McMillanShakespeareGroup

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23 August 2023

Manager Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By E-lodgement

McMillan Shakespeare Limited 2023 Appendix 4E and Annual Report

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. Annual Report for the year ended 30 June 2023

Yours faithfully
McMillan Shakespeare Limited

Ashley Conn
Chief Financial Officer and Company Secretary

This document was authorised for release by the MMS Board.

McMillanShakespeareGroup

Appendix 4E

PRELIMINARY FINAL REPORT
PROVIDED UNDER LISTING RULE 4.3A
YEAR ENDED 30 JUNE 2023

Appendix 4E

Name of entity: McMillan Shakespeare Limited
ACN: 107 233 983
Reporting period: Year ended 30 June 2023
Previous corresponding period: Year ended 30 June 2022

Results for announcement to the market

Continuing operations	2023 $'000	2022 $'000	Change %
Revenue from ordinary activities	464,004	418,657	10.8%
Net profit after tax attributable to members	64,449	66,874	(3.6%)
Underlying net profit after tax and acquisition amortisation (UNPATA)[1,2] attributable to members	66,413	69,785	(4.8%)
Normalised underlying profit after tax and acquisition amortisation (UNPATA)[1,3] attributable to members	77,920	71,479	9.0%
Discontinued operations relating to assets held for sale			
Net profit after tax attributable to members	(32,177)	3,475	<100%
Underlying net profit after tax and acquisition amortisation UNPATA[3] attributable to members	8,327	12,288	(32.2%)
Total operations			
Revenue from ordinary activities	618,195	594,138	4.0%
Net profit after tax attributable to members	32,272	70,348	(54.1%)
Underlying net profit after tax and acquisition amortisation (UNPATA)[1,2]	74,741	82,072	(8.9%)
Normalised underlying profit after tax and acquisition amortisation (UNPATA)[1,3] attributable to members	86,248	83,766	3.0%

1 UNPATA and Normalised UNPATA are non-IFRS metrics used for management reporting. The Group believes UNPATA and Normalised UNPATA reflects what it considers to be the underlying performance of the business.

2 UNPATA is calculated as net profit after tax but before the after-tax impact of acquisition and divestment related activities, accounting standard changes and non-operational items. The Group believes this measure of performance best represents the underlying operating results of the Group.

3 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 current 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 currently expected to be started up to and including FY25.

Dividend information

	Amount per share	Franked amount per share
Final 2023 dividend (paid 22 September 2023)	$0.66	$0.66
Interim 2023 dividend (paid 24 March 2023)	$0.58	$0.58
Total dividend (interim plus final)	$1.24	$1.24

The record date for determining entitlement to the final dividend is 8 September 2023.
The ex-dividend date for the final dividend is 7 September 2023. There is no dividend reinvestment plan in place.

Appendix 4E

Net tangible assets

	2023 $'000	2022 $'000
Net tangible assets per ordinary share[1], cents per share	0.86	2.01

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

Control gained or lost over entities during the period

There were no entities for which control was gained or lost in this period. The Group's RFS Aggregation and UK businesses have been classified as discontinued operations relating to assets held for sale for the year ended 30 June 2023.

Independent auditors' review

The Financial Report for the year ended 30 June 2023 has been audited by EY and an unqualified opinion has been issued.

Additional information supporting the Appendix 4E disclosure requirements can be found in the attached Directors' Report and Financial Report for the year ended 30 June 2023.

MMS
McMillanShakespeareGroup

Annual Report 2023

The McMillan Shakespeare Group is a provider of salary packaging, novated leasing, disability plan management and support co-ordination, asset management and related financial products and services.

Through its subsidiaries, it offers a breadth of services and expertise, designed to responsibly deliver long-term value to its customers. The Group employs a highly committed team of c.1,300 people across Australia, New Zealand and the United Kingdom and domestically manages programs for some of the largest public sector, corporate and charitable organisations.

Annual General Meeting

The Annual General Meeting of the members of McMillan Shakespeare Limited A.B.N. 74 107 233 983 will be held virtually and in person on 27 October 2023 at 10.00am. Please refer to the AGM notice for further details.

mmsg.com.au

Contents

Chair and Chief Executive Officer's Joint Report

Underpinned by our clear strategy to deliver sustainable growth and further simplification of the Group's business, the McMillan Shakespeare (MMS) Group delivered Normalised[1] UNPATA of $86.2 million[2], up 3% and Normalised earnings per share (EPS) of $1.196 cps up 10.5%. A full year fully franked dividend of 124 cents per share up 14.7% was declared.

Dear Shareholders,

On behalf of the McMillan Shakespeare (MMS, the Group or Company) board of directors, management team and staff, we are pleased to present the 2023 MMS Annual Report.

In FY23 we delivered growth in our normalised financial and operating performance as the Group focussed on the customer, a set of clear strategic priorities and simplifying our portfolio of businesses with the divestment of our Aggregation business and an agreement to divest our UK businesses subsequent to FY23 year-end. This focus enabled the Group to cement its market leadership position in both salary packaging and novated leasing during the period whilst helping to position our more streamlined portfolio for future growth.

The Group's financial performance in FY23 saw the achievement of customer growth in all three of our segments, and the advancement of our service offering to capture future opportunities particularly with regard to our customers' transition to Electric Vehicles (EVs).

Our performance reflected the benefit of rising interest rates upon the Company's salary packaging float, higher interest cost due to the new corporate debt facility to support working capital, increased wage pressure and investment in personnel to support higher order levels and elevated carryover, and the continued constraint in vehicle supply together with an economic environment seeing increasing cost of living pressures for our customers. We note that during these times of heightened consumer cost pressures our services take on increased relevance for our customers as they seek to maximise their after-tax income via our salary packaging services in particular.

Importantly, during FY23 we introduced our clear strategy to deliver sustainable growth. In support of our strategy, we initiated our "Simply Stronger" program during the year. The program across the FY23 – FY25 years, has three key deliverables – firstly to deliver superior digital experience and solutions for our customers; secondly to enhance technology-enabled productivity; and thirdly to leverage competency-led solutions to support and enable greater growth across our businesses.

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 current 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 FY23 and FY22 (for comparative purposes) and are currently expected to be stated up to and including FY25.

2 Financial information includes discontinued operations relating to assets held for sale unless otherwise stated.

Normalised Financial Performance Growth

In FY23, Group Net Profit After Tax (NPAT) was $32.3m which represents a decrease of 54.1% on FY22. Group Normalised UNPATA of $86.2m grew by 3% on the previous period and Normalised revenue increased by 5.3% to $625.6m. Our normalised Return on Capital Employed (ROCE) improved to 40.0%, up from 38.6%, while Normalised EPS grew by 10.5% to 119.6 cents.

A key driver of this performance was our Group Remuneration Services (GRS) business, which achieved total Normalised revenue of $232.8m for FY23, an increase of 12.7% on FY22, whilst Normalised UNPATA for the segment grew by 8.5% on the previous period to $52.5m.

Salary packages grew by 23,300, while novated lease units increased by 2,500, taking the total numbers to 394,200 and 73,400 respectively.

This growth reflects the strength of our longstanding relationships with clients, our continued focus on evolving our offering and improving the customer experience, the onboarding of several new client wins achieved in the FY22 financial year and the benefit of rising interest rates on funds administered.

Our Plan and Support Services (PSS) business achieved UNPATA of $8m, an improvement of 21.3% on FY22. This was driven by continued customer growth and margin expansion following further investment in our scalable platform for future growth while also supporting scheme outcomes, integrity and sustainability. By period end the business achieved 22.8% growth in total customers to 31,771 as use of Plan Management services across the National Disability Insurance Scheme (NDIS) continued to rise.

We made progress simplifying the Asset Management Services (AMS) portfolio, selling the Aggregation businesses on 31 July 2023 and also on 22 August 2023 signing an agreement with a consortium of funders predominantly associated with and including Praetura Group (UK) to divest the UK businesses with net proceeds of approximately $20m. The UK businesses sale is subject to limited conditions and expected to close in the first half of FY24. These businesses have been classified as discontinued operations relating to assets held for sale in our financial statements and are no longer part of the AMS segment and a $43m impairment in relation to these assets is included in our FY23 NPAT.

Our AMS segment achieved UNPATA of $18.7m in FY23, an increase of 4% on last period. This was driven by an increase in net amount financed (NAF) and ongoing elevated remarketing yields, moderated by a 1% increase in the written down value of assets under management resulting from the ongoing new vehicle supply constraints and the weakening of used vehicle pricing whilst still remaining at elevated levels.

Clear Strategic Priorities

As previously mentioned, during the year we announced our clear strategy and priorities aimed at achieving our vision of being a highly trusted partner, providing solutions in making complex matters simple.

This strategic ambition has clear intent to deliver increased productivity, continuing to drive customer advocacy through strong Net Promoter Scores (NPS), whilst also generating high ROCE and EPS growth. This will be achieved through three strategic priorities:

Excelling in customer experience

Our first strategic priority aims to enable our business segments to excel in digital and insights-led customer experience. Our progress during FY23 included the furthering of our digital programs to enable greater personalised experience to support customer growth, the launch of new digital dashboards for our PSS customers, support coordinators and service providers, and the introduction of Fleet Inspect a centralised digital solution providing fleet managers with visibility of the condition of their fleet throughout the life of vehicle leases.

Driving technology enabled productivity

Our second strategic priority aims to transform our use of technology to reduce our cost to serve. In FY23 this has seen us introduce the use of Application Programming Interfaces (APIs) within our PSS segment, enable further productivity improvements through enhancement of AMS's proprietary OneView system and Optical Character Recognition technology, whilst we also concentrated on the strength and rigour of our cyber security posture.

Competency-led solutions

Our third strategic priority aims to leverage our culture, capabilities and experience to enhance value. During FY23 our GRS segment made substantial progress on new EV novated lease products to enable customers to take advantage of the Federal Government's EV Bill, and within our AMS segment we launched a new 'On the Go' EV charge card and a driver vehicle charging app to support client and driver EV needs.

Chair and Chief Executive Officer's Joint Report

Our Role in Australia's Transition to Electric Vehicles

The passage of the *Treasury Laws Amendment (Electric Car Discount) Bill 2022* (the Bill), which exempts certain non-luxury zero and low emissions vehicles from Fringe Benefits Tax (FBT), resulted in significantly elevated activity during FY23 from customers seeking an EV.

This legislation, focussed specifically on employer provided low and zero emissions vehicles, aims to remove one of the key barriers for Australians when considering switching to an EV – their traditionally higher price over similar vehicles with an internal combustion engine.

Since the Bill was legislated on 12 December 2022 and supported by our increased focus on this transition, we experienced a significant rise in interest and orders for EVs, which comprised 12.3% of our total novated lease orders across the FY23 period, up from just 3% in FY22. In particular, interest in EVs gained significant momentum throughout the second half of FY23, with the largest number of EV novated lease orders achieved in June 2023 at 21.4% of all lease orders.

We are excited by this opportunity, and we will work to support our clients and customers looking to transition to EVs across our GRS and AMS businesses.

Capital Management

Consistent with our capital allocation framework, during FY23 we completed a 10% off-market share buyback at $11.66 per share, which incorporated a significant franked dividend component.

We continued to progress our capital management strategy through the ongoing implementation of Onboard Finance, our warehouse funding initiative launched in FY22, achieving our target of 20% of monthly volume of leases financed in June 2023.

Our capital allocation framework remains unchanged with our main priority to reinvest in the business in order to deliver sustainable growth, after which we will fund any strategic acquisitions, deleverage as appropriate, before returning capital to shareholders as fully franked dividends in the first instance and in alignment with our dividend policy that aims to pay out between 70–100% of Normalised UNPATA, depending on a number of factors, including the ongoing investment and cash flow required in the business.

Accordingly, a fully franked dividend of 124 cents per share was delivered for the year inclusive of the final dividend of 66 cents per share payable on 22 September 2023. This represents 100% of Normalised UNPATA.

Our Commitment to Sustainability, Environment and Accessibility

During the period we continued to deliver on our Group Sustainability Strategy, which was introduced in FY21 to provide a clear framework for driving positive environmental and social outcomes for our stakeholders and communities in which we operate. Our sustainability strategy integrates with the provision of our services to many of Australia's frontline healthcare, not for profit, public sector and emergency service workers as well as individuals living with disability, and supporting the transition to EVs.

Having already committed to reducing our own operational carbon footprint to net zero by 2030, during FY23 we developed a Climate Change Action Plan which brings together in a clear framework, our proposed actions to respond to climate-related risks and opportunities over the next three years.

As a leading provider of novated leasing and fleet management services, promoting the uptake of EVs and supporting our customers in their transition to a low carbon future remained a key focus during the period. We successfully transitioned 35% of MMS' own Australian and New Zealand fleet to Battery Electric Vehicles during the period.

We also continued to work on a range of initiatives through our Accessibility and Inclusion Plan during FY23 to make our products, services and workplaces more inclusive for people with disabilities. As Chair I volunteer my time to mentor a leader with a disability as part of the Australian Network on Disability Directing Change Mentoring Program. Directing Change looks to advance the governance knowledge of leaders with a disability while building disability confident boardrooms.

Through our Reflect Reconciliation Action Plan, we took a number of steps to contribute towards national reconciliation, from building our own cultural awareness to supporting economic opportunities for First Nations communities through membership of Supply Nation, which facilitates procurement through Indigenous businesses.

As a result of our continued efforts with regards to sustainability practices, our Morgan Stanley Capital International Environment, Social and Governance (ESG) Rating increased from BBB to A.

Board Succession

During FY23, Non-Executive Director and previous Chair, Tim Poole, departed MMS as previously announced. On behalf of the Board, we thank Tim for his tremendous commitment and outstanding contribution to the Group. We welcomed Arlene Tansey, who joined the Board as an independent Non-Executive Director effective 7 November 2022. Arlene is a highly experienced director of ASX listed companies, high growth businesses and government entities with a financial services background in commercial and investment banking. Arlene will stand for election at our 2023 AGM.

Focus and Outlook

Many of the market conditions experienced in FY23, including potential further interest rate rises, inflationary pressures and vehicle supply constraints, are expected to carry into FY24. In this environment MMS, together with its streamlined portfolio of businesses, is well positioned to continue to execute its strategic priorities to deliver sustainable growth.

Within our GRS business we will continue our focus on key client renewals and tenders and to target 20% of novated leases funded through Onboard Finance with an estimated FY24 UNPATA normalisation adjustment of ~$12m. The strategic and financial benefits of Onboard Finance include diversifying our funding sources, increased annuity based income, a new source of income and higher overall value (NPV) per transaction.

We also note the future expected benefit from novated lease carry over revenue of $32.3m as at the end of June 2023, continuing increased demand for low and zero emissions vehicles, and further NDIS participant growth within our PSS business. We will also continue to consider inorganic opportunities within the plan management sector.

The NDIS Independent Review, which is assessing the design, operation and sustainability of the NDIS, is scheduled to be completed by October 2023. Importantly our Plan Management services are directly supporting the NDIS objectives of providing choice and control to participants and supporting the financial integrity and sustainability of the Scheme.

Group-wide, the priority focus for FY24 will be continuing to execute the Group's clear strategy and specifically, our "Simply Stronger" program. Over the course of the program (FY23–FY25) we expect to invest $35m in capital expenditure, with an expected commitment in FY24 of ~$23m in capital expenditure, that are expected to deliver returns beyond the program's completion.

As we enter FY24 we do so as a trusted partner with positions in large and growing markets and with businesses that are well positioned to meet the challenges and capture the opportunities that lie ahead.

We would like to especially thank our people for their dedication to supporting our customers and embodying our purpose of making a difference to people's lives. We also appreciate and thank our clients, customers and shareholders for their ongoing support.

Helen Kurincic
Chair

Rob De Luca
Managing Director &
Chief Executive Officer

Our Strategy

Our Purpose	To make a difference to people's lives
Our Vision	To be the trusted partner, providing solutions in ***making* complex *matters simple***
Our Common Compentencies	Managing E2B2C relationships; Navigating complexity in regulated environments; Leveraging technology and data; Claims and payment processing at scale; Managing benefit arrangements

Our Strategic Priorities

1	2	3
Excel in customer experience	**Technology-enabled productivity**	**Competency-led solutions**
Excel in digital and insights-led customer experiences to enhance our market position	*Drive simplicity and technology enablement to increase productivity*	*Leverage our culture and extend our competency-led solutions to enhance value*

Our Outcomes

Strong NPS	Increase Productivity	High ROCE	Employer of Choice	EPS Growth

Directors' Report

The Directors of McMillan Shakespeare Limited (MMS, the Group or Company) present this report on the consolidated entity, consisting of the Company and the entities that it controlled at the end of, and during, the financial year ended 30 June 2023.

Directors

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

Ms Helen Kurincic
(Independent Non-Executive Director)

Mr Bruce Akhurst
(Independent Non-Executive Director)

Ms Kathy Parsons
(Independent Non-Executive Director)

Mr Tim Poole
(Independent Non-Executive Director)
(resigned 31 August 2022)

Mr John Bennetts
(Non-Executive Director)

Mr Ross Chessari
(Non-Executive Director)

Ms Arlene Tansey
(Non-Executive Director)
(appointed 7 November 2022)

Mr Rob De Luca
(Managing Director and CEO)

Details of the qualifications, experience and special responsibilities of the Directors are set out on pages 18 and 19.

Independent Directors, as determined in accordance with the Company's definition of independence, were independent as at 30 June 2023.

Directors' Report

Directors' meetings

The number of meetings held and attended by the board of Directors (Board) (including meetings of committees of the Board) during the financial year ended 30 June 2023 were as indicated in the table below.

	Board Meetings		Audit, Risk & Compliance Committee Meetings	
Director	Eligible to Attend	Attended	Eligible to Attend	Attended
Ms H. Kurincic (Chair)	20	20	11	11
Mr R. De Luca (Managing Director and CEO)	20	20	-	-
Mr B. Akhurst	20	20	11	10
Ms K. Parsons	20	20	11	11
Mr J. Bennetts	20	20	-	-
Mr R. Chessari	20	20	-	-
Ms A. Tansey	9	9	5	5
Mr T. Poole	7	7	4	4

	People, Culture and Remuneration Committee		Nomination Committee	
Director	Eligible to Attend	Attended	Eligible to Attend	Attended
Ms H. Kurincic (Chair)	4	4	2	2
Mr R. De Luca (Managing Director and CEO)	-	-	-	-
Mr B. Akhurst	4	4	2	2
Ms K. Parsons	4	4	-	-
Mr J. Bennetts	-	-	-	-
Mr R. Chessari	-	-	-	-
Ms A. Tansey[1]	1	1	1	1
Mr T. Poole	2	2	-	-

1 Ms A Tansey was appointed to the Nomination Committee 15 May 2023.

Principal activities

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

In the opinion of the Directors, there were no significant changes in the nature of activities of the Company and its controlled entities during the course of the financial year ended 30 June 2023 that are not otherwise disclosed in this Annual Report.

Results

The Group's profit after income tax for the year amounted to $32,272,419 (2022: $70,348,376). Refer to the Chair and Chief Executive Officer's Joint Report and the Review of Operations on page 10 for further commentary.

Dividends

Dividends paid by the Company during the financial year ended 30 June 2022 are as follows:

Dividends	2023	2022
Final dividend for the financial year ended 30 June 2022 of 74 cents (2021: 31.1 cents) per ordinary share (2022: fully-franked at the tax rate of 30%)	$51,535,838	$24,065,527
Interim dividend for the financial year ended 30 June 2023 of 58 cents (2022: 34 cents) per ordinary share paid on 24 March 2023 fully-franked at the tax rate of 30% (2022: 30%)	$40,392,954	$26,309,576
Total	$91,928,792	$50,375,103

Subsequent to the financial year ended 30 June 2023, the Directors declared a final dividend of 65.9 cents per ordinary share (2022: 74 cents per ordinary share) (fully franked at the tax rate of 30%) to be paid on 22 September 2023, bringing the total dividend to be paid for the financial year ended 30 June 2023 to 124 cents per ordinary share (2022: 108 cents per ordinary share).

