

# McMillanShakespeareGroup

McMillan Shakespeare Limited - Australia and New Zealand's leading provider of workplace benefits.



All of the benefits, none of the hassles.

Annual Report 2011

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CORPORATE DIRECTORY	Inside front cover

## ANNUAL GENERAL MEETING

The Annual General Meeting of the members of McMillan Shakespeare Limited A.B.N. 74 107 233 983 will be held on 25 October 2011 at 10:00 am at the State Library of Victoria, Ground Floor, 328 Swanston St, Melbourne, Victoria in the Experimedia Room.

## CORPORATE DIRECTORY

### Directors

Ronald Pitcher, AM (Chairman)  
Michael Kay (Managing Director)  
John Bennetts  
Ross Chessari  
Graeme McMahon  
Anthony Podesta

**Company Secretary**  
Paul McCluskey

### Registered Office

Level 19, 360 Elizabeth Street  
Melbourne Victoria 3000  
Tel: +61 3 9097 3000  
Fax: +61 3 9097 3060

### Auditor

Grant Thornton Audit Pty Ltd  
Level 2, 215 Spring Street  
Melbourne Victoria 3000

### Share Registry

Computershare Investor Services  
Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Tel: +61 3 9415 4000

### Website

[www.mmsg.com.au](http://www.mmsg.com.au)

## DIRECTORS' REPORT

The directors of McMillan Shakespeare Limited (**Company** or **MMS**) 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 2011 (**Group** or **economic entity**).

### DIRECTORS

As at the date of this Annual Report, the Directors of the Company are Mr Ronald Pitcher AM (independent Chairman), Mr Michael Kay (Managing Director and Chief Executive Officer), Mr John Bennetts (Non-Executive Director), Mr Ross Chessari (Non-Executive Director), Mr Graeme McMahon (independent Non-Executive Director) and Mr. Anthony Podesta (Non-Executive Director) (**Directors**). Each Director held office as a Director throughout the financial year ended 30 June 2011. Details of the qualifications, experience and special responsibilities of the Directors at the date of this Annual Report are set out on pages 4 and 5.

The Directors that are noted above as independent Directors, as determined in accordance with the Company's definition of independence, have been independent at all times throughout the financial year ended 30 June 2011.

### DIRECTORS' MEETINGS

The number of meetings held by the board of Directors (**Board**) (including meetings of committees of the Board) and the number of meetings attended by each of the Directors during the financial year ended 30 June 2011 were as follows:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr R. Pitcher, AM (Chairman)	10	10	4	4	7	7
Mr M. Kay (Managing Director and CEO) <sup>1</sup>	10	10	-	-	-	-
Mr J. Bennetts	10	9	4	4	7	6
Mr R. Chessari	10	10	4	4	7	7
Mr G. McMahon	10	10	4	4	7	7
Mr A. Podesta <sup>1</sup>	10	10	-	-	-	-

<sup>1</sup> Mr Kay and Mr Podesta attend Audit Committee and Remuneration Committee meetings by invitation

### PRINCIPAL ACTIVITIES

The principal activities of the Company and its controlled entities during the course of the financial year ended 30 June 2011 was the provision of remuneration, asset management and finance services to public and private organisations throughout Australia.

In the opinion of the Directors, there were no significant changes in the nature of the activities of the Company and its controlled entities during the course of the financial year ended 30 June 2011 that are not otherwise disclosed in this Annual Report.

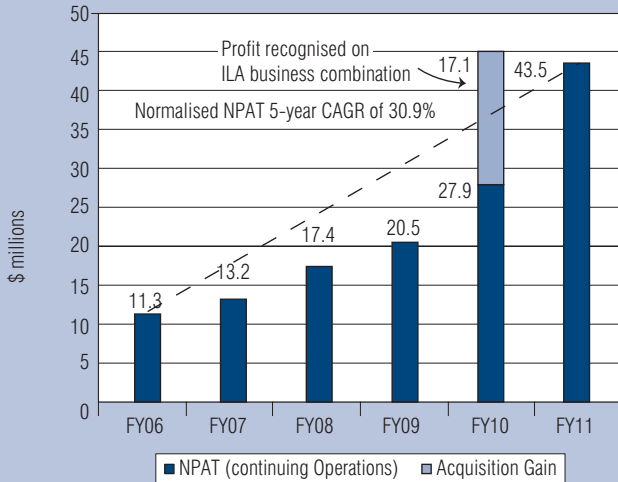
### RESULTS

Details of the results for the financial year ended 30 June 2011 are as follows:

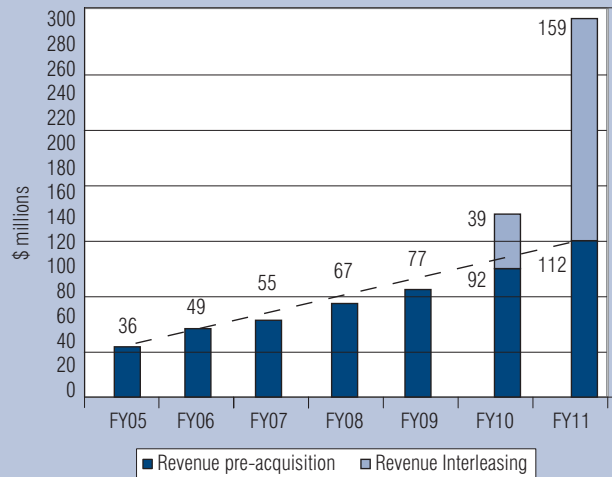
Results	2011	2010
Net profit after income tax ( <b>NPAT</b> )	\$43,460,470	\$44,959,784
Basic earnings per share	64.0 cents	66.5 cents
Earnings per share on a diluted basis	61.2 cents	66.5 cents

# Financial Highlights

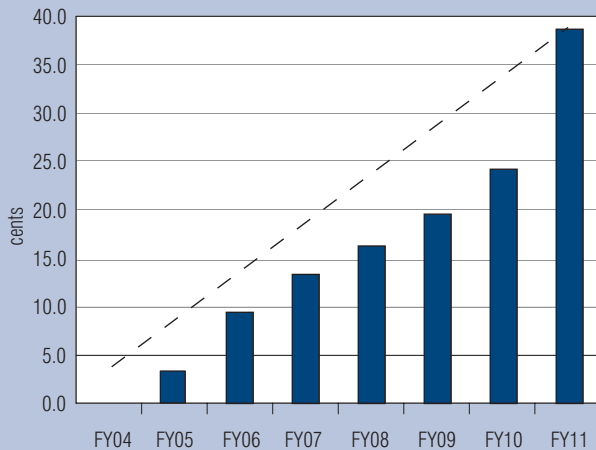
NPAT Performance



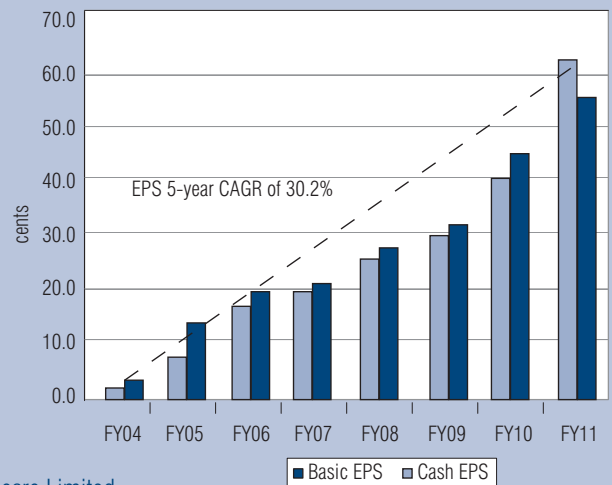
Revenue performance



Total dividends per share



Normalised earnings per share (EPS) <sup>(1)</sup>



McMillan Shakespeare Limited  
Share price - March 04 to June 11



1. Normalised EPS excludes the profit recognised on acquisition as a result of the business combination of ILA. Cash EPS includes CAPEX but excludes the investment in fleet growth.

