,248	51,248
Fair value of finance lease receivables		**28,541**		50,657

The fair value of finance lease receivables due within one year are considered to approximate their carrying amount. Fair values were calculated based on cash flows discounted using an average of current lending rates appropriate for the geographical markets the leases operate of 4.81% (2021: 4.03%). They are classified as level 3 fair values in the fair values hierarchy due to the inclusion of unobservable inputs.

3.4. Assets under Operating Lease

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Assets under operating lease terminating within the next 12 months – current	73,945	62,877	-	-
Assets under operating lease terminating after more than 12 months – non-current	149,722	147,441	-	-
Assets under operating lease - total	**223,667**	**210,318**	**-**	**-**

	Consolidated Group 2022 $'000	Consolidated Group 2021 $'000
Depreciation rate (range)	*20% - 33%*	*20% - 33%*
At cost	359,901	339,842
Accumulated depreciation	(136,234)	(129,524)
	223,667	**210,318**
Movements during the year		
Balance at the beginning of year	210,318	215,942
Additions	102,488	64,949
Reclassification from finance lease receivables[1]	-	13,601
Disposals / transfers to assets held for sale	(43,649)	(36,457)
Depreciation expense	(48,689)	(47,445)

Addition from business combinations (refer Note 6.1)	-	(2,178)
Residual value adjustment	2,901	1,840
Change in foreign currency	298	66
Balance at 30 June	**223,667**	**210,318**

1. Reclassification resulting from the acquisition of Maxxia Ltd (refer Note 6.1) where leases previously recognised as finance leases were reclassified as substantially all the risk and rewards of ownership now remain with the Group.

Assets held under operating leases are for contracts with customers other than finance leases. The initial investment in the lease is added as a cost to the carrying value of the leased assets and recognised as lease income on a straight line basis over the term of the lease. Operating lease assets are depreciated as an expense on a straight line basis over the term of the lease based on the cost less residual value of the lease.

Assets held under operating lease include an accumulated provision for impairment loss at reporting date of $3,899,000 (2021: $5,071,000).

Provision for residual value

The provision estimates the probable diminution in value of operating lease and rental assets at the end of lease contract dates. The estimate is based on the deficit in estimated recoverable value from contracted cash flows.

A residual value provision is also recognised for the estimated loss in recoverable value of lease assets which are transferred to the Group at the end of the lease term pursuant to some P&A arrangements with financiers and other residual value guarantees. The asset from the financier is acquired at its residual value on termination of the lease which creates an exposure of the carrying value to the expected market price for which the potential impact is assessed at reporting and the shortfall provided for.

Key judgement: Lease assets residual value

Operating leases carry an inherent risk for the residual value of the asset. Estimates of significance are used in determining the residual values of operating lease and rental assets at the end of the contract date. The assessment includes forecasts of the future value of the asset lease portfolio at the time of sale and considers the potential impact of economic and vehicle market conditions and dynamics.

Under the P&A financing arrangement with external financiers, the Group acquires the lease assets on the termination of the lease contract and is thereby exposed to the residual value of the underlying asset. A provision is recognised and this assessment similarly includes an assessment of the future value of these P&A funded assets.

If the estimated residual values reduced by 5%, this would result in an increase in the impairment loss provision by $2.2m.

3.5. Right-of-use Assets and Lease Liabilities

This note discloses the Group as lessee for operating lease arrangements for the use of property and equipment.

Right-of-use assets (ROU assets)

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
At cost	78,631	78,770	-	-
Accumulated depreciation	(42,649)	(38,259)	-	-
	35,982	40,511	**-**	**-**
Balance at beginning of year	40,511	15,953	-	-
New assets leased in the period	3,778	31,418	-	-
Depreciation included in profit or loss	(6,498)	(6,594)	-	-

Impairment included in profit or loss	-	(89)	-	-
Disposal of subsidiary	(1,736)	(243)	-	-
Change in foreign currency	(73)	66	-	-
Balance at 30 June	**35,982**	**40,511**	**-**	**-**

Lease liabilities

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at beginning of year	48,875	24,436	-	-
New assets leased in the period	3,778	31,418	-	-
Finance charge included in profit or loss	1,769	2,357	-	-
Disposal of subsidiary	(1,887)	(324)	-	-
Lease payments	(8,696)	(9,083)	-	-
Lease incentive	7,300	-	-	-
Change in foreign currency	(75)	71	-	-
Balance at 30 June	**51,064**	48,875	**-**	-
Carrying value of lease liabilities				
Current	4,212	1,602	-	-
Non-current	46,852	47,273	-	-
	51,064	48,875	**-**	-

Recognition and measurement of lease assets and liabilities

ROU assets and the lease liability are initially measured on a present value basis. Leases brought to account are for the value of the property and exclude non-lease components.

Lease liabilities include the net present value of fixed rental payments less any lease incentives receivable plus any rental adjustments where the extensions available under the lease will probably be exercised. Lease payments are discounted using the Group's incremental borrowing rate.

ROU asset is measured at cost comprising the amount of the initial measurement of the lease liability, any initial direct costs and any provision for make-good or restoration. ROU asset is depreciated over the shorter of the asset's useful life and lease term on a straight line basis.

Short-term leases of less than 12 months and low-value leases are expensed on a straight line basis to the profit or loss.

The principal portion of payments is included in financing activities in the Statements of Cash Flows and the finance charges is included in operating activities.

3.6. Inventories

Motor vehicles are stated at the lower of cost and net realisable value. Following termination of a lease or rental contract the relevant assets are transferred from Assets under Operating Lease to Inventories at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale. AASB 102 Inventories does not define costs necessary to sell inventories when determining net realisable value. The IFRS Interpretations Committee agenda decision on Costs necessary to sell Inventories (issued June 2021) 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.

3.7. Unearned Premium Liability, Deferred Acquisition Costs (DAC) and Outstanding Claims Liability

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 (refer Note 6.1). Balance sheet amounts related to unearned premium liability, DAC and outstanding liability claims were solely related to this business.

In FY21, the Group assessed the risk attached to unexpired wholesale warranty discretionary products based on the risk and earning pattern analysis to ascertain whether the unearned premium liability (contract liability) is sufficient to cover all expected future claims against current warranty contracts. Underwriting premium revenue that is not recognised in the period is deferred as an unearned premium liability. DAC incurred in deriving warranty income were deferred and recognised as contract assets where they could be reliably measured and where it was probable that the associated warranty contract gave rise to warranty revenue in subsequent reporting periods. DAC were amortised systematically in accordance with the expected pattern of the incidence risk under the warranty contracts to which they relate. A liability for outstanding claims was recognised for claims authorised but unpaid and claims reported which were not authorised for payment but were assessed for a probability of payment at reporting date.

3.8. Trade and Other Payables

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Unsecured liabilities				
Trade payables	18,282	30,458	-	-
GST payable	2,339	5,003	-	-
Accrued expenses	39,598	45,134	-	-
Sundry creditors	23,600	21,490	366	481
Amounts payable to wholly owned entities	-	-	25,576	11,891
	83,819	102,085	**25,942**	12,372

Trade and other payables from normal business activities are non-interest bearing and are short term in nature. They are recognised initially at fair value and subsequently at amortised cost.

