MMS

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**20 February 2024**

Manager Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

**By E-lodgement**

## McMillan Shakespeare Limited (MMS) 1H FY24 Interim Results

Please find attached the Appendix 4D Half-year Report, Directors' Report, Financial Report and Auditor's Independent Review Report for the half-year ended 31 December 2023.

This information should be read in conjunction with McMillan Shakespeare Limited's 2023 Annual Report.

This announcement includes the necessary information required by ASX Listing Rules 4.2A and 4.2C.2.

This announcement was authorised for release by the Board of MMS.

For more information please contact:

**Ashley Conn**
CFO and Company Secretary
McMillan Shakespeare Limited

MMS
McMillanShakespeareGroup

# Appendix 4D and Consolidated Interim Financial Report

HALF YEAR ENDED
31 DECEMBER 2023

# Appendix 4D

## Half year ended 31 December 2023

| | |
|---|---|
| Name of entity | McMillan Shakespeare Limited |
| ACN | 107 233 983 |
| Reporting period | Half year ended 31 December 2023 |
| Previous corresponding period | Half year ended 31 December 2022 |

### Results for announcement to the market

| | Half Year 31 Dec 2023 $'000 | Change on previous period (%) |
|---|---|---|
| **Continuing operations** | | |
| Revenues from ordinary activities | 256,477 | 7.0% |
| Net profit after tax attributable to members | 43,755 | 37.7% |
| Underlying net profit after tax and acquisition amortisation (UNPATA)[1,2] attributable to members | 43,928 | 34.8% |
| Normalised UNPATA[1,3] | 53,213 | 48.2% |
| **Discontinued operations** | | |
| Net loss after tax | (6,174) | >(100%) |
| **Total operations** | | |
| Net profit after tax | 37,581 | 5.8% |

1. UNPATA and Normalised UNPATA are non-IFRS metrics used for management reporting. The Group (comprised of McMillan Shakespeare Limited (the Company) and its controlled entities) 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 and non-operational items.
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 stated up to and including FY25.

| Dividend information | Amount per share (cents) | Franked amount per share (cents) |
|---|---|---|
| Final 2023 dividend per share (paid 22 September 2023) | $0.66 | $0.66 |
| Interim 2024 dividend per share (payable 22 March 2024) | $0.76 | $0.76 |

The record date for determining entitlement to the interim dividend is 8 March 2024.
The ex-dividend date is 7 March 2024. There is no dividend reinvestment plan in place.

| Net tangible assets | 31 Dec 2023 | 30 Jun 2023 |
|---|---|---|
| Net tangible assets per ordinary share[1], cents per share | 0.82 | 0.86 |

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

# Appendix 4D

Half year ended 31 December 2023

## Control gained or lost over entities during the period

| Name of entities where control was lost during the period | Date control lost |
|---|---|
| United Financial Services Pty Ltd | 31 July 2023 |
| United Financial Services Network Pty Ltd | 31 July 2023 |
| United Financial Services (Qld) Pty Ltd | 31 July 2023 |
| National Finance Choice Pty Ltd | 31 July 2023 |
| Maxxia Limited | 30 September 2023 |
| Maxxia Finance Limited | 30 September 2023 |
| Anglo Scottish Asset Finance Limited | 30 November 2023 |

## Independent auditors' review

The Consolidated Interim Financial Report for the half year ended 31 December 2023 has been reviewed by EY.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the Consolidated Interim Financial Report for the half year ended 31 December 2023.

# Consolidated Interim Financial Report

Half year ended 31 December 2023

## Table of Contents

# Directors' Report

## Directors

The Directors of McMillan Shakespeare Limited (the Company) present their report on the consolidated entity consisting of the Company and the entities it controlled at the end of, or during, the half year ended 31 December 2023 (the Group or Consolidated Group) and the auditor's report thereon.

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

Ms H. Kurincic

Mr B. Akhurst

Mr J. Bennetts

Mr R. Chessari

Ms K. Parsons

Ms A. Tansey

Mr R. De Luca

## 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 half year ended 31 December 2023 that are not otherwise disclosed in the Consolidated Interim Financial Report.

## Review of operations

The consolidated net profit for the half year ended 31 December 2023 attributable to the members of the Company after providing for income tax was $37,581,000 (1HFY23: $35,537,000).

### Review of Operations – Normalised[1,2,3] Financial Performance, Continuing Operations

The Group reported statutory NPAT of $43.8m from continuing operations in 1HFY24 which was up 37.7% on the prior corresponding period ('pcp'), achieved during the economic climate of increased cost of living pressures, and reflects the objective of consumers to transition to zero emission and more fuel-efficient vehicles.

The Group reported Normalised revenue from continuing operations of $261.1m, up 8.1% on pcp, Normalised earnings before interest, tax, depreciation and amortisation ('EBITDA') were $86.9m up 42.9% on pcp, whilst Normalised underlying net profit after tax and acquisition amortisation ('UNPATA') was up 48.2% on pcp to $53.2m. The return on capital employed ('ROCE') was up 7.5% points to 46.2%.

In terms of segment Normalised UNPATA, Group Remuneration Services ('GRS') was up 71.5% to $39.6m, Asset Management ('AMS') down 4.0% to $9.9m and Plan and Support Services ('PSS') up 40.1% to $4.4m.

GRS saw strong demand for, and increasing availability of, Electric Vehicles ('EVs') supporting novated sales with new and existing customers. Novated Lease sales were up 25.7% for the period with EVs now accounting for 36.9% of new leases in the period. The strong performance for the period was also supported by better novated lease yields (up 14.9% on pcp).

The Group continued to see increasing customer numbers across business units, with salary packages up 4.8%, novated leases up 3.6%, and PSS customer numbers up 16.1%. AMS Asset written down value ('WDV') was up 9.4%.