## DIVIDENDS

Details of dividends declared and/or paid by the Company during the financial year ended 30 June 2011 are as follows:

Dividends	2011 \$	2010 \$
Final dividend for the financial year ended 30 June 2010 of 14.0 cents (2009: 9.0 cents) per ordinary share paid on 15 October 2010 fully franked at the tax rate of 30% (2009: 30%)	9,497,436	7,096,261
Interim dividend for the financial year ended 30 June 2011 of 16.0 cents (2010: 10.0 cents) per ordinary share paid on 31 March 2011 fully franked at the tax rate of 30% (2010: 30%)	10,890,810	6,758,343
<b>Total</b>	<b>20,388,246</b>	<b>13,854,604</b>

Subsequent to the financial year ended 30 June 2011, the Directors declared a final dividend of 22 cents per ordinary share (fully franked at the tax rate of 30%) to be paid on 14 October 2011 out of retained profits as at 30 June 2011, bringing the total dividend to be paid for the financial year ended 30 June 2011 to 38 cents per ordinary share, an increase of 58%.

## REVIEW OF OPERATIONS

MMS again made pleasing progress during the financial year ending 30 June, 2011. In last year's report, we informed shareholders that FY11 would be a year of consolidation and, in particular, of ensuring a smooth integration of the Interleasing acquisition. In the context of this task and the headwinds experienced in the retail sector of the Australian economy, shareholders can be well pleased with the result delivered by MMS. Here is a selection of the highlights and activities conducted during FY11:

- MMS again delivered excellent financial results. Revenue growth over PCP was 105% and NPAT before the profit recognised from the business combination with Interleasing increased by 56%. Both segments performed strongly with Group Remuneration Services delivering revenue growth of 21% and NPAT growth of 26%. Our new segment, Asset Management, exceeded our expectations in delivering NPAT of \$13.5 million, aided to some extent by a strong second hand car market. Our growth was engendered by increasing participation rates and cross-sales within our existing customer group as well as the acquisition of numerous new employer customers.
- The delivery of excellent customer service metrics underpinned our performance. All business units performed in excess of our benchmarks.
- Interleasing has proved to be a good acquisition and strategic fit as evidenced by its profitability and the number of cross-sell opportunities which have emerged since the acquisition.
- The performance of our group through the Queensland floods in January 2011 was outstanding. We were forced out of our office for two weeks. Within three hours of evacuation, the business was fully operational at our disaster recovery sites. All salary packaging payments were made and we floated a significant amount of our own funds to assist some of our employer clients whose businesses were similarly disrupted.
- Credit and Treasury were well managed. Credit losses for FY11 were less than \$25,000 and were fully recovered from asset disposal proceeds i.e net credit losses were nil on a funded fleet book of more than \$200m. Additionally, we pursued our finance strategy, extending our funding lines to 2014 and on better terms. We are also well advanced in setting up alternative funding mechanisms, thus ensuring plenty of flexibility and capacity to support our intended growth.
- The Federal Government's acceptance of the Henry Review's recommendations relating to the treatment of FBT on novated leases was reflected in changes announced in the May 2011 Federal Government budget. These changes are not expected to have any deleterious effect on our business.
- The integration of Interleasing is complete save for IT and telephony. It is expected that the IT & telephony integration will be complete by the end of FY12. Additionally, we are well advanced with the preparations for the upgrade of the asset management system. This work is expected to be completed in the first half of FY13.
- Supporting all of these activities has been the ongoing development of our people: more sophisticated recruitment and development; comprehensive induction and training programs; leadership development and executive development. Staff numbers increased from 501 to 627 during the course of the year.

In summary, the combination of the results achieved, the levels of service delivered to our customers and the investments made in the business and its people should set a platform for another year of profitable growth in FY12.



## Strategy and Prospects

FY11 has provided MMS with confirmation of our strategic direction. The Interleasing acquisition has made our value proposition broader and more compelling to current and prospective customers, particularly those in the private sector. It has delivered a pleasing number of new business customers and cross-sales to existing customers. Additionally, there are a number of opportunities currently under development that we believe will make our value proposition even more compelling.

FY12 will be a year where we attempt to harvest the benefits of a fully integrated Interleasing. We will benefit from the learnings of the last 12 months and concentrate our efforts on winning new business, gaining the benefits from contracts implemented over the past 12 months and the ongoing task of raising participation rates and cross-sales from existing customers. As always, the fundamental driver of our growth will be continuing to deliver exceptional service. This not only reinforces our customers' decision to do business with us, but also attracts new customers.

Aside from the traditional sensitivities (interest rates; the second hand car market; car sales volumes; key contract tenders), the current issues with the potential to impact the rate of profitable growth of our business in FY12 are consumer confidence and the pressures being felt by the retail sector. That said, as we demonstrated through the global financial crisis, our business seems better placed than most to weather the effects of a slower economy.

## STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year ended 30 June 2011 that are not otherwise disclosed in this Annual Report.

## EVENTS SUBSEQUENT TO BALANCE DATE

As at the date of this Annual Report, the Directors are not aware of any matter or circumstance that has arisen that has significantly affected or may significantly affect the operations of the Company and its controlled entities, the results of those operations or the state of affairs of the Company and its controlled entities in the financial years subsequent to 30 June 2011 that are not otherwise disclosed in this Annual Report.

## LIKELY DEVELOPMENTS

Other than the information disclosed in this Annual Report, information as to the likely developments in the operations of the Company and its controlled entities and the expected results of those operations in subsequent years has not been included in this Annual Report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Company and its controlled entities.

## DIRECTORS' EXPERIENCE & SPECIAL RESPONSIBILITIES

**Name:** Ronald Pitcher *AM, FCA, FCPA*

**Appointed:** 4 February 2004

**Positions:** Chairman of the Board  
Chairman of the Audit Committee  
Chairman of the Remuneration Committee

**Age:** 72

Mr Pitcher is a Chartered Accountant with over 45 years experience in the accounting profession and the provision of business advisory services. Mr Pitcher was until recently the Chairman of Cellestis Limited (since 2001) and is a director of National Can Industries Limited (since 1994) and Reece Australia Limited (since 2003). Under the Company's definition of independence, Mr Pitcher is considered to be independent.

**Name:** Michael Kay *LLB*

**Appointed:** 15 July 2008

**Positions:** Managing Director and Chief Executive Officer

**Age:** 53

Before joining the Company in May 2008, Mr Kay was the Chief Executive Officer of Australian Associated Motor Insurers Limited (**AAMI**). Mr Kay joined AAMI in 1993, and before rising to the position of Chief Executive Officer in 2006, he served as General Manager, Southern Region (comprising Victoria, Tasmania and South Australia) and Executive Chairman, Corporate Affairs and then, from 2002, as the Chief Operating Officer. Before joining AAMI, Mr Kay practised for 10 years as a solicitor.

Mr Kay is a director of RAC Insurance and a former member of the Commonwealth Consumer Affairs Advisory Council, the Administrative Law Committee of the Law Council of Australia, the Victorian Government Finance Industry Council and the Committee for Melbourne.

Mr Kay holds a Bachelor of Laws from the University of Sydney.