3.9. Customer receipts in advance

Other liabilities

Other liabilities relate to customer receipts in advance which represent payments for future vehicles sales not yet delivered and fees in advance for volume based rebates received upfront as part of the transition to a new funder in GRS during FY22.

Contract liabilities

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Maintenance fees received in advance	5,606	5,146	-	-
Rebates and cancellations	2,217	2,035	-	-
	7,823	7,181	**-**	-

Maintenance fees received in advance

Maintenance fees received in advance is income from maintenance service contracts that are unearned based on the historical profile of costs incurred to date over the expected total cost. Profit attributed over the life of the contract and losses that are provided in full in the period that the loss-making contract is first determined, is adjusted in the amount of revenue recognised.

Rebates and cancellations

Brokerage commissions from the provision of financial services allow that rebates paid to its dealer/broker network and commissions received from the origination business may be clawed back by the financial service providers. The potential for rebates and clawback are calculated based on the historical profile of rebates and commissions.

3.10. Provisions

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current				
Employee benefit liabilities	13,163	13,281	-	-
Other provisions	220	441	-	-
	13,383	**13,722**	**-**	**-**
Non-current				
Employee benefit liabilities	1,195	1,484	-	-
	1,195	**1,484**	**-**	**-**

	Employee benefit liabilities		Other provisions	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at start of the year	14,765	13,408	441	721
Employee benefits earned and accrued in the year	8,225	8,034	-	-
Payments in the year	(8,632)	(6,677)	(271)	(436)
Provision made in the year	-	-	50	156
Balance at the end of the year	**14,358**	**14,765**	**220**	**441**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and where it is probable that the Group is required to settle the obligation, and the obligation can be reliably estimated. Provisions are measured at the present value of expenditure expected at settlement.

Employee benefits

Employee entitlements to annual and long service leave have been provided for based on amounts expected to be paid when the leave entitlements are used.

Annual leave and long service leave that are not expected to be settled wholly within twelve months have been measured at the present value of the estimated future cash outflows. Expected future payments are discounted using interest rates attaching to high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Employee liabilities other than annual leave and long service leave are included in other payables.

4. Capital Management

This section provides information relating to the Group's capital structure and its exposure to financial risks, how they affect the Group's financial position and performance, and how the risks are managed.

The Group's capital management strategy aims to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio and key banking covenants.

The capital structure of the Group is reviewed on an ongoing basis and considers the allocation and type of capital and the associated risks and returns.

4.1. Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash on hand	-	5	-	-
Bank balances	160,543	157,750	580	74
Short-term deposits	253	242	-	-
	160,796	**157,997**	**580**	**74**

Cash and cash equivalents

Includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash subject to an insignificant risk of changes in value. Cash and cash equivalents is controlled by the Group and the contractual rights transfer to the Company substantially all of the benefits and risks of ownership.

Cash at bank and short term deposits earn interest at floating rates with the floating interest rates for the year for cash at bank at an average interest rate of 0.60% (2021: 0.28%). Short-term deposits have an average maturity of 90 days (2021: 90 days) and are highly liquid.

Cash and cash equivalents held in trust and not recognised in the 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:

	Consolidated Group		Consolidated Group	
	2022		2021	
	Average interest rate %	$'000	Average interest rate %	$'000
Client monies in trust, accruing to the Group	0.40%	418,944	0.51%	435,376
Client monies in trust, accruing to clients	0.32%	20,750	0.49%	23,828
		439,694		**459,204**

The parent entity does not hold any client monies.

Pursuant to contractual agreement with clients, the Group received the following interest for managing client monies and as part of the administration service fees at an average interest rate of 0.40% (2021: 0.51%). Interest received is recognised within Remuneration Services revenue from contracts with customers.

	Consolidated Group	
	2022 $'000	2021 $'000
Interest received on client monies in trust	1,560	2,283

Cash Flow Information

Reconciliation of cash flow from operations with profit / (loss) from operating activities after-tax

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit / (loss) for the year	70,349	61,065	47,440	173,638
Non-cash flows in profit / (loss) from operating activities				
Amortisation	2,431	10,231	-	-
ROU assets depreciation	6,498	6,594	-	-
Impairment	6,028	16,790	-	5,541
Gain on previously held equity interest	-	(1,805)	-	-
(Gain) loss on disposal of subsidiary	1,221	(305)	-	-
Depreciation	60,107	50,289	-	-
Loss allowance / (gain)		(417)	-	-
Share-based expense	1,607	1,101	1,607	1,101
Other	(253)	(833)	-	(52,640)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
Decrease / (increase) in trade receivables and other assets	766	22,165	(355)	(104,736)
Decrease in finance lease receivables principle repayments and disposals	22,393	25,668	-	-
Increase in assets under lease	(55,679)	(76,942)	-	-
Decrease in written down value of assets sold	40,203	70,419	-	-
(Decrease) / increase in trade payables and accruals	(24,635)	(3,658)	(120)	377
(Decrease) / increase in income taxes payable	(2,933)	(1,428)	82	(609)
Decrease / (increase) in deferred taxes	19,227	7,332	(551)	128
(Decrease) / Increase in unearned revenue	(4,021)	9,639	-	-
Decrease / (increase) in provisions and accruals	(23,364)	(940)	-	-
Net cash from operating activities	**119,945**	**194,965**	**48,103**	**22,800**

Cash from operating activities

Cash flows other than investing or financing are classified as cash from operating activities. As the AM segment provides operating and finance leases for motor vehicles and equipment, the cash outflows to acquire the lease assets as well as interest received and interest paid are classified as operating cash outflows.

Net debt reconciliation

A summary of the movement in borrowings (excluding capitalised borrowing costs) affecting financing cash flows during the year is provided below:

	Consolidated Group		Parent Entity	
Financing cash flow from liabilities	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Borrowings (excluding capitalised borrowing costs)	167,967	176,808	-	9,752
Payable due to wholly owned entities	-	-	25,576	11,410
Financing liabilities	**167,967**	**176,808**	**25,576**	**21,162**
Movements during the year				
Liabilities at the start of the period	176,808	265,381	21,162	130,234
Cash flows relating to borrowings	(16,203)	(90,278)	(9,752)	(5,124)
Cash flows relating to payables due to wholly owned entities	-	-	13,013	7,022
Non-cash settlement of payables due to wholly owned entities	9,711	-	1,153	(58,330)
Related party loan forgiveness	-	-	-	(52,640)
Foreign exchange adjustments	(2,349)	1,705	-	-
Liabilities at the end of the period	**167,967**	**176,808**	**25,576**	**21,162**

4.2. Borrowings

	Consolidated Group		Parent Entity	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Current				
Bank loans – at amortised cost	15,851	23,886	-	5,761
Non-current				
Bank loans – at amortised cost	142,222	152,444	-	3,991
Other external loans payable	9,711	-	-	-
Total bank loans	**167,784**	**176,330**	**-**	**9,752**

Borrowings are initially recorded at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method exactly discounts the estimated cash flows through the expected life of the borrowing. Transaction costs comprise fees paid for the establishment of loan facilities and are amortised over the term of the borrowing facilities.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

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 6.1). The loan has been discounted to present value based on an average interest rate of 1.86%.