The Group made good progress on its Simply Stronger program investing $7.3m of CAPEX during 1HFY24. During the period a number of projects were delivered, including the launch of Employer Connect, an interactive self-serve platform that provides employers with real time access and transparency to their performance and data, enabling them to manage their own reporting, resulting in lower inbound calls. The Simply Stronger program is focused on supporting the Group's strategic priorities of excelling in customer experience, technology enabled productivity and competency led solutions to deliver sustainable growth.

# Directors' Report

Group Financial Performance Summary

| | 1HFY24 $'000 | 1HFY23 $'000 | Change % |
|---|---|---|---|
| **Continuing operations[1]** | | | |
| Statutory revenue | 256,477 | 239,756 | 7.0% |
| Normalised Revenue[2,3] | 261,055 | 241,586 | 8.1% |
| Normalised EBITDA[2,3,4] | 86,911 | 60,807 | 42.9% |
| Normalised UNPATA [2,3,5] | 53,213 | 35,900 | 48.2% |
| UNPATA[2,5] | 43,928 | 32,591 | 34.8% |
| Statutory NPAT | 43,755 | 31,772 | 37.7% |
| **Discontinued operations[1]** | | | |
| Statutory NPAT | (6,174) | 3,765 | >(100%) |
| **Total operations** | | | |
| Statutory NPAT | 37,581 | 35,537 | 5.8% |
| Normalised EPS[2,3] (cents) | 76.4 | 54.2[7] | 41.0% |
| Total dividend per share (cents) | 76.0 | 58.0 | 31.0% |
| Normalised return on capital employed[6] (%) | 46.2% | 38.7%[7] | |

1. Continuing operations. All financial information and metrics in the review of operations are from continuing operations only unless otherwise stated. In relation to discontinued operations, on 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC), and on 30 November 2023 the Group also completed the sale of its Asset Management Services UK businesses. As a result of these sales the Aggregation and UK businesses are no longer presented in the segment note and are discontinued operations.
2. 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.
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 stated for 1HFY24 and 1HFY23 (for comparative purposes) and are currently expected to be stated up to and including FY25. Normalised impacts of 1HFY24 are Revenue ($4.6m), EBITDA ($12.6m), EBIT ($13.3m) and UNPATA of ($9.3m) and 1HFY23 are Revenue ($1.8m), EBITDA ($4.2m), EBIT ($4.7m) and UNPATA of ($3.3m).
4. 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.
5. 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 and non-operational items.
6. Normalised return on capital employed (ROCE), is based on last 12 months' Normalised earnings before interest and tax (EBIT). Normalised EBIT (continuing operations for 1HFY24 and total operations for 1HFY23) is before the pre-tax impact of acquisition and divestment related activities 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.
7. Total operations.

Note: The non-IFRS metrics presented in this Review of Operations have not been reviewed in accordance with the Australian Auditing Standards.

# Directors' Report

Group Remuneration Services ('GRS')

| | 1HFY24 $m | 1HFY23 $m | Change % |
|---|---|---|---|
| Revenue | 138.1 | 108.6 | 27.2% |
| Normalised Revenue[2,3] | 142.7 | 110.4 | 29.2% |
| Normalised EBITDA[2,3,4] | 64.2 | 40.4 | 58.8% |
| Normalised UNPATA[2,3,5] | 39.6 | 23.1 | 71.5% |

Refer notes on Group Financial performance summary table above.

GRS had a strong first half with normalised revenue growing 29.2% to $142.7m. The performance was supported by customer growth driven by a 4.8% growth in salary packages and 3.6% growth in novated leases to a record 404,800 and 76,800 respectively.

The strong result was driven by a focus on enabling customers to maximise the benefit of their entitlements during the period of increased cost of living concerns, interest rate rises and increased demand for EVs. Novated lease sales were up 25.7% reflecting strong demand for EVs. The price of EVs led to an increase in net amount financed ('NAF') up 17.8% pcp and higher yield (up 14.9% pcp) contributing to higher margin and EBITDA growth of 58.8%.

As reported during the period Maxxia was advised that, following a tender process by the South Australia Government, Maxxia's contract as the salary packaging and novated leasing provider to the South Australian Government will not be renewed beyond its current term which expires on 30 June 2024. Maxxia has approximately 38,700 salary packaging arrangements and approximately 5,600 novated leases as at 31 December 2023 with the South Australian Government. Management is exploring new opportunities and taking appropriate actions to minimise the impact to future earnings.

Asset Management Services ('AMS')

| | 1HFY24 $m | 1HFY23 $m | Change % |
|---|---|---|---|
| Revenue | 90.1 | 106.5 | (15.4%) |
| EBITDA[4] | 15.1 | 15.7 | (3.6%) |
| UNPATA[5] | 9.9 | 10.3 | (4.0%) |

Refer notes on Group Financial performance summary table above.

AMS EBITDA of $15.1m was down 3.6% for the period noting 1HFY23 included a $1.6m one-off EBITDA benefit from the expiration of large customer contracts. Excluding this, EBITDA would have been up 7.3%.

During the period AMS saw a rise in NAF up 10.5% to $79.8m and growth in WDV (including fleet assets funded utilising principal and agency arrangements) which was up 9.4% to $338.6m from new business and improved vehicle supply. AMS remarketing yields were up 5.5% during the period despite unit sales declining.

The period saw an increasing level of new cars being released by OEMs to business buyers as post covid supply continued to improve. For the period, supply for business buyers was above comparable 2019 levels. Whilst EV demand is not yet as strong in the business market as in the consumer and novated market, AMS saw pure battery ('BEV') and petrol hybrid ('PHEV') vehicle increase from 1.8% in the prior comparative period to 5.7% of all deliveries during the period.