Ex-dividend date	7 September 2023
Record date for determining entitlements to the dividend	8 September 2023
Dividend payment date	22 September 2023

Directors' Report

Review of operations – Group

MMS delivered ongoing growth in normalised financial and operating performance in FY23 as the Group focussed on the customer, a set of clear strategic priorities announced during the period and simplifying its portfolio of businesses to reinvest capital for future growth.

The Group's clear strategy introduced during FY23, aims to deliver sustainable growth by focussing on three priorities:

1. **Excelling in customer experience:** Excel in digital and insights-led customer experience to enhance our market position;
2. **Driving technology-enabled productivity:** Drive simplicity and technology enablement and transformation to increase productivity; and
3. **Delivering competency-led solutions:** Leverage our culture and extend our competency-led solutions to enhance value.

The Group's focus on the customer and in particular the emerging uptake and interest in EVs, together with further NDIS participant growth and continued elevated remarketing yields saw MMS grow salary packages and novated leases under management, NDIS plans managed, and Asset Management's net amount financed. The Group's financial performance also benefited from rising interest rates on the Company's salary packaging float.

This performance was achieved in the context of ongoing wage inflation pressures, additional investment in people to support service delivery to an expanded client base, continued constrained vehicle supply and an economic environment resulting in increasing cost of living pressures for the Group's customers. Noting that during these times of heightened consumer cost pressures, our services take on increased relevance for our customers as they seek to maximise their after-tax income via our salary packaging services in particular.

In addition, FY23 was a material year for the growth of the Group's funding warehouse, Onboard Finance (Warehouse), which at 30 June 2023 had funded ~$100m of novated leases and achieved the target of financing 20% of monthly GRS novated lease volumes in June 2023.

The passage of the *Treasury Laws Amendment (Electric Car Discount) Bill 2022* on 12 December 2022, which exempts certain non-luxury zero and low emissions vehicles from FBT, resulted in elevated inquiry and activity during FY23 from customers seeking an EV, with demand significantly increasing through the period.

We made progress simplifying the Asset Management Services (AMS) portfolio, selling the Aggregation businesses on 31 July 2023 and also on 22 August 2023 signing an agreement with a consortium of funders predominantly associated with and including Praetura Group (UK) to divest the UK businesses with net proceeds of approximately $20m. The UK businesses sale is subject to limited conditions and expected to close in the first half of FY24. These businesses have been classified as discontinued operations relating to assets held for sale in our financial statements and are no longer part of the AMS Segment.

Consistent with the stated capital strategy, the Company also completed a 10% off market share buyback, which included a significant franked dividend component, in October 2022 at $11.66 per share for a total cost of $90m.

Group Financial Performance Summary

Continuing operations	2023 $'000	2022[6] $'000	Change %
Statutory revenue	464,004	418,657	10.8%
Normalised Revenue[1,2] ($m)	471,375	418,814	12.5%
Normalised EBITDA[1,2,3] ($m)	131,283	118,035	11.2%
Normalised UNPATA[1,2,4] ($m)	77,920	71,479	9.0%
UNPATA[1,4] ($m)	66,413	69,785	(4.8%)
Statutory NPAT ($m)	64,449	66,874	(3.6%)
Discontinued operations relating to assets held for sale			
UNPATA[3] ($m)	8,327	12,288	(32.2%)
Statutory NPAT ($m)	(32,177)	3,475	<100%
Total operations			
Normalised Revenue[1,2] ($m)	625,566	594,295	5.3%
Normalised EBITDA[1,2,3] ($m)	143,357	132,762	8.0%
Normalised UNPATA[1,2,4] ($m)	86,248	83,766	3.0%
UNPATA[1,4] ($m)	74,741	82,072	(8.9%)
Statutory NPAT ($m)	32,272	70,348	(54.1%)
Normalised EPS[1,2] (cents)	119.6	108.3	10.5%
Total dividend per share (cents)	124.0	108.0	14.8%
Return on capital employed[5] (%)	40.0%	38.6%	1.4pts

1 Normalised revenue, Normalised EBITDA, Normalised UNPATA, UNPATA and Normalised EPS are non-IFRS metrics used for management reporting. The Group believes Normalised UNPATA and UNPATA reflects what it considers to be the underlying performance of the business.

2 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 current 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 FY23 and FY22 (for comparative purposes) and are currently expected to be stated up to and including FY25. Normalised impacts of FY23 revenue $(7.4)m, EBITDA $(15.3)m, EBIT $(16.4)m and UNPATA of $(11.5)m and FY22 revenue $(0.2)m, EBITDA $(2.2m), EBIT $(2.1)m and UNPATA of $(1.7)m.

3 Earnings before interest, tax, depreciation (excluding fleet and warehouse depreciation) and amortisation (EBITDA) excludes the pre-tax impact of acquisition and divestment related activities, and non-operational items otherwise excluded from UNPATA on a post-tax basis.

4 Underlying net profit after tax and acquisition amortisation (UNPATA), being net profit after tax but before the after-tax impact of acquisition and divestment related activities, accounting standard changes and non-operational items.

5 Return on capital employed (ROCE), is based on last 12 months' Normalised earnings before interest and tax (EBIT). Normalised EBIT is before the pre-tax impact of acquisition and divestment related activities, accounting standard changes, and non-operational items otherwise excluded from UNPATA on a post-tax basis. Capital employed (excluding lease liabilities) used in the calculations includes the add back of impairment of acquired intangible asset charges incurred in the respective financial period and also includes add back for the Warehouse in FY22 and FY23.

6 FY22 comparatives in continuing operations include discontinued operations relating to assets held for sale.

7 The information presented in this Review of Operations has not been audited in accordance with the Australian Auditing Standards.

Directors' Report

Segment Review

Group Remuneration Services

	2023 $m	2022 $m	Variance %
Revenue	225.5	206.5	9.2%
Normalised Revenue[1,2]	232.8	206.6	12.7%
Normalised EBITDA[1,2,3]	90.2	82.2	9.7%
Normalised UNPATA[1,2,4]	52.5	48.4	8.5%

Refer notes on Group Financial Performance Summary table above.

GRS revenue growth was driven by a 13.3% increase in novated lease sales, which were at a record high over the period, an additional 23,300 salary packages and an uplift in interest received from funds administered of $10.2m. Novated lease sales momentum benefited from ongoing customer and client focus, with total novated lease units rising by 3.6% to a record 73,400. MMS is the market leader in both salary packaging and novated leasing as at the period end.

Whilst some stabilisation in vehicle supply occurred, ongoing constraints and elevated order levels resulted in a continued growth of novated lease orders carry over. Total carry over revenue to benefit future periods as at 30 June 2023 was $32.3m, up from $25.6m as at 30 June 2022.

With select zero and low emissions vehicles exempt from FBT whilst interest rates and cost of living pressures increased through the period, more Australians sought to capitalise on the value proposition of novated leasing an EV.

During FY23 the number of novated lease orders for EVs increased substantially to 12.3% of total orders, up from 1.7% in FY22. Inquiry for EVs increased markedly through FY23, with the highest number of orders in a month occurring in June 2023, representing 21.4% of all novated lease orders. The higher average cost of EVs over their internal combustion engine equivalent contributed to an increase in novated NAF and yields in FY23.

Uplift in salary packages was underpinned by the transitioning of new client wins achieved in FY22, including as the sole provider of salary packaging and novated leases to the Victorian Department of Education and Training, as well as through the increased penetration of existing clients.

Increased GRS revenues were offset by investment in personnel to support higher order levels, service levels and elevated carryover, and the decision on wage increases as well as costs associated with transitioning new clients which will benefit future periods.

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Asset Management Services (AMS)

	2023 $m	2022 $m	Variance %
Revenue	187.4	170.6	9.9%
EBITDA[1]	28.7	27.8	3.3%
UNPATA[2]	18.7	18.0	4.0%

Refer notes on Group Financial Performance Summary table above. FY22 comparatives exclude discontinued operations relating to assets held for sale.

The AMS segment benefited from a 4.1% increase in net amount financed (NAF) and sustained remarketing yields with revenues up 9.9% to $187.4m and UNPATA up 4% to $18.7m.

The Asset Written Down Value (WDV) of $320.8m (including fleet assets funded utilising principal and agency arrangements) was up 1% on FY22, reflecting the impact of ongoing vehicle supply constraints.

With more organisations and governments seeking to transition their fleets to EVs, the ANZ segment experienced increased rates of inquiry regarding EVs during FY23.

A focus for the period was on implementing digital tools to better manage customer interactions and ultimately provide straight through processing efficiencies. During FY23 over 260 individual processes were managed through the OneView platform, which facilitates the automation of management and operational tasks, an increase of 20% on FY22. The increased utilisation of Optical Character Recognition technology also drove productivity improvements.

Plan and Support Services (PSS)

	2023 $m	2022 $m	Variance %
Revenue	48.6	41.3	17.7%
EBITDA[3]	12.3	10.1	21.3%
UNPATA[4]	8.0	6.6	21.3%

Refer notes on Group Financial Performance Summary table above.

PSS achieved strong customer growth and margin expansion through the continued investment in building a scalable platform and digital tools to enhance the customer experience.

Growth in segment revenue for FY23 was attributable to a 22.8% increase in plan management and support coordination customers and a 21.5% increase in support coordination billable hours.

A focus for FY23 was on improving systems and applications functionality for both customers and suppliers to provide greater insights into customer spending and payment processing times. Enhancements were made to our customer and service provider dashboards, aiming to provide our customers with tools to help them better navigate the NDIS and improve their outcomes, and providing enhanced payments visibility and processing for providers in support of scheme efficacy.

The Plan Tracker business, acquired by MMS in FY22, was successfully migrated to a common technology platform during the period. This significant milestone enables the business to focus on delivering future efficiencies for the segment whilst driving growth opportunities as the National Disability Insurance Scheme's (NDIS) participants are projected grow to over a million by 2032.

During FY23 there were no structural adjustments via indexing made by the NDIS to the pricing arrangements for plan management supports to reflect the inflationary cost environment in which such services are being delivered. The NDIS has also experienced a general shift towards participants receiving NDIS plan extensions rather than renewals as the Scheme focuses on longer plan durations.

The impact of PSS's ongoing focus on creating an accessible and customer-centric experience was reflected in the segment's strong NPS of 59.

Discontinued operations relating to assets held for sale

	2023 $m	2022 $m	Variance %
Revenue	154.2	175.5	(12.1%)
EBITDA[3]	12.1	14.7	(17.9%)
UNPATA[4]	8.3	12.3	(32.2%)

Refer notes on Group Financial Performance Summary table above.

The Aggregation and UK businesses are classified as discontinued operations relating to assets held for sale. The sale of the Aggregation business completed on 31 July 2023 and on 22 August 2023 an agreement was executed to divest the UK businesses.

Financial performance was impacted by the scheduled run down of the Maxxia UK lease portfolio and increased competition in the Australian Aggregation business' market, in part offset by growth in Anglo Scottish UK where NAF increased 14.6%.

Directors' Report

Outlook

Many of the market conditions experienced in FY23, including potential further interest rate rises, inflationary pressures and vehicle supply constraints, are expected to carry into FY24. In this environment MMS, together with our streamlined portfolio of businesses, is well positioned to continue to execute its strategic priorities to deliver sustainable growth.

Within our GRS business we will continue our focus on key client renewals and tenders and to target 20% of novated leases funded through Onboard Finance with an estimated FY24 UNPATA normalisation adjustment of ~$12m. The strategic and financial benefits of Onboard Finance include diversifying our funding sources, increased annuity based income, a new source of income and higher overall value (NPV) per transaction.

We also note the future expected benefit from our novated lease carry over revenue of $32.3m as at the end of June 2023, continuing increased demand for low and zero emissions vehicles, and further NDIS participant growth within our PSS business. We will continue to consider non-organic opportunities within the plan management sector.

Group-wide, the priority focus for FY24 will be continuing to execute the Group's clear strategy and specifically, our "Simply Stronger" program. Over the course of the program (FY23–FY25) we expect to invest $35m in capital expenditure, with an expected commitment in FY24 of ~$23m in capital expenditure, that we expect to deliver returns beyond the program's completion.

As we enter FY24 we do so as a trusted partner with positions in large and growing markets and with businesses that are well positioned to meet the challenges and capture the opportunities that lie ahead.

Risk Management and Key Business Risks

MMS maintains a Risk Management Framework to support the identification, assessment, management, monitoring, and reporting of internal and external sources of risk that could impact on the Group's operations and strategic objectives. The Framework is based on the principles and guidelines identified in Risk Management Standard AS ISO 31000:2018 and is underpinned by a proactive risk management culture.

Risk management is a continuous process that is embedded within day-to-day operational activities of the Group with active involvement of the Executive Leadership Team and oversight from the Audit, Risk & Compliance Committee (ARCC), and the Board. The Group's Risk Management Policy and Framework Statement and the Board Audit, Risk and Compliance Committee Charter can be found on the Company's website: https://mmsg.com.au/overview/#governance.

Outlined below are key risks to which the Group is exposed together with the strategies employed to mitigate and manage those risks. This is not an exhaustive list of all actual or potential risks that may affect the Group.

Key risks	Risk management strategy
Strategy and Growth	
Macroeconomic environment A downturn in economic conditions may affect customer demand for our products and services, our access to and cost of funding, and the financial condition of our customers, partners, and suppliers, resulting in an adverse impact to the Group's operations and/or financial performance.	– Regular monitoring of the external environment including the economic outlook to inform strategic planning, portfolio management, and corporate treasury activities. – Active management of credit, residual value, liquidity, funding, and interest rate risks in line with policies approved by the Board. – Ongoing oversight of the Group's financial risk profile by the Executive Credit, Residual Value and Interest Committees. – Business model and client diversification to reduce reliance on any single business segment and/or client relationship.
Changes in government policy and regulation Changes to government policy and regulation and particularly those applicable to Financial Services, the National Disability Insurance Scheme (NDIS), taxation (including Fringe Benefits Tax (FBT)), and Climate Change may have an adverse impact on the Group's operations and/or financial performance.	– Regular monitoring of regulatory change and industry developments. – Proactive engagement across governments and regulators, including making submissions relating to proposed changes in laws, regulatory and licensing environments which may impact the Group. – Active participation and support of peak industry bodies such as NALPSA and Disability Intermediaries Australia. – Business model diversification and development of products and services to support clients and customers transition to electric vehicles.
Global motor vehicle supply chain dynamics Disruption or capacity constraints within the global motor vehicle supply chain may affect business segment sales volumes and customer order backlogs, resulting in an adverse impact to the Group's financial performance.	– Maintain a strategic approach to procurement including strengthening and broadening of our relationships with supply chain partners and dealer groups.
Competition and customer contracts The Group's businesses are affected by competing suppliers of salary packing, leasing, financing, and NDIS plan management and support coordination products and services. A sustained increase in competition from existing competitors, new entrants or disruptors, or loss of a material client contract(s), may result in a failure to grow and/or loss of market share or revenues in some segments.	– Focus on continual improvement in product and service offerings to attract and retain customers, including client engagement and relationship management, delivering high levels of customer service, and ongoing product and digital innovation. – Ongoing monitoring of market trends (e.g., customer, competitor and technology) and disciplined approach to pricing. – Business model and client diversification to reduce reliance on any single business segment and/or client relationship.
Transformation and delivery of strategic initiatives The Group's growth strategy is underpinned by a comprehensive transformation program aimed at delivering innovation of products and services, and productivity benefits, through digitisation. These initiatives may not be delivered in line with the planned scope, timeline, or budget, and/or the anticipated benefits may not be realised.	– Chief Transformation Officer appointed, and Group Transformation Office established. – Development and implementation of Project and Organisational Change Frameworks, Methodologies and Tools. – Transformation initiatives overseen by project steering committees and the Executive Program Governance Committee.

Directors' Report

Key risks	Risk management strategy
Financial and Balance Sheet Risks	
Funding and liquidity An inability to access equity capital, maintain debt funding on acceptable terms and/or effectively manage cashflows could have a material adverse impact on the Group's operations, financial condition and performance. In addition, changes in stakeholder expectations in relation to environmental, social, and governance (ESG) practices may adversely impact the Group's ability to access capital or financing in the future.	– Active management of funding and liquidity risk including diversification of funding sources and adherence to financial covenants in line with policies approved by the Board. – Ongoing oversight of liquidity and funding risk profile by the Executive Interest Committee. – The Group has adopted a Sustainability Framework, with various activities and programs in place aligned with the Group's material ESG topics.
Interest rates and credit spreads The Group's competitive position and financial performance may be impacted by fluctuations in interest rates and credit spreads which affect the interest income earned on assets, the interest paid on liabilities, and create upward pressure on pricing.	– Active management of interest rate risk including asset and liability matching and hedging strategies in line with policies approved by the Board. – Ongoing oversight of the Group's interest rate risk profile by the Executive Interest Committee. – Maintain diversity of funding channels to maintain market competitive pricing for our customers.
Credit and residual values The Group's financial condition and performance may be affected by counterparties defaulting on their lease obligations and/or if leased assets can only be resold or re-leased at price below their residual value.	– Active management of credit and residual value risk through underwriting, pricing, portfolio management practices, and stress testing in line with policies approved by the Board. – Ongoing oversight of credit and residual value risk profile by the Executive Credit and Residual Value Committees.
Operations and Service Delivery	
Technology, data availability, and integrity A failure or disruption of information technology services (including infrastructure, hardware, software, digital platforms) and/or the availability and integrity of data could have a material adverse impact on the Group's reputation, operations and financial performance.	– The Group's Technology and Digital team dedicate resources, systems, and technical expertise to the mitigation of technology and data risks. – Ongoing oversight of technology risk by the Information & Communication Technology Risk Committee and the Executive Risk and Compliance Committee. – Crisis management framework in place incorporating business continuity plans, disaster recovery plan, and cyber security incident response plan.
Cybersecurity, data protection, and privacy A cyber incident could disrupt the Group's operations and result in the loss or compromise of information assets. In addition, any unauthorized disclosure or misuse of confidential information and/or a failure to maintain adequate data protection and privacy controls may have an adverse impact on the Group's reputation, operations and financial performance.	– Active management of cyber security risk through policies, technical controls, operating procedures, and awareness and training in line with policies approved by the Board. – A dedicated Cyber Security Team is tasked with protecting key information assets, identifying, and effectively responding to threats. Support arrangements for cyber incident response and recovery are also in place. – The Group holds a cyber insurance policy. – The Group maintains a privacy compliance framework including a Privacy Policy, supporting procedures, training, and other controls including regular internal monitoring of privacy process compliance. – Ongoing oversight of the Group's cybersecurity, data protection and privacy compliance risk profile by the Executive Risk and Compliance Committee and the Board Audit, Risk and Compliance Committee.