**Name:** **Anthony Podesta** *B Ed (Bus), MTMA, FTIA, MAICD*

**Appointed:** 1 December 2003

**Positions:** Non-Executive Director

**Age:** 55

Mr Podesta founded the McMillan Shakespeare business in 1988 and has been instrumental in the growth of its operations and the development of the outsourced salary packaging administration industry in Australia since that time. Mr Podesta is a fellow of the Taxation Institute of Australia, a member of the Australian Institute of Company Directors. Mr Podesta stepped down from all of his executive responsibilities effective 17 August 2010 but remains on the Board as a Non-Executive Director.

**Name:** **John Bennetts** *B Ec, LLB*

**Appointed:** 1 December 2003

**Positions:** Non-Executive Director  
Member of the Audit Committee  
Member of the Remuneration Committee

**Age:** 48

Mr Bennetts is an experienced investor and a founder and director of a number of companies, including until recently Cellestis Limited and private equity investment firm, Mooroolbark Investments Pty Limited (**M-Group**). He has also provided advisory services to a range of companies in Australia and Asia. Prior to the establishment of the M-Group, he was Group Legal Counsel and Company Secretary of Datacraft Limited. Before joining Datacraft Limited, he practised as a solicitor.

**Name:** **Ross Chessari** *LLB, M Tax*

**Appointed:** 1 December 2003

**Positions:** Non-Executive Director  
Member of the Audit Committee  
Member of the Remuneration Committee

**Age:** 50

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.

**Name:** **Graeme McMahon** *FCPA, FRAS, FCIT*

**Appointed:** 18 March 2004

**Positions:** Non Executive Director  
Member of the Audit Committee  
Member of the Remuneration Committee

**Age:** 71

A member of the Council at La Trobe University, Mr McMahon was formerly a director of SSSR Holdings Pty Limited and Expo Hire (Aust.) Pty Limited, and a member of the Queensland Australian Football League Commission. Mr McMahon held the position as Chairman of the Essendon Football Club for seven years and was the Managing Director and Chief Executive Officer of Ansett Australia Group until 1996. He is a Fellow of the CPA of Australia, a Fellow of the Royal Aeronautical Society and a Fellow of the Chartered Institute of Logistics and Transport. Under the Company's definition of independence, Mr McMahon is considered to be independent.

## COMPANY SECRETARY

### Paul McCluskey: Chief Financial Officer and Company Secretary

Paul McCluskey CA, B Bus, Grad Dip Bus Admin, Grad Dip Applied Finance and Investment, joined McMillan Shakespeare Group as Chief Financial Officer and Company Secretary in May 2005. Mr McCluskey held this position until May 2008 and resumed these roles in September 2010.

Mr McCluskey is a Chartered Accountant with 23 years experience in mergers and acquisitions, company secretarial services, statutory reporting, corporate governance practices, taxation planning and strategic planning. Prior to his employment with McMillan Shakespeare Group, Mr McCluskey was a partner of a leading second tier accounting firm where he was an advisor to the company during its March 2004 IPO and for the acquisition of Remuneration Services (Qld) Pty Ltd.

## REMUNERATION REPORT

### Overview

The Group's remuneration policies and practices are designed to align the interests of staff and shareholders while attracting and retaining staff members who are critical to its growth and success. The Board maintains a Remuneration Committee whose objectives are to oversee the formulation and implementation of remuneration policy and make recommendations to the Board on remuneration policies and packages applicable to the Directors and executives. For further details of the composition and responsibilities of the Remuneration Committee, please refer to the Corporate Governance Statement.

### Remuneration Structure – Non-Executive Directors

The Non-Executive Directors are remunerated for their services from the maximum aggregate amount approved by the shareholders of the Company on 19 October 2010 for that purpose (\$600,000 per annum). The Board sets the fees for the Chairman and the other Non-Executive Directors. No additional fees are paid for participation in Board committees.

The Board's policy is to remunerate the Chairman and the Non-Executive Directors at market rates for comparable companies for the time and commitment involved in meeting their obligations.

The Chairman was paid a discretionary bonus in the financial year ended 30 June 2011 with respect to the financial year ended 30 June 2010. No Non-Executive Director received or was paid any performance related remuneration or options with respect to the financial year ended 30 June 2010. Neither the Chairman nor the other Non-Executive Directors are entitled to any performance related remuneration or options with respect to the financial year ended 30 June 2011. There is no direct link between the remuneration of the Chairman or any other Non-Executive Director and the short term results of the Group because the primary focus of the Board is on the long term strategic direction and performance of the Group.

There are no termination payments made to the Chairman or the other Non-Executive Directors on their retirement from office other than payments relating to the accrued superannuation entitlements included in their remuneration.

### Remuneration Structure – Executive Directors and Senior Executives

#### Overview

In setting its remuneration arrangements, reference has been made to the current employment market in which the Group operates. The components of remuneration for each executive comprise fixed remuneration (including superannuation and benefits) and long-term equity-linked performance incentives (in the form of options). Some executives are also offered cash based short-term incentives. The Remuneration Committee reviews the fixed remuneration component and, if applicable, the short-term cash incentive component of each executive's remuneration each year (or on promotion). For the financial year commencing July 2011 the Remuneration Committee has reviewed remuneration based on an analysis of the Top 500 Report (Director and Senior Executive Remuneration) 2011, and *Hewitt The Australian Top Executive Remuneration Reports* for organisations with Annual Revenue \$101-250 Million and 301-1,000 Employees, and for organisations with Annual Revenue \$251-500 Million and 301-1,000 Employees. In addition, market comparison using publicly disclosed information was made to broadly comparable Financial Service companies.

#### Fixed Remuneration

The fixed remuneration component comprises salary, superannuation and, in some cases, non-cash benefits, such as motor vehicle lease payments, investment loan repayments, education expenses, travel benefits and car parking benefits.

Fixed remuneration reflects the duties, responsibilities and performance levels of the relevant executive, general market conditions and comparable remuneration offered in related industry sectors. No element of the fixed remuneration component is at risk.

One executive has guaranteed salary increases of not less than a percentage equal to the rise in the consumer price index (all groups) (**CPI**) over the preceding financial year. Increases in salary beyond CPI (and increases in salary for all other executives not entitled to receive the guaranteed CPI increase) are subject to market conditions and the achievement of Company and individual objectives.

Neither the Chief Executive Officer nor the Chief Financial Officer are remunerated separately for acting as an officer of the Company or any of its controlled entities.

#### Short-term Incentives

The Company does not generally offer contracted cash bonuses as part of a short term incentive program. However, following the acquisition of Interleasing (Australia) Limited in 2010 the Company established a short-term incentive program for three executives. The Remuneration Committee recommended to the Board short term targets to reward business stabilisation, realisation of discount on acquisition, improvement in operating profit and establishment of growth momentum following the acquisition. The specific short term incentives are applicable for an 18 month period commencing on 1 April 2010 with targets focussed as applicable on the realisation of residual value surplus on disposal of vehicles, and to reward responsible executives for short term financial and operating performance of the leasing business and growth in the leasing book.



The Remuneration Committee also has the authority to issue discretionary cash bonuses as a reward for out-performance compared to budgeted targets. Any bonus payable can, at the discretion of the executive, be sacrificed as superannuation. Such bonuses were paid to the majority of individual executives in relation to the year ended 30 June 2011.

#### Long-term Incentives

From time to time the Company issues options to certain executives and employees under the McMillan Shakespeare Limited Employee Option Plan (**First Option Plan**). The Company has had the First Option Plan in place since 2004 and, as at 30 June 2011, there were 17 participants in the First Option Plan (2010: 27). All options granted have a performance condition of continuing employment at the time of vesting.

Under the First Option Plan, options over unissued ordinary shares in the Company are granted for no consideration and are, other than as disclosed in this Annual Report, granted at or above market prices prevailing when the Board approved the issue. Options granted under the First Option Plan carry no dividend or voting rights. Once exercised, each option is converted into one fully paid ordinary share in the Company. The Remuneration Committee recommends to the Board the number of options to be granted on the basis of the position, duties and responsibilities of the relevant executive.