Security and financial covenants

The parent entity guarantees all bank loans of subsidiaries in the Group, totalling $167,601,000 (2021: $167,056,000).

Fixed and floating charges are provided by the Group in respect to financing facilities provided by its syndicate of financiers. The assets identified in Note 3.4 form part of the security.

Loans are also secured by the following financial undertakings from all entities in the Group:	• Negative pledge that imposes certain covenants including a restriction to provide other security over its assets, cap on its maximum finance debt, acquire assets which are non-core business to the Group, not to dispose of a substantial part of its business and reduction of its capital; • Maintenance of certain financial thresholds for shareholders' equity, gearing ratio and fleet asset portfolio performance; and • Various business parameters of the Interleasing Group and Maxxia Finance Ltd.

The Group operated with significant headroom against all of its borrowing covenants at all times.

The Groups' gearing ratio was 17% (2021: 20%) calculated as net debt of $58,052,000 (2021: $67,208,000) divided by total debt and equity of $347,183,000 (2021: $336,403,000).

4.3. Financial Risk Management

We proactively manage the risks facing the business, this includes the early identification and assessment of risks, the implementation of controls and the active monitoring and reporting of risks. Our approach to risk management, underpinned by the Group's risk management policy and framework, and overseen by the Audit, Risk and Compliance Committee, is embedded in our culture and reflected in our decision making.

Senior Executives identify and/or review key risks as part of our normal business activities, and formally at least quarterly. The results of these reviews are recorded in the MMS risks register, which is used by the Management Risk and Compliance Committee and key risks within the risk register are reported to the Board Audit, Risk and Compliance Committee (ARCC) for monitoring.

Financial risks of the Group are monitored by the Board through:	> ARCC obtains management confirmation of adherence with the Risk Management Policy and Framework; > regular reporting of compliance with, and/or breaches of, the Risk Appetite Statement; > monthly board meetings which include financial and operational reports from senior management; > regular reports from the ARCC; and > discussions with senior management.
Other monitoring occurs through:	> dedicated Group Risk Manager responsible for overall monitoring and reporting of financial risks; > a risk report is presented to the ARCC at least four times per year; and > Credit and Interest Committees which oversee Group credit risk, liquidity risk and interest rate risk with reporting provided to the Board.

In the normal course of business, the Group is exposed to various risks as set out below:

Risk	**Exposure**	**Response**
Liquidity risk	Risk that the Group will not be able to meet its financial obligations as they fall due. The AM businesses borrowings exposes the Group to potential mismatches between the	Maintain continuity and flexibility of funding through the use of committed revolving bank club facilities based on common terms, asset subordination and surplus cash to match asset and liability requirements. Ensure there is sufficient liquidity through access to committed available funds to meet at least twelve months of average net asset funding requirements augmented

	refinancing of its assets and liabilities.	with uncommitted P&A facilities. This level is expected to cover any short-term financial market constraint for funds. The Group monitors daily operating cash flows and forecast cash flows for a twelve month period. Significant cash deposits have been maintained which enable the Group to settle obligations as they fall due without the need for short term financing facilities.
Credit risk	Risk of financial loss if a customer or counter-party to a financial instrument fails to meet its contractual obligations. Exposure to credit risk is through the receivables' balances, customer leasing commitments, deposits with banks and counterparty risks associated with interest and currency swaps.	For deposits with banks, only independently rated institutions with upper investment-grade ratings are used, in accordance with the Board approved Investment Policy. Leasing credit risk is managed pursuant to the Board approved Credit Policy. The policy is reviewed annually and prescribes minimum criteria in the credit assessment process that includes the credit risk rating of the customer, concentration risk parameters, type and intended use of the asset and the value of the exposure. A two-tiered Credit Committee structure is in place to stratify credit applications for assessment; a Local Credit Committee and an Executive Credit Committee reviewing applications based on volume, nature and value of the application. The Board receives a monthly report from the Credit Committee and periodically reviews concentration limits that effectively spread the risks as widely as possible across asset classes, client base, industries, regions and asset manufacturers. Credit risk concentration is spread through exposure to individual customers, industry sectors, asset types, asset manufacturers or regions. Where customers are independently rated, these ratings are taken into account. If there is no independent official rating, the credit quality is assessed using the Group's internal risk rating tool, taking into account information from an independent national credit bureau, its financial position, business segment, past experience and other factors using an application scorecard or other risk-assessment tools. Collateral is obtained where appropriate, to mitigate the risk of financial loss from defaults. Debtor ageing and the provision for impairment is reviewed monthly by the Board.
Market risk		
Interest rate risk	Movements in interest rates could directly affect the margins from existing contracts and the pricing of new contracts for assets leased and income earned from surplus cash. Borrowings issued at variable rates expose the Group to repricing interest rate risk.	Treasury and pricing policies aim to minimise mismatches between the amortised value of lease contracts and the sources of financing to mitigate repricing and basis risk. Mismatch and funding graphs including sensitivity analysis, are reported monthly to the Board. The Group has entered into interest rate swaps with counterparties rated as AA- by Standard & Poor's to exchange, at specified periods, the difference between fixed and variable rate interest amounts calculated on contracted notional principal amounts. Swaps are designated to hedge underlying borrowing obligations and

		match the interest-repricing profile of the lease portfolio in order to preserve the contracted net interest margin.
Foreign currency risk	Foreign currency risk arises from holding financial instruments that are denominated in a currency other than the functional currency in which they are measured. This includes the Group's inter-company receivables and payables which do not form part of the net investment in the UK and New Zealand entities.	Translation related risks from financial and non-financial items of the UK and New Zealand entities do not form part of the Group's risk exposure given these entities are part of longer term investments and consequently, their sensitivity to foreign currency movements are not measured. The Group's transactions are predominantly denominated in Australian dollars which is the predominant functional currency and the presentation currency of the Group.
Asset risk	Asset risk is mainly from the residual value of assets under lease and the tyre and maintenance obligations to meet claims for these services sold to customers. Residual value is an estimate of the value of an asset at the end of the lease. The estimate is formed at the inception of the lease and any subsequent impairment, exposes the Group to potential loss from resale if the market price is lower than the value as recognised. Risk relating to tyre and maintenance services arises where the costs to meet customer claims over the contracted period exceed estimates made at inception.	Continuous review of the portfolio's residual values via a Residual Value Committee comprising experienced senior staff with a balance of disciplines and responsibilities, who measure and report all matters of risk that could potentially affect residual values and maintenance costs and matters that can mitigate the Group from these exposures. The asset risk policy sets out a framework to measure and factor into their assessment such critical variables as used car market dynamics, economic conditions, government policies, the credit market and the condition of assets under lease.