Key risks	Risk management strategy
Operations and Service Delivery (cont.)	
Key suppliers A sustained interruption or reduction in the quality of the products and services that are provided by our key suppliers may have an adverse impact on the Group's reputation, operations and/or financial performance.	– The Group's procurement function and designated supplier relationship owners maintain commercial and contractual arrangements across the supplier base including ongoing oversight of supplier performance in line with the Group's Procurement Policy and Supplier Code of Conduct. – Where commercially appropriate, the Group will seek to engage suppliers that contribute to positive community and environmental outcomes, including those that maintain relevant sustainability certifications.
Regulatory compliance and licensing The Group's businesses are regulated by various laws, licenses, regulations, and rules. A material breach of relevant obligations or a failure to meet compliance and conduct requirements may have an adverse impact on the Group's reputation, operations, and/or financial performance.	– The Group has implemented risk management and compliance frameworks including policies, procedures, tools, training, and other controls. – Ongoing monitoring and oversight of compliance with obligations by Executive Management, including regular reporting to the Executive Risk and Compliance Committee and the Board Audit, Risk and Compliance Committee. – Internal Audit function periodically reviews and provides independent assurance regarding the adequacy of controls and processes for managing risks and compliance obligations.
Talent acquisition, retention, and wage pressure The Group's ability to attract and retain key senior management and operating personnel may be affected by a range of factors including competition across the market, labour shortages, our employee value proposition, and organisational culture. These dynamics may also contribute to increased direct and indirect labour costs which could impact the Group's financial performance.	– The Group has adopted strategies, policies and processes for the recruitment, development, and retention of talent, and for fostering an inclusive, diverse, and engaged workforce. – Succession plans are maintained for Key Management Personnel (KMPs) and other key operational executives. – The Group's remuneration framework aims to attract, motivate, and retain high performing individuals and provide market competitive remuneration. – The Board People, Culture and Remuneration Committee, Chief People Officer, and relevant management committees and working groups have responsibility for overseeing strategies and programs related to people, culture, and remuneration.
Workplace health and safety A failure to appropriately manage the physical and psychological health and wellbeing of employees, other workers or visitors to the Group's premises, or a failure to comply with relevant workplace health and safety laws and regulations could expose the Group (and individuals) to civil, criminal, and/or regulator action with associated financial and reputational consequences.	– The Group has implemented a health, safety and wellbeing framework including policies, procedures, reporting, training and education in line with policies approved by the Board. – The Board People, Culture and Remuneration Committee, Chief People Officer, and relevant management committees and working groups have responsibility for overseeing strategies and programs related to workplace health and safety.

Directors' experience and special responsibilities

Helen Kurincic *MBA, FAICD, FGIA*

Appointed: 15 September 2018 (Non-Executive Director), 21 October 2020 (Chair)

Positions: Chair of the Board, Chair of the Nomination Committee
Member of the Audit, Risk and Compliance Committee
Member of the People, Culture and Remuneration Committee

Ms Kurincic is Non-Executive Chair of Integral Diagnostics Limited, Non-Executive Director of Estia Health Limited and HBF Health Limited. Formerly, Ms Kurincic was the Chief Operating Officer and Director of Genesis Care from its earliest inception, creating and developing the first and largest radiation oncology and cardiology business across Australia. She has also formerly held Board roles across the publicly listed, private, not-for-profit and government sectors as well as being the former CEO of Benetas and Heart Care Victoria. Ms Kurincic is a Fellow of the Australian Institute of Company Directors and Governance Institute of Australia. She has also completed the Cambridge Institute for Sustainability Leadership NED Programme. Ms Kurincic is considered an independent director under the Company's definition of independence.

Rob De Luca *B Ec, MBA*

Appointed: 16 May 2022 (Chief Executive Officer and Managing Director)

Positions: Chief Executive Officer
Managing Director

Mr De Luca joined MMS in May 2022 and has over 20 years' experience in the Financial Services, Wealth Management, Disability and Healthcare sectors, including roles as Managing Director of Bankwest, CEO of the National Disability Insurance Agency (NDIA) and prior to joining MMS, Mr De Luca was CEO of Zenitas Healthcare.

Kathy Parsons *B Comm, CA*

Appointed: 22 May 2020

Positions: Non-Executive Director
Chair of the Audit, Risk and Compliance Committee
Member of the People, Culture and Remuneration Committee

Ms Parsons is currently a Non-Executive Director of Nick Scali Limited and Shape Australia Corporation Limited. Formerly, Ms Parsons was an audit partner at Ernst & Young where she spent time as a partner in the firm's US, UK and Australian practices. In addition to her audit client responsibilities, she was part of the firm's Oceania Assurance Leadership team as the Professional Practice Director with responsibility for assurance quality and risk management in the region. Ms Parsons is considered an independent Director under the Company's definition of independence.

Bruce Akhurst *B Ec (Hons), LLB, FAICD*

Appointed: 1 April 2021

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

Mr Akhurst is currently the Chairman of Tabcorp Holdings Limited and a member of the Audit Committee, Technology Committee, Nomination Committee, People, Culture and Remuneration Committee and Risk, Compliance and Sustainability Committee. Mr Akhurst is also Chair of the Peter McCallum Cancer Foundation and Council Member of RMIT University chairing the Infrastructure and Information Technology Committee. Mr Akhurst was previously the CEO of Sensis, Group MD and General Counsel of Telstra and a Partner of Mallesons Stephen Jaques. Mr Akhurst is considered an independent director under the Company's definition of independence.

John Bennetts *B Ec, LLB*

Appointed: 1 December 2003

Positions: Non-Executive Director

Mr Bennetts is an experienced investor and has been the founder and director of a number of successful Australian companies. He owns businesses in varied industries including technology and finance. Mr Bennetts is a Non-Executive Director of Sacred Heart Mission. He was a founder of Cellestis Limited and private equity investment firm, Mooroolbark Investments Pty Limited (M-Group). He has also provided corporate advisory services to a range of companies in Australia and Asia. Prior to the establishment of M-Group, he was a senior executive of pioneering Australian multinational IT company, Datacraft Limited and also practised as a commercial lawyer.

Ross Chessari *LLB, M Tax*

Appointed: 1 December 2003

Positions: Non-Executive Director

Mr Chessari is a founder and director of the investment manager, SciVentures Investments Pty Limited (SciVentures). Prior to founding SciVentures, Mr Chessari was the Managing Director of ANZ Asset Management and the General Manager of ANZ Trustees. Mr Chessari has participated in the growth and development of the Company and has significant interest in the Company's continued success.

Arlene Tansey *BBA, MBA, Juris Doctor, FAICD*

Appointed: 7 November 2022 (Non-Executive Director

Positions: Non-Executive Director, Member of the Audit, Risk and Compliance Committee
Member of the People Culture and Remuneration Committee
Member of the Nomination Committee

Ms Tansey is a Non-Executive Director of TPG Telecom, Aristocrat Leisure Limited, Lend Lease Real Estate Investments Limited, and the Australian Institute of Company Directors (NSW Division Council) and the Australian National Maritime Museum. Before becoming a non-executive Director, Ms Tansey worked in commercial and investment banking in Australia (ANZ Banking Group and Macquarie Bank) and in investment banking and law in the United States. She holds a Juris Doctor from the University of Southern California Law Centre and an MBA from New York University. She is a member of Chief Executive Women, the International Women's Forum and a Fellow of the Australian Institute of Company Directors.

Ashley Conn *B Comm, CA, MBA*

Appointed: 5 October 2020

Positions: Chief Financial Officer
Company Secretary

Mr Conn is the CFO and Company Secretary and has over 20 years of financial services experience. Previously Mr. Conn was the CFO of CSG Ltd and prior to that had been an investment banker working in Australia and New York predominantly for Goldman Sachs and Morgan Stanley.

Remuneration Report (audited)

Letter from the Chair of the People, Culture and Remuneration Committee

Dear Shareholders,

On behalf of the People, Culture and Remuneration Committee (PCRC) and Board of McMillan Shakespeare Limited (MMS, the Group or Company), I am pleased to present the Financial Year 2023 (FY23) Remuneration Report (the Report).

The Report explains how our remuneration approach and the Executive Remuneration Framework proposed in last year's report has been implemented in FY23. The report also demonstrates how the Company's remuneration approach supports the short and longer-term alignment of the Company's performance for the benefit of shareholders.

At MMS, we are committed to achieving long-term, sustainable growth and returns for our shareholders by focusing on our strategic priorities of exceling in customer experience, pursuing technology enabled productivity, and delivering competency-led solutions in a rapidly changing landscape.

Company Performance:

FY23 has seen the Group deliver customer growth in all three of our segments and seen some benefits associated with rising interest rates. This commitment to our strategic priorities, management of environmental challenges and the customer, enabled MMS to deliver ongoing growth in both Normalised performance in FY23, achieving 10%+ growth in Normalised earnings per share (EPS)[1], and Normalised ROCE[2] improving to 40.0% – up from 38.6%.

The past 12 months have presented challenges to our business and our customers including ongoing wage inflation pressures, continued constrained vehicle supply and an economic environment resulting in increasing cost of living pressures for our customers. These have caused household spending to tighten and increased the cost of doing business as we made additional investment to support service delivery to an expanded client base. Our focus has been the pursuit of sustainable growth and simplification of our portfolio of businesses, while continuing to help our customers make the most of their benefit arrangements across salary packaging, novated leasing, asset management, and NDIS plan management.

Remuneration Outcomes:

In our last report, we outlined the introduction of a Short-Term Incentive Program (STIP) for FY23, which rewards annual Company and individual performance that aligns with MMS's strategic priorities. The STIP comprises financial and non-financial targets including Financial, Sustainability, Strategic, Customer and People measures. Further details of performance against STIP are included in Section 3 of the report.

The Long-Term Incentive Program (LTIP) award performance measures are; (i) 50% normalised earnings per share (EPS), through achieving a compound annual growth rate (CAGR) and (ii) 50% average return on capital employed (ROCE). The LTIP normalised EPS target for the FY21 and FY22 LTIP grants relating to FY23 performance hurdles were not achieved and thus did not vest. The 2 year average ROCE target for the FY21 LTIP grants was achieved and will vest while the 3 year average ROCE target for the FY21 grant and the FY22 LTIP grants relating to the average ROCE performance were not achieved and hence will not vest.

The Board reviewed company performance as it relates to the outcomes for STIP and LTIP and in light of FY23 performance, deemed the results and subsequent remuneration outcomes as appropriate.

Our People and Sustainability

Throughout the year we communicated the MMS strategy with our workforce, including our ongoing strong focus on attraction, retention and providing development opportunities that support sustainable growth.

87% of our workforce took the time to provide feedback through our Employee Engagement Survey, our sustainable engagement score remains high at 80%, reflecting a slight 3% decrease from 2022. We are acting on employee feedback to make MMS an even better place to work and grow our people's careers.

MMS considers various sustainability metrics and targets as they relate to remuneration, performance, and diversity.

Gender Diversity has remained a focus and we are pleased to have made further progress towards our 40:40:20 target by 30 June 2030. At the end of FY23, we have made strong progress demonstrated in the following female representation: Board (including CEO/MD) at 43%, other Executive and General Management at 40%. We continue to focus on our Senior Management level, currently at 33% (up 4%).

We also made positive progress on the gender pay gap, achieving 101% (up 3.2%) pay equity, against a target of 95-105%, for like-for-like roles with greater than 10 occupants.

Through our Accessibility and Inclusion Plan and our Reconciliation Action Plan, we are further cultivating a culture of understanding and acceptance creating opportunities at MMS.

We thank you for your support and look forward to your feedback on the report.

Bruce Akhurst

Bruce Akhurst
Non-Executive Chair of the People, Culture and Remuneration Committee

1 Normalised earnings per share is based on Normalised UNPATA. UNPATA is calculated as net profit before-tax but before the after-tax impact of acquisition related items and non-business operational items (as outlined within Note 2.1 of the Financial Report). Normalised refers to adjustments made for the negative earnings transitional period for the implementation of the funding warehouse,

2 Return on capital employed (ROCE) is adjusted to reflect 12 months' trading for acquisitions made in the financial year based on underlying earnings before interest and tax (EBIT). Underlying EBIT is before the pre-tax impact of acquisition related and non-business operational items (as outlined within Note 2.1 of the Financial Report). Capital employed (excluding lease liabilities) used in the calculations includes the add back of impairment of acquired intangible asset charges incurred in the respective financial year.

Contents

1. Remuneration report introduction

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Non-Executive Directors (NEDs), the Chief Executive Officer & Managing Director (CEO & MD) and approves recommendations on remuneration for the Executive Leadership Team (ELT).

2. Key Management Personnel

This Report has been prepared in accordance with Section 300A of the *Corporations Act 2001* and outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Company. This comprises all NEDs and those senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company.

The table below sets out the Company's Executive KMP and Non-Executive Directors during FY23.

Executive KMP

Name	Position	Term as KMP in 2022
Mr R. De Luca	Chief Executive Officer (CEO) and Managing Director	Full year
Mr A. Conn	Group Chief Financial Officer (CFO) and Company Secretary	Full year

Non-Executive Directors

Name	Position	Term as NED in 2022
Ms H. Kurincic	Non-Executive Chair	Full year
Mr B. Akhurst	Non-Executive Director	Full year
Mr J. Bennetts	Non-Executive Director	Full year
Mr R. Chessari	Non-Executive Director	Full year
Ms K. Parsons	Non-Executive Director	Full year
Mr T. Poole [1]	Non-Executive Director	Part year
Ms A. Tansey [2]	Non-Executive Director	Part year

1 Retired 31 August 2022.
2 Appointed 7 November 2022.

Remuneration Report (audited)

3. FY23 Executive Remuneration Framework and Policy – Overview

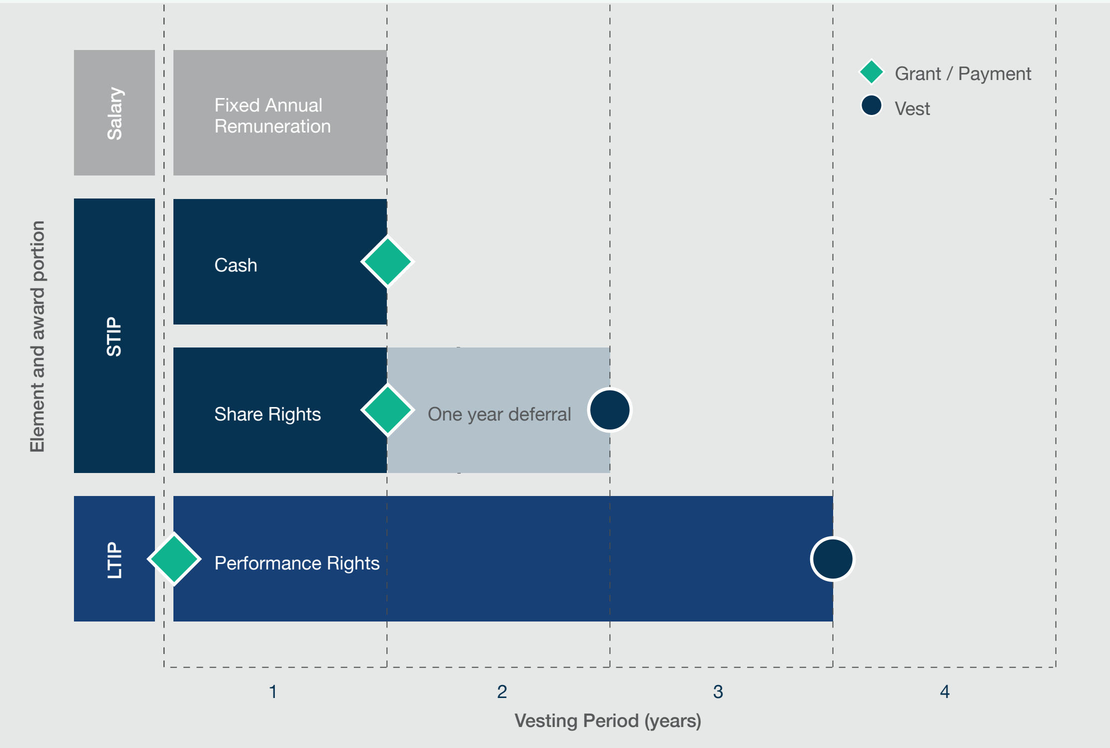
Our FY23 Executive Remuneration Framework and Policy	Guiding Principles
MMS' executive remuneration framework and policies support our strategy. Our executive remuneration policy is designed to align the interests of executives and shareholders while attracting and retaining key executive talent who are critical to the growth and success of the Company.	– **A framework that is clear, consistent and simple to understand.** – **A framework that rewards executives for performance and contribution to the Company's objectives.** – **Attract and retain key talent** through fair and market competitive remuneration for the role. – **Incentivise high performance** through STIP and LTIP performance measures aligned with the Company's strategy. – **Retention of key talent.** Applies deferred access to Share or Performance rights to promote ongoing commitment and employment with the company.

FY23 Remuneration Framework

Executive KMP Remuneration

Fixed pay	Short-term incentive	Long-term incentive
Fixed pay adjustments are made to reflect general market conditions and remuneration offered to comparable roles within related industries.	STI metrics are set to reflect both financial and non-financial measures and align to deliver strategic priorities. An annual scorecard will apply an appropriate mix of financial and non financial metrics. STI will be part delivered in cash and part delivered in rights following a one year service based deferral.	LTI is based on financial performance hurdles. LTI will be an annual grant of performance rights with a single three year performance window set at the beginning of year one and measured at the end of year three.

FY23 Executive Remuneration Framework



The Board believes this is an appropriate mix to ensure that executives are focussed on generating value for shareholders over the short and long term based on targeted metrics.

Remuneration Report (audited)

Each element of remuneration is outlined in more detail below:

Element	Strategic Link
Fixed remuneration Fixed remuneration comprises base salary and superannuation (and, in some cases, benefits such as motor vehicle packaging payments).	Fixed remuneration of the Executive KMP is set to attract and retain the calibre of talent required to drive outcomes for the Company's shareholders and deliver on the Company's strategy. Fixed remuneration is determined on an individual basis including having regard to: – The individual's role, duties and responsibilities and performance levels; – General market conditions; and – Remuneration offered to comparable roles within related industries. The PCRC reviews fixed remuneration annually (or on promotion) to ensure fixed remuneration levels remain fair, appropriate and market competitive.
Short-term incentive STIP metrics are set to reflect both financial and non-financial measures and align to deliver strategic priorities measured through an annual scorecard.	STI is awarded for annual Company and individual performance in line with the achievement of MMS's short term strategic and financial objectives. In this way, it aligns the interests of Executive KMP with that of Company performance for the benefit of shareholders STI will be part delivered in cash and part delivered in Rights following a one year service based deferral. An annual scorecard will apply an appropriate mix of financial and non financial metrics.
Long-term incentive Incentives are delivered through indeterminate and/or performance rights (Rights or Performance Rights) in a LTIP, with Performance Rights measured over a three year period and subject to performance measures.	By delivering part variable reward as a long-term incentive, our framework encourages sustainable decision making and a focus on the long-term health of the business (including the interests of customers), to drive long term value for shareholders. Vesting of LTI is subject to the achievement of performance hurdles to drive a high-performance culture amongst our Executive KMP and Executive Leadership Team. The ROCE and EPS hurdles are aligned with our strategic priorities and our focus on both earnings and capital optimisation.

Pay mix

FY23 Reward Mix

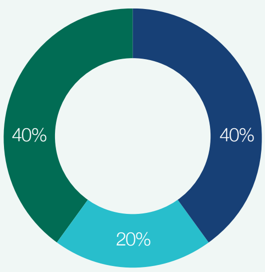
We set out below the mix between fixed remuneration, STI and LTI at maximum opportunity for current Executive KMP.

Note: Executive KMP Fixed remuneration was increased during FY23 for the 0.5% increase in the superannuation guarantee contribution.

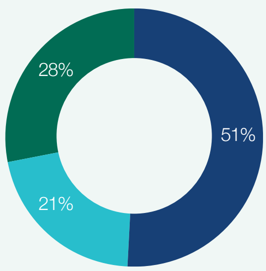
Key

- Fixed remuneration
- Short-term incentive
- Long-term incentive

Chief Executive Officer



Chief Financial Officer



Split between Cash vs Rights	CEO	CFO
Total Cash	50%	61.5%
Total equity	50%	38.5%

STIP in FY23

FY23 Short term incentive scorecards included both financial and non-financial measures, with both a target and stretch target set. Measures were a mix of Financial, Sustainability, Strategy, Customer and People.

Focus Area	Objectives	CEO Weighting %	CEO Assessment	CFO Weighting %	CFO Assessment
Financial	Deliver operating performance growth	50%	100%	50%	100%
Sustainability	Implement sustainability strategies to support low and zero emission vehicle solutions	10%	100%	10%	100%
Strategy	Deliver business strategies to support sustainable growth	N/A	N/A	10%	N/A
Customer	Outperform market growth through customer experience	20%	N/A	15%	50%
People	Implement people and culture strategies to improve staff productivity	20%	83%	15%	84%
Total		100%	77%[1]	100%	80%[1]

1 FY23 STI outcomes are delivered 50% in cash and 50% in rights with a one year service based deferred.

All of the following STI Risk, Compliance and Conduct Gateway hurdles must be met, for any eligibility to be awarded:

- All compliance training is confirmed as successfully completed
- There are no material breaches to any company policy or risk appetite
- There are no regulatory or reputational risk issues of a material or significant nature.