### Plan and Support Services ('PSS')

| | 1HFY24 $m | 1HFY23 $m | Change % |
|---|---|---|---|
| Revenue | 26.2 | 23.4 | 11.9% |
| EBITDA[4] | 6.8 | 4.9 | 37.6% |
| UNPATA[5] | 4.4 | 3.2 | 40.1% |

Refer notes on Group Financial performance summary table above.

PSS revenue grew 11.9% to $26.2m achieved via strong customer growth (up 16.1%). PSS is now assisting 33,684 NDIS participants nationally.

PSS achieved ISO27001 certification for its Information Security Management System. This certification supported PSS being granted direct integration with the National Disability Insurance Agency ('NDIA') via APIs, streamlining access to participant information and payment details, resulting in operational efficiencies. Investment in scalable technology enabled PSS to improve EBITDA margins from 21.0% in 1HFY23 to 25.8% in 1HFY24, despite no NDIS price rise during the period.

PSS continued to focus on customer experience initiatives with a new telephony platform and a new dashboard increasing the percentage of invoices processed digitally to 97.6% compared to 71.9% in the prior comparative period.

PSS's investment in integrity checks supports the NDIA's focus on fraud prevention and value for money. During the period, $21m of presented invoices were not paid due to PSS' robust integrity checks. Additionally, $43.4m in Scheme savings were achieved in the period by PSS customers paying under the price guide limit.

## Discontinued operations

On 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC).  On 30 November 2023 the Group also completed the sale of its Asset Management Services UK business. As a result of these sales the Aggregation and UK businesses are no longer presented in the segment note and are discontinued operations.

# Directors' Report

## Outlook and priorities

**Expected market conditions**

Automotive supply dynamics experienced in 1HFY24 are expected to continue through the 2HFY24 with demand for EVs being supported by a number of new brands and models expected to become available to the Australian market and increasing awareness of the benefits of the EV FBT exemption.

The Group commences 2HFY24 with $34.9m[1] of carry over revenue to benefit future periods.

Other market conditions experienced in 1HFY24 are expected to continue into the second half with wage and cost of living pressures.

**Regulatory environment**

The National Disability Insurance Scheme Independent Review report was handed to Minister Shorten in December 2023 for review and consultation within Government. The Report made 26 recommendations with 139 action points for the Government to consider with recommended actions 4.1, 10.3 and 10.5 potentially having implications if the Government adopts these recommendations. MMS will continue to engage with the NDIA, Government and the sector regarding the NDIS Independent Review recommendations and outcomes.

In December 2023 Treasury issued a second consultation paper relevant to the proposed Payment System Modernisation reforms. These reforms may result in changes to the *Payments Systems (Regulation) Act 1998* (Cth.) (PSRA) and the introduction of a licensing framework for payment service providers which if implemented without changes, would include salary packaging. MMS will continue to actively engage with Treasury in relation to the proposed reforms through its industry body the National Automotive Leasing and Salary Packaging Association.

The Commonwealth Government announced its preferred settings for a Fuel Efficiency Standard ('FES') in February 2024 and will consult on the implementation for 2025. FES is designed to materially widen the range, type and affordability of EVs which are made available for the Australian market.

**Operations and business priorities**

The business will continue to drive organic growth and capitalise on the current EV market opportunity whilst taking appropriate actions to minimise the impact to future earnings of the SA Government contract loss.

GRS will maintain its target of 20% of novated leases funded through Onboard Finance with an estimated full year FY24 UNPATA normalisation adjustment of ~$15m.

MMS will continue to progress on the Group-wide 'Simply Stronger' program with a focus on delivering enhanced digital experience and solutions for customers, technology enabled productivity and sustainable growth. We expect to invest ~$23m in capital expenditure in the Simply Stronger program over FY24.

## Dividends and distributions

Dividends paid during the half year ended 31 December 2023 were as follows:

| | 31 Dec 2023 |
|---|---|
| Final dividend for the year ended 30 June 2023 of 66.0 cents per ordinary share, fully franked ($'000) | $45,964 |

On 20 February 2024, the Directors declared an interim fully franked dividend of 76.0 cents per ordinary share, in respect to the half year ended 31 December 2023. The record date is 8 March 2024, and the dividend is payable on 22 March 2024. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $53.0m.

1. Estimated revenue associated with increased carry over (above pre-COVID levels) expected to become revenue when vehicle supply constraints reverse.

# Directors' Report

## Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and consolidated interim financial report. Amounts in the Directors' Report and Consolidated Interim Financial Report have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument.

## Events occurring after the reporting date

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 & Officer 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.

## 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 9 and forms part of this report.

Signed in accordance with a resolution of the Directors.

**Helen Kurincic**
*Chair*

**Robert De Luca**
*Managing Director & Chief Executive Officer*

20 February 2024
Melbourne, Australia

# Directors’ Report

## Directors’ Declaration

In accordance with a resolution of the Directors of McMillan Shakespeare Limited, the Directors declare that:

In the opinion of the Directors:

a) The consolidated interim financial statements and notes of McMillan Shakespeare Limited and its subsidiaries (the Group) for the half year ended 31 December 2023 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group’s financial position as at 31 December 2023 and of its performance for the half year ended on that date; and

   ii. complying with Australian Accounting Standard AASB 134 Interim Financial reporting and the *Corporations Regulations 2001*.