(a) Liquidity risk

Financing arrangements

Committed borrowing facilities for the AM and GRS segments to finance their fleet management portfolio and other borrowing requirements not used to finance the fleet management portfolio are as follows:

Borrowing facilities in local currency (AUD '000)	**2022**			**2021**		
	Facility	**Used**	**Unused**	**Facility**	**Used**	**Unused**
AM borrowing facilities	204,945	158,256	46,689	251,834	160,761	91,073
Warehouse borrowing facilities	100,000	-	100,000	-	-	-
Other borrowing facilities	-	-	-	16,047	16,047	-
Total Borrowings[1]	**304,945**	**158,256**	**146,689**	**267,881**	**176,808**	**91,073**

1. Borrowings do not include capitalised borrowing costs of $183,000 (2021: $478,000)

Details of the fleet management portfolio facilities in local currency are as follows:

Secured bank borrowings (excluding borrowing costs)	Maturity dates	2022 Facility	2022 Used	2022 Unused	2021 Facility	2021 Used	2021 Unused
AUD'000[1]	31/03/2023	-	-	-	75,000	45,800	29,200
AUD'000[1]	31/03/2024	58,000	58,000	-	58,000	48,000	10,000
AUD'000[1]	31/03/2025	95,000	57,600	37,400	20,000	5,300	14,700
AUD'000[3]	05/02/2026	100,000	-	100,000	-	-	-
NZD'000[1]	31/03/2023	-	-	-	11,000	6,600	4,400
NZD'000[1]	31/03/2024	29,000	23,100	5,900	29,000	23,100	5,900
NZD'000[1]	31/03/2025	11,000	6,600	4,400	-	-	-
GBP'000[1]	31/03/2023	-	-	-	15,000	-	15,000
GBP'000[2]	31/03/2023	9,000	9,000	-	18,500	18,500	-

1. AM Revolving facility
2. AM Amortising facility
3. Onboard Warehouse Trust 2021-1 facility

Revolving facilities above have been provided by a financing club of three major Australian banks operating under common terms and conditions. Borrowings are denominated in the local currency of the principal geographical markets to remove associated foreign currency cash flow exposure.

The borrowing facilities are further augmented by P&A facilities of $194.0million ($90.2 million utilised) and associated residual value facilities totalling $123.0 million ($59.7m million utilised). The Group carries a residual value exposure in relation to some P&A facilities that revert the lease asset to the Group at the termination of the lease. The residual value was assessed at the lower of book value and estimated disposal value resulting in a provision for loss in value of $0.7 million for assets identified to be possibly below book value.

The Group believes that the balanced arrangement of internal funded fleet assets and the use of P&A facilities improves liquidity, provides funding diversification and helps to optimise capital management.

The other facilities are borrowed in local currency as follows:

Secured bank borrowings (excluding borrowing costs)	Maturity dates	2022 Facility	2022 Used	2022 Unused	2021 Facility	2021 Used	2021 Unused
AUD'000	31/12/2022	-	-	-	5,739	5,739	-
AUD'000	29/09/2022	-	-	-	4,013	4,013	-
GBP'000	30/06/2023	-	-	-	3,422	3,422	-

Maturities of financial liabilities

The table below summarises the maturity profile of the Group and the parent entity's financial liabilities based on undiscounted contractual payments at the expected settlement dates. Contracted payments are based on amounts brought to account on the Statement of Financial Position and property lease commitments not brought to account.

Notes to the Financial Statements
For the year ended 30 June 2022

Consolidated Group – at 30 June 2022: Contractual maturities of financial liabilities

	Less than 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount / liabilities $'000
Trade payables	18,282	-	-	-	-	18,282	18,282
Other creditors and liabilities	32,494	6,582	-	-	-	39,076	40,271
Lease liabilities	4,488	4,185	7,881	19,989	32,389	68,932	51,064
Borrowings	9,748	10,150	82,387	64,367	-	166,652	167,967
	65,012	**20,917**	**90,268**	**84,356**	**32,389**	**292,942**	**277,584**

Consolidated Group – at 30 June 2021: Contractual maturities of financial liabilities

	Less than 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount / liabilities $'000
Trade payables	30,458	-	-	-	-	30,458	30,458
Other creditors and liabilities	78,709	6,640	-	-	-	85,349	86,833
Lease liabilities	4,488	4,185	7,881	19,989	32,389	68,932	48,875
Borrowings	14,002	14,231	77,666	75,596	-	181,495	176,808
	127,657	**25,056**	**85,547**	**95,585**	**32,389**	**366,234**	**342,974**

Parent – at 30 June 2022: Contractual maturities of financial liabilities

	Less than 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets) / liabilities $'000
Amounts payable to wholly owned entities and other payables	25,942	-	-	-	-	25,942	25,942
Financial guarantee contracts	9,748	10,150	82,387	64,367	-	166,652	-
	35,690	10,150	82,387	64,367	-	**192,594**	25,942

Parent – at 30 June 2021: Contractual maturities of financial liabilities

	Less than 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets) / liabilities $'000
Amounts payable to wholly owned entities and other payables	12,372	-	-	-	-	12,372	12,372
Borrowings	2,939	2,919	4,009	-	-	9,867	9,752
Financial guarantee contracts	11,063	11,312	73,657	75,596	-	171,628	-
	26,374	**14,231**	**77,666**	**75,596**	**-**	**193,867**	**22,124**

(b) Credit risk

The following carrying amount of financial assets represent the maximum credit exposure at reporting date.

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade and other receivables	35,267	40,975	498	481
Deposits with banks	160,796	157,997	580	74
Finance lease receivables	28,140	51,248	-	-
Operating lease assets	223,667	210,318	-	-
	447,870	**460,538**	**1,078**	**555**

Operating lease assets represent future lease rentals not yet invoiced which are secured against underlying assets.

Impairment of trade receivables and finance lease receivables

Key judgement: Impairment of financial assets

Finance lease, trade and other receivables are assessed for impairment at the end of each reporting period on an expected credit loss (ECL) basis. The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables and finance lease receivables have been grouped based on substantially shared credit risk characteristics.

ECL for finance lease receivables includes the inherent risk attached to the credit assessment of each customer, estimate of customer default risk, environment and inventory risk and other factors affecting recoverability. COVID-19 affected the credit quality of many customers at varying levels.

Recoverability of trade receivables is reviewed on an ongoing basis. The expected loss rate for trade receivables is based on the credit loss history on sales over the previous 36 months and adjusted for forward looking factors.

Impairment of financial assets is most sensitive to the failure of a significant customer.

Trade receivables

The loss allowance for trade receivables have been estimated as follows:

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Expected loss rate	2.96%	2.62%	-	-
Gross carrying amount	33,042	35,224	-	-
Loss allowance	978	924	-	-
Specific loss allowance	284	284	-	-
Total loss allowance	**1,262**	1,208	-	-

	2022			2021		
Ageing and expected credit loss of trade receivables	Total $'000	Loss allowance $'000	Amount not impaired $'000	Total $'000	Loss allowance $'000	Amount not impaired $'000
Not past due	28,154	(1,058)	27,096	29,060	(803)	28,257
Past due 30 days	1,428	(56)	1,372	2,806	(48)	2,758
Past due 31-60 days	568	(23)	545	1,324	(33)	1,291
Past due 61-90 days	279	(12)	267	403	(15)	388
Past due >90 days	2,614	(113)	2,501	1,631	(309)	1,322
	33,043	**(1,262)**	**31,781**	35,224	(1,208)	34,016

The Group's maximum exposure to credit risk at reporting date by geographic region is predominantly in Australia, New Zealand and the UK based on the location of originating transactions and economic activity.