As at 30 June 2011, the Company had made ten offers under the First Option Plan in March 2004, December 2004, April 2005, August 2005, February 2007, December 2007, July 2008, November 2008, August 2009 and May 2010.

Options issued in March 2004, December 2004, April 2005 and August 2005 have expired or have been exercised prior to 1 July 2008.

All options in the February 2007 offer were issued subject to the following exercise conditions:

- 50% of the options vested and were exercisable in equal proportions on or after 15 September 2007, 15 September 2008 and 15 September 2009, but the entitlement to exercise is subject to continuity of employment;
- 25% of the options vested and were exercisable in equal proportions on or after 15 September 2007, 15 September 2008 and 15 September 2009, but the entitlement to exercise is subject to continuity of employment and achievement of predetermined targets. For the financial years ended 30 June 2007, 2008 and 2009 the targets centred on the achievement of budgeted NPAT;
- 25% of the options vested and were exercisable in equal proportions on or after 15 September 2007, 15 September 2008 and 15 September 2009, but the entitlement to exercise is subject to continuity of employment and satisfaction of individual performance indicators for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009;

other than with respect to 50,000 options that are exercisable on or after 15 September 2009 subject to continuity of employment until that date.

The December 2007 offer was made on varying terms. 165,000 options were issued subject to the following exercise conditions:

- 50% of those options vested and are exercisable in equal proportions on or after 15 September 2008, 15 September 2009 and 15 September 2010, but the entitlement to exercise is subject to continuity of employment;
- 25% of those options vested and are exercisable in equal proportions on or after 15 September 2008, 15 September 2009 and 15 September 2010, but the entitlement to exercise is subject to continuity of employment and achievement of predetermined targets. For the financial years ended 30 June 2008, 2009 and 2010 the targets centred on the achievement of budgeted NPAT;
- 25% of those options vested and are exercisable in equal proportions on or after 15 September 2008, 15 September 2009 and 15 September 2010, but the entitlement to exercise is subject to continuity of employment and satisfaction of individual performance indicators for the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010.

A further 90,000 options of the December 2007 offer vested and were exercisable on or after 15 September 2009 subject to continuity of employment until that date.

Given the size of the Group, the Board believes that it is appropriate for 50% of the options granted under the February 2007 offer and approximately 35% of the options granted under the December 2007 offer not to be subject to performance hurdles (and for no individual performance hurdles to be imposed on 50,000 options under the February 2007 offer) in order to retain experienced executives critical to the Group's success and provide the eligible senior executives with a sense of ownership in the Company.

In July 2008, the Company issued 4,375,000 options, of which 3,750,000 options have been issued to Mr Kay with an expiry of 30 June 2012.

The entitlement to exercise was subject to continuity of employment to 30 June 2011 and the achievement of predetermined targets, of which 75% was based on earnings per share ("EPS") targets over three years, including a cumulative EPS target over the three year period in the event that the maximum EPS target was not achieved in any one year. The EPS growth targets were based on the actual FY08 EPS achieved as the base year. The EPS targets were as follows:

<b>Performance Hurdles</b>	<b>Weighting</b>
Achievement of FY2009 EPS growth of not less than 15.0%	12.50%
Achievement of FY2009 EPS growth of not less than 17.5%	6.25%
Achievement of FY2009 EPS growth of not less than 20.0%	6.25%
Achievement of FY2010 EPS growth of not less than 15.0%	12.50%
Achievement of FY2010 EPS growth of not less than 17.5%	6.25%
Achievement of FY2010 EPS growth of not less than 20.0%	6.25%
Achievement of FY2011 EPS growth of not less than 15.0%	12.50%
Achievement of FY2011 EPS growth of not less than 17.5%	6.25%
Achievement of FY2011 EPS growth of not less than 20.0%	6.25%

The balance (25%) is based on the undertaking by the Company of a transformational event resulting in a major diversification for the Company. The transformational event is regarded as having been met through the acquisition of Interleasing (Australia) Ltd. The maximum amount of Mr Kay's options has vested upon the adoption of this Annual Report.

The remaining 625,000 options issued to the former Group CFO in this tranche lapsed during the financial year ended June 2011.

A further 2,600,114 options were issued in November 2008 and a further 327,273 options were issued in August 2009. These options all expire four years from the relevant date of issue.

The entitlement to exercise these options was subject to continuity of employment and the achievement of predetermined targets, of which 100% was based on EPS targets over three years, including a cumulative EPS target over three years in the event that the maximum target was not achieved in any one year. The EPS growth targets were based on the actual FY08 EPS achieved as the base year. The EPS targets were as follows:

<b>Performance Hurdles</b>	<b>Weighting</b>
Achievement of FY2009 EPS growth of not less than 15.0%	25.00%
Achievement of FY2009 EPS growth of not less than 17.5%	5.00%
Achievement of FY2009 EPS growth of not less than 20.0%	3.34%
Achievement of FY2010 EPS growth of not less than 15.0%	25.00%
Achievement of FY2010 EPS growth of not less than 17.5%	5.00%
Achievement of FY2010 EPS growth of not less than 20.0%	3.33%
Achievement of FY2011 EPS growth of not less than 15.0%	25.00%
Achievement of FY2011 EPS growth of not less than 17.5%	5.00%
Achievement of FY2011 EPS growth of not less than 20.0%	3.33%

Other than options in this tranche which have lapsed due to resignation, the maximum amount of options in this tranche has vested upon the adoption of this Annual Report.

A further 698,924 options were issued in May 2010. The entitlement to exercise is subject to a further offer by the Company of a 36 month employment contract following completion of an 18 month fixed term employment contract. The entitlement is subject to continuity of employment and the achievement of predetermined EPS targets over three years. Targets will be established at the commencement of the 36 month employment contract. The entire issue vests and is exercisable (subject to the achievement of the conditions) on 1 October 2014.

The Board believes that the use of options is the most appropriate form of long-term equity-based performance incentive to reinforce alignment with shareholder interests. All options issued have an exercise price (or strike price) and only become valuable to the extent that the share price rises above the exercise price. Given that options are issued at or above the prevailing market price at the date that the Board approved the grant (other than as disclosed in this Annual Report), it is implied that increased shareholder wealth is required.

The use of earnings per share growth targets for the option entitlements has been adopted to align the long term interests of the executives with shareholders and ensure appropriate behaviours are adopted for the long term benefit of all stakeholders.

No executive can enter into a transaction that is designed or intended to hedge the executive's exposure to any unvested Company option. Executives will be required to provide declarations to the Board on their compliance with this policy from time to time.

In addition, following the end of FY11 the Company has issued further options under a new Employee Option Plan (Second Option Plan) during August 2011. Further details of the Second Option Plan are provided on page 15.

### Retirement Benefits

Retirement benefits may be provided by the Company to executives (including executive directors) from time to time if approved by shareholders (or otherwise provided in accordance with the *Corporations Act 2001* (Cth)).

### Remuneration Details

The senior executives specified in the Remuneration Report as key management personnel (as defined in AASB124 Related Party disclosures) have, either directly or indirectly, authority and responsibility for planning, directing and controlling the activities of the Group. The Directors do not believe that any other senior employees of the Company or its controlled entities are required to be identified.

Details of the remuneration of the Directors and other key management personnel of the Group of the Company and the Group are set out in the following tables.