LTI awarded in FY23

In FY23, the Executive KMP were granted Performance Rights to value of:

- Mr R. De Luca 100% of Total Fixed Remuneration (TFR); and
- Mr A. Conn 55% of Total Fixed Remuneration (TFR).

The Performance Rights will vest subject to conditions such as an ongoing employment and the following vesting conditions being met:

- Tranche 1: 50% of rights offered will be subject to the Company's Normalised Earnings Per Share (EPS) achieving a Compound Annual Growth Rate (CAGR) for the three financial years FY23 to FY25 of between 7% and 12%; and
- Tranche 2: 50% of the rights offered will be subject to the Company's average Normalised Return on Capital Employed (ROCE) for the three financial years FY23 to FY25 of between 36% to 40%.

Specific details on the Performance Rights granted to Executive KMP during FY23 are provided in section 6 of the report, and the table below outlines the terms of the grants.

Remuneration Report (audited)

Detailed summary – FY23 LTIP grant

<table>
<tr><th>Element</th><th>Description</th></tr>
<tr><td>Opportunity levels
(% of fixed remuneration)</td><td>The opportunity levels offered to the Executive KMP in FY23 were:
– 100% of fixed remuneration for the CEO; and
– 55% of fixed remuneration for the CFO</td></tr>
<tr><td>Allocation methodology</td><td>Performance Rights: Rights were allocated on a face value basis in FY23.
This is calculated by the volume weighted average price (VWAP) of the shares listed on ASX based on the last 5 trading days prior to 30 June.</td></tr>
<tr><td>Performance period</td><td>Three years in respect of meeting financial targets. The vesting of any LTIP is subject to either the good leaver provisions in the incentive plan or continued employment with the Company on the date that the Company's financial report is lodged with the ASX for the year ending 30 June 2025.</td></tr>
<tr><td>Performance hurdles</td><td>Subject to the Executive KMP remaining employed for the performance period, vesting of the Performance Rights is subject to the achievement of two performance hurdles:

Financial targets
– The Company's CAGR in Normalised EPS which applies to 50% of the Performance Rights; and
– Average Normalised ROCE over the performance period which applies to 50% of the Performance Rights.

The following vesting schedules apply to Performance Rights (with vesting on a straight-line basis between each level of performance).
<table>
<tr><th></th><th colspan="3">Normalised EPS (CAGR)</th></tr>
<tr><th>Performance Period</th><th>Level of performance (%)</th><th>Percentage of awards vesting</th><th>Allocation of total grant</th></tr>
<tr><td rowspan="2">3 years to FY25</td><td><7%</td><td>-</td><td>-</td></tr>
<tr><td>7% – 12%</td><td>50% – 100%</td><td>50.0%</td></tr>
</table>
<table>
<tr><th></th><th colspan="3">Average Normalised ROCE</th></tr>
<tr><th>Performance Period</th><th>Level of performance (%)</th><th>Percentage of awards vesting</th><th>Allocation of total grant</th></tr>
<tr><td rowspan="2">3 years to FY25</td><td><36.0%</td><td>-</td><td>-</td></tr>
<tr><td>36.0% – 40.0%</td><td>50% – 100%</td><td>50%</td></tr>
</table>
Calculation of Normalised EPS (CAGR) shall be based on comparing the Normalised EPS results in the final year of the performance period (including any impairment losses) to the Normalised EPS results for FY22 as the base year.

The ROCE performance condition is based on the Company's average Normalised ROCE over the performance period.</td></tr>
<tr><td>Process for assessing performance conditions</td><td>To determine the full extent to which the performance hurdles are satisfied, the PCRC relies on the audited financial results, adjusted to reflect normalised performance and vesting is determined in accordance with the LTIP Rules.

The PCRC believes this method of assessment provides an appropriate assessment of performance. The PCRC considers adjustments for one off material items to ensure metrics are correctly adjusted to take into account these changes.

In the event that the Executive KMP takes approved unpaid leave for a period exceeding three months during FY23, FY24, of FY25 the vesting criteria outlined above with respect to the performance hurdles and the executive's continued employment will be deemed on a pro-rata basis to reflect the period of continuous service during the relevant financial year, unless the Board determines otherwise.</td></tr>
<tr><td>Voting and dividend entitlements</td><td>No voting rights or dividend entitlements attach to the Rights.</td></tr>
</table>

Element	Description
Malus (i.e. forfeiture of awards)	If the Board determines that an act of fraud, defalcation, gross misconduct, or that any other circumstance has occurred in relation to the affairs of the Group and the Board determines an inappropriate benefit has been obtained by the Participant, the Participant will forfeit any right or interest in the Shares, Rights or Options or other entitlements under the Long term Incentive Plan Rules.
Treatment upon cessation of employment	If the Executive KMP leaves employment with the Company prior to the date specified in the Invitation Letter, the Rights will lapse without any payment to the employee (subject to the discretion of the Board).
Change of control	On a change of control, the Board has discretion to waive the performance conditions attached to the Performance Rights.
Hedging	No Executive KMP can enter a transaction that is designed or intended to hedge the executive's exposure to any unvested option or Right. Executive KMPs are required to provide declarations to the Board on their compliance with this policy from time to time.

4 FY23 Outcomes and the Link to Performance

MMS financial performance FY19 to FY23

The table below sets out the Company's performance over the past three years in respect of key financial and non-financial indicators.

Metric	FY23	FY22	FY21	FY20	FY19
Net profit attributable to Company members ($'000)	$32,272	$70,349	$61,065	$1,269	$63,672
Underlying net profit after income tax (UNPATA)[1] ($'000)	$74,741	$82,072	$79,213	$69,028	$88,697
Normalised UNPATA[2] ($'000)	$86,248	$83,766	$71,898	N/A	N/A
NPAT growth	(54.1%)	15.2%	>100%	(98.0%)	26.6%
Normalised UNPATA growth	3.0%	3.6%	14.8%	(22.2%)	(5.1%)
Dividends paid ($'000)	$91,929	$50,375	$23,369	$59,591	$61,173
Dividend payout ratio[3]	100%	100%	66%	42%	69%
Share price as at 30 June	$18.06	$9.74	$12.95	$9.08	$12.21
Market capitalisation (A$m)	$1,257.8	$753.7	$1,002.1	$702.6	$1,016.0
Normalised earnings per share (cents)	119.6	108.3	78.9	1.6	77.0
Normalised earnings per share growth	10.5%	37.2%	(9.73%)	N/A	N/A
ROCE[5]	40%	39%	33%	20%	21%

1 UNPATA is calculated as net profit before-tax but before the after-tax impact of acquisition related items and non-business operational items (as outlined within Note 2.1 of the Financial Report).

2 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 FY23 and FY22 (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 Dividend payout ratio is calculated as total dividends declared for the financial year divided by Normalised UNPATA for the financial year

4 Normalised earnings per share is based on Normalised UNPATA.

5 Return on capital employed (ROCE) is adjusted to reflect twelve months' trading for acquisitions made in the financial year based on underlying earnings before interest and tax (EBIT). Underlying EBIT is before the pre-tax impact of acquisition related and non-business operational items (as outlined within Note 2.1 of the Financial Report). Capital employed (excluding lease liabilities) used in the calculations includes the add back of impairment of acquired intangible asset charges incurred in the respective financial year.

Remuneration Report (audited)

Company performance outcomes linked to the LTIP

The following table outlines the performance against the LTIP financial performance measures that have been used across the Executive KMP in FY23.

Alignment between Performance and Remuneration

FY21 Grant – 2 & 3 Year Performance LTIP Metrics	FY20[1]	FY21	FY22	FY23	Metric Achieved	Period Achieved	Vesting Target Range	Vesting Target Met
Normalised ROCE[3]	N/A	29.5%	35.5%	29.7%	32.5%	2 Year	29.5% – 32.5%	Yes
					31.6%	3 Year	31.5% – 34.5%	Yes
Normalised EPS growth (cps)[2]	87.4	81.0	98.9	63.3	6.3%	2 year	11.5% – 15.5%	No
					(10.7%)	3 year	9.5% – 13.5%	No

FY22 Grant – 2 & 3 Year Performance LTIP Metrics	FY21[1]	FY22	FY23	Metric Achieved	Period	Vesting Target Range	Vesting Target Met
ROCE[2,3]	N/A	34.8%	22.4%	28.6%	2 year	36.0% – 41.0%	No
					3 year	36.0% – 41.0%	To be tested
Normalised EPS growth (cps)[2]	81.0	98.9	63.3	(11.6%)	3 year	6.0% – 10.0%[4]	To be tested

FY23 Grant – 3 Year Performance LTIP Metrics	FY22[1]	FY23	Metric Achieved	Period	Vesting Target Range	Vesting Target Met
Normalised ROCE[3]	N/A	27.5%	27.5%	3 year	36.0% – 40.0%	To be tested
Normalised EPS growth (cps)	95.6	63.3	(33.8%)	3 year	7.0% – 12.0%	To be tested

1 Base year for Normalised EPS.
2 No normalisation adjustments relate to FY21
3 ROCE is based on the average in the performance period.
4 Underlying EPS of 3.6% to 7.7% as per FY22 annual report.

Incentive outcomes

The table below outlines the LTIP that qualified for vesting based on the performance against the metrics in FY23. The vesting entitlement is subject to Executive KMP's meeting the employment conditions or good leaver provisions.

	Portion qualified for vesting		
	FY21 Grant[1]	FY22 Grant[2]	FY23 Grant
Mr R.De Luca[3]	-	-	-
Mr A. Conn	46.4%	14.0%	-

1 The achievement of the FY21 grants by Mr A. Conn was based on having met the 2 year average ROCE tranche (17.5%) and the strategic targets tranche (20.0%) and the 3 year average ROCE tranche (8.9%).
2. The achievement of the FY22 grants by Mr A. Conn was based on having met strategic targets tranche (14.0%).
3 Mr R. De Luca commenced 16 May 2022.

The Rights that have qualified and are subject to meeting the relevant employment conditions in the table above will result in 22,461 ordinary MMS shares being provided to Mr A. Conn as detailed above and will be issued by the MMS Employee Share Trust.

5. Remuneration Governance

Responsibility for setting remuneration

Responsibility for setting a remuneration policy and determining Executive and Non-Executive Director remuneration rests with the Board.

The PCRC's objectives are to oversee the formulation and implementation of remuneration policy and make recommendations to the Board on remuneration policies and packages applicable to Non-Executive Directors (NEDs), the Chief Executive Officer & Managing Director (CEO & MD) and approves recommendations on remuneration for the Executive Leadership Team (ELT).

For further details on the composition and responsibilities of the PCRC, please refer to the Corporate Governance Statement on our website www.mmsg.com.au/overview/#governance.

The following chart outlines key stakeholders in the governance of remuneration at MMS.

Remuneration Consultants

Provide independent advice, information and recommendations relevant to remuneration decisions.

Board

Responsibility for setting a remuneration policy and determining Executive and Non-Executive Director remuneration rests with the Board.

Shareholder and Advisory Bodies

Includes consultation, investor and proxy meetings and engagement at the Annual General Meeting.

People, Culture and Remuneration Committee and Nomination Committee

Assist the Board to achieve its objective by making recommendations to the Board in relation to its composition and recruitment, retention, remuneration and succession planning for Directors and Senior Executives.

Audit, Risk and Compliance Committee

Support the People, Culture and Remuneration Committee by providing relevant information as required for incentive awards.

Use of independent remuneration consultants

The PCRC obtains external independent advice from remuneration consultants when required and will use it to guide and inform their decision-making. During FY23, no remuneration recommendations (as defined in the *Corporations Act 2001* (Cth)) were received.

Board discretion

The Board has adopted a set of guiding principles when it considers adjustments to performance outcomes under the STIP and LTIP. The process for adjustments and principles applied are:

1. **Transparency:** for any adjustments made, MMS will provide clear disclosure and rationale.
2. **Timing of adjustments:** adjustments will be made to reward outcomes at the time of vesting, applying to both positive and negative adjustments.
3. **Shareholders and management alignment:** adjustments will be made in the interests of balancing the shareholder and management alignment ensuring consistency in Company objectives.

Details of executive service agreements

The table below sets out key information in respect of the service agreements of the CEO and Managing Director and CFO and Company Secretary.

Element	Description
Duration	Ongoing
Notice period	– **CEO:** 9 months' written notice by the Company or CEO. The agreement may, however, be terminated by the Company for cause without notice or any payment. – **CFO:** 6 months written notice by the Company or CFO. The agreement may, however, be terminated by the Company for cause without notice or any payment.
Termination payments	The Company has discretion to make a payment in lieu of notice in respect of the above notice periods. No contracted retirement benefits are in place with any of the Company's Executives.
Restraint of trade	A restraint period not exceeding 12 months.

Minimum shareholding requirements

The Company has minimum shareholding requirements for its Executive KMP and Non-Executive Directors to facilitate share ownership and encourage an 'ownership' mindset. Refer section 7 for further details on current KMP and director share ownership.

The table below sets out key information in respect of this Policy[1]. Please refer to the 'Share Ownership and Retention Policy' on the Company's website for further detail www.mmsg.com.au/overview/#governance.

Directors and officers	Description	Requirement
Executive KMP	50% of one year's fixed remuneration	– 5 years from date of commencement as Executive KMP
Non-Executive Directors[1]	100% of one year's base director fees	– 5 years from date of commencement as Non-Executive Director

1 Share Ownership and Retention Policy reviewed and updated 26 June 2023.

6. Executive Remuneration Tables

Executive remuneration

The following table sets out the executive remuneration for FY23 in accordance with the requirements of the Accounting Standards and *Corporations Act 2001* (Cth). No rights were exercised or sold during FY23.

Executive KMP		Cash salary/ fees $	Annual Leave Entitlements $	Other Benefits [1] $	Superannuation $	Long Service Leave $	Rights [2,3] $	Total remuneration $	Percentage of remuneration as rights %	Value of remuneration received [4] $
Mr M. Salisbury (CEO and Managing Director)	FY23	-	-	-	-	-	-	-	-	-
	FY22[6]	817,692	12,086	11,645	21,755	13,314	402,368	1,278,860	31%	851,092
Mr R. De Luca[5] (CEO and Managing Director)	FY23	804,755	31,397	1,540	25,293	14,549	361,688	1,239,222	29%	831,587
	FY22	74,657	7,527	-	2,719	1,628	-	86,531	n/a	77,376
Mr A. Conn (Group CFO and Company Secretary)	FY23	602,710	47,646	17,570	25,293	27,216	246,208	966,643	25%	645,572
	FY22	587,046	12,159	9,490	23,568	10,277	170,830	813,370	21%	620,104
Total Remuneration	FY23	1,407,465	79,043	19,110	50,586	41,765	607,896	2,205,865	28%	1,477,161
	FY22	1,479,395	31,772	21,135	48,042	25,219	573,198	2,178,761	-	1,548,572

1 Other benefits reflect motor vehicle packaging payments,.

2 The equity value comprises the value of Performance Rights issued. No shares were issued to any Non-Executive Director (and no Performance Rights were granted to any Non-Executive Director) during the financial years ended 30 June 2022 and 30 June 2023. The value of Performance Rights issued to Executive KMP (as disclosed above) are the assessed fair values at the date that the Performance Rights were granted to the Executives, allocated equally over the period from when the services are provided to vesting date. Fair values at grant date are determined using a Black-Scholes pricing model that takes into account the exercise price, the expected term of the right, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right.

3 The expense in FY23 comprises the fair value expense of Performance Rights granted in FY21, FY22 and FY23 based on the number of Rights estimated to vest based on the Company's performance against the EPS and ROCE performance targets (subject to continuing employment) with vesting periods in FY23, FY24 and FY25. FY23 rights include STIP share rights and LTIP performance rights. The FY23 rights include an estimated cost of STI.

4 Value of remuneration received comprises salary, benefits and superannuation salary packaged, annual and long service leave used and bonuses paid in the year (excludes the value of Rights).

5 Mr R De Luca commenced on 16 May 2022.

6 Mr M Salisbury retired on 16 May 2022.

Remuneration Report (audited)

Detail of LTIP securities

The terms and conditions of each grant of Performance Rights to Executive KMP affecting their remuneration in FY23 and each relevant future financial year are set out below.

Grant Date	Type of LTI securities	Expiry Date	Share price at valuation date	Value per option at grant date [1]	Date Exercisable
20/10/20[2]	3 Year Performance Right	Date that the FY23 financial statements are lodged	$9.46	$8.51	3 Year Lodgement Date (expected to be September 2023)
30/10/20	3 Year Performance Right	Date that the FY23 financial statements are lodged	$9.34	$8.40	3 Year Lodgement Date (expected to be September 2023)
15/10/21	3 Year Performance Right	Date that the FY24 financial statements are lodged	$14.52	$12.82	3 Year Lodgement Date (expected to be September 2024)
22/11/21[3]	3 Year Performance Right	Date that the FY24 financial statements are lodged	$13.18	$11.54	3 Year Lodgement Date (expected to be September 2024)
15/11/22[4]	3 Year performance Right	Date that the FY25 financial statements are lodged	$13.31	$10.54	3 Year Lodgement date (expected to be September 2025)

1 Reflects the fair value at grant date for options or rights granted as part of remuneration, calculated in accordance with AASB2 Share-based Payment.
2 The issue to Mr Mike Salisbury occurred on 20 October 2020, after shareholder approval at the Company's AGM.
3 The issue to Mr Mike Salisbury occurred on 22 November 2021, after shareholder approval at the Company's AGM.
4 The issue to Mr R De Luca occurred on 28 October 2022, after shareholder approval at the Company's AGM.

Details of the LTIP securities over ordinary shares in the Company provided as remuneration to each Executive KMP are set out below.

Executive KMP (Name)	Date of grant	Type of LTIP securities	Number of securities granted	Value of one security granted during the year $	Number of securities vested during year	Vested %	Number of securities forfeited / lapsed	Forfeited or lapsed %	Year in which securities may vest
Mr R. De Luca	15/11/2022	3 Year Performance Rights	82,822	$10.54	-	-	-	19%	FY26
Mr A. Conn	30/10/2020	3 Year Performance Rights	48,362	-	-	-	(8,436)	19%	FY24
	15/10/2021	3 Year Performance Rights	47,322	-	-	-	(9,938)	21%	FY25
	15/11/2022	3 Year Performance rights	35,374	$10.54	-	-	-	-	FY26

Movement of STIP and LTIP securities granted

The table below reconciles the Performance Rights held by each Executive KMP from the beginning to the end of FY23.

Executive KMP	Security type	Balance at the start of the year	Number Granted during year [1]	Vested during the year	Exercised during the year	Forfeited during year	Other changes during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Mr R De Luca[2]	Performance Rights (LTIP)	-	82,822	-	-	-	-	-	82,822
Mr R De Luca[2]	Share Rights (STIP)	-	20,706	-	-	-	-	-	20,706
Mr A Conn	Performance Rights (LTIP)	90,848	35,374	-	-	(18,401)	-	-	107,820

1 Granted pursuant to the Company's Executive Remuneration Plan

2 The issue to Mr R. De Luca was approved by shareholders at the AGM held on 28 October 2022 and issue of rights occurred on 15 November 2022, at a fair value of $10.64.

Shares issued on Performance Options

No ordinary shares in the Company were issued following the exercise of Performance Options by Executive KMP during FY23.

Other transactions and balances with KMP

There were no loans made during the year, or remaining unsettled at 30 June 2023, between the Company and its KMP and/or their related parties.

Executive KMP and Director share ownership

The following table sets out the number of shares held directly, indirectly or beneficially by Directors and Executive KMP (including their related parties).