Finance lease receivables

The finance lease receivables loss provision and movements during the year is set out below:

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Balance at start of year	747	1,139	-	-
Expected loss allowance	(534)	(337)	-	-
Loss allowance discharged	-	(80)	-	
Changes in foreign currency	(4)	25	-	-
Balance at end of year	**209**	747	**-**	-
Expected credit loss provision	209	629	-	-
Specific provision	-	118	-	-
	209	747	**-**	-

The expected credit loss rate is calculated using the credit management system's default rate assigned for each customer adjusted by the expected recoverable rate plus deflators for duration and other economic or business environmental factors.

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Expected credit loss rate	0.73%	1.18%	-	-
Gross carrying amount	28,672	53,323	-	-
Loss allowance	**209**	629	**-**	-

(c) Market risk

Interest rate risk

At reporting date, the Group had the following variable rate borrowings under long-term facilities attributable to the AM business and other loan facilities drawn on.

	2022		2021	
	Borrowings '000	Weighted average interest rate %	Borrowings '000	Weighted average interest rate %
AUD'000	115,600	2.76%	108,852	1.20%
NZD'000	29,700	3.48%	29,700	1.57%
GBP'000	9,000	3.02%	21,922	1.46%
Total AUD '000	**158,073**	**2.91%**	**176,808**	**1.31%**

The weighted average interest rate on borrowings is used as an input to asset repricing decisions for geographical markets operated in. Analysis of maturities is provided in Note 4.3(a).

Borrowings for the AM business of $157,440,000 (2021: $125,668,000) were covered by interest rate swaps at a fixed rate of interest of 2.32% (2021: 1.72%).

Interest rate risk also arises from cash at bank and deposits, which are at floating interest rates.

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

	2022 Balance $'000	2021 Balance $'000
Cash and deposits	160,796	157,997
Bank loans [1]	(158,073)	(176,808)
Interest rate swaps (notional amounts)	157,441	125,668
Net exposure to cash flow interest rate risk	**160,164**	**106,857**

1. Excluding capitalised borrowing costs of $183,000 (2021: $478,000) for AM.

Sensitivity analysis – floating interest rates:

If the Australian interest rate weakened or strengthened by 25 basis points, being the Group's view of possible fluctuation, and all other variables were held constant, the Group's post-tax profit for the year would have been $721,000 (2021: $947,000) higher or lower and the parent entity $26,000 (2021: $17,000) higher or lower, depending on which way the interest rates moved based on the balances at reporting date.

(d) Asset risk

The portfolio of motor vehicles under operating lease and the residual value of assets under P&A and other facilities of $317,766,000 (2021: $327,180,000) included a residual value provision of $4,239,000 (2021: $5,071,000). Refer to Note 3.4 for further details.

4.4. Financial Instruments

Fair value measurement

The fair value of financial assets and financial liabilities is estimated for recognition and measurement for disclosure purposes.

The below table is an analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, grouped into the following three levels based on the degree to which the fair value is observable.

Level 1	Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset / (financial liability)	Fair value at 2022 $'000	Fair value at 2021 $'000	Fair value hierarchy	Valuation technique and key input
Interest rate swaps	2,931	(213)	2	Discounted cash flow using estimated future cash flows based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted to reflect the credit risk of various counterparties.

Except as detailed above and in Note 3.3, the carrying amounts of financial assets and financial liabilities recognised approximate their fair values. The fair value of borrowings is not materially different to their carrying amounts since the interest payable is close to market rates. The carrying amount of cash, trade and other receivables, trade and other payables are assumed to be the same as their fair values, due to their short term nature.

Derivative financial instruments

In accordance with the Group's treasury policy, derivative interest rate products entered into include interest rate swaps, forward rate agreements and options as cash flow hedges to mitigate both current and future interest rate volatility that may arise from changes in the fair value of its borrowings.

Hedge accounting

Where the Group undertakes a hedge transaction it documents at inception of the transaction the type of hedge, the relationship between the hedging instruments and hedged items and its risk management objective and strategy. The documentation also demonstrates, both at hedge inception and on an ongoing basis that the hedge has been, and is expected to continue to be, highly effective.

The Group uses derivative financial instruments for cash flow hedging purposes and designates them as such.

Cash flow hedge	Derivatives or other financial instruments that hedge the exposure to variability in cash flows from external borrowings that are priced using variable interest rates. Cash flows hedges are used to manage interest rate exposure to interest rate volatility and its impact on leasing product margins. This process seeks to have more control in balancing the spread between interest rates charged on lease contracts and interest rates and the level of borrowings assumed in its financing as required.
Recognition date	Inception
Measurement	Fair value
Changes in fair value	Any gains or losses arising from changes in the fair value of the hedge contracts are taken to other comprehensive income (OCI) to the extent of the effective portion of the cash flow hedge and the ineffective portion recognised in the Statement of Profit or Loss. These gains or losses in OCI are accumulated in a component in equity and are re-classified to the Statement of Profit or Loss to match the timing and relationship with the amount that the derivative instruments was intended to hedge.

4.5. Issued Capital

Share capital – Group and Parent

There was no change to the number of shares on issue or ordinary share value during FY22.

Movements in share capital:

	Number of shares	Issue price	Ordinary Shares $'000
Shares issued at 1 July 2021	77,381,107		76,419
Treasury shares acquired on-market	(16,899)		(162)
Shares held by external shareholders at the beginning of the year	77,364,208		76,257
Treasury shares distributed in the year on the exercise of employee rights	16,899		-
Shares held by external shareholders at 30 June 2021	**77,381,107**		**76,257**
Shares held by external shareholders at 30 June 2022	**77,381,107**		**76,257**

Ordinary shares and premiums received on issue of options are classified as issued capital.

Costs attributable to the issue of new shares or options are deducted from the equity proceeds, net of any income tax benefit, except with the acquisition of a business which are included as part of the business combination.

Shares purchased by the Company or any entity in the Group are classified as treasury shares and the incremental cost of acquiring those shares are deducted from share capital.

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

The Group maintains the McMillan Shakespeare Limited Employee Share Plan Trust (EST) to facilitate the distribution of McMillan Shakespeare Limited shares under the Group's Long Term Incentive Plan (LTIP). The EST is controlled by McMillan Shakespeare Limited and forms part of the Group.

Treasury shares are shares in McMillan Shakespeare Limited that are held by the EST for the purpose of issuing shares under the McMillan Shakespeare Limited LTIP. Treasury shares are deducted from issued shares to show the number of issued shares held by external shareholders.

Options

At 30 June 2022, there were nil (2021: 12,500) unissued ordinary shares for which options were outstanding. In FY21 they were exercisable at an average price of $13.45. Details relating to options issued, exercised and lapsed during the year and options outstanding at the end of the year is set out in Note 5.1.

4.6. Dividends

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Final fully-franked ordinary dividend for the year ended 30 June 2021 of $0.311 (2020: Nil) per share franked at the tax rate of 30% (2020: Nil)	24,065	-	24,065	-
Interim fully-franked ordinary dividend for the year ended 30 June 2022 of $0.34 (2021: $0.302) per share franked at the tax rate of 30% (2021: 30%)	26,310	23,369	26,310	23,369
	50,375	**23,369**	**50,375**	**23,369**
Franking credits available for subsequent financial years based on a tax rate of 30% (2021 – 30%)	111,500	112,284	111,500	112,284

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

5. Employee Remuneration and Benefits

5.1. Share-based Payments

The Company operates a LTIP for certain executives and employees under the McMillan Shakespeare Limited Employee Share Plan. The Company issues Performance Rights annually with a three-year vesting period. The issuance to the previous Managing Director was granted on 22 November 2021 following shareholder approval on that day.