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

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

Yours faithfully,
McMILLAN SHAKESPEARE LIMITED

**Helen Kurincic**
*Chair*

**Robert De Luca**
*Managing Director & Chief Executive Officer*

# Auditor’s Independence Declaration

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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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 review of the half-year financial report of McMillan Shakespeare Limited for the half-year ended 31 December 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 review;

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

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

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

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
20 February 2024

# Statements of Profit or Loss and Other Comprehensive Income

## For the half year ended 31 December 2023

| | Notes | 31 Dec 2023 $'000 | 31 Dec 2022 $'000 |
|---|---|---|---|
| Revenue | 3,4 | 245,705 | 234,193 |
| Interest revenue | | 10,772 | 5,563 |
| **Revenue from continuing operations** | | **256,477** | **239,756** |
| | | | |
| **Expenses** | | | |
| Employee benefit expenses | | (83,898) | (76,404) |
| Leasing and vehicle management expenses | | (35,690) | (53,364) |
| Depreciation and amortisation expenses | | (33,996) | (33,589) |
| Other operating expenses | | (28,791) | (27,570) |
| Finance costs | | (11,079) | (3,412) |
| Operational expenses excluding impairment | | (193,454) | (194,339) |
| Impairment of financial assets | | (557) | - |
| **Total expenses from continuing operations** | | **(194,011)** | **(194,339)** |
| **Profit before income tax expense from continuing operations** | | **62,466** | **45,417** |
| Income tax (expense) | | (18,711) | (13,645) |
| **Net profit for the period from continuing operations** | | **43,755** | **31,772** |
| *Discontinued operations* | | | |
| (Loss) / profit after tax from discontinued operations | 15 | (6,174) | 3,765 |
| **Net profit attributable to Owners of the Company** | | **37,581** | **35,537** |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be re-classified subsequently to profit* | | | |
| Changes in fair value of cash flow hedges | | (1,595) | (563) |
| Exchange differences on translating foreign operations | | 88 | - |
| Income tax on other comprehensive income | | 479 | 169 |
| Other comprehensive (loss), net of tax | | (1,028) | (394) |
| **Total comprehensive income for the period** | | **36,553** | **35,143** |
| Other comprehensive income after tax from discontinued operations | | - | 754 |
| *Total comprehensive income for the period is attributable to:* | | | |
| Owners of the Company | | 36,553 | 35,897 |
| **Total comprehensive income for the period** | | **36,553** | **35,897** |
| | | | |
| Basic earnings per share (cents) from discontinued operations | | (8.9) | 5.1 |
| Diluted earnings per share (cents) from discontinued operations | | (8.9) | 5.0 |
| Basic earnings per share (cents) from total operations | | 54.0 | 47.7 |
| Diluted earnings per share (cents) from total operations | | 53.9 | 47.5 |

*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 31 December 2023

| | Notes | 31 Dec 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 145,560 | 60,581 |
| Restricted client trust funds | 5 | 416,462 | 402,608 |
| Trade and other receivables | | 53,874 | 39,985 |
| Finance lease receivables | 6 | 47,745 | 22,794 |
| Inventory | | 11,873 | 13,552 |
| Prepayments | | 9,318 | 5,246 |
| Derivative financial instruments | 11 | 520 | 2,037 |
| Assets held for sale | | - | 77,617 |
| Total current assets | | 685,352 | 624,420 |
| **Non-current assets** | | | |
| Finance lease receivables | 6 | 166,133 | 86,327 |
| Assets under operating lease | 7 | 217,146 | 204,957 |
| Right-of use assets | | 28,078 | 30,054 |
| Property, plant and equipment | | 12,408 | 13,673 |
| Intangible assets | 8 | 76,336 | 73,411 |
| Deferred tax assets | | 10,554 | 16,720 |
| Total non-current assets | | 510,655 | 425,142 |
| Total assets | | 1,196,007 | 1,049,562 |
| **Current liabilities** | | | |
| Trade and other payables | | 103,234 | 73,117 |
| Restricted client trust funds for salary packaging | 5 | 416,462 | 402,608 |
| Contract liabilities | | 6,272 | 5,473 |
| Other liabilities | | 10,298 | 12,853 |
| Provisions | | 15,032 | 14,687 |
| Current tax liability | | 15,629 | 4,684 |
| Other loans payable | 9 | 2,200 | 3,800 |
| Lease Liabilities | | 5,423 | 5,130 |
| Liabilities directly associated with assets held for sale | | - | 28,329 |
| Total current liabilities | | 574,550 | 550,681 |
| **Non-current liabilities** | | | |
| Provisions | | 1,944 | 2,006 |
| Borrowings | 9 | 414,414 | 268,722 |
| Other loans payable | 9 | 3,971 | 6,094 |
| Lease Liabilities | | 38,388 | 41,383 |
| Deferred tax liabilities | | 29,606 | 35,099 |
| Total non-current liabilities | | 488,323 | 353,304 |
| Total liabilities | | 1,062,873 | 903,985 |
| Net assets | | 133,134 | 145,577 |

# Statements of Financial Position

As at 31 December 2023

| | Notes | 31 Dec 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | 12 | 68,596 | 68,596 |
| Reserves | | (4,767) | (3,219) |
| Retained earnings | | 69,305 | 80,200 |
| Total equity | | 133,134 | 145,577 |

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

# Statements of Changes in Equity

For the half year ended 31 December 2023

| 31 December 2023 | 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 period | 68,596 | 80,200 | 4,104 | 1,343 | (1,462) | (7,204) | 145,577 |
| Net profit for the period from continuing operations | - | 42,813 | 942 | - | - | - | 43,755 |
| Net (loss) / profit for the period from discontinued operations | - | (7,744) | - | - | 1,570 | - | (6,174) |
| Other comprehensive (loss) / profit after tax for continuing operations | - | - | - | (1,116) | 88 | - | (1,028) |
| Total comprehensive income for the period | - | 35,069 | 942 | (1,116) | 1,658 | - | 36,553 |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Equity based compensation | - | - | (3,032) | - | - | - | (3,032) |
| Dividends paid | - | (45,964) | - | - | - | - | (45,964) |
| Equity at end of the period | 68,596 | 69,305 | 2,014 | 227 | 196 | (7,204) | 133,134 |

| 31 December 2022 | 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 period | 76,257 | 222,422 | 2,861 | 2,023 | (4,928) | (7,204) | 291,431 |
| Net profit for the period from continuing operations | - | 31,772 | - | - | - | - | 31,772 |
| Net profit for the period from discontinued operations | - | 3,765 | - | - | - | - | 3,765 |
| Other comprehensive (loss) for continuing operations | - | - | - | (394) | - | - | (394) |
| Other comprehensive income for discontinued operations | - | - | - | - | 754 | - | 754 |
| Total comprehensive income for the period | - | 35,537 | - | (394) | 754 | - | 35,897 |
| *Transactions with owners in their capacity as owners:* | | | | | | | |
| Equity based compensation | - | - | (238) | - | - | - | (238) |
| Dividends paid | - | (51,564) | - | - | - | - | (51,564) |
| Share buy-back | (7,661) | (82,565) | - | - | - | - | (90,226) |
| Equity at end of the period | 68,596 | 123,830 | 2,623 | 1,629 | (4,174) | (7,204) | 185,300 |