	Balance at the start of the year	Shares acquired through option exercise	Other changes during the year	Balance at the end of the year	Value of Shares [1] $	Minimum Shareholding Requirement [2] $
Non-Executive Directors						
Ms H. Kurincic	20,000	-	5,000	25,000	451,500	212,044
Mr B. Akhurst	25,000	-	-	25,000	451,500	116,050
Mr J. Bennetts	3,068,025	-	-	3,068,025	55,408,532	116,050
Mr R. Chessari	6,050,941	-	-	6,050,941	109,279,994	116,050
Ms K. Parsons	8,000	-	5,000	13,000	234,780	116,050
Ms A. Tansey [3]	-	-	-	-	-	116,050
Executive KMP						
Mr R. De Luca	-	-	-	-	-	400,862
Mr A. Conn	-	-	-	-	-	311,299

1 Calculated as the number of shares multiplied by the share price as at 30 June 2023 of $18.06.

2 Minimum shareholding required as outlined under section 6(e) based on the FY23 fixed remuneration.

3 Ms A. Tansey commenced 7 November 2022.

7. Non-Executive Director Remuneration

Remuneration policy and arrangements

The Board sets the fees for the Chair and the other Non-Executive Directors. The Board's policy is to remunerate the Chair and Non-Executive Directors:

- **at market competitive rates**, having regard to the fees paid for comparable companies, the need to attract Directors of the requisite calibre and expertise and their workloads (taking into account the size and complexity of the Company's operations and their responsibility for the stewardship of the Company); and
- **in a matter which preserves and safeguards their independence.** Neither the Chair nor the other Non-Executive Directors are entitled to any performance-related pay. The primary focus of the Board is on the long-term strategic direction of the Company.

The Non-Executive Directors are remunerated for their services from the maximum annual aggregate amount approved by the shareholders of the Company on 28 October 2022 (currently $1,200,000 per annum).

Fees and other benefits

The table below sets out the annual fees payable (inclusive of superannuation) to the directors of MMS. The fee schedule has been determined having regard to fees paid to comparable roles within MMS's peers.

Fees are inclusive of superannuation contributions required under legislation and are made by the Company on behalf of Non-Executive Directors. There is no scheme for the payment of retirement benefits or termination payments (other than payments relating to accrued superannuation entitlements).

Effective 1 July 2022 NED fees were increased to reflect an adjustment to superannuation (SGC) moving these from 10% to 10.5%. This will similarly increase to 11% superannuation effective 1 July 2023 (FY24). No other fee changes were implemented.

Role		FY23 Fee
Chair		$212,044
Non-executive Directors		$116,050
Audit, Risk and Compliance Committee	Chair	$25,228
	Membership	$12,614
People, Culture and Remuneration Committee	Chair	$20,183
	Membership	$10,091
Nomination Committee	Chair	$Nil
	Membership	$Nil

Non-Executive Director remuneration – statutory disclosure

The fees paid or payable to the directors of the Company in respect of the 2023 financial year are set out below.

Non-Executive Directors		Cash salary/fees	Other Benefits [1]	Superannuation	Total value of remuneration received	Total remuneration
		$	$	$	$	$
Ms H. Kurincic (Non-Executive Chair)	FY23	191,895	-	20,149	212,044	212,044
	FY22	191,895	-	19,190	211,085	211,085
Mr B. Akhurst (Non-Executive Director)	FY23	141,775	-	7,072	148,847	148,847
	FY22	134,703	-	13,470	148,173	148,173
Mr J. Bennetts (Non-Executive Director)	FY23	105,023	-	11,027	116,050	116,050
	FY22	105,023	-	10,502	115,525	115,525
Mr R. Chessari (Non-Executive Director)	FY23	105,023	-	11,027	116,050	116,050
	FY22	105,023	-	10,502	115,525	115,525
Ms K. Parsons (Non-Executive Director)	FY23	131,244	5,743	14,384	151,370	151,370
	FY22	131,243	5,743	13,699	150,685	150,685
Mr T. Poole[2] (Non-Executive Director)	FY23	20,928	-	2,197	23,126	23,126
	FY22	125,571	-	12,557	138,128	138,128
Ms A. Tansey[3] (Non-Executive Director)	FY23	81,441	-	8,551	89,992	89,992
	FY22	-	-	-	-	-
Total Remuneration	FY23	777,329	5,743	74,407	857,479	857,479
	FY22	807,831	1,454	76,883	886,168	886,168

1 Other benefits reflect motor vehicle packaging.
2 Mr T Poole – resigned 31/08/22.
3 Ms A Tansey – joined 7/11/22.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors.

Bruce Akhurst
Non-Executive Chair of the PCRC

Helen Kurincic
Non-Executive Chair of the Board

End of the audited Remuneration Report

Directors' Report

Unissued shares

At the date of this Annual Report, there were no unissued ordinary shares of the Company under option. No options were granted to the Directors or any of the five highest remunerated officers of the Company since the end of the financial year.

Directors' interests

At the date of this Annual Report, the relevant interest of each Director in the securities issued by the Company and its controlled entities, as notified by the Directors to the Australian Securities Exchange Limited (ASX) in accordance with section 205G(1) of the *Corporations Act 2001* (Cth), is as follows:

Director	Rights	Ordinary shares
Ms H. Kurincic (Chair)	-	20,000
Mr R. De Luca	103,528	-
Mr B. Akhurst	-	25,000
Mr J. Bennetts	-	3,068,025
Mr R. Chessari	-	6,050,941
Ms K. Parsons	-	8,000
Mr. T. Poole	-	30,000
Ms A. Tansey	-	-

No Director during FY23, became entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors shown in the Remuneration Report or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a controlled entity with the Director or an entity in which the Director has a substantial financial interest or a firm in which the Director is a member.

Change of Auditor and non-audit services

In accordance with an ordinary resolution made by the Company's members at the Annual General Meeting held on 28 October 2022 Ernst & Young were appointed as auditor of the Company. This followed the resignation of the Company's previous auditor, Grant Thornton Audit Pty Ltd and ASIC's consent to the resignation in accordance with Section 329(5) of the *Corporations Act 2001*.

Details of the amounts paid or payable to the auditor of the Company, Ernst & Young and its related practices, for non-audit services provided, during FY23, are disclosed in Note 7.6 to the Financial Report.

The ARCC has reviewed the services other than the statutory audit provided by Ernst & Young during the financial year ended 30 June 2023. The other services related to non-statutory audit services and other assurance services which are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). This has been formally advised to the Board. Consequently, the Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth).

Events occurring after the reporting date

On 31 July 2023 the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC, "Aggregation Business"). On 22 August 2023 an agreement was signed with a consortium of funders predominantly associated with and including Praetura Group (UK) to divest the UK businesses with net proceeds of approximately $20m. The UK businesses sale is subject to limited conditions and expected to close in the first half of FY24. Refer Note 6.3 of the Financial report as these businesses were classified as discontinued operations relating to assets held for sale for the year ended 30 June 2023.

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

Environmental regulations

The Company and its controlled entities have adequate systems in place for the management of relevant environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Company and its controlled entities.

Indemnification and Insurance

Under the Company's Constitution, the Company indemnifies the Directors and Officers of the Company and its wholly owned subsidiaries to the extent permitted by law against any liability and all legal costs in connection with proceedings incurred by them in their respective capacities.

The Company has also entered into a Deed of Access, Indemnity and Insurance (Deed) with each Director and each Company Secretary which protects individuals acting as officeholders during their term of office and after their resignation. Under the Deed, the Company also indemnifies each officeholder to the full extent permitted by law.

The Company has a Directors & Officers Liability Insurance policy in place for all current and former Officers of the Company and its controlled entities. The policy affords cover for loss in respect of liabilities incurred by Directors and Officers where the Company is unable to indemnify them and covers the Company for indemnities provided to its Directors and Officers. This does not include liabilities that arise from conduct involving dishonesty. The Directors have not included the details of the premium paid with respect to this policy as this information is confidential under the terms of the policy.

Corporate governance practices

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

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is included on page 41 of this Annual Report.

Directors' declaration

The Directors have received and considered written representations from the Chief Executive Officer and the Chief Financial Officer in accordance with the ASX Principles. The written representations confirmed that:

- the financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operating results of the Company and its controlled entities and are in accordance with all relevant accounting standards; and
- the above statement is founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board and that compliance and control is operating efficiently and effectively in all material respects.

Signed in accordance with a resolution of the Directors.

Helen Kurincic Chair	**Rob De Luca** Managing Director & Chief Executive Officer

23 August 2023
Melbourne, Australia

Directors' Report

Five year summary

	2023 [10]	2022 [9]	2021	2020	2019
Financial Performance					
Group					
Revenue from continuing operations ($m)	464.0	594.1	544.5	494.0	549.7
NPAT from continuing operations ($m) [8]	64.4	70.3	61.1	1.3	63.7
UNPATA from continuing operations ($m) [1,8]	66.4	82.1	79.2	69.0	88.7
Normalised UNPATA from continuing operations ($m) [2]	77.9	83.8	71.9	N/A	N/A
Group Remuneration Services segment					
Segment revenue ($m)	225.5	206.5	202.6	214.8	221.9
Segment NPAT ($m) [8]	41.0	46.7	55.8	60.9	66.1
Segment UNPATA ($m) [3,8]	41.0	46.7	55.8	60.9	66.1
Normalised segment UNPATA ($m) [2]	52.5	48.4	49.4	N/A	N/A
Plan and Support Services segment					
Segment revenue ($m)	48.5	41.2	26.2	-	-
Segment NPAT ($m) [8]	7.3	5.3	5.4	-	-
Segment UNPATA ($m) [3,8]	8.0	6.6	5.4	-	-
Normalised segment UNPATA ($m) [2]	8.0	6.6	5.4	N/A	N/A
Asset Management Services segment					
Segment revenue ($m)	187.4	346.1	315.5	229.3	245.8
Segment NPAT ($m) [8]	18.7	21.1	1.4	(9.9)	12.4
Segment UNPATA ($m) [3,8]	18.7	30.3	19.6	6.0	17.2
Normalised segment UNPATA ($m) [2]	18.7	30.3	18.5	N/A	N/A
Retail Financial Services segment					
Segment revenue ($m)	-	-	-	49.5	80.7
Segment NPAT ($m) [8]	-	-	-	(47.3)	(14.0)
Segment UNPATA ($m) [3,8]	-	-	-	3.0	6.4
Shareholder Value					
Dividends per share (cps)	124	108	61.3	34.0	74.0
Dividend payout ratio (%) [4]	100	92.9	66	42	69
Basic earnings per share (cps)	89.4	90.9	78.9	1.6	77.0
Return on Equity (%)	32.7	29	31	21	23
Underlying earnings per share (cps) [5]	92.1	106.1	102.4	87.4	107.3
Return on capital employed (%)	40	39	31	20	21
Other					
Employees (FTE) [6]	1,290	1,294	1286	1295	1334
Employee engagement score (%) [7]	80	83	85	87	79

1 FY23 UNPATA excludes amortisation of intangibles $0.6m, acquisition and disposal related costs of $1.0m and capital structure costs $0.4m. FY22 UNPATA excludes amortisation of intangibles $1.8m, impairment of CLM goodwill of $6.0m, acquisition and disposal related costs of $3.3m and adjustments related to new accounting standards of $0.4m. FY21 UNPATA excludes amortisation of intangibles $1.6m, UK restructuring costs of $14.6m and impairment of CLM goodwill for $2.0m. FY20 UNPATA excludes amortisation of intangibles $2.9m, impairments of UK and RFS businesses $49.8m, one-off adjustments for Deferred Income and DAC of $9.8m, class action settlement and legal costs of $5.1m, acquisition and disposal related costs of $1.2m, deferred consideration (no longer payable) $(1.4m) and capital structure costs $0.4m.
2 Normalised UNPATA is UNPATA adjusted for the Warehouse in FY22 and JobKeeper in FY21
3 Segment UNPATA does not include unallocated public company costs and interest from Group treasury funds.
4 In FY22, dividend payout ratio is calculated as total dividend declared for the financial year divided by normalised UNPATA.
5 Underlying earnings per share is based on UNPATA.
6 As at 30 June, excludes UK.
7 Employee engagement survey conducted biennially with regular Pulse Survey's conducted in intervening periods; the 2022 result represents the May 2022 Pulse Survey Sustainability Engagement score.
8 In FY20 and FY21 NPAT and UNPATA includes JobKeeper of $7.3m (net of tax) for FY21 and $7.0m (net of tax) for FY20 which has been recognised as an offset against employee benefit expenses.
9 In FY22 the reportable segments of the Group changed. Plan and Support Services is now reported as a separate segment (previously included in Group Remuneration Services) and Retail Financial Services is now included as part of Asset Management Services. The FY21 comparatives have been restated on this basis.
10 In FY23 the Group classified its UK business and the RFS Aggregation business as discontinued operations relating to assets held for sale. The financial report provides the financial performance in respect of the continuing operations of the Group.

MMS
McMillanShakespeareGroup

Financial Report

FOR THE YEAR ENDED
30 JUNE 2023

Directors' Declaration

The Directors are of the opinion that:

1. The financial statements and notes of McMillan Shakespeare Limited and its subsidiaries (the Group) for the year ended 30 June 2023 on pages 42 to 94 are in accordance with the *Corporations Act 2001* (Cth), including:
   a. giving a true and fair view of the Company and the Group's financial position as at 30 June 2023 and financial performance for the financial year ended on that date; and
   b. complying with Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements.
2. There are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.
3. At the date of this declaration, there are reasonable grounds to believe that members of the extended closed group identified in Note 6.2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 6.2.

Note 1 confirms that the financial statements also comply with International Financial reporting Standards as disclosed as issued by the International Accounting Standards Board.

The Directors have been given declarations by the Chief Executive Officer and Chief Financial Officer required by s295A of the *Corporations Act 2001* (Cth).

This declaration is made in accordance with a resolution of the Directors of McMillan Shakespeare Limited.

Helen Kurincic
Chair

Rob De Luca
Managing Director & Chief Executive Officer

23 August 2023
Melbourne, Australia

Auditor's Independence Declaration

AS AT 30 JUNE 2023

Ernst & Young
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Building a better working world

Auditor's Independence Declaration to the Directors of McMillan Shakespeare Limited

As lead auditor for the audit of the financial report of McMillan Shakespeare Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of McMillan Shakespeare Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
23 August 2023

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated Group 2023 $'000	Consolidated Group 2022 $'000	Parent Entity 2023 $'000	Parent Entity 2022 $'000
Revenue	2.2	450,223	416,720	-	-
Interest revenue		13,781	1,937	256	-
Dividends received		-	-	99,255	50,375
Revenue from continuing operations		464,004	418,657	99,511	50,375
Expenses					
Employee benefit expenses		(160,486)	(135,087)	(3,714)	(1,202)
Leasing and vehicle management expenses		(84,707)	(73,771)	-	-
Brokerage commissions and incentives		(280)	-	-	-
Depreciation and amortisation expenses	2.3b	(66,516)	(64,274)	-	-
Other operating expenses	2.3c	(49,625)	(46,884)	(3,282)	(2,877)
Finance costs		(9,747)	(4,198)	(2,110)	(21)
Operational expenses excluding impairment and other		(371,361)	(324,214)	(9,106)	(4,100)
Impairment of financial assets	2.3d	(840)	(481)	-	-
Impairment of investment in subsidiaries		-	-	(17,289)	-
Impairment and other items		(840)	(481)	(17,289)	-
Total expenses from continuing operations		(372,201)	(324,695)	(26,395)	(4,100)
Profit before income tax expense from continuing operations		91,803	93,962	73,116	46,275
Income tax (expense)/benefit	2.4	(27,354)	(27,088)	2,793	1,165
Net profit for the year from continuing operations		64,449	66,874	75,909	47,440
Discontinued operations relating to assets held for sale					
(Loss)/profit after tax after tax from discontinued operations relating to assets held for sale	6.3	(32,177)	3,475	-	-
Net profit attributable to owners of the Company		32,272	70,349	75,909	47,440
Other comprehensive income					
Items that may be reclassified subsequently to profit:					
Changes in fair value of cash flow hedges		(838)	3,216	-	-
Exchange differences on translating foreign operations		1,899	-	-	-
Income tax on other comprehensive income		251	(965)	-	-
Other comprehensive income, net of tax		1,312	2,251	-	-
Total comprehensive income for the year		33,584	72,600	75,909	47,440
Other comprehensive income after tax from discontinued operations relating to assets held for sale		1,472	(1,596)	-	-
Total comprehensive income for the year is attributable to:					
Owners of the Company		35,056	71,004	75,909	47,440
Total comprehensive income for the year		35,056	71,004	75,909	47,440

	Note	2023	2022
Basic earnings per share (cents) from continuing operations	2.5	89.4	86.0
Diluted earnings per share (cents) from continuing operations	2.5	89.0	85.8
Basic earnings per share (cents) from total operations	2.5	44.8	90.9
Diluted earnings per share (cents) from total operations	2.5	44.6	90.6

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 2023

	Note	Consolidated Group		Parent Entity	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current assets					
Cash and cash equivalents	3.1	60,581	160,796	1,255	580
Restricted client trust funds	3.1	402,608	439,694	-	-
Trade and other receivables	3.2	39,985	35,267	448	496
Finance lease receivables	3.3	22,794	14,609	-	-
Inventories		13,552	15,574	-	-
Prepayments		5,246	5,525	108	-
Derivative financial instruments		2,037	2,931	-	-
Total current assets		546,803	674,396	1,811	1,076
Assets held for sale	6.3	77,617	-	-	-
Non-current assets					
Finance lease receivables	3.3	86,327	13,531	-	-
Assets under operating lease	3.5	204,957	223,667	-	-
Right-of use assets	3.6	30,054	35,982	-	-
Property, plant and equipment		21,487	11,322	-	-
Intangible assets	3.7	65,597	135,548	-	-
Deferred tax assets	2.4	16,720	25,145	313	-
Investment in subsidiaries	6.1	-	-	237,533	254,822
Total non-current assets		425,142	445,195	237,846	254,822
Total assets		1,049,562	1,119,591	239,657	255,898
Current liabilities					
Trade and other payables	3.8	73,117	83,735	25,088	13,412
Loans from controlled entities	3.8	-	-	31,247	12,530
Restricted client trust funds for salary packaging	3.1	402,608	439,694	-	-
Contract liabilities	3.9	5,473	7,823	-	-
Other liabilities	3.10	12,853	18,914	-	-
Provisions	3.11	14,687	13,395	-	-
Current tax liability		4,684	1,158	1,671	2,906
Other loans payable	4.1	3,800	-	-	-
Borrowings	4.1	-	15,851	-	-
Lease Liabilities	3.6	5,130	4,212	-	-
Total current liabilities		522,352	584,782	58,006	28,848
Liabilities directly associated with assets held for sale	6.3	28,329	-	-	-
Non-current liabilities					
Provisions	3.11	2,006	1,195	-	-
Borrowings	4.1	268,722	142,222	60,000	-
Other loans payable	4.1	6,094	9,711	-	
Lease Liabilities	3.6	41,383	46,852	-	-
Deferred tax liabilities	2.4	35,099	43,398	-	391
Total non-current liabilities		353,304	243,378	60,000	391
Total liabilities		903,985	828,160	118,006	29,239
Net assets		145,577	291,431	121,651	226,659
Equity					
Issued capital	4.2	68,596	76,257	68,597	76,257
Reserves		(458)	(7,248)	4,309	2,861
Retained earnings		80,200	222,422	48,745	147,541
FCTR relating to Disclosure group	6.3	(2,761)	-	-	-
Total equity		145,577	291,431	121,651	226,659