No executive can enter into a transaction that is designed or intended to hedge the exposure. Executives are required to provide declarations to the Board on their compliance with this policy regularly.

Voluntary Options

Voluntary options allow the participant to acquire a fully paid ordinary share in the Company by the payment of the exercise price at the exercise date. Entitlement to exercise is not contingent upon continued employment with the Company nor are there performance hurdles. Voluntary Options are offered to certain executives for an additional opportunity to invest in the Company, who can acquire for a consideration up to a maximum of $20,000. Consideration was set at a 25% discount to the face value of the option at the date of grant. However, if the participant leaves employment before vesting date, the participant will forfeit 25% of their entitlement for $1 (the amount forfeited being equal to the 25% discount to the face value that applied to the consideration price of the option at the date of the conditional offer and acceptance).

Performance Rights

A Performance Right is an entitlement to acquire a fully paid ordinary share in the Company for Nil consideration at grant for conversion to a share, subject to the achievement of performance hurdles and service conditions being satisfied. Performance Rights carry no dividend or voting rights.

Performance hurdles and vesting entitlements

Refer page 27 for details of the terms and conditions for Performance Rights issued in the year.

Recognition and measurement

The Performance Options and Rights are accounted for as equity-settled share-based payments and recognised at the fair value at grant date as an employee benefit expense over the period from issue date to vesting date with a corresponding increase in equity (share-based payment reserve). Fair value is determined using a Black-Scholes pricing model and incorporates market conditions and does not include any conditions that are not market based. The cumulative expense recognised is adjusted to reflect the Directors' best estimate of the number of rights that will ultimately vest based on the vesting conditions attached to the rights, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet financial targets. No expense is recognised for rights that do not ultimately vest.

Voluntary Options			Consolidated Group and parent entity - 2022					
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercis-able at end of the year
3 July 2017	30 September 2021		12,500	-	-	(12,500)	-	-
Weighted average exercise price			**$13.45**	**-**	**-**	**$13.45**	**-**	**-**

Voluntary Options			Consolidated Group and parent entity - 2021					
Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercis-able at end of the year
3 July 2017	30 September 2020	$13.45	8,979	-	-	(8,979)	-	-
3 July 2017	30 September 2021	$13.45	12,500	-	-	-	12,500	12,500
			21,479	-	-	(8,979)	12,500	12,500

Weighted average exercise price	**$13.45**	**-**	**-**	**$13.45**	**$13.45**	**$13.45**

Rights

Set out below is a summary of Performance Rights granted under the Plan:

2022

Grant	Exercise date[1]	Balance at the start of the year	Granted during the year	Distributed during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
1 July 2019	30 September 2022	135,200	-	-	(39,477)	95,723	-
22 October 2019	30 September 2022	38,047	-	-	-	38,047	-
20 October 2020	30 September 2023	93,387	-	-	(12,115)	81,272	-
30 October 2020	30 September 2023	386,670	-	-	(98,292)	288,378	-
15 October 2021	30 September 2024	-	71,731	-	(29,628)	42,103	-
22 November 2021	30 September 2024	-	297,507	-	(14,440)	283,067	-
		653,304	**369,238**	**-**	(193,952)	**828,590**	**-**

2021

Grant	Exercise date[1]	Balance at the start of the year	Granted during the year	Distributed during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
3 July 2018	30 September 2021	83,978	-	-	(83,978)	-	-
23 October 2018	30 September 2021	18,937	-	-	(18,937)	-	-
1 July 2019	30 September 2022	277,513	-	-	(142,313)	135,200	-
22 October 2019	30 September 2022	69,178	-	-	(31,131)	38,047	-
18 December 2019	31 October 2020	16,899	-	(16,899)	-	-	-
20 October 2020	30 September 2023	-	103,763	-	(10,376)	93,387	-
30 October 2020	30 September 2023	-	429,633	-	(42,963)	386,670	-
		466,505	**533,396**	**(16,899)**	**(329,698)**	**653,304**	**-**

1. The first available exercise date is the date that the Company's financial statements for the respective years are lodged with ASX. For the purpose of this summary it is assumed to be 30 September of that year.

Fair value of Performance Rights granted

The fair value at grant date was estimated by discounting the Company's share price at this date by the dividend yield of the Company as follows:

Grant	Share price at grant date	Expected life (years)	Expected dividend yield	Fair value
15 October 2021	$14.52	3.0	4.2%	$12.82
22 November 2021	$13.18	2.9	4.6%	$11.54

Expenses arising from share-based payment transactions

	Consolidated Group		Parent Entity	
	2022 $	2021 $	2022 $	2021 $
Voluntary Options issued under the LTIP	-	1,607	-	-
Performance Rights issued under the LTIP	1,605,688	1,099,680	-	-
	1,605,688	**1,101,287**	-	-

5.2. Key Management Personnel Compensation

	Consolidated Group		Parent Entity	
	2022 $	2021 $	2022 $	2021 $
Short-term employment benefits	2,329,448	3,249,595	1,720,753	2,155,883
Post-employment benefits	130,017	149,443	106,449	111,896
Long-term employment benefits	25,219	(63,529)	14,942	(81,581)
Share-based payments	573,198	406,980	402,368	380,509
	3,057,882	**3,742,489**	**2,244,512**	**2,566,707**

Geoffrey Kruyt, Chief Operating Officer, resigned on 10 June 2021 and ceased to be a KMP at this date.

5.3. Other Employee Benefits

Bonuses

A liability for employee benefits in the form of bonuses is recognised in employee benefits. This liability is based upon pre-determined plans tailored for each participating employee measured on an ongoing basis and is dependent on the outcomes for each participating employee.

6. Group Structure

6.1. Business Combinations

Business combinations are accounted for on the date on which control is transferred to the Group. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Transaction costs, other than those associated with the issue of debt or equity instruments that the Group incurs in connection with a business combination, are expensed as incurred.

Upon the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the profit or loss.

Non-controlling interests are measured at their proportionate share of the subsidiaries' net assets.

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.

Consideration transferred

Consideration transferred for the acquisition is summarised as follows:

	2022 $'000
Cash consideration	11,000
Total consideration transferred	**11,000**

Reconciliation of consideration to cash flow

	2022 $'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	2022 $'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**

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. Acquisition-related expenses of $955,094 have been incurred and expensed on consolidation and included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period within 'Other operating expenses'.

Impact of acquisition on the results of the Group

The Consolidated Statement of Profit or Loss for the period includes a full 12 months of results as the acquisition was effective 1 July 2021.

Disposal of Davantage Group

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 ("RFS Retail business"). At the date of disposal, the carrying amounts of the RFS Retail business' net assets were as follows:

	2022 $'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 Note 4.2).

Disposal of CLM Group

On 31 May 2022, the Group disposed of its 100% equity interest in CLM Fleet Management plc, The Car House Milton Keynes Limited, Corporate Vehicle Rentals Limited and Total Vehicle Mgt Limited.