The key management personnel of the Group are the Directors of McMillan Shakespeare Limited and the following executives:

- Mr M. Cansdale – Group CFO and Company Secretary (until 31 August 2010)
- Mr G. Kruyt – Group Executive, Fleet and Novated Sales & Service
- Mr P. Lang – Group Executive, Salary Packaging
- Mr P. McCluskey – Group CFO and Company Secretary (from 1 September 2010)
- Mr M. Salisbury – Managing Director, Remuneration Services (Qld) Pty Ltd
- Mr A. Tomas – Group Executive, Fleet and Novated Leasing

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total Remuneration	Percentage of Remuneration as options
	Cash salary/fees <sup>1</sup>	Cash Bonus	Other Benefits <sup>2</sup>	Super	Termination Benefits <sup>3</sup>	Long Service Leave	Options <sup>4</sup>		
2011	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>									
Mr R. Pitcher, AM (Chairman)	160,550	-	-	14,450	-	-	-	175,000	-
Mr J. Bennetts (Non-Executive Director)	64,220	-	-	5,780	-	-	-	70,000	-
Mr R. Chessari (Non-Executive Director)	64,220	-	-	5,780	-	-	-	70,000	-
Mr G. McMahon (Non-Executive Director)	55,000	-	-	40,000	-	-	-	95,000	-
Mr A Podesta (Non-Executive Director) <sup>5</sup>	38,333	-	-	50,000	-	-	-	88,333	-
<b>Executive Director</b>									
Mr M. Kay (CEO and Managing Director) <sup>6</sup>	899,103	100,000	5,166	50,000	-	4,290	282,702	1,341,261	21
<b>Other key management personnel</b>									
Mr M. Cansdale (CFO and Company Secretary) <sup>7</sup>	59,224	-	25,942	2,781	196,923	(111)	-	284,759	-
Mr G. Kruyt (Group Executive, Novated Leasing and Fleet Services) <sup>8</sup>	245,619	60,000	39,438	14,944	-	6,323	20,228	386,552	5
Mr P. Lang (Group Executive, Salary Packaging) <sup>9</sup>	197,567	40,000	48,521	23,955	-	8,262	20,228	338,533	6
Mr P. McCluskey (Group CFO and Company Secretary) <sup>10</sup>	404,493	50,000	-	24,023	-	20,122	-	498,638	-
Mr M. Salisbury (General Manager, Remuneration Services) <sup>11</sup>	200,742	50,000	13,021	19,838	-	1,494	8,827	293,922	3
Mr A Tomas (Group Executive, Fleet and Novated Leasing.) <sup>12</sup>	399,030	-	74,022	24,999	-	95	111,111	609,257	18

	Short-term benefits			Post-employment benefits		Long-term benefits	Share-based payments	Total Remuneration	Percentage of Remuneration as options
	Cash salary/fees <sup>1</sup>	Cash Bonus	Other Benefits <sup>2</sup>	Super	Termination Benefits <sup>3</sup>	Long Service Leave	Options <sup>4</sup>		
2010	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>									
Mr R. Pitcher, AM (Chairman)	124,771	75,000	-	11,229	-	-	-	211,000	-
Mr J. Bennetts (Non-Executive Director)	50,459	-	-	4,541	-	-	-	55,000	-
Mr R. Chessari (Non-Executive Director)	50,459	-	-	4,541	-	-	-	55,000	-
Mr G. McMahon (Non-Executive Director)	46,147	-	-	36,853	-	-	-	83,000	-
<b>Executive Directors</b>									
Mr M. Kay (CEO CEO <sup>6</sup> and Managing Director)	855,909	75,000	4,259	50,000	-	182	282,702	1,268,052	22
Mr A. Podesta <sup>5</sup>	130,000	-	-	50,000	-	-	-	180,000	-
<b>Other key management personnel</b>									
Mr M. Cansdale (Group CFO and Company Secretary) <sup>7</sup>	269,056	25,000	25,942	14,308	-	59	50,353	384,718	13
Mr G. Kruyt (Group Executive, Fleet and Novated Sales & Service) <sup>8</sup>	111,715	80,000	165,930	20,442	-	12,125	20,228	410,440	5
Mr P. Lang (Group Executive, Salary Packaging) <sup>9</sup>	133,500	25,000	124,356	22,249	-	7,673	23,483	336,261	7
Mr M. Salisbury (Managing Director, Remuneration Services (Qld) Pty Ltd) <sup>11</sup>	170,139	50,000	28,203	16,297	-	59	8,827	273,525	3
Mr A. Suckling (Group Executive, Insurance and Emerging Business) <sup>13</sup>	167,650	15,000	-	14,015	-	21	17,113	213,799	8
Mr A Tomas (Group Executive, Fleet and Novated Leasing.) <sup>12</sup>	95,507	-	18,217	5,480	-	10	27,778	146,992	19

The amounts shown for the Non-Executive Directors reflect directors' fees only. The amounts shown for the executives reflect cash salary and annual leave entitlements.

- The amounts shown for the non-executive directors reflect directors' fees only. The amounts shown for the executives reflect cash salary and annual leave entitlements.
- Other benefits reflect motor vehicle lease payments, investment loan repayments, education expenses, travel benefits and/or car parking benefits.
- Other than as disclosed in this Annual Report, termination benefits include all annual leave and, where applicable, long service leave entitlements that accrued during the financial years ended 30 June 2010 and 30 June 2011.
- The equity value comprises the value of options issued. No shares were issued to any Director (and no options were granted to any Director) during the financial years ended 30 June 2010 and 30 June 2011. The value of options issued to executives (as disclosed above) are the assessed fair values at the date that the options 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 binomial option pricing model that takes into account the exercise price, the expected term of the option, 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 option.

The model inputs for options granted to executives during the financial years ended 30 June 2009 and 30 June 2010 included:

Model input	30 June 2009 (July 2008)	30 June 2009 (November 2008)	30 June 2010 (August 2009)	30 June 2010 (May 2010)
Consideration payable upon grant	Nil	Nil	Nil	Nil
Exercise price	\$4.70	\$3.40, \$4.70	\$3.40, \$4.70	\$3.42
Grant date	1/7/08	24/11/08	14/8/09	28/5/10
Expected life	4 years	4 years	3 years	4.5 years
Share price at grant date	\$2.59	\$2.10	\$3.23	\$3.42
Expected price volatility	34.6%	36%	37%	37%
Expected dividend yield	4.85%	6.60%	6.6%	5.0%
Risk-free interest rate	6.73%	3.78%	5.0%	5.47%

- The employment agreement entered into between Mr Podesta and the Company dated 10 March 2004, pursuant to which Mr Podesta served as Managing Director and Chief Executive Officer, terminated (by mutual agreement) on 4 May 2008. On 15 July 2008 Mr Podesta entered into an employment agreement with the Company

for a fixed 12 month term with a commencement date of 5 May 2008, pursuant to which Mr Podesta served as an Executive Director. This contract was extended by the Board for a further 15 months. The employment agreement was able to be terminated for poor performance or health on the provision of three months' written notice (or, with respect to the Company, payment in lieu) or, in the event of cause (excluding poor performance or health), without notice or any payment. Mr Podesta has resigned as an executive director with effect from 17 August 2010, but continues in the role of a non-executive director.