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 2023

Consolidated Group

2023	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
Equity at start of the year	4.2	76,257	222,422	2,861	2,023	(4,928)	(7,204)	291,431
Net profit for the year		-	32,272	-	-	-	-	32,272
Other comprehensive income for the year after tax		-	-	-	(586)	1,898	-	1,312
Total comprehensive income for the period		-	32,272	-	(586)	1,898	-	33,584
Transactions with owners in their capacity as owners:								
Share-based expense	5.1	-	-	1,243	-	-	-	1,243
Dividends paid	4.3	-	(91,929)	-	-	-	-	(91,929)
Share buy-back	4.2	(7,661)	(82,565)	-	-	-	-	(90,226)
Reserves associated with as assets held for sale		-	-	-	(94)	1,568	-	1,474
Equity at end of the year		68,596	80,200	4,104	1,343	(1,462)	(7,204)	145,577

Consolidated Group

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
Equity at start of the year	4.2	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 after tax		-	-	-	2,251	(1,596)	-	655
Total comprehensive income for the period		-	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	4.3	-	(50,375)	-	-	-	-	(50,375)
Equity at end of the year		76,257	222,422	2,861	2,023	(4,928)	(7,204)	291,431

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 2023

		Parent Entity			
2023	Note	Issued capital $'000	Retained earnings $'000	Share-based payment reserve $'000	Total $'000
Equity at start of the year	4.2	76,257	147,541	2,861	226,659
Net profit for the year		-	75,909	-	75,909
Other comprehensive income for the year after tax		-	-	-	-
Total comprehensive income for the period		-	75,909	-	75,909
Transactions with owners in their capacity as owners:					
Opening retained earnings adjustments		-	(211)	206	(5)
Share-based expense	5.1	-	-	1,243	1,243
Dividends paid	4.3	-	(91,929)	-	(91,929)
Share buy-back	4.2	(7,661)	(82,565)	-	(90,226)
Equity at end of the year		68,596	48,745	4,310	121,651

		Parent Entity			
2022	Note	Issued capital $'000	Retained earnings $'000	Share-based payment reserve $'000	Total $'000
Equity at start of the year	4.2	76,257	150,476	1,254	227,987
Net profit for the year		-	47,440	-	47,440
Other comprehensive income for the year after tax		-	-	-	-
Total comprehensive income for the period		-	47,440	-	47,440
Transactions with owners in their capacity as owners:					
Share-based expense	5.1	-	-	1,607	1,607
Dividends paid	4.3	-	(50,375)	-	(50,375)
Equity at end of the year		76,257	147,541	2,861	226,659

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 2023

	Note	Consolidated Group		Parent Entity	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash flows from operating activities					
Receipts from customers		553,008	584,831	-	-
Payments to suppliers and employees		(449,053)	(425,591)	(5,818)	(2,582)
Proceeds from sale of assets previously under lease		110,829	99,468	-	-
Payments for assets under lease		(177,043)	(117,091)	-	-
Interest received		13,775	365	256	331
Interest paid		(8,849)	(8,223)	(2,110)	(21)
Dividends received		-	-	99,255	50,375
Income taxes paid		(18,060)	(13,814)	-	-
Net cash from operating activities	3.1	24,607	119,945	91,583	48,103
Cash flows from investing activities					
Payments for capitalised software	3.7	(11,912)	(8,188)	-	-
Payments for plant and equipment		(4,399)	(1,066)	-	-
Cash transferred on disposal of subsidiaries net of cash consideration received		-	(22,401)	-	-
Acquisition of subsidiary, net of cash consideration paid		-	(10,736)	-	-
Net cash used in investing activities		(16,311)	(42,391)	-	-
Cash flows from financing activities					
Proceeds from borrowings	3.1	162,214	73,707	60,000	-
Repayments of borrowings	3.1	(48,343)	(89,910)	-	(9,752)
Payments of lease liabilities		(3,239)	(7,486)	-	-
Payments in respect of share buy back		(90,226)	-	(90,226)	-
Dividends paid	4.3	(91,929)	(50,375)	(91,929)	(50,375)
Proceeds from controlled entities		-	-	31,247	12,530
Net cash used in financing activities		(71,523)	(74,064)	(90,908)	(47,597)
Net increase in cash and cash equivalents		(63,227)	3,490	675	506
Effects of exchange changes on cash and cash equivalents		713	(691)	-	-
Cash and cash equivalents at start of the year		160,797	157,998	580	74
Cash and cash equivalents of assets held for sale		(37,702)	-	-	-
Cash and cash equivalents at end of the year		60,581	160,797	1,255	580

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

1 Introduction to the Report

The financial report of McMillan Shakespeare Limited (Company or Parent Entity) in respect of the Company and the entities it controlled at the reporting date or during the year ended 30 June 2023 (Group or Consolidated Group) was authorised in accordance with a resolution of the Directors on 23 August 2023.

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

The financial report and notes are a general purpose financial report which has 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). The financial report also complies 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. The financial report presents 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; and
> 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.

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

Note	*Item*	*Judgements, Estimates and Assumptions*
3.1	Restricted client trust funds	Balance sheet classification
3.5	Assets under operating lease	Lease assets residual value
3.7	Intangible assets	Assessment of recoverable amount
4.4(b)	Trade and other receivables and finance lease receivables	Assessment of recoverable amount

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

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

8 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.

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 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 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.

Presentation of Restricted client trust funds

Pursuant to contractual arrangements with clients, GRS administers cash flows on behalf of clients as part of the remuneration benefits administration service. These funds are for the purpose of making salary packaging payments on behalf of those clients only and therefore not available for use in the Group's operations. These funds are not available to be used to settle group liabilities and are held on trust for the benefit of those clients. The Group has recognised these funds in the Statement of Financial Position.

Key judgements include the benefits received from holding the Restricted client trust funds, the obligations regarding day to day operations in respect of the Restricted client trust funds and also noting that the Restricted client trust funds are not available to be used to settle Group liabilities and are held on trust for the benefit of those clients.

This is outlined in the table below.

Restricted client trust funds - prior year

	Year ended 30 June 2022 $'000	Change $'000	Revised year ended 30 June 2022 $'000
Current assets			
Restricted client trust funds	-	439,694	439,694
Total current assets	-	439,694	439,694
Current liabilities			
Restricted client trust funds for salary packaging	-	439,694	439,694
Total current liabilities	-	439,694	439,694

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 12 months after reporting date; or
- cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

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 12 months after reporting date; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

Rounding of amounts

The amounts contained in the financial report 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

Operating segments have been identified after considering the nature of the products and services, type of customer and distribution methods.

Reportable Segment	*Services provided*
Group Remuneration Services (GRS)	Administrative services in respect of salary packaging and facilitating motor vehicle novated leases for customers. Ancillary services associated with motor vehicle novated lease products, including the provision of novate lease finance.
Asset Management Services (AMS)	Financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment from continuing operations in Australia and New Zealand.
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 and divestment related activities, accounting standard changes and non-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.

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 (P&A) funder rather than through the Warehouse. Normalised financials are stated for FY22 and FY23 and expected to be stated up to and including FY25.

2.1 SEGMENT REPORTING (CONTINUED)

The segment reporting presented below reflects the results from continuing operations. The prior year figures have also been updated for comparative purposes.

2023	GRS $'000	AMS $'000	PSS $'000	Unallocated[1] $'000	Consolidated Group $'000
Revenue	215,091	186,582	48,550	-	450,223
Interest revenue	10,361	821	-	2,599	13,781
Segment revenue	225,452	187,403	48,550	2,599	464,004
Normalised UNPATA	52,477	18,683	8,012	(1,253)	77,919
Warehouse	(16,438)	-	-	-	(16,438)
Income tax related to normalised UNPATA adjustments	4,932	-	-	-	4,932
UNPATA	40,971	18,683	8,012	(1,253)	66,413
Reconciliation to statutory net profit after tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	-	(813)	-	(813)
Capital restructure costs	-	-	-	(553)	(553)
Acquisition and disposal related expenses[2]	-	-	(176)	(1,264)	(1,440)
Income tax related to UNPATA adjustments	-	-	297	545	842
UNPATA adjustments after tax	-	-	(692)	(1,272)	(1,964)
Statutory net profit after tax attributable to members of the parent entity	40,971	18,683	7,320	(2,525)	64,449
Assets and Liabilities					
Segment assets	301,926	294,386	29,732	195,569	821,613
Segment liabilities	191,412	272,159	7,881	58,758	530,210
Additions to segment non-current assets	19,822	8,572	1,027	176,019	205,440
Segment depreciation and amortisation	14,888	95,457	1,667	-	112,012

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 Costs incurred in relation to potential acquisition and disposal transactions and related costs.

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 $69,845,808 (2022: $61,715,952) from the Group's largest contract. This is the only customer representing greater than 10% of total segment revenue.

2.1 SEGMENT REPORTING (CONTINUED)

2022	GRS $'000	AMS $'000	PSS $'000	Unallocated[1] $'000	Consolidated Group $'000
Revenue	204,919	170,567	41,234	-	416,720
Interest revenue	1,561	17	27	332	1,937
Segment revenue	**206,480**	**170,584**	**41,261**	**332**	**418,657**
Normalised UNPATA	48,382	17,968	6,605	(1,478)	71,479
Warehouse	(2,420)	-	-	-	(2,420)
Income tax related to normalised UNPATA adjustments	726	-	-	-	726
UNPATA	**46,688**	**17,968**	**6,605**	**(1,478)**	**69,785**
Reconciliation to statutory net profit after tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	-	(904)	-	(904)
Acquisition and disposal related expenses[2]	-	-	(955)	(1,648)	(2,603)
Other	-	(556)	-	-	(556)
Income tax related to UNPATA adjustments	-	162	558	433	1,153
UNPATA adjustments after tax	-	(394)	(1,301)	(1,215)	(2,910)
Statutory net profit after tax attributable to members of the parent entity	**46,688**	**17,574**	**5,304**	**(2,693)**	**66,874**
Assets and Liabilities					
Segment assets	176,422	289,054	11,627	112,018	589,121
Segment liabilities	136,905	203,617	8,509	1,696	350,727
Additions to segment non-current assets	16,936	2,568	13,078	107,289	139,871
Segment depreciation and amortisation[3]	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 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.

3 Depreciation and amortisation includes impairment of goodwill and other intangibles of $6.0 million.

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]	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Australia	286,923	399,249	381,502	274,281
New Zealand	22,291	19,106	26,920	24,403
	309,214	418,355	408,422	298,684

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

2.2 REVENUE

Set out below is the disaggregation of the Group's revenue:

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revenue from contracts with customer				
Remuneration services	215,092	204,919	-	-
Sale of leased and other assets	98,964	90,008	-	-
Brokerage commissions and financial services	1,273	1,240	-	-
Plan and support services	48,550	41,235	-	-
Total revenues from contracts with customers	363,878	337,402	-	-
Lease rental services	86,331	77,709	-	-
Other revenue	13	1,609	-	-
	450,223	416,720	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

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. Fees are recognised over the period 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 is considered to have been satisfied for each period completed. 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. Volume-based rebates from providers of package benefit services 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.
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 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 P&A arrangement 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 P&A arrangements, 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.
Plan and support services	Fees for the provision of set up and renewal of plans 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.
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 as 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 over the term of the lease. Fleet administration fees are recognised in the period that services are provided.

2.3 PROFIT AND LOSS INFORMATION

(a) Superannuation contributions expense

Superannuation contribution expenses are included within employee benefit expenses.

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Superannuation				
Superannuation contribution expense	12,401	10,899	-	-

(b) Depreciation and amortisation expenses

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Depreciation and amortisation expenses				
Depreciation of assets under operating lease	48,206	47,190	-	-
Depreciation of right-of-use (ROU) assets	5,377	5,669	-	-
Depreciation of plant and equipment	2,045	1,475	-	-
Amortisation of software development	10,285	9,204	-	-
Amortisation of intangible assets	603	736	-	-
	66,516	64,274	-	-

(c) Other operating expenses

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Consulting and professional services	7,039	8,134	2,286	1,914
Marketing	7,782	9,941	-	-
Property and corporate expenses	9,940	9,538	336	348
Technology and communication	20,386	17,939	-	-
Other	4,478	1,332	660	615
	49,625	46,884	3,282	2,877

(d) Impairment of financial assets

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade debtors specific and expected credit loss allowance	(347)	53	-	-
Finance lease receivable expected credit loss allowance / (gain)	(493)	(534)	-	-
	(840)	(481)	-	-

Finance lease receivable expected credit loss (ECL) allowance of $493,000 (2022: $534,000 gain) is affected largely by the increase in carrying value of finance lease receivables of $86,524,000 from $28,140,000 in 2022. The Group uses assessment criteria from its credit management system and adds forward looking indicators to reflect macro-economic factors to estimate ECL.

2.4 INCOME TAX

Components of tax expense / (benefit)

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current tax expense	27,180	10,131	(1,915)	(661)
Adjustments for current tax of prior years	(174)	(1,014)	(174)	47
Deferred tax (benefit) /expense	(1,727)	18,301	(704)	(551)
Income tax expense / (benefit) of assets held for sale[1]	2,075	(330)	-	-
Income tax expense / (benefit)	**27,354**	**27,088**	**(2,793)**	**(1,165)**

1. Income tax expense includes deferred tax assets of 6,605 and deferred tax liabilities of (4,538).

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; and > 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; and > not recognised if they arise from the initial recognition of goodwill.

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

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

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit before income tax	91,803	93,962	73,116	46,275
Prima facie tax payable on profit before income tax at 30% (2022: 30%)	27,542	28,189	21,935	13,883
Add tax effect of:				
– Non-deductible impairment expense	-	-	5,187	-
– Non-deductible costs	45	309	-	17
– Non-deductible loss on business disposal	-	174	-	-
– Overseas tax rate differential of subsidiaries	(59)	(67)	-	-
– (Over) / under provision of tax from prior year	(174)	(1,014)	(174)	46
– Other	-	(173)	36	2
	27,354	27,418	26,984	13,948
Less tax effect of:				
– Dividends received	-	-	(29,777)	(15,113)
– Other	-	(330)	-	-
Income tax expenses / (benefit)	27,354	27,088	(2,793)	(1,165)

Deferred tax asset / (liability)

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
The balance comprises temporary differences attributed for:				
Amounts recognised in profit or loss				
Doubtful debts	471	386	-	-
Provisions	6,096	6,620	-	-
Property, plant and equipment	(32,106)	(37,359)	-	-
Accrued expenses	4,144	6,224	-	110
Finance and other receivables / prepayments	2,773	7,609	-	(855)
Losses	-	319	-	-
Deferred acquisition expense	254	504	250	248
Intangible assets	(2,641)	(4,657)	-	-
Unearned income	1,988	2,155	-	-
Other	197	(110)	63	106
	(18,824)	(18,309)	313	(391)
Amounts recognised in equity				
Derivatives recognised directly in equity	(446)	(774)	-	-
Share based payment reserve	890	830	-	-
Balance at end of the year	(18,380)	(18,253)	313	(391)
Recognised as:				
Deferred tax asset (DTA)	16,719	25,145	313	-
Deferred tax liability (DTL)	(35,099)	(43,398)	-	(391)
	(18,380)	(18,253)	313	(391)
Movements in deferred tax asset / (liability)				
Balance at start of the year	(18,253)	1,036	(391)	(942)
Charged to profit or loss	1,727	(18,301)	704	551
Charged to other comprehensive income	292	(965)	-	-
Foreign exchange translation	(79)	(23)	-	-
Deferred tax for assets held for sale	(2,067)	-	-	-
Balance at end of the year	(18,380)	(18,253)	313	(391)

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

DTAs and DTLs 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Temporary differences that have not been tax effected:				
– Unused tax losses and DTAs	22,713	15,738	-	-
Balance at end of the year	22,713	15,738	-	-

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

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.

2.5 EARNINGS PER SHARE

	Consolidated Group	
	2023	2022
Basic earnings per share (cents) from continuing operations	89.4	86.0
Diluted earnings per share (cents) from continuing operations	89.0	85.8
Basic earnings per share (cents) from total operations	44.8	90.9
Diluted earnings per share (cents) from total operations	44.6	90.6
Earnings used to calculate basic and diluted EPS ($'000)		
Net profit after tax ($'000)	32,272	70,349
Weighted average number of ordinary shares used in the calculation of basic EPS ('000)	72,102	77,381
Weighted average numbers of options and rights on issue outstanding ('000)	299	232
Weighted average number of ordinary shares used in the calculation of diluted EPS ('000)	72,401	77,613

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.

3 Assets and Liabilities

3.1 CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Bank balances	60,328	160,543	1,255	580
Short-term deposits	253	253	-	-
	60,581	160,796	1,255	580

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 3 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 are 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 at an average interest rate of 2.81% pa (2022: 0.60% pa). Short-term deposits have an average maturity of 90 days (2022: 90 days) and are highly liquid.

	Consolidated Group	
Restricted client trust funds	2023 $'000	2022 $'000
Restricted client trust funds	402,608	439,694
Restricted client trust funds for salary packaging	(402,608)	(439,694)

Restricted client trust funds 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. These funds are for the purpose of making salary packaging payments on behalf of those clients only and therefore not available for use in the Group's operations. These funds are not available to be used to settle group liabilities and are held on trust for the benefit of those clients. The Group has recognised these funds in the Statement of Financial Position.

The cash in the Restricted client trust funds is held in bank accounts specifically designated as funds in trust for clients, with all client trust funds segregated from the Group's own cash. Pursuant to contractual arrangements, the Group may earn interest from these client funds held in trust. The average interest rate on Restricted client trust funds for the year ended 30 June 2023 was 2.94% (2022: 0.40%). The Parent Entity does not hold any client monies.

Cashflow Information

Reconciliation of cash flow from operations with profit from operating activities after tax	Consolidated Group 2023 $'000	Consolidated Group 2022 $'000	Parent Entity 2023 $'000	Parent Entity 2022 $'000
Profit for the year	32,272	70,349	75,909	47,440
Non-cash flows in profit from operating activities				
Amortisation	2,268	2,431	-	-
Depreciation	63,189	60,107	-	-
ROU assets depreciation	4,019	6,498	-	-
Impairment	43,374	6,028	17,290	-
Share based expenses	1,243	1,607	1,243	1,607
Loss on disposal of subsidiary	-	1,221	-	-
Other	-	(253)	-	-
Changes in assets and liabilities				
Decrease / (increase) in trade receivables and other assets	2,616	766	(61)	(355)
(Increase) / decrease in finance lease receivables principal repayments and disposals	(86,207)	22,393	-	-
Increase in assets under lease	(33,830)	(55,679)	-	-
Decrease in written down value of assets sold	52,311	40,203	-	-
(Decrease) in trade payables and accruals	(2,158)	(24,635)	(858)	(120)
Increase / (decrease) in income taxes payable	9,861	(2,933)	(1,235)	82
(Decrease) / increase in deferred taxes	(1,817)	19,227	(704)	(551)
(Decrease) in unearned revenue	(346)	(4,021)	-	-
(Decrease) in provisions and accruals	(62,188)	(23,364)	-	-
Net cash from operating activities	24,607	119,945	91,584	48,103

Cash from operating activities

Cash flows other than investing or financing are classified as cash from operating activities. As the AMS 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 cashflow from liabilities	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Borrowings (excluding capitalised borrowing costs)	278,616	167,967	60,000	-
Payable due to wholly owned entities	-	-	56,335	25,576
Financing liabilities	278,616	167,967	116,335	25,576
Movements during the year				
Liabilities at start of the year	167,967	176,808	25,576	21,162
Cash flows relating to borrowings	113,871	(16,203)	60,000	(9,752)
Cash flows relating to payables due to wholly owned entities	(8,738)	-	31,247	13,013
Non-cash settlement of payables due to wholly owned entities	6,094	9,711	(488)	1,153
Foreign exchange adjustments	(578)	(2,349)	-	-
Liabilities at end of the year	278,616	167,967	116,335	25,576

3.2 TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
Current	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade receivables	23,978	31,781	-	-
Other receivables	16,007	3,486	-	-
Amounts receivable from wholly owned entities	-	-	448	496
	39,985	35,267	448	496

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. The carrying amount includes a total loss allowance of $1,608,000 (2022: $1,262,000) which includes a specific doubtful debts allowance of $131,000 (2022: $284,000). The carrying amount is generally considered to equal their fair value.