At the date of disposal, the carrying amounts of the CLM business' net assets were as follows:

	2022 $'000
Current assets	
Cash and cash equivalents	2,742
Trade and other receivables	3,292
Inventories	33
Total current assets	**6,067**
Non-current assets	
Property, plant and equipment	191
Right-of-use assets	1,827
Intangible assets	170
Total non-current assets	**2,188**
Total assets	**8,255**
Current liabilities	
Trade and other payables	2,965
Provisions	3,190
Lease liabilities	363
Total current liabilities	**6,518**
Lease liabilities	1,558
Total non-current liabilities	**1,558**
Total liabilities	**8,076**
Net assets	**179**

6.2. Other Financial Assets

Investment in subsidiaries

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Shares in subsidiaries at cost	-	-	254,822	253,303

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in the relevant notes above.

Notes to the Financial Statements
For the year ended 30 June 2022

Name	Country of Incorporation and principal place of business	% Owned 2022	% Owned 2021	Principal activities
Parent entity				
McMillan Shakespeare Limited	Australia			
Subsidiaries in Group				
Maxxia Pty Limited [1]	Australia	100%	100%	Remuneration services provider
Remuneration Services (Qld) Pty Limited [1]	Australia	100%	100%	Remuneration services provider
Easilease Pty Ltd	Australia	100%	100%	Remuneration services provider
Onboard Finance Pty Ltd	Australia	100%	100%	Remuneration services provider
MaxxiMe Pty Ltd[2]	Australia	100%	100%	Remuneration services provider
Interleasing (Australia) Ltd [1]	Australia	100%	100%	Asset management and services
TVPR Pty Ltd [1]	Australia	100%	100%	Asset management and services
Carila Pty Ltd [1]	Australia	100%	100%	Asset management and services
Presidian Holdings Pty Ltd	Australia	100%	100%	Retail financial services
Davantage Group Pty Ltd[2]	Australia	-	100%	Retail financial services
Money Now Pty Ltd	Australia	100%	100%	Retail financial services
National Finance Choice Pty Ltd	Australia	100%	100%	Retail financial services
Franklin Finance Group Pty Ltd	Australia	100%	100%	Retail financial services
Australian Dealer Insurance Pty Ltd	Australia	100%	100%	Retail financial services
National Finance Solutions Pty Ltd	Australia	100%	100%	Retail financial services
National Insurance Choice Pty Ltd	Australia	100%	100%	Retail financial services
National Dealer Services Pty Ltd	Australia	100%	100%	Retail financial services
Motorsure Pty Ltd	Australia	100%	100%	Retail financial services
Presidian Management Services Pty Ltd[2]	Australia	-	100%	Retail financial services
ADU Investments Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services Network Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services (QLD) Pty Ltd	Australia	100%	100%	Retail financial services
Plan Management Partners Pty Ltd	Australia	100%	100%	Plan management services
Plan Tracker Pty Ltd[3]	Australia	100%	-	Plan management services
Maxxia (UK) Limited	United Kingdom	100%	100%	Investment holding
Maxxia Finance Limited	United Kingdom	100%	100%	Asset management
CLM Fleet Management plc[4]	United Kingdom	-	100%	Fleet management services
Anglo Scottish Asset Finance Limited	United Kingdom	100%	100%	Asset management
Capex Asset Finance Limited	United Kingdom	100%	100%	Asset management
Maxxia Ltd	United Kingdom	100%	100%	Asset management
The Car House Milton Keynes Limited[4]	United Kingdom	-	100%	Fleet management services
Corporate Vehicle Rentals Limited[4]	United Kingdom	-	100%	Fleet management services
Total Vehicle Mgt Limited[4]	United Kingdom	-	100%	Fleet management services

Maxxia Limited	New Zealand	100%	100%	Dormant
Maxxia Fleet Limited	New Zealand	100%	100%	Asset management and services
Wuxi McMillan Software Co. Ltd	Peoples Republic of China	100%	100%	Software development

1. These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC *Corporations (Wholly-owned Companies) Instrument 2016/785* issued by the Australian Securities and Investments Commission. For further information refer to Note 6.4.
2. On 30 September 2021, the Group disposed of 100% of the share capital of Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the RFS Retail business).
3. On 1 July 2021, the Group acquired 100% of the share capital of Plan Tracker Pty Ltd.
4. On 31 May 2022, the Group disposed of 100% of the share capital of CLM Fleet Management plc, The Car House Milton Keynes Limited, Corporate Vehicle Rentals Limited and Total Vehicle Mgt Limited.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the parent entity, including the value of options issued by the Company on behalf of its subsidiaries in relation to employee remuneration.

The parent entity recognised impairments for its investments in United Financial Services Pty Ltd, United Financial Services Network Pty Ltd, United Financial Services (QLD) Pty Ltd and Presidian Holdings Pty Ltd of $Nil (2021: $5,541,000) based on the assessment of their recoverable value.

Subordinated loan receivable

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Carrying value at start of the financial year	-	-	-	-
New loans during year	-	3,520	-	-
Specific credit loss allowance	-	(3,520)	-	-
Carrying value at end of the financial year	**-**	**-**	**-**	**-**

The loan receivable is made up of advances to the joint venture with ML ("JV", refer Note 6.3) as part of the working capital facility provided pursuant to the Group's investment arrangement and formed part of the net investment in the JV. The loan was classified as a financial asset at amortised cost prior to the Group obtaining control on 31 December 2020.

During the prior period, the subordinated loan was assessed to be impaired and $3,520,000 was expensed in the Statement of Profit and Loss.

6.3. Investment in Joint Venture

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Acquired	-	337	-	-
Share of losses after income tax	-	(337)	-	-
Carrying value at end of the financial year	-	-	-	-

Until 31 December 2020, a subsidiary had a 50% interest in ML (JV), a company resident in the UK and the principal activity of which is provider of financing solutions and associated management services on motor vehicles. Under the contractual agreement, the Group together with the joint venture partner jointly controlled the economic activities and key decisions of the JV. The arrangement required unanimous consent for key strategic, financial and operating policies that affected the Group's returns. The Group had an option to acquire the residual interest in the joint venture entity from the joint venture partner after five years from acquisition and the joint venture partner had an option to sell its interest to the Group during the same period.

The interest in the JV was equity accounted in the financial statements. The Group's share of losses exceeds its investment cost in the JV and accordingly, the excess is applied to the extent of the loan receivable from the JV that forms part of the net investment until it is reduced to zero, and thereafter the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture entity.

The Group obtained control of the JV on 31 December 2020.

6.4. Deed of Cross Guarantee

McMillan Shakespeare Limited, Maxxia Pty Ltd and Remuneration Services (Qld) Pty Ltd are parties to a deed of cross guarantee entered into during the year ended 30 June 2009 and Interleasing (Australia) Ltd, CARILA Pty Ltd and TVPR Pty Ltd (Interleasing Group) in the year ended 30 June 2010. Under the deeds, each company guarantees the debts of the others and is relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations *(Wholly-owned Companies) Instrument 2016/785*.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by McMillan Shakespeare Limited, they also represent the 'Extended Closed Group'.