# Statements of Cash Flows

For the half year ended 31 December 2023

| | Notes | 31 Dec 2023 $'000 | 31 Dec 2022 $'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Receipts from customers | | 190,749 | 277,016 |
| Payments to suppliers and employees | | (137,234) | (195,582) |
| Proceeds from sale of assets previously under lease | | 43,435 | 49,942 |
| Payments for assets under lease | | (136,968) | (65,883) |
| Interest received | | 10,776 | 4,985 |
| Interest paid | | (9,023) | (3,378) |
| Income taxes paid | | (9,325) | (11,357) |
| Net cash (used in) / from operating activities excluding movements in restricted client trust funds | | (47,590) | 55,743 |
| Net movement from / (in) restricted client trust funds | 5 | 13,854 | (4,385) |
| Net cash (used in) / from operating activities and restricted client trust funds | | (33,736) | 51,358 |
| Cash flows from investing activities | | | |
| Payments for capitalised software | | (8,620) | (4,221) |
| Payments for plant and equipment | | - | (1,293) |
| Proceeds from disposal of subsidiaries net of cash consideration received | | 17,109 | - |
| Net cash from / (used in) investing activities | | 8,489 | (5,514) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 157,563 | 60,000 |
| Repayments of borrowings | | (18,800) | (11,827) |
| Payments of lease liabilities | | (3,439) | (2,832) |
| Payments for treasury shares | | (3,032) | (1,281) |
| Payments in respect of share buy back | | - | (90,226) |
| Dividends paid | | (45,964) | (51,559) |
| Net cash from / (used in) financing activities | | 86,328 | (97,725) |
| Net increase / (decrease) in cash and cash equivalents | | 47,227 | (47,496) |
| Net increase / (decrease) in restricted client trust funds | | 13,854 | (4,385) |
| Cash and cash equivalents at the start of the period | | 98,283 | 160,795 |
| Restricted client trust funds at the start of the period | 5 | 402,608 | 439,694 |
| Effects of exchange changes on cash and cash equivalents | | 50 | 213 |
| Restricted client trust funds at the end of the period | 5 | 416,462 | 435,309 |
| Cash and cash equivalents at end of the period | 5 | 145,560 | 113,512 |

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 1. Basis of preparation

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

The consolidated interim financial report is a general purpose financial report prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

This consolidated interim financial report does not include all the information and disclosures required in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the half year period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The consolidated interim financial report was approved by the Board of Directors on 20 February 2024.

## 2. Significant accounting policy changes

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the Group's last annual financial report for the year ended 30 June 2023. There were no new or amended Accounting Standards that are effective for the current period which have a material impact upon the Group.

Where appropriate, amounts have been adjusted to ensure comparability between reporting periods.

## 3. Segment reporting

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.<br>Ancillary services associated with motor vehicle novated lease products, including the provision of novated lease finance. |
| Asset Management Services (AMS) | Financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment with 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 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 1HY23 and 1HY24 and expected to be stated up to and including FY25.

# Notes to the Financial Statements

For the half year ended 31 December 2023

| 31 December 2023 | GRS $'000 | AMS $'000 | PSS $'000 | Unallocated[1] $'000 | Consolidated $'000 |
|---|---|---|---|---|---|
| Revenue | 130,409 | 89,107 | 26,189 | - | 245,705 |
| Interest revenue | 7,699 | 1,014 | - | 2,059 | 10,772 |
| **Segment revenue from continuing operations** | **138,108** | **90,121** | **26,189** | **2,059** | **256,477** |
| Normalised UNPATA | 39,582 | 9,871 | 4,422 | (662) | 53,213 |
| Warehouse normalisation adjustment | (13,264) | - | - | - | (13,264) |
| Income tax related to normalised UNPATA adjustments | 3,979 | - | - | - | 3,979 |
| UNPATA | 30,297 | 9,871 | 4,422 | (662) | 43,928 |
| **Reconciliation to statutory net profit/(loss) after tax attributable to members of the parent entity** | | | | | |
| Amortisation of intangible assets acquired on business combination | - | - | (247) | - | (247) |
| Income tax related to UNPATA adjustments | - | - | 74 | - | 74 |
| UNPATA adjustments after-tax | - | - | (173) | - | (173) |
| **Statutory net profit / (loss) after tax attributable to members of the parent entity** | **30,297** | **9,871** | **4,249** | **(662)** | **43,755** |

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.