Other receivables

None of the other receivables are impaired or past due.

3.3 FINANCE LEASE RECEIVABLES

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current finance lease receivables	22,794	14,609	-	-
Non-current finance lease receivables	86,327	13,531	-	-
	109,121	28,140	-	-

The Onboard Finance and AMS 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.

	Consolidated Group			
Amounts receivable under finance lease receivables	Minimum lease payments 2023 $'000	Present value of lease payments 2023 $'000	Minimum lease payments 2022 $'000	Present value of lease payments 2022 $'000
Within one year	26,249	22,795	15,564	14,609
Later than one but not more than five years	93,676	86,275	15,182	13,421
Later than five years	51	51	118	110
	119,976	109,121	30,864	28,140
Less: Unearned finance income	(10,855)	-	(2,724)	-
Present value of minimum lease payments	109,121	109,121	28,140	28,140
Fair value of finance lease receivables		110,210		28,541

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 11.45% pa (2022: 4.81% pa).

3.4 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.

3.5 ASSETS UNDER OPERATING LEASE

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Assets held under operating lease terminating within the next 12 months	58,179	73,945	-	-
Assets held under operating lease terminating after more than 12 months	146,778	149,722	-	-
	204,957	223,667	-	-

	Consolidated Group	
	2023 $'000	2022 $'000
Depreciation rate (range)	20% - 33%	20% - 33%
At cost	337,699	359,901
Accumulated depreciation	(132,742)	(136,234)
Net carrying value	204,957	223,667
Movements during the year		
Balance at start of the year	223,667	210,318
Additions	80,742	102,488
Disposals/transfers to inventory	(49,310)	(43,649)
Depreciation expense	(48,801)	(48,689)
Residual value adjustment	129	2,901
Change in foreign currency	(501)	298
Assets held for sale	(969)	-
Balance at end of the year	204,957	223,667

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 $3,189,000 (2022: $3,899,000).

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 when the estimated residual value is lower than the assessment of the future value of the P&A funded assets.

If the estimated residual values reduced by 5%, this would result in an increase in the impairment loss provision by $1.6m.

3.6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group acts as a lessee in operating lease arrangements for the use of property and equipment.

	Consolidated Group		Parent Entity	
Right-Of-Use Assets	2023 $'000	2022 $'000	2023 $'000	2022 $'000
At cost	77,312	78,631	-	-
Accumulated depreciation	(47,258)	(42,649)	-	-
Net carrying value	30,054	35,982	-	-
Movements during the year				
Balance at start of the year	35,982	40,511	-	-
New assets leased	185	3,778	-	-
Depreciation	(5,686)	(6,498)	-	-
Disposal of subsidiary	-	(1,736)	-	-
Change in foreign currency	29	(73)	-	-
Assets held for sale	(456)	-	-	-
Balance at end of the year	30,054	35,982	-	-

	Consolidated Group		Parent Entity	
Lease liabilities	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Movements during the year				
Balance at start of the year	51,064	48,875	-	-
New assets leased	186	3,778	-	-
Finance charges	1,795	1,769	-	-
Lease payments	(8,224)	(8,696)	-	-
Lease incentives	2,116	7,300	-	-
Disposal of subsidiary	-	(1,887)	-	-
Change in foreign currency	40	(75)	-	-
Assets held for sale	(464)	-	-	-
Balance at end of the year	46,513	51,064	-	-
Carrying value of lease liabilities				
Current	5,130	4,212	-	-
Non-current	41,383	46,852	-	-
	46,513	51,064	-	-

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 assets are 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 assets are 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.

3.7 INTANGIBLE ASSETS

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

Consolidated Group

2023	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	216,292	23,073	6,598	13,876	8,166	79,158	13,132	360,295
Accumulated amortisation	-		(6,598)	(3,284)	(5,155)	(56,907)	(13,132)	(85,076)
Accumulated impairment loss	(168,013)	(14,269)	-	(6,990)	-	-	-	(189,272)
Assets held for sale	(7,708)	(7,404)	-	(1,944)	(2,906)	(388)	-	(20,350)
Net carrying value	40,571	1,400	-	1,658	105	21,863	-	65,597
Reconciliation of written down values								
Balance at start of the year	88,425	9,902	-	4,621	3,918	28,682	-	135,548
Additions	-	-	-	-	-	11,912	-	11,912
Amortisation	-	-	-	(1,316)	(952)	(10,529)	-	(12,797)
Impairment	(41,436)	(1,098)	-	-	-	-	-	(42,534)
Transfer of items to PPE	-	-	-	-	-	(7,814)	-	(7,814)
Changes in foreign currency	1,291	-	-	297	45	-	-	1,633
Assets held for sale	(7,709)	(7,404)	-	(1,944)	(2,906)	(388)	-	(20,351)
Balance at end of the year	40,571	1,400	-	1,658	105	21,863	-	65,597

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	343,760
Accumulated amortisation	-	-	(6,598)	(2,399)	(4,024)	(49,290)	(13,139)	(75,450)
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 at start of the year	87,862	9,272	-	6,106	965	30,647	-	134,852
Additions	-	-	-	-	-	8,188	-	8,188
Additions from business combinations	7,215	630	-	-	4,057	377	-	12,279
Disposal of subsidiary	-	-	-	-	-	(291)	-	(291)
Impairment	(6,028)	-	-	-	-	-	-	(6,028)
Amortisation	-	-	-	(1,345)	(1,085)	(9,444)	-	(11,874)
Accounting standard adoption reclassification	-	-	-	-	-	(795)	-	(795)
Changes in foreign currency	(624)	-	-	(140)	(19)	-	-	(783)
Balance at end of the year	88,425	9,902	-	4,621	3,918	28,682	-	135,548

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 profit or loss.

Identifiable intangible asset 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 cash generating unit (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 rights 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. Contract rights 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 the profit or loss for the amount that the asset's carrying value exceeds the recoverable amount. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and value-in-use (VIU). For the purpose of assessing fair value, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of cash inflows from other assets (CGUs). Where the asset does not generate independent cash flows, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Key judgement: Assessment of recoverable amount

Recoverable amounts of CGUs have been determined using the VIU 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 CGU 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.

The carrying amount of goodwill is allocated to the Group's CGUs based on the organisation and management of its businesses. Set out below are the details of the goodwill allocated to the CGUs as well as the value of intangibles

	Consolidated Group					
	Goodwill	Intangibles	Total	Goodwill	Intangibles	Total
	2023 $'000	2023 $'000	2023 $'000	2022 $'000	2022 $'000	2022 $'000
Maxxia Pty Limited (Maxxia)	24,190	12,272	36,462	24,190	16,733	40,923
Remuneration Services (Qld) Pty Limited (RemServ)	9,102	3,378	12,480	9,102	5,077	14,179
Anglo Scottish Asset Finance Limited (ASF)	-	-	-	16,024	3,592	19,616
Retail Financial Services aggregation business (RFS Aggregation)	-	-	-	31,894	11,536	43,430
Plan Tracker Pty Ltd (Plan Tracker)	7,215	3,347	10,562	7,215	4,160	11,375
OnBoard Finance Pty Ltd	-	4,578	4,578	-	4,588	4,588
Other	-	1,515	1,515	-	1,437	1,437
	40,507	25,090	65,597	88,425	47,123	135,548

Key Assumptions used for VIU calculations

Cash flow projections

Cash flow projections are based on the financial year 2024 (FY24) budgets. Growth assumptions used for subsequent years reflect strategic business plans and forecast growth rates. Financial projections also take into account any risk exposures in changes to the trading, market and regulatory environments.

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

Cashflows beyond five years are extrapolated using growth rates of 2.0% pa (2022: 2.0% pa), which is lower than long term consumer price index (CPI).

GRS CGUs

The Maxxia and RemServ CGUs that form the GRS business operate largely in the same business environment and are exposed to similar risks. The equivalent pre-tax discount rate of 19.7% (2022:17.4%) was applied in the VIU calculation.

VIU cash flow projections for GRS CGUs are substantially higher than the carrying value of the CGUs and any reasonable changes to the key assumptions would not cause an impairment. A key assumption for the GRS CGUs is that there are no significant changes 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 and is a CGU within the PSS business. 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 19.7% pa (2022: 17.4% pa) was applied in the VIU calculation.

The Group has reviewed actual and forecast performance to assess impairment using VIU cash flow projections which exceed the carrying value of the CGU indicating no impairment exists. The FY24 budget growth expectations are reflective of the growth achieved in FY23. 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 reasonable possible changes in key assumptions.

AMS CGUs

For the year ended 30 June 2023 the ASF and RFS Aggregation CGUs have been classified as held for sale, and the assessment of the carrying value has been made against fair value less selling costs. Refer Note 6.3 for further details.

3.8 TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Unsecured liabilities				
Trade payables	15,784	18,282	-	-
GST payable	522	2,339	-	-
Accrued expenses	29,117	38,079	-	-
Sundry creditors	27,694	25,035	-	366
Amounts payable to wholly owned entities	-	-	56,335	25,576
	73,117	83,735	56,335	25,942

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. Due to short term nature, carrying value approximates fair value.

3.9 CONTRACT LIABILITIES

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Maintenance fees received in advance	4,489	5,606	-	-
Rebates and cancellations	984	2,217	-	-
	5,473	7,823	-	-

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, are 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 OTHER LIABILITIES

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Customer receipts in advance	3,389	2,974	-	-
Other	9,464	15,940	-	-
	12,853	18,914	-	-

3.11 PROVISIONS

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current				
Employee benefit liabilities	13,244	13,175	-	-
Employee incentives	837	-	-	-
Other provisions	606	220	-	-
	14,687	13,395	-	-
Non-current				
Employee benefit liabilities	2,006	1,195	-	-
	2,006	1,195	-	-

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 12 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 benefit liabilities		Other provisions			
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Movement during the year						
Balance at start of the year	14,358	14,765	-	-	220	441
Employee benefits earned and accrued	10,331	8,225	837	-	-	-
Payments	(9,532)	(8,632)	-	-	-	(271)
Write offs and adjustments	93	-	-	-	(234)	-
Provision made	-	-	-	-	620	50
Balance at end of the year	15,250	14,358	837	-	606	220

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

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 a number of metrics such as the gearing ratio, interest cover, debt to EBITDA and various other metrics.

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 BORROWINGS

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current				
Bank loans	-	15,851	-	-
Other external loans payable	3,800	-	-	-
	3,800	15,851	-	-
Non-current				
Bank loans	268,722	142,222	60,000	-
Other external loans payable	6,094	9,711	-	-
	274,816	151,933	60,000	-
Total borrowings	278,616	167,784	60,000	-

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.

Security and financial covenants

The Parent Entity guarantees all bank loans of subsidiaries in the Group, totalling $278,442,000 (2022: $167,601,000).

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 3.5 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.

4.2 ISSUED CAPITAL

Share capital – Group and Parent Entity

Movements in share capital are shown below:

	Number of shares	Issue price	Ordinary shares $'000
Shares issued at 1 July 2022	77,381,107		76,257
Treasury shares acquired on-market	(92,759)		-
Shares held by external shareholders at start of the year	77,288,348		76,257
Treasury shares distributed in the period on the exercise of employee rights	92,759		-
Shares repurchased in the period from the off-market share buy back	(7,738,083)	$0.99	(7,661)
Shares held by external shareholders at 30 June 2023	**69,643,024**		**68,596**
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 is 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 LTIP. Treasury shares are deducted from issued shares to show the number of issued shares held by external shareholders.

Share Buy Back

On 24 October 2022, the Company completed an off-market share buy-back of fully paid ordinary shares at $11.66 per share that was funded from existing cash reserves of $90,226,048. The share buy-back comprised a capital component of $0.99 per share which reduced share capital by $7,660,702, and a fully franked dividend per share of $10.67 that was distributed out of retained earnings of $82,565,346.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

4.3 DIVIDENDS

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'00
Final fully-franked ordinary dividend for the year ended 30 June 2022 of $0.74 (2022: $0.31) per share franked at the tax rate of 30% (2022: 30%)	51,536	24,065	51,536	24,065
Interim fully-franked ordinary dividend for the year ended 30 June 2023 of $0.58 (2022: $0.34) per share franked at the tax rate of 30% (2022: 30%)	40,393	26,310	40,393	26,310
	91,929	**50,375**	**91,929**	**50,375**
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	62,547	111,500	62,547	111,500

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

4.4 FINANCIAL RISK MANAGEMENT

The Group maintains a Risk Management Framework to support the identification, assessment, management, monitoring, and reporting of internal and external sources of risk that could impact on the Group's operations and strategic objectives.

Risk Management is a continuous process that is embedded within day-to-day operational activities of the Group with active involvement of the Executive Leadership Team and oversight from the Audit, Risk & Compliance Committee (ARCC), and the Board.

Financial risks of the Group are monitored by the Board through:

- Active management of credit, residual value, liquidity, funding, and interest rate risks in line with policies approved by the Board.
- Ongoing oversight of the Group's financial risk profile by the Executive Credit, Residual Value, and Interest Committee's.
- Regular reporting of the Group's financial risk profile (including compliance with Board's Risk Appetite Settings) to the Board Audit, Risk & Compliance Committee, and the Board.
- The Group's Internal Audit function also periodically reviews and provides independent assurance regarding the adequacy of controls and processes for managing risks and compliance obligations.

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 The AMS and GRS businesses borrowings exposes the Group to potential mismatches between the refinancing of its assets and liabilities.	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 12 months of average net asset funding requirements augmented 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 12 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 counterparty 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 regular reports 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 are 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.

Risk	Exposure	Response
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.	Translation related risks from financial and non-financial items of the 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 AMS and GRS businesses 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)	2023 Facility	2023 Used	2023 Unused	2022 Facility	2022 Used	2022 Unused
AMS Borrowing facilities	194,265	140,468	53,797	204,945	158,256	46,689
Warehouse facilities	135,640	68,080	67,560	100,000	-	100,000
Other borrowing facilities	60,000	60,000	-	-	-	-
Total borrowings[1]	389,905	268,548	121,357	304,945	158,256	146,689

1 Borrowings do not include capitalised borrowing costs of $174,000 (2022: $183,000).

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

Secured bank borrowings (excluding borrowing costs)	Maturity dates	2023 Facility	2023 Used	2023 Unused	2022 Facility	2022 Used	2022 Unused
AUD'000[1]	31/03/2024	-	-	-	58,000	58,000	-
AUD'000[1]	31/03/2025	95,000	54,600	40,400	95,000	57,600	37,400
AUD'000[1]	30/06/2025	10,000	10,000	-	-	-	-
AUD'000[1]	30/06/2025	48,000	48,000	-	-	-	-
AUD'000[2]	10/02/2026	135,640	68,080	67,560	100,000	-	100,000
AUD'000[3]	25/08/2027	60,000	60,000	-	-	-	-
NZD'000[1]	31/03/2024	-	-	-	29,000	23,100	5,900
NZD'000[1]	31/03/2025	11,000	7,600	3,400	11,000	6,600	4,400
NZD'000[1]	30/06/2025	20,000	15,000	5,000	-	-	-
NZD'000[1]	30/06/2026	11,000	7,600	3,400	-	-	-
GBP'000	31/03/2023	-	-	-	9,000	9,000	-

1 AMS Revolving facility.
2 Onboard Warehouse Trust 2021-1 facility.
3 Parent entity revolving 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.

AMS P&A borrowing facilities held off balance sheet

The borrowing facilities are further augmented by P&A facilities of $249.7 million of which $104.2 million is utilised (2022: $232.3 million with $90.2 million utilised) and associated residual value facilities totalling $123.0 million and $66.4 million utilised (2022: $123.0 million, $59.7 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.

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.

Consolidated Group – 2023: 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 cashflows $'000	Carrying amount $'000
Trade payables	15,784	-	-	-	-	15,784	15,784
Other creditors and liabilities	36,281	6,622	-	-	-	42,903	42,903
Lease liabilities	2,818	2,912	6,142	13,100	22,141	47,113	46,513
Borrowings	10,103	6,761	103,604	148,254	-	268,722	268,722
	64,986	16,295	109,746	161,354	22,141	374,522	373,922

Consolidated Group – 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 cashflows $'000	Carrying amount $'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

Parent Entity 2023: 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 cashflows $'000	Carrying amount $'000
Amounts payable to wholly owned entities and other payables	56,335	-	-	-	-	56,335	56,335
Financial guarantee contracts	268,800	-	-	-	-	268,800	-
	325,135	-	-	-	-	325,135	56,335

Parent Entity 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 cashflows $'000	Carrying amount $'000
Amounts payable to wholly owned entities and other payables	25,942	-	-	-	-	25,942	25,942
Financial guarantee contracts	166,652	-	-	-	-	166,652	-
	192,594	-	-	-	-	192,594	25,942

(b) Credit risk

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

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Deposits with banks	60,581	160,796	1,255	580
Trade and other receivables	39,985	35,267	448	498
Finance lease receivables	109,121	28,140	-	-
Operating lease assets	204,957	223,667	-	-
	414,644	447,870	1,703	1,078

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 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 ECLs, 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.

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 amounts outstanding over the previous 36 months and adjusted for forward looking factors.

Trade receivables

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

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Expected loss rate (%)	5.8%	2.96%	-	-
Gross carrying amount	25,586	33,042	-	-
Loss allowance	1,477	978	-	-
Specific loss allowance	131	284	-	-
Total loss allowance	1,608	1,262	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

Ageing and expected credit loss of trade receivables	2023 Total $'000	2023 Loss allowance $'000	2023 Amount not impaired $'000	2022 Total $'000	2022 Loss allowance $'000	2022 Amount not impaired $'000
Not past due	22,571	(1,431)	21,140	28,154	(1,058)	27,096
Past due 30 days	883	(63)	820	1,428	(56)	1,372
Past due 31 – 60 days	866	(44)	822	568	(23)	545
Past due 61 – 90 days	130	(7)	123	279	(12)	267
Past due > 90 days	1,136	(63)	1,073	2,614	(113)	2,501
	25,586	(1,608)	23,978	33,043	(1,262)	31,781

The Group's maximum exposure to credit risk at reporting date by geographic region is predominantly in Australia and New Zealand 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance at start of the year	209	747	-	-
Expected loss allowance	493	(534)	-	-
Loss allowance utilised	(110)	-	-	-
Changes in foreign currency	-	(4)	-	-
Balance at end of the year	592	209	-	-
Expected credit loss provision	592	209	-	-
	592	209	-	-

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Expected credit loss rate (%)	0.54%	0.73%	-	-
Gross carrying amount	109,121	28,672	-	-
Loss allowance	592	209	-	-

(c) Market risk

Interest rate risk

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

	2023		2022	
	Borrowings $'000	Weighted average interest rate %	Borrowings $'000	Weighted average interest rate %
AUD	240,680	5.79%	115,600	2.76%
NZD	30,700	7.20%	29,700	3.48%
GBP	-	-	9,000	3.02%
Total AUD equivalent	**268,832**	**5.94%**	**158,073**	**2.91%**

The weighted average interest rate on borrowings is used as an input to asset repricing decisions for the respective geographical markets the Group operates in. Analysis of maturities is provided in Note 4.4(a).

Borrowings for the AMS business of $220,044,509 (2022: $157,440,000) were covered by interest rate swaps at a fixed rate of interest of 4.75% pa (2022: 2.32% pa).

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:

	2023 $'000	2022 $'000
Cash and deposits	60,581	160,796
Bank loans [1]	(268,548)	(158,073)
Interest rate swaps (notional amounts)	220,044	157,441
Net exposure to cash flow interest rate risk	**12,077**	**160,164**

1 Excluding capitalised borrowing costs of $174,000 (2022: $183,000) for AMS.

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 $834,000 (2022: $721,000) higher or lower and the Parent Entity $104,000 (2022: $26,000) 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 $262,627,000 (2022: $317,766,000) included a residual value provision of $3,189,000 (2022: $4,239,000). Refer Note 3.5 for further details.