Set out below is the financial information of the Closed Group:

Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained earnings

Statement of Comprehensive Income	**2022 $'000**	**2021 $'000**
Revenue and other income	326,047	317,695
Employee and director benefits expenses	(111,523)	(94,532)
Depreciation and amortisation expenses and impairment	(54,545)	(54,256)
Leasing and vehicle management expenses	(36,287)	(36,986)
Consulting cost expenses	(7,095)	(5,190)
Marketing expenses	(7,830)	(7,056)
Property and corporate expenses	(2,565)	(2,095)
Technology and communication expenses	(14,556)	(13,182)
Finance costs	(3,390)	(5,623)
Other expenses	(1,075)	(715)
Impairment	-	(9,695)
Profit before income tax	**87,181**	**88,365**
Income tax expense	(25,426)	(29,471)
Profit / (losses) attributable to members of the parent entity	**61,755**	**58,894**
Other comprehensive income		
Other comprehensive (loss) / income for the year after-tax	-	438
Total comprehensive (loss) / income for the year	**61,755**	**59,332**
Movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	183,993	148,468
Profit / (loss) for the year	61,755	58,894
Dividends paid	(50,375)	(23,369)

Retained earnings at the end of the financial year	**195,373**	**183,993**

Consolidated Statement of Financial Position

	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	102,406	83,457
Trade and other receivables	49,086	35,567
Finance lease receivables	2,000	1,534
Assets under operating lease	57,091	49,761
Inventory	7,179	7,767
Total current assets	**217,762**	**178,086**
Non-current assets		
Property, plant and equipment	161,857	156,589
Intangible assets	56,825	55,514
Deferred tax asset	29,628	10,918
Finance lease receivables	4,729	6,426
Other financial assets	102,402	102,284
Total non-current assets	**354,441**	**331,731**
TOTAL ASSETS	**572,203**	**509,817**
Current liabilities		
Trade and other payables	81,191	73,632
Current tax liability	2,974	2,534
Provisions	13,371	13,676
Borrowings	-	5,761
Lease liabilities	3,369	538
Total current liabilities	**100,905**	**96,141**
Non-current liabilities		
Provisions	1,193	1,479
Borrowings	115,447	102,747
Lease liabilities	45,167	45,516
Deferred tax liability	40,777	9,469
Total non-current liabilities	**202,584**	**159,211**
TOTAL LIABILITIES	**303,489**	**255,352**
NET ASSETS	**268,714**	**254,465**
Equity		
Issued capital	76,420	76,420
Reserves	(3,077)	(5,948)
Retained earnings	195,371	183,993
TOTAL EQUITY	**268,714**	**254,465**

7. Unrecognised Items

7.1. Commitments

Operating lease commitments

All non-cancellable property leases have been recognised in the Statement of Financial Position.

7.2. Contingent Liabilities

Financial guarantees

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Guarantee provided for the performance of a contractual obligation not supported by term deposit	11,550	11,550	-	11,550
Guarantees provided for obligations under P&A facilities	13,764	14,862	13,589	14,862
Guarantee provided in respect of a working capital facility	10,520	11,359	10,520	11,359
Guarantees provided in respect of property leases	4,235	4,256	-	4,256
Cross company guarantees	438	473	-	473
	40,507	**42,500**	**24,109**	**42,500**

8. Other Disclosures

8.1. Reserves

(a) Share-based payment reserve

The reserve records amounts for the fair value of share-based payments granted and recognised as an employee benefits expense but not exercised.

The balance in reserves representing share-based equity rights and options are transferred to retained earnings upon vesting.

(b) Cash flow hedge reserve

	Consolidated Group		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Revaluation - gross	2,931	(213)	-	-
Deferred tax	(908)	(15)	-	-
Balance at the end of the financial year	**2,023**	**(228)**	**-**	**-**

The hedging reserve is used to record gains and losses on interest rate swaps that are designated and qualify as cash flow hedges.

(c) Foreign currency translation reserve

The foreign translation reserve account accumulates exchange differences arising on translation of foreign controlled entities which are recognised in other comprehensive income. The carrying amount is reclassified to profit or loss when the net investment is disposed of.

(d) Acquisition reserve

The acquisition reserve account records amounts related to acquisition and disposal of equity interests within the Group.

8.2. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

8.3. Interest

Interest income is brought to account on an accrual basis.

8.4. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss provision. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as intended.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful lives and residual value of assets are reviewed and adjusted for impairment, if appropriate, at the end of the reporting period.

8.5. Related Party Transactions

Transactions between the Company and other entities within the wholly owned group during the years ended 30 June 2022 and 2021 consisted of:

(a) loans advanced to the Company; and

(b) the payment of dividends to the Company.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group.

	Consolidated Group		Parent Entity	
	2022 $	2021 $	2022 $	2021 $
Dividend revenue	-	-	50,375,000	128,109,000
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current receivables	-	-	498,166	481,314
Current payables	-	-	25,576,234	11,891,036

8.6. Auditor's Remuneration

	Consolidated Group		Parent Entity	
	2022 $	2021 $	2022 $	2021 $
Statutory audit services				
Remuneration of the auditor (Grant Thornton Audit Pty Ltd) of the parent entity for statutory audit or review of the financial report of the entity and any other entity in the Consolidated Group	289,500	306,000	-	-
Remuneration of a network firm of the parent entity auditor statutory audit or review of the financial statements (UK)	172,446	183,018	-	-
Other audit services related to client requirements				
Remuneration of (Grant Thornton Audit Pty Ltd) for non-statutory audit services	15,200	16,200	-	-
Other assurance services				
Remuneration of the auditor (Grant Thornton Audit Pty Ltd) of the parent entity for assurance related services	248,200	248,200		
Remuneration of a network firm of the parent entity auditor for assurance related services	8,565	8,565	-	-

No non-assurance related services were provided.

8.7. New Accounting Standards and Interpretations Adopted during the Year

The amended accounting standards and interpretations issued by the Australian Accounting Standards Board during the year that were mandatory were adopted except as outlined below. None of these amendments or interpretations adopted materially affected any of the amounts recognised or disclosures in the current or prior year.

The following IFRS Interpretations Committee (IFRIC) and IFRS Interpretations Committee agenda decisions were not yet adopted during the year.

IFRIC agenda decision on Software-as-a-Service 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 and expensed $0.3m (pre-tax) in the financial 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.

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 which resulted in a $0.3m (pre-tax) increase in the accumulated provision for impairment loss recognised against assets under operating lease.

8.8. Accounting Standards Issued but not yet Effective

A new accounting standard AASB 17 *Insurance Contracts* has been issued but not mandatory for adoption in the year ended 30 June 2021. This Standard is first applicable to the Group for financial periods beginning 1 July 2023. AASB 17 requires all insurance contracts to be accounted for in a consistent manner and requires insurance obligations to be accounted for using current values.

With the Group's disposal of the Davantage group (refer note 6.1) the Standard will not have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2024.

There are no other standards or interpretations that are not yet effective that are expected to have a material impact on the Group or Company.

8.9. Events subsequent to the reporting date

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

In August 2022 MMS entered into an agreement to obtain new five year debt facilities totalling $60m to support working capital requirements.

On 29 August 2022 MMS announced that it intends to undertake an off-market buy-back of up to 10% of MMS ordinary shares as part of its ongoing capital management strategy.