# Notes to the Financial Statements

For the half year ended 31 December 2023

| 31 December 2022 | GRS $'000 | AMS $'000 | PSS $'000 | Unallocated[1] $'000 | Consolidated $'000 |
|---|---|---|---|---|---|
| Revenue | 104,491 | 106,293 | 23,409 | - | 234,193 |
| Interest revenue | 4,127 | 189 | - | 1,247 | 5,563 |
| **Segment revenue from continuing operations** | **108,618** | **106,482** | **23,409** | **1,247** | **239,756** |
| Normalised UNPATA | 23,085 | 10,277 | 3,156 | (618) | 35,900 |
| Warehouse normalisation adjustment | (4,727) | - | - | - | (4,727) |
| Income tax related to normalised UNPATA adjustments | 1,418 | - | - | - | 1,418 |
| UNPATA | 19,776 | 10,277 | 3,156 | (618) | 32,591 |
| **Reconciliation to statutory net profit/(loss) after tax attributable to members of the parent entity** | | | | | |
| Amortisation of intangible assets acquired on business combination | - | - | (406) | - | (406) |
| Capital restructure costs | - | - | - | (435) | (435) |
| Acquisition & disposal related expenses[2] | - | - | (160) | (170) | (330) |
| Income tax related to UNPATA adjustments | - | - | 170 | 182 | 352 |
| UNPATA adjustments after-tax | - | - | (396) | (423) | (819) |
| **Statutory net profit/(loss) after-tax attributable to members of the parent entity** | **19,776** | **10,277** | **2,760** | **(1,041)** | **31,772** |

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 integration related costs.

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 4. Revenue

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

| | 31 Dec 2023 $'000 | 31 Dec 2022 $'000 |
|---|---|---|
| **Revenue from contracts with customer** | | |
| Remuneration services | 130,409 | 104,491 |
| Sale of leased and other assets | 43,435 | 60,446 |
| Brokerage commissions and financial services | 641 | 614 |
| Plan and support services | 26,189 | 23,409 |
| Total revenues from contracts with customers | 200,674 | 188,960 |
| Lease rental services | 44,909 | 45,229 |
| Other revenue | 122 | 4 |
| | 245,705 | 234,193 |

The Group has disaggregated revenue recognised from contracts with customers into categories that relate to the services performed across the business segments such as remuneration services including salary packaging and novated leases, sale of leased and other assets, lease rental services, and disability plan and support services. Revenue is recognised as services are rendered.

## 5. Cash and cash equivalents

| | 31 Dec 2023 $'000 | 30 Jun 2023 $'000 |
|---|---|---|
| Bank balances | 145,307 | 60,328 |
| Short term deposits | 253 | 253 |
| | 145,560 | 60,581 |

### 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 3.16% pa (31 December 2022: 1.81% pa). Short-term deposits have an average maturity of 90 days (31 December 2022: 90 days) and are highly liquid.

### Restricted client trust funds

| | 31 Dec 2023 $'000 | 30 Jun 2023 $'000 |
|---|---|---|
| Restricted client trust funds | 416,462 | 402,608 |
| Restricted client trust funds for salary packaging | (416,462) | (402,608) |

### 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 customers 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 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 period ended 31 December 2023 was 4.50% pa (31 December 2022: 2.25% pa).

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 6. Finance lease receivables

| | 31 Dec 2023 $'000 | 30 Jun 2023 $'000 |
|---|---|---|
| Current finance lease receivables | 47,745 | 22,794 |
| Non-current finance lease receivables | 166,133 | 86,327 |
| | 213,878 | 109,121 |

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 31 Dec 2023 $'000 | Present value of lease payments 31 Dec 2023 $'000 | Minimum lease payments 30 Jun 2023 $'000 | Present value of lease payments 30 Jun 2023 $'0000 |
| Within one year | 48,049 | 45,718 | 26,249 | 22,795 |
| Later than one but not more than five years | 173,523 | 168,160 | 93,676 | 86,275 |
| Later than five years | - | - | 51 | 51 |
| | 221,572 | 213,878 | 119,976 | 109,121 |
| Less: Unearned finance income | (7,694) | - | (10,855) | - |
| Present value of minimum lease payments | 213,878 | 213,878 | 109,121 | 109,121 |
| Fair value of finance lease receivables | | 214,151 | | 110,210 |

Fair values were calculated based on cash flows discounted using an average of current lending rates appropriate for the geographical markets the leases operate in of 12.71% pa (30 June 2023: 11.45% pa).

## 7. Assets under operating lease

| | 31 Dec 2023 $'000 | 30 Jun 2023 $'000 |
|---|---|---|
| Assets held under operating lease terminating within the next 12 months | 59,774 | 58,179 |
| Assets held under operating lease terminating after more than 12 months | 157,372 | 146,778 |
| | 217,146 | 204,957 |

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 8. Intangible assets

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

Consolidated Group

| 31 December 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 | 95,554 | 13,132 | 376,691 |
| Accumulated amortisation | - | - | (6,598) | (3,284) | (5,402) | (62,312) | (13,132) | (90,728) |
| Accumulated impairment loss | (175,742) | (22,443) | - | (10,592) | (293) | (557) | | (209,627) |
| **Net carrying value** | **40,550** | **630** | **-** | **-** | **2,471** | **32,685** | **-** | **76,336** |
| **Reconciliation of written down values** | | | | | | | | |
| Balance at 1 Jul 2023 | 40,550 | 630 | - | - | 2,553 | 29,678 | - | 73,411 |
| Additions | - | - | - | - | - | 8,620 | - | 8,620 |
| Amortisation | - | - | - | - | (247) | (5,613) | - | (5,860) |
| Changes in foreign currency | - | - | - | - | 165 | - | - | 165 |
| Balance at 31 Dec 2023 | 40,550 | 630 | - | - | 2,471 | 32,685 | - | 76,336 |

Consolidated Group

| 30 June 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 | 86,973 | 13,132 | 368,110 |
| 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[1] | (7,729) | (8,174) | - | (3,602) | (457) | (388) | - | (20,351) |
| **Net carrying value** | **40,550** | **630** | **-** | **-** | **2,554** | **29,678[2]** | **-** | **73,411** |
| **Reconciliation of written down values** | | | | | | | | |
| Balance at 1 Jul 2022 | 88,425 | 9,902 | - | 4,621 | 3,918 | 28,682 | - | 135,548 |
| Additions | - | - | - | - | - | 11,912 | - | 11,912 |
| Amortisation | - | - | - | (1,316) | (953) | (10,528) | - | (12,797) |
| Impairment | (41,436) | (1,098) | - | - | - | - | - | (42,534) |
| Changes in foreign currency | 1,290 | - | - | 298 | 45 | - | - | 1,633 |
| Assets held for sale[1] | (7,729) | (8,174) | - | (3,603) | (457) | (388) | - | (20,351) |
| Balance at 30 Jun 2023 | 40,550 | 630 | - | - | 2,553 | 29,678[2] | - | 73,411 |