- 6 The employment agreement between Mr Kay and the Company is for a five year fixed term, which commenced on 4 February 2008. The agreement provides for termination of employment by either party without cause on the provision of six months' written notice (or, with respect to the Company, payment in lieu). The agreement may also be terminated by the Company for cause without notice or any payment. Mr Kay served as an executive at all times during the financial year ended 30 June 2011.
- 7 The employment agreement between Mr Cansdale and the Company was for a 3.5 year fixed term, commencing on 26 May 2008. The agreement provided for termination of employment by either party without cause on the provision of three months' written notice (or, with respect to the Company, payment in lieu). The employment agreement was also able to be terminated by the Company for cause without notice or any payment. Mr Cansdale served as an executive at all times during the period from 1 July 2010 to 31 August 2010. Mr Cansdale resigned from his position effective 31 August 2010.
- 8 The employment agreement between Mr Kruyt and the Company was for 18 months fixed term expiring on 30 September 2011. The agreement provides for termination of employment by either party on the provision of six months' written notice (or, with respect to the Company, payment in lieu). The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Kruyt served as an executive at all times during the financial year ended 30 June 2011.
- 9 The employment agreement between Mr Lang and the Company commenced on 1 October 2006 and is ongoing. The agreement provides for termination of employment by the Company for poor performance or health on the provision of three months' written notice or without cause on the provision of six months' written notice (or payment in lieu). The agreement may, however, be terminated by the Company for cause (excluding poor performance or health) without notice or any payment. Mr Lang served as an executive at all times during the financial year ended 30 June 2011.
- 10 The employment agreement between Mr McCluskey and the Company was varied with effect from 1 September 2010 to appoint Mr McCluskey as Group Chief Financial Officer and Company Secretary. The agreement provides for termination of employment by either party with two month's notice. The agreement is able to be terminated by the Company for cause without notice or any payment. Mr McCluskey served as an executive at all times during the period from 1 September 2010.
- 11 The employment agreement between Mr Salisbury and the Company commenced on 1 July 2008 and is ongoing. The agreement provides for termination of employment by either party with 12 weeks' notice. The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Salisbury served as an executive at all times during the financial year ended 30 June 2011.
- 12 The employment agreement between Mr Tomas and the Company commenced on 1 April 2010 and was for an initial term of 18 months. The agreement provides for termination of employment by either party without cause with six month's notice in writing (in the case of the Company, subject to a termination payment). The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Tomas served as an executive at all times during the financial year ended 30 June 2011.
- 13 The employment agreement between Mr Suckling and the Company commenced on 18 February 2009 and is ongoing. The agreement provides for termination of employment by either party with one month's notice. The agreement may, however, be terminated by the Company for cause without notice or any payment. Mr Suckling served as an executive at all times during the financial year ended 30 June 2011.

## Remuneration at risk

The relevant proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2011	2010	2011	2010	2011	2010
<b>Executive Directors</b>						
Mr M. Kay	72%	76%	7%	-	21%	24%
Mr A. Podesta <sup>1</sup>	-	100%	-	-	-	-
<b>Other key management personnel</b>						
Mr M. Cansdale	100%	81%	-	6%	-	13%
Mr G. Kruyt	79%	76%	16%	19%	5%	5%
Mr P. Lang	82%	86%	12%	7%	6%	7%
Mr P. McCluskey <sup>2</sup>	90%	-	10%	-	-	-
Mr M. Salisbury	80%	79%	17%	18%	3%	3%
Mr A. Tomas	82%	81%	-	-	18%	19%

1 Mr Podesta has resigned as an executive director with effect from 17 August 2010, but continues in the role of a non-executive director.

2 Mr McCluskey commenced as Group Chief Financial Officer and Company Secretary on 1 September 2010.

### Consequences of performance on shareholders' wealth

In addition to the links between remuneration and shareholder value discussed above, when reviewing the Group's performance and benefits for shareholder wealth, and the link to the remuneration policy, the following indices are generally considered:

Indices	2011	2010	2009	2008	2007
Net profit attributable to Company members	\$43,460,470	\$44,959,784	\$20,522,752	\$17,368,000	\$13,237,000
Dividends paid	\$20,388,246	\$13,854,604	\$11,827,100	\$10,451,000	\$7,697,000
Share price as at 30 June	\$9.58	\$4.69	\$2.92	\$2.46	\$5.31
Earnings per share	64.0 cents	66.5 cents	30.4 cents	25.8 cents	19.8 cents

Net profit is considered as part of the financial performance targets in setting short term incentives. Dividends, changes in share price, return on equity and earnings per share are all taken into account when setting the 'at risk' components of executive remuneration.

The overall level of executive compensation takes into account the performance of the Group over a number of years. The Group's profit from ordinary activities after tax and earnings per share has grown at a compound annual growth rate (**CAGR**) of 41.6% per annum over the period from 1 July 2005 until 30 June 2011 (excluding the gain on business combination). Over the same period return on equity (**RoE**) exceeded 20% (and, in the financial years ended 30 June 2006 to 30 June 2011, RoE actually exceeded 35%).

### Cash Bonus and Option Details

#### Cash Bonus

A discretionary cash bonus was paid to the Chairman during the financial year ended 30 June 2011 with respect to the financial year 30 June 2010. No other contracted cash based short-term incentives or other form of cash bonus were paid to (or were forfeited by) any Non-Executive Director or executives during the financial year 30 June 2011. Discretionary bonuses have been issued by the Board on 1 August 2011 as reported in the remuneration details shown on page 9.

#### Options

No options were granted to, exercised by or lapsed with respect to the Directors during the financial years ended 30 June 2010 or 30 June 2011 (the options granted to Mr Kay were issued prior to his appointment as Managing Director). The terms and conditions of each grant of options to executives affecting their remuneration in the financial year ended 30 June 2011 and each relevant previous or future financial year are as follows:

Grant Date	Expiry Date	Share price at valuation date	Exercise Price	Value per option at grant date <sup>1</sup>	Date Exercisable
21 December 2007	20 December 2011	\$4.00	\$4.52	\$0.525	100% after 15 September 2008
1 July 2008	30 June 2012	\$2.59	\$4.70	\$0.240	100% after 16 September 2011
24 November 2008	23 November 2012	\$2.10	\$4.70	\$0.090	100% after 24 November 2011
24 November 2008	23 November 2012	\$2.10	\$3.40	\$0.180	100% after 24 November 2011
28 May 2010	1 October 2015	\$3.42	\$3.42	\$0.930	100% after 1 October 2014

<sup>1</sup> Reflects the value at grant date for options granted as part of remuneration calculated in accordance with AASB 2: Share-based Payment.



Details of the options granted, vested and exercised during the financial years ended 30 June 2010 and 30 June 2011 with respect to the executives are set out in the table below. No amounts are unpaid on any shares issued on the exercise of options.

	Options granted		Options vested		Ordinary shares issued on exercise of options	
	2011	2010	2011	2010	2011	2010
<b>Executive Directors</b>						
Mr M. Kay	-	-	-	-	-	-
Mr A. Podesta <sup>1</sup>	-	-	-	-	-	-
<b>Other key management personnel</b>						
Mr M. Cansdale	-	-	-	-	-	-
Mr G. Kruyt	-	-	-	-	90,000	-
Mr P. Lang	-	-	-	64,583	40,000	94,549
Mr P. McCluskey	-	-	-	-	-	-
Mr M. Salisbury	-	-	-	-	-	-
Mr A. Tomas	-	537,634	-	-	-	-

<sup>1</sup> Mr Podesta has resigned as an executive director with effect from 17 August 2010, but continues in the role of a non-executive director.

The percentage of options granted to executives that have vested or were forfeited during the financial year ended 30 June 2011 is set out below:

	Financial year granted	Vested %	Forfeited %	Financial year(s) in which options may vest
<b>Executive Directors</b>				
Mr M. Kay	2009	-	-	2012
Mr A. Podesta <sup>1</sup>	-	-	-	-
<b>Other key management personnel</b>				
Mr M. Cansdale	2009	-	100	-
Mr G. Kruyt	2009	-	-	2012
Mr P. Lang	2009	-	-	2012
Mr M. Salisbury	2009	-	-	2012
Mr P. McCluskey	-	-	-	-
Mr A. Tomas	2010	-	-	2015

<sup>1</sup> Mr Podesta has resigned as an executive director with effect from 17 August 2010, but continues in the role of a non-executive director.