4.5 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).

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

Except as detailed below 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 is assumed to be the same as their fair values, due to their short-term nature.

	Fair Value Hierarchy	Consolidated Group		Parent Entity	
		2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current financial assets					
Finance lease receivables measured at amortised cost	3	23,941	14,609	-	-
Derivatives used for hedging	2	2,037	2,931	-	-
		25,978	17,540	-	-
Non-current financial assets					
Finance lease receivables measured at amortised cost	3	86,269	13,932	-	-
		86,269	13,932	-	-
Current financial liabilities					
Contract liabilities measured at amortised cost	3	5,473	7,823	-	-
Customer receipts in advance measured at amortised cost	3	12,853	18,914	-	-
Borrowings measured at amortised cost	2	-	15,851	-	-
Lease liabilities measured at amortised cost	3	5,130	4,212	-	-
		23,456	46,800	-	-
Non-current financial liabilities					
Borrowings measured at amortised cost	2	268,722	142,222	60,000	-
Lease liabilities measured at amortised cost	3	41,383	46,852	-	-
		310,105	189,074	60,000	-

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year ended 30 June 2023.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Interest rate swaps

The valuation technique for interest rate swaps and key inputs are discounted cash flows 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.

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.

Cashflow 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 flow 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 OCI to the extent of the effective portion of the cash flow hedge and the ineffective portion recognised in profit or loss. These gains or losses in OCI are accumulated in a component in equity and are reclassified to profit or loss to match the timing and relationship with the amount that the derivative instruments was intended to hedge.

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.

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.

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 28 for details of the terms and conditions for Performance Rights issued in the year.

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

		Consolidated Group and Parent Entity				
2023						
Grant date	**Exercise date [1]**	Balance at start of the year	Granted	Vested	Forfeited	Balance at end of the year
1 July 2019	30 September 2022	95,723	-	(95,723)	-	-
22 October 2019	30 September 2022	38,047	-	(25,942)	(12,105)	-
20 October 2020	30 September 2023	81,272	-	-	(18,159)	63,113
30 October 2020	30 September 2023	288,378	-	-	(73,724)	214,654
15 October 2021	30 September 2024	42,103	-	-	(15,064)	27,039
22 November 2021	30 September 2024	283,067	-	-	(82,595)	200,472
15 November 2022	30 September 2025	-	236,748	-	-	236,748
		828,590	236,748	(121,665)	(201,647)	742,026

		Consolidated Group and Parent Entity				
2022						
Grant date	**Exercise date [1]**	Balance at start of the year	Granted	Vested	Forfeited	Balance 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

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

Grant	Share price at grant date	Expected life (years)	Expected dividend yield	Fair value
	Consolidated Group and Parent Entity			
15 November 2022	13.31	3.0	8.1%	10.54

Recognition and measurement

The Performance 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.

Expenses arising from share-based payment transactions

	Consolidated Group		Parent Entity	
	2023 $	2022 $	2023 $	2022 $
Performance Rights issued under the LTIP	1,242,810	1,605,688	1,242,810	1,605,688
	1,242,810	1,605,688	1,242,810	1,605,688

5.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated Group		Parent Entity	
	2023 $	2022 $	2023 $	2022 $
Short-term employment benefits	2,288,690	2,329,448	783,072	1,720,753
Post-employment benefits	124,993	130,017	74,407	106,449
Long-term employment benefits	41,765	25,219	-	14,942
Share-based payments	607,896	573,198	-	402,368
	3,063,344	3,057,882	857,479	2,244,512

5.3 OTHER EMPLOYEE BENEFITS

Bonuses

A liability for employee benefits in the form of bonuses is recognised in the Statement of Financial Position. 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 INVESTMENT IN SUBSIDIARIES

	Consolidated Group		Parent Entity	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Shares in subsidiaries at cost	-	-	237,533	254,822

An impairment assessment was performed and an impairment of $17.289m was recognised relating to investment in Retail Financial Services subsidiaries.

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.

Name	Country of incorporation and principal place of business	% Owned 2023	% Owned 2022	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	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
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
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 [2]	Australia	100%	100%	Plan management services
Maxxia (UK) Limited [3]	United Kingdom	100%	100%	Investment holding
Maxxia Finance Limited	United Kingdom	100%	100%	Asset management
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
Maxxia Limited	New Zealand	100%	100%	Dormant
Maxxia Fleet Limited	New Zealand	100%	100%	Asset management and services

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 6.2.

2 On 1 July 2021, the Group acquired 100% of the share capital of Plan Tracker Pty Ltd.

3 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.

6.2 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 dross 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 Retained Earnings

	Consolidated Group	
	2023 $'000	2022 $'000
Revenue and other income	354,874	326,047
Employee and director benefits expenses	(130,920)	(111,523)
Depreciation and amortisation expenses and impairment	(56,384)	(54,545)
Leasing and vehicle management expenses	(45,629)	(36,287)
Consulting cost expenses	(4,126)	(7,095)
Marketing expenses	(6,847)	(7,830)
Property and corporate expenses	(2,802)	(2,565)
Technology and communication expenses	(18,708)	(14,556)
Finance costs	(6,909)	(3,390)
Other expenses	(429)	(1,075)
Profit before income tax	82,120	87,181
Income tax expense	(24,508)	(25,426)
Profit attributable to members of the parent entity	57,612	61,755
Other comprehensive income		
Other comprehensive income after tax	-	-
Total comprehensive income for the year	57,612	61,755
Movements in consolidated retained earnings		
Retained earnings at start of the year	195,373	183,993
Profit for the year	57,612	61,755
Dividends paid	(91,929)	(50,375)
Share buy-back	(82,565)	-
Retained earnings at end of the year	78,491	195,373

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated Statement of Financial Position

	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	35,073	102,406
Trade and other receivables	69,321	49,086
Finance lease receivables	2,604	2,000
Assets under operating lease	49,773	57,091
Inventories	6,195	7,179
Total current assets	162,966	217,762
Non-current assets		
Finance lease receivables	5,278	4,729
Right-of use assets	28,844	33,649
Property, plant and equipment	134,601	128,208
Intangible assets	50,015	56,825
Deferred tax assets	18,370	28,628
Investments in subsidiaries	102,402	102,402
Total non-current assets	339,510	354,441
Total assets	502,476	572,203
Current liabilities		
Trade and other payables	84,768	81,191
Provisions	14,578	13,371
Current tax liability	7,840	2,974
Borrowings	-	-
Lease Liabilities	4,705	3,369
Total current liabilities	111,891	100,905
Non-current liabilities		
Provisions	2,006	1,193
Borrowings	172,440	115,447
Lease Liabilities	40,502	45,167
Deferred tax liabilities	33,416	40,777
Total non-current liabilities	248,364	202,584
Total liabilities	360,255	303,489
Net assets	142,221	268,714
Equity		
Issued capital	68,759	76,420
Reserves	(5,029)	(3,077)
Retained earnings	78,491	195,371
Total equity	142,221	268,714

6.3 DISCONTINUED OPERATIONS RELATING TO ASSETS HELD FOR SALE

On 22 August 2023 the Group signed an agreement with a consortium of funders predominantly associated with, and including, Praetura Group (UK) to divest the UK businesses with net proceeds of approximately $20m. The UK businesses sale is subject to limited conditions and expected to close in the first half of FY24.

On 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC, “Aggregation Business”).

At 30 June 2023, the UK and Aggregation Businesses were classified as discontinued operations relating to assets held for sale and were part of the Group’s Asset Management operating segment.

The results including the Statement of Profit or Loss and Other Comprehensive Income, the major classes of assets and liabilities, and the material net cashflows of the discontinued operations relating to assets held for sale are presented below:

Statement of Profit and Loss from discontinued operations relating to assets held for sale

	2023 $’000	2022 $’000
Revenue	145,722	175,481
Expenses	(136,103)	(164,824)
Finance costs	(300)	(824)
Impairment loss recognised on re-measurement to fair value less selling costs	(42,534)	(6,028)
(Loss) / profit before income tax from discontinued operations relating to assets held for sale	(33,215)	3,805
Income tax (expense) / benefit		
– Related to pre-tax profit/(loss) from discontinued operations relating to assets held for sale	1,038	(2,138)
– Related to re-measurement to fair value less selling costs	-	1,808
(Loss) / profit from discontinued operations relating to assets held for sale	(32,177)	3,475

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

Statement of Financial Position

	Note	2023 $'000
Current assets		
Cash and cash equivalents		37,702
Trade and other receivables		2,756
Finance lease receivables		5,544
Inventories		2,399
Prepayments		560
Total current assets		48,961
Non-current assets		
Assets under operating lease		968
Right of use assets		456
Property, plant and equipment		277
Intangible assets		20,350
Deferred tax assets		6,605
Total non-current assets		28,656
Total assets held for sale		77,617
Current liabilities		
Trade and other payables		14,166
Other liabilities		2,770
Current tax liability		6,407
Lease Liabilities		166
Total current liabilities		23,509
Non-current liabilities		
Lease Liabilities		282
Deferred tax liabilities		4,538
Total non-current liabilities		4,820
Total liabilities directly associated with assets held for sale		28,329
Net assets directly associated with the disposal group		
Amounts included in Accumulated OCI:		
Reserves		(2,761)
FCTR relating to Disclosure group	6.3	(2,761)

Cashflow information

	2023 $'000
Operating cashflows	15,653
Investing cashflows	581
Financing cashflows	(26,681)
Net cash (outflow)	(10,447)

Earnings per share

	2023 cents per share
Basic EPS – (loss) from discontinued operations relating to assets held for sale	(0.45)
Diluted EPS – (loss) from discontinued operations relating to assets held for sale	(0.44)

7 Other Disclosures

7.1 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revaluation – gross	2,037	2,931	-	-
Deferred tax	(696)	(908)	-	-
Balance at the end of the year	1,341	2,023	-	-

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 currency translation reserve accumulates exchange differences arising on translation of foreign controlled entities which are recognised in OCI. 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.

7.2 INTEREST

Interest is brought to account on an accrual basis.

7.3 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.

7.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are 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.

7.5 RELATED PARTY TRANSACTIONS

Transactions between the Company and other entities within the wholly owned group during the years ended 30 June 2023 and 30 June 2022 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	
	2023 $	2022 $	2023 $	2022 $
Dividend revenue	-	-	91,928,792	50,375,103
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current receivables	-	-	448,376	498,166
Current payables	-	-	56,335,334	25,576,234

7.6 AUDITOR'S REMUNERATION

In accordance with an ordinary resolution made by the Company's members at the Annual General Meeting held on 28 October 2022 Ernst & Young (EY) were appointed auditor of the Company. This followed the resignation of the Company's previous auditor, Grant Thornton Audit Pty Ltd (Grant Thornton) and ASIC's consent to the resignation in accordance with Section 329(5) of the *Corporations Act 2001*.

Grant Thornton Audit Pty UK LLP has been retained as the auditor for the UK based subsidiary entities.

	Consolidated Group		Parent Entity	
	2023 $	2022 $	2023 $	2022 $
Statutory audit services				
Remuneration of the auditor (EY) of the Parent Entity for statutory audit or review of the financial report of the entity and any other entity in the Consolidated Group				
> EY	375,000	-	-	-
> Grant Thornton	-	289,500	-	-
Remuneration of the auditor of the Parent Entity for statutory audit or review of the financial statements of subsidiary entities in the UK (Grant Thornton).				
> Grant Thornton	152,400	172,446	-	-
Other audit services related to client requirements for non-statutory audits				
> EY	38,000	-	-	-
> Grant Thornton	4,000	15,200	-	-
Other assurance services				
Remuneration of the auditor of the Parent Entity for assurance related services				
> EY	163,000	-	-	-
> Grant Thornton	23,000	248,200	-	-
Remuneration of a network firm of the auditor of the Parent Entity for assurance related services				-
> EY	-	-	-	-
> Grant Thornton	8,822	8,565	-	-

No non-assurance related services were provided.

7.7 EVENTS OCCURRING AFTER THE REPORTING DATE

On 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC, "Aggregation Business"). Refer note 6.3 as this business was classified as discontinued operations relating to assets held for sale for the year ended 30 June 2023.

On 22 August 2023 the Group signed an agreement with a consortium of funders predominantly associated with, and including, Praetura Group (UK) to divest the UK businesses with net proceeds of approximately $20m, with the sale subject to limited conditions expected to close in the first half of FY24.

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

8 Unrecognised Items

8.1 COMMITMENTS

Operating lease commitments

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

Independent Audit Report

AS AT 30 JUNE 2023

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Independent Auditor's Report to the Members of McMillan Shakespeare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of McMillan Shakespeare Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- The Group consolidated and Company statements of financial position as at 30 June 2023;
- The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies; and
- The directors' declaration.

In our opinion, the accompanying financial report is in accordance with the Corporations Act 2001, including:

a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2023 and of their financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Revenue Recognition

Financial report reference: Note 2.2

Why significant to the audit	How our audit addressed the key audit matter
As at 30 June 2023, Revenue from continuing operations recorded during the year was $464,004,000. The Group exercises significant judgement relating to revenue recognition due to products and services with various contractual terms and different pricing elements in contracts with customers throughout the Group The accuracy of amounts recorded as revenue is an inherent risk due to the complexity of billing systems, the complexity of customer arrangements and price and billing changes in the year. This was a key audit matter due to the significance of revenue and the complexity of revenue arrangements.	Our audit procedures included the following: • Obtained an understanding of the nature of each significant type of revenue stream, and on a sample basis assessed agreements in place to evaluate whether the terms of each agreement were reflected in the accounting treatment of the Group; • Identified where there is a higher risk of error, due to manual processes, bespoke or complex contractual terms, and areas of judgement; • Evaluated the design and operating effectiveness of controls over the recognition and measurement of revenue transactions, including evaluating the relevant IT systems; • For all significant revenue streams, for a sample of revenue transactions recorded during the year, we obtained supporting evidence such as; customer contracts, other contractual arrangements, service detail records and evidence of customer payment. • We assessed the Group accounting policies set out in Note 2.2, and the adequacy of the financial report disclosures for compliance with the revenue recognition requirements of Australia Accounting Standards.

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2. Impairment of Goodwill

Financial report reference: Note 3.7

Why significant to the audit	How our audit addressed the key audit matter

As at 30 June 2023 Goodwill totals $40,571,000, as a result of the Group's historical acquisitions, representing the excess of the purchase consideration over the fair value of assets and liabilities acquired. On acquisition date, the Goodwill has been allocated to the applicable Cash Generating Units (CGUs).
 	
An impairment assessment is performed at each reporting period, comparing the carrying amount of each CGU containing Goodwill with its recoverable amount. The recoverable amount of each CGU is determined on either a value in use basis or a fair value less costs to sell basis.
 	
Where a value in use basis is used, this calculation incorporates a range of assumptions, including future cash flows, discount rate and terminal growth rate.
 	
This was a key audit matter due to the size of Goodwill and the significant judgment and estimation uncertainty associated with the impairment assessment.
	Our audit procedures in conjunction with our valuation specialists included the following:
	• Where a value in use basis was used:
	  • Assessed the valuation methodology used to calculate the recoverable amount of each CGU.
	  • Agreed the projected cash flows used in the impairment models to the Board approved plan of the Group.
	  • Compared the Group's implied growth rate assumption to comparable companies.
	  • Assessed the accuracy of historical cash flow forecasts.
	  • Assessed the methodology and assumptions used in the calculation of the discount rate, including comparison of the rate to market benchmarks.
	  • Tested the mathematical accuracy of the impairment model for each CGU.
	• Where a fair value less costs to sell basis was used:
	  • Assessed the determination of the selling price to actual or other market comparable sales prices.
	  • Assessed the costs to sell against estimated selling costs for each CGU.
	  • Assessed the carrying amount of the net assets of the Group against its market capitalisation at 30 June 2023.
	  • Assessed the Group's sensitivity analysis and evaluated whether any reasonably foreseeable change in assumptions could lead to a material impairment.
	• We assessed the Group's determination of the CGUs to which goodwill is allocated and assessed the adequacy of the disclosure included in the Notes to the financial report.

Independent Audit Report

AS AT 30 JUNE 2023

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of McMillan Shakespeare Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

Independent Audit Report

AS AT 30 JUNE 2023

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Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne
23 August 2023

Shareholder Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below:

SUBSTANTIAL SHAREHOLDINGS

As at 3 August 2023 the number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares [1]
HSBC Custody Nominees (Aust) Ltd	17,717,211	25.44%
JP Morgan Nominees Australia Limited	9,889,906	14.20%
Citicorp Nominees Limited	8,878,618	12.75%
Chessari Holdings Pty Limited[2]	6,050,941	8.69%
AP Group Pty Limited	3,976,229	5.71%

1 As at 3 August 2023, 69,643,024 fully paid ordinary shares have been issued by the Company.

2 Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a Non-Executive Director.

NUMBER OF SHARE & OPTION HOLDERS

As at 3 August 2023 the number of shares held by substantial shareholders and their associates is as follows:

Class of Security	Number of Holders
Fully paid ordinary shares	5,924

VOTING RIGHTS

In accordance with the Constitution of the Company and the *Corporations Act 2001* (Cth), every member present in person or by proxy at a general meeting of the members of the Company has:

> on a vote taken by a show of hands, one vote; and

> on a vote taken by a poll, one vote for every fully paid ordinary share held in the Company.

A poll may be demanded at a general meeting of the members of the Company in the manner permitted by the *Corporations Act 2001* (Cth).

DISTRIBUTION OF SHARE & OPTION HOLDERS

As at 3 August 2023 the number of shares held by substantial shareholders and their associates is as follows:

Distribution of Shares & Options	Number of Holders of Ordinary Shares & Options
1 – 1,000	3,724
1,001 – 5,000	1,754
5,001 – 10,000	265
10,001 – 100,000	162
100,000+	19

As at 3 August 2023 there were 261 shareholders who held less than a marketable parcel of 26 fully paid ordinary shares in the Company.

BUY-BACK

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

On 24 October 2022 MMS completed an off-market share buy back of 10% of is ordinary shares as part of its ongoing capital management strategy.

Shareholder Information

TOP 20 SHAREHOLDERS

As at 3 August 2023, the details of the top 20 shareholders in the Company are as follows:

No.	Name	Number of Ordinary Shares	Percentage of Ordinary Shares [1]
1	HSBC Custody Nominees (Aust) Ltd	17,717,211	25.44
2	JP Morgan Nominees Australia Limited	9,889,906	14.20
3	Citicorp Nominees Limited	8,878,618	12.75
4	Chessari Holdings Pty Limited [1]	6,050,941	8.69
5	AP Group Pty Limited	3,976,229	5.71
6	National Nominees Limited	3,408,305	4.89
7	Asia Pac Technology Pty Ltd [2]	3,068,025	4.41
8	UBS Nominees Pty Limited	1,971,968	2.83
9	Ann Leslie Ryan	1,008,418	1.45
10	BNP Paribas Nom Pty Limited <DRP>	756,878	1.09
11	NewEconomy com AU Nominees Pty Limited	327,205	0.47
12	MOHL Invest Pty Ltd <MOHL Super Fund A/c>	310,000	0.45
13	Citicorp Nominees Pty Ltd <Colonial First State Inv A/c>	237,391	0.34
14	Warbont Nominees Pty Ltd <Unpaid Entrepot A/c>	224,539	0.32
15	BNP Paribas Noms Pty Ltd <Global markets DRP>	174,569	0.25
16	AFICO Pty Ltd	130,000	0.19
17	Mod Enterprises Pty Ltd	129,619	0.19
18	WAL Assets Pty Ltd <The LA Wilson Property A/c>	114,795	0.16
19	Birdseye No.2 Management Pty Ltd <Birdseye Super No. 2 Fund A/c>	110,000	0.16
20	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/c>	99,864	0.14

1 Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a Non-Executive Director.

2 Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a Non-Executive Director.

UNQUOTED SECURITIES

As at the date of this Annual Report, there are no unquoted securities in the Company.

Corporate Directory

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Share Registry
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