1. The values for movements in Assets held for sale at 30 June 2023 have been re-allocated: Goodwill $7,729 ($7,709), brands – indefinite life $8,174 ($7404), dealer relationships $3,602 ($1,944) and customer relationships $457 ($2,906). No changes to the total intangibles or total assets held for sale have been made.
2. The carrying value of software development costs includes an amount of $7,814 reallocated between capitalised costs and property, plant and equipment.

## (a) Impairment test of goodwill

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

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

Consolidated Group

| | 31 Dec 2023 | | | 30 Jun 2023 | | |
|---|---|---|---|---|---|---|
| | Goodwill $'000 | Intangibles $'000 | Total $'000 | Goodwill $'000 | Intangibles $'000 | Total $'000 |
| Maxxia Pty Limited (Maxxia) | 24,190 | 17,080 | 41,270 | 24,190 | 16,760 | 40,950 |
| Remuneration Services (Qld) Pty Limited (RemServ) | 9,102 | 9,016 | 18,118 | 9,102 | 6,704 | 15,806 |
| Plan Tracker Pty Ltd (Plan Tracker) | 7,215 | 3,778 | 10,993 | 7,215 | 3,347 | 10,562 |
| Onboard Finance Pty Ltd | - | 4,212 | 4,212 | - | 4,578 | 4,578 |
| Other | 43 | 1,700 | 1,743 | 43 | 1,472 | 1,515 |
| | 40,550 | 35,786 | 76,336 | 40,550 | 32,861 | 73,411 |

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

### Cash flow projections

The cash flow projections are based on the financial year 2024 (FY2024) forecasts. 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 models were based on after-tax cash flows discounted by an after-tax discount rate of 14.4% (30 Jun 2023: 13.8%)

Cashflows beyond five years are extrapolated using conservative growth rates of 2.0% (30 June 2023: 0% - 2.0%), which is lower than long term CPI.

The Maxxia and Remserv CGUs that form the GRS business operate largely in the same business environment and are exposed to similar risks. A key assumption for the GRS CGUs is that there are no significant changes to the Australian tax legislation that could affect the salary packaging and novated lease business. Sensitivity testing was performed with a 5% reduction in forecast cash flows, and also a separate 0.25% increase to the discount rate, neither of which resulted in any indicator of impairment as VIU cash flow projections remained in excess of the carrying amount of the CGU.

There are no other significant changes to the sensitivity information disclosed in the annual consolidated financial statements for the year ended 30 June 2023.

## 9. Borrowings

| | 31 Dec 2023 $'000 | 30 Jun 2023 $'000 |
|---|---|---|
| **Current** | | |
| Bank borrowings | - | - |
| Other loans payable | 2,200 | 3,800 |
| Total current borrowings | 2,200 | 3,800 |
| **Non-current** | | |
| Bank borrowings | 414,414 | 268,722 |
| Other loans payable | 3,971 | 6,094 |
| Total non-current borrowings | 418,385 | 274,816 |
| **Total borrowings** | **420,585** | **278,616** |

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

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

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

### Bank borrowings

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

| Borrowing | Maturity dates | Facility in Local Currency '000 | Facility $'000 | Used [1] $'000 | Unused $'000 |
|---|---|---|---|---|---|
| Revolving | 31/03/2025 | AUD 95,000 | 95,000 | 89,600 | 5,400 |
| Revolving | 30/06/2025 | AUD 10,000 | 10,000 | 10,000 | - |
| Revolving | 30/06/2026 | AUD 48,000 | 48,000 | 38,000 | 10,000 |
| Bullet | 25/08/2027 | AUD 60,000 | 60,000 | 60,000 | - |
| Revolving | 01/02/2028 | AUD 215,640 | 215,640 | 188,304 | 27,336 |
| Revolving | 31/03/2025 | NZD 11,000 | 10,215 | 7,058 | 3,157 |
| Revolving | 30/06/2025 | NZD 20,000 | 18,574 | 13,930 | 4,644 |
| Revolving | 30/06/2026 | NZD 14,000 | 13,000 | 7,522 | 5,478 |

1. Drawn amounts are before borrowing costs.

## 10. Financial assets and financial liabilities

### Fair values

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

The carrying amount of cash, trade and other receivables, trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

| | Fair Value Hierarchy | 31 Dec 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|---|
| **Current financial assets** | | | |
| Finance lease receivables measured at amortised cost | 3 | 47,686 | 23,941 |
| Derivatives used for hedging | 2 | 520 | 2,037 |
| | | 48,206 | 25,978 |
| **Non-current financial assets** | | | |
| Finance lease receivables measured at amortised cost | 3 | 166,465 | 86,269 |
| | | 166,465 | 86,269 |
| **Current financial liabilities** | | | |
| Contract liabilities measured at amortised cost | 3 | 6,272 | 5,473 |
| Other liabilities measured at amortised cost | 3 | 3,146 | 12,853 |
| Borrowings measured at amortised cost | 2 | - | - |
| Lease liabilities measured at amortised cost | 3 | 5,423 | 5,130 |
| | | 14,841 | 23,456 |
| **Non-current financial liabilities** | | | |
| Borrowings measured at amortised cost | 2 | 414,414 | 268,722 |
| Lease liabilities measured at amortised cost | 3 | 38,388 | 41,383 |
| | | 452,802 | 310,105 |

For the financial assets and liabilities categorised within Level 3 of the fair value hierarchy:

- the fair value of finance lease receivables and lease liabilities are measured by reference to the net present value of the future minimum lease payments and a periodic rate of return as designated in each individual lease agreement
- The fair value of contract liabilities and other liabilities are measured by reference to the net present value amounts reflecting the historical profile of costs incurred to date over the expected total cost.