Details of the value of options granted, exercised and lapsed during the financial year ended 30 June 2011 with respect to the executives are as follows:

	Value at grant date <sup>2</sup>	Value at exercise date <sup>3</sup>	Value at lapse date <sup>4</sup>	Minimum value of option to vest	Maximum value of option to vest
	\$	\$	\$	\$	\$
<b>Executive Directors</b>					
Mr M. Kay	-	-	-	-	51,893
Mr A. Podesta <sup>1</sup>	-	-	-	-	-
<b>Other key management personnel</b>					
Mr M. Cansdale	-	-	942,500	-	-
Mr G. Kruyt	-	227,700	-	-	3,713
Mr P. Lang	-	112,400	-	-	3,713
Mr P. McCluskey	-	-	-	-	-
Mr M. Salisbury	-	-	-	-	1,620
Mr A. Tomas	-	-	-	-	361,111

1 Mr Podesta has resigned as an executive director with effect from 17 August 2010, but continues in the role of a non-executive director.

2 Reflects the value at grant date for options granted as part of remuneration during the financial year ended 30 June 2011 calculated in accordance with AASB 2: *Share-based Payment*.

3 Reflects the value at exercise date for options that were granted as part of remuneration and were exercised during the financial year ended 30 June 2011.

4 Reflects the value at lapse date for options that were granted as part of remuneration and lapsed during the financial year ended 30 June 2011.

## 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 Stock Exchange Limited (**ASX**) in accordance with section 205G(1) of the *Corporations Act* 2001 (Cth), is as follows:

Director	Options	Ordinary shares
Mr R. Pitcher, AM (Chairman)	-	105,100
Mr M. Kay (Managing Director)	3,750,000	4,164
Mr J. Bennetts	-	4,568,025
Mr R. Chessari	-	6,225,063
Mr G. McMahon	-	122,000
Mr A. Podesta	-	11,235,000

No Director has, during the financial year ended 30 June 2011, become 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.

## OPTIONS GRANTED

During the financial year ended 30 June 2011, no options have been granted by the Company to key management personnel as part of their remuneration. Since the end of the financial year ended 30 June 2011, the Company has granted options to key management personnel as part of their remuneration as follows:

Name	Number granted	Date of grant	Exercise price	Expiry date	Issue Price
Mr G. Kruyt	159,639	16 August 2011	\$7.31	30 September 2015	Nil
Mr G. Kruyt	37,901	16 August 2011	\$7.31	30 September 2015	\$1.32
Mr P. Lang	151,655	16 August 2011	\$7.31	30 September 2015	Nil
Mr P. Lang	37,901	16 August 2011	\$7.31	30 September 2015	\$1.32
Mr P. McCluskey	42,638	16 August 2011	\$7.31	30 September 2015	Nil
Mr P. McCluskey	37,901	16 August 2011	\$7.31	30 September 2015	\$1.32
Mr M. Salisbury	85,276	16 August 2011	\$7.31	30 September 2015	Nil
Mr A. Tomas	37,901	16 August 2011	\$7.31	30 September 2015	\$1.32

No person holding an option has or had, by virtue of the option, a right to participate in a share issue of any other corporation.

## UNISSUED SHARES

At the date of this Annual Report, unissued ordinary shares of the Company under option are:

Option plan	No. of unissued ordinary shares	Exercise price	Expiry date
Employee First Option Plan	86,188	\$4.52	20 December 2011
Employee First Option Plan	3,750,000	\$4.70	30 June 2012
Employee First Option Plan	306,819	\$3.40	23 November 2012
Employee First Option Plan	1,988,750	\$4.70	23 November 2012
Employee First Option Plan	133,334	\$3.40	13 August 2012
Employee First Option Plan	193,939	\$4.70	13 August 2012
Employee First Option Plan	698,924	\$3.42	1 October 2015
Employee Second Option Plan	1,487,273	\$7.31	30 September 2015

## ENVIRONMENTAL REGULATIONS

The Directors believe that 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 full 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 with each Director, each Company Secretary, and each responsible manager under the licenses which the Company holds (**Deed**), 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 premium paid with respect to this policy as such disclosure is not permitted under the terms of the policy.

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor of the Company, Grant Thornton Audit Pty Ltd and its related practices, for non-audit services provided, during the financial year ended 30 June 2011, is disclosed in Note 4 to the Financial Statements.

The Company's policy is that the external auditor is not to provide non-audit services unless the Audit Committee has approved that work in advance, as appropriate.

The Audit Committee has reviewed a summary of non-audit services provided during the financial year ended 30 June 2011 by Grant Thornton Audit Pty Ltd. Given that the only non-audit services related to client contract audits, the Audit Committee has confirmed that the provision of non-audit services is 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).

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* (Cth), is set out on page 64 of this Annual Report.

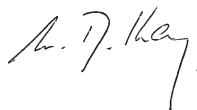
## CORPORATE GOVERNANCE PRACTICES

A Corporate Governance Statement is set out on pages 17 to 20 of this Annual Report.

Signed in accordance with a resolution of the Directors.



Ronald Pitcher, AM  
Chairman



Michael Kay  
Managing Director

30 August 2011

Melbourne, Australia

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

This statement outlines the corporate governance policies and practices formally adopted by the Company. These policies and practices are in accordance with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (ASX Principles), unless otherwise stated.

## ROLE OF THE BOARD

The role of the Board is to provide strategic guidance for the Group and effective oversight of management. The Board operates in accordance with the Company's Constitution, Board Charter and Delegated Authority Matrix, which describe the Board's composition, functions and responsibilities and designates authority reserved to the Board and that delegated to management. The charter can be accessed on the Company's website ([www.mmsg.com.au](http://www.mmsg.com.au)).

## COMPOSITION OF THE BOARD

As at the date of this Annual Report, the Directors are as follows:

Name	Position	Appointment
Mr R. Pitcher, AM	Independent Chairman	4 February 2004
Mr M. Kay	Managing Director and Chief Executive Officer	15 July 2008
Mr J. Bennetts	Non-Executive Director	1 December 2003
Mr R. Chessari	Non-Executive Director	1 December 2003
Mr G. McMahon	Independent Non-Executive Director	18 March 2004
Mr A. Podesta	Non-Executive Director	1 December 2003

Each Director is a senior executive with the skills and experience necessary for the proper supervision and leadership of the Company. As a team, the Board brings together a broad range of qualifications and experience in remuneration services, financial services, finance, accounting, law, sales and marketing and public company affairs. Details of the Directors, their experience and their special responsibilities with respect to the Company are set out in the Directors' Report.

The Board considers a Director independent if that person is free of management and other business relationships that could materially interfere, or could reasonably be perceived to materially interfere, with the exercise of objective and independent judgement. More information can be obtained from the Group's Policy on the Independence of Directors which can be accessed on the Company's website. The Chairman determines the relevant materiality thresholds on a case by case basis with reference to both quantitative and qualitative bases.

The ASX Guidelines recommend that a listed company should have a majority of directors who are independent. The Board, as currently composed, does not comply with this recommendation. Mr Chessari and Mr Bennetts currently hold, through their controlled entities, approximately 15.9% of the shares in the Company. These Directors have participated in the growth and development of McMillan Shakespeare and have a significant interest in the Company's continued success. Given their history and skills, the Board believes that it is appropriate for each of these Directors to be appointed to the Board.

Despite stepping down as CEO in the year ended 30 June 2008, and resigning as Executive Director on 17 August 2010, Mr Podesta continues as a Director of the Company. As the founder of the Company, and with over 20 years experience in the remuneration services industry, Mr Podesta brings a wealth of experience and an in-depth knowledge of the Group's operations and customers to the Board. As the Company's largest shareholder, he also has a significant interest in the Company's continued success. As such, the Board believes that it is appropriate for Mr Podesta to remain on the Board as a non-independent Director.