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 half year ended 31 December 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.

### Financial risk management

*Credit risk*

Finance lease, trade and other receivables are assessed for impairment at the end of each reporting period on an expected credit loss (ECL) basis. The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables and finance lease receivables have been grouped based on substantially shared credit risk characteristics. Trade receivables include a total loss allowance of $1,654,000 (30 June 2023: $1,608,000) which includes a specific doubtful debts allowance of $146,000 (30 June 2023: $131,000). Finance lease receivables include a total loss allowance of $1,103,000 (30 June 2023: $592,000).

*Asset risk*

The portfolio of motor vehicles under operating lease and the residual value of assets under P&A arrangements and other facilities of $273,619,000 (30 June 2023: $262,627,000) include a residual value provision of $2,959,000 (30 June 2023: $3,189,000).

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 11. Derivative financial instruments

The table below sets out the analysis of financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition grouped into the level based on the degree to which the fair value is observable.

| Financial asset / (financial liability) | Fair value at 31 Dec 2023 $'000 | Fair value at 30 Jun 2023 $'000 | Fair value hierarchy | Valuation technique and key input |
|---|---|---|---|---|
| Interest rate swaps | 520 | 2,037 | 2 | Discounted cash flow using estimated future cash flows based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted to reflect the credit risk of various counterparties. |

## 12. Issued capital

Movements in share capital are shown below:

| | Number of Shares | Issue Price | Ordinary Shares $'000 |
|---|---|---|---|
| Shares issued at 1 July 2023 | 69,643,024 | | 68,596 |
| Treasury shares acquired on-market | 186,102 | | - |
| Shares held by external shareholders at the beginning of the year | 69,829,126 | | 68,596 |
| Treasury shares distributed in the period on the exercise of employee rights | (186,102) | | - |
| **Shares held by external shareholders at 31 December 2023** | **69,643,024** | | **68,596** |
| **Shares held by external shareholders at 30 June 2023** | **69,643,024** | | **68,596** |

## 13. Dividends

| | 31 Dec 2023 | | 31 Dec 2022 | |
|---|---|---|---|---|
| | Cents per share | Total $'000 | Cents per share | Total $'000 |
| Recognised amounts | | | | |
| **Fully paid ordinary shares - Final dividend** | **66.0** | **45,964** | 74.0 | 51,536 |
| Unrecognised amounts | | | | |
| **Fully paid ordinary shares - Interim dividend** | **76.0** | **52,929** | 58.0 | 36,913 |

| | 31 Dec 2023 $'000 | 30 June 2023 $'000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (30 Jun 2022: 30%) | 42,751 | 62,547 |
| | 42,751 | 62,547 |

On 20 February 2024, the Board of Directors declared a fully franked dividend of 76 cents per ordinary share. The record date is 8 March 2024 and the dividend will be paid on 22 March 2024.

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 14. Reserves – Share based payments

Employee performance rights granted under the Company's Long-Term Incentive Plan ("LTIP") at 31 December 2023 are as follows:

| | Number | Exercise date |
|---|---|---|
| Employee Performance Rights | 200,746 | 30 September 2024 |
| Employee Performance Rights | 252,849 | 30 September 2025 |
| Employee Performance Rights [1] | 111,270 | 30 September 2026 |
| | 564,865 | |

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

## 15. Discontinued operations

On 31 July 2023, the Group completed the sale of its Australian Asset Finance Aggregation business (trading as UFS and NFC). As a result of the sale the Retail Financial Services (RFS) segment is no longer presented in the segment note and are discontinued operations.

On 30 November 2023, the Group completed the sale of its UK businesses. As a result of the sale the remaining Asset Management Services (AMS) UK segment is no longer presented in the segment note and are discontinued operations.

| Net (loss) / profit from discontinued operations | 31 Dec 2023 $'000 | 31 Dec 2022 $'000 |
|---|---|---|
| Net (loss) / profit after income tax from discontinued operations | (6,174) | 3,765 |
| Net (loss) / profit from discontinued operations: | | |
| Attributable to owners of the Company | (6,174) | 3,765 |

| Earnings per share | 31 Dec 2023 cents per share |
|---|---|
| Basic EPS – loss from discontinued operations | (8.9) |
| Diluted EPS – loss from discontinued operations | (8.9) |

# Notes to the Financial Statements

For the half year ended 31 December 2023

## 16. Commitments

Operating lease commitments

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

## 17. Related party transactions

Transactions between the Company and other entities within the wholly owned group during the half year period ended 31 December 2023 and 31 December 2022 consisted of:

(a) Loans advanced to the Company; and

(b) 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.

| | Parent entity | |
|---|---|---|
| | 31 Dec 2023 $ | 31 Dec 2022 $ |
| Dividend revenue | 46,267,787 | 51,535,838 |

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| **Aggregate amounts payable to entities within the wholly owned group at balance date:** | | |
| Current receivables | 29,812,542 | 448,376 |
| Current payables | 63,146,813 | 56,335,334 |

## 18. Events occurring after the reporting date

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

# Independent Auditors' Report

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Building a better working world

## Independent auditor's review report to the members of McMillan Shakespeare Limited

### Conclusion

We have reviewed the accompanying half-year financial report of McMillan Shakespeare Limited (the Company) and its subsidiaries (collectively the "Group"), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

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

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' responsibilities for the half-year financial report

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

### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Brett Kallio
Melbourne
20 February 2024

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