The Company believes that the Board, as currently composed, has the necessary skills and motivation to ensure that it continues to perform strongly notwithstanding that its overall composition does not specifically meet the ASX Principles. Details of the experience of the Directors is contained in the Directors' Report.

The Chairman is responsible for leading the Board ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationships with the Company's senior executives.

The Chief Executive Officer is responsible for implementing Group strategies and policies. The Board charter specifies that these are separate roles to be undertaken by separate people.

## BOARD PRACTICES

The Board meets regularly to evaluate, control, review and implement the Company's operations and objectives. The Directors receive monthly reports from the Chief Executive Officer, the Chief Financial Officer and operational managers. A Director, subject to prior approval of the Chairman or, in the absence of that approval, the Board may seek independent professional advice (including legal advice) at the Company's expense to assist them in carrying out their duties and responsibilities.

## PERFORMANCE REVIEW

The Board has delegated the responsibility for evaluating the performance of the Board and the Directors to the Chairman. The performance evaluation includes the examination of the performance of the Board and the individual Directors as against the Board Charter. The evaluation may establish goals and objectives for the Board and provide any recommendations for improvement to Board performance as it sees fit. The Chairman undertook the performance appraisal of the Board with respect to the financial year ended 30 June 2011 in July 2011.

The Board has delegated the responsibility for evaluating the performance of executive management to the Remuneration Committee and CEO.

Given the size of the Company's operations, the Board has decided against the establishment of a separate nomination committee at this time. As such, the responsibility for the selection and nomination of new Directors remains with the full Board.

## REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, which is structured so that the committee is chaired by an independent director and consists of at least three members all of whom are non-executive directors. Details of names and relevant qualifications of the Directors appointed to the Remuneration Committee, the number of meetings of the committee held during the year ended 30 June 2011 and the attendance record for each relevant member can be found in the Directors' Report.

The Remuneration Committee is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent expert and adviser as it considers appropriate in order to ensure that its responsibilities can be carried out effectively. The Remuneration Committee has a documented charter approved by the Board. The charter can be accessed on the Company's website.

The CEO carries out quarterly performance reviews with each member of the senior executive team, comparing the individual's performance against their agreed performance targets. This process was completed for the year ended 30 June 2011 with the CEO's report to the 1 August 2011 meeting of the Remuneration Committee. The Remuneration Committee has evaluated the performance of the Chief Executive Officer for the year ended 30 June 2011, taking account of the performance of the Group and other non-financial outcomes.

The ASX Principles recommend that the majority of members of the Remuneration Committee should be independent. The Remuneration Committee, as currently composed, does not comply with this recommendation.

At present, the Remuneration Committee is comprised of four members, two of whom are not independent. Mr Chessari and Mr Bennetts have participated in the growth and development of McMillan Shakespeare and have a significant interest in the Company's continued success. Given their management experience and skills, the Board believes that it is appropriate for each of these Directors to be appointed to the Remuneration Committee.

## AUDIT COMMITTEE

The Board has established an Audit Committee, which is structured so that the committee is chaired by an independent director and consists of at least three members, all of whom are non-executive directors. Details of the names and relevant qualifications of the Directors appointed to the Audit Committee, the number of meetings of the committee held during the year ended 30 June 2011 and the attendance record for each relevant member can be found in the Directors' Report.

The Audit Committee is empowered to investigate any matter brought to its attention and has direct access to any employee, the independent auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be performed effectively. The Audit Committee has a documented charter approved by the Board. The charter can be accessed on the Company's website.

The ASX Principles recommend that the majority of members of the Audit Committee should be independent and that a person who is not the Chairman of the Board should chair the committee. The Audit Committee, as currently composed, does not comply with these recommendations.

The Audit Committee has appropriate financial expertise and all members are financially literate and have a deep understanding of the industry in which the Company operates. At present, however, the Audit Committee is comprised of four members, only two of whom are independent. Mr Chessari and Mr Bennetts have participated in the growth and development of McMillan Shakespeare and have a significant interest in the Company's continued success. Given their management experience, skills and the size of their investment in the Company, the Board believes that it is appropriate for each of these Directors to be appointed to the Audit Committee.

In addition, the Audit Committee is chaired by Mr Pitcher who, while independent, is also the Chairman of the Board. Mr Pitcher is a chartered accountant with over 45 years experience in the accounting profession and the provision of business advisory services. Given the Company's highly specialised activities and Mr Pitcher's extensive accounting and business experience, the Board believes that Mr Pitcher is the most appropriate person to chair the Audit Committee.

The external auditor together with the Chief Executive Officer, Chief Financial Officer and Mr Podesta are invited to attend the meetings. The Audit Committee also meets with the external auditor twice a year without management to provide the auditor the opportunity to provide feedback on the conduct of the audit and management.

The Company has adopted procedures for the selection and appointment of the external auditor, and the rotation of external audit engagement partners in line with the Corporations Act 2001 (Cth).



## FINANCIAL REPORTING & RISK MANAGEMENT

Given the nature and size of the Company's operations, the Board has decided against the establishment of a separate Board risk management committee at this time, and risk management remains a direct responsibility of the full Board. As such, the Board has ultimate responsibility for the integrity of the Company's financial reporting. As part of the Group's risk management processes, senior management attend a monthly Risk and Compliance Committee, which is supported by internal control processes for identifying, evaluating and managing significant financial, operational and compliance risks to the achievement of the Company's objectives, which are subject to Board oversight from time to time. In addition, an independent external party has been appointed to provide internal audit services as required from time to time.

The Company has reviewed its formal Risk Management Policy and Framework during the year, particularly to provide for the creation of a Credit Committee and Interest Committee. The Risk Management Policy and Framework are accessible to all staff on the Group's intranet and identify the material risks affecting the Company and the manner in which each of those risks will be managed. A copy of the Company's Risk Management Policy can be accessed on the Company's website.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clear lines of accountability and delegation of authority. Adherence to the Director and Employee Codes of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

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.

The Company's external auditor has been invited to attend the Annual General Meeting and be available to answer questions from the members of the Company about the conduct of the audit and the preparation and content of the Independent Audit Report.

## REMUNERATION POLICY

The Company's remuneration policy is structured to ensure that the reward for performance is competitive and appropriate for the results delivered. Further, it aims to ensure that remuneration packages properly reflect the duties and responsibilities and level of performance of the staff member and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Non-executive Directors are remunerated by way of fees and do not participate in profit or incentive schemes and do not generally receive options, incentive payments or retirement benefits other than statutory superannuation.

Executive remuneration generally comprises the following elements:

- fixed remuneration, including superannuation and benefits, which is set at a level that reflects the marketplace for each position;
- long-term equity-linked performance incentives, in the form of share options, which incorporate exercise restrictions based on continuity of employment and the achievement of certain individual and financial performance hurdles.
- Cash bonuses may also be issued at the discretion of the Board.

The Company does not generally offer contracted cash bonuses as part of a short term incentive program, but may do so in special circumstances.

Further details of the Company's remuneration policies and practices in relation to the Directors and executives can be found in the Directors' Report under the heading 'Remuneration Report'.

## COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

The Company's commitment to communicating with its shareholders is embodied in its Continuous Disclosure Policy, which contains policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. The Company's Continuous Disclosure Policy can be accessed on the Company's website.

In addition to the distribution of the Annual Report, information is communicated to shareholders via the announcements section of the Company's website.

Given the size of the Company and the number of shareholders, the Board does not believe that it is appropriate for the Company to adopt a formal Communications Policy at this time

## ETHICS AND CODES OF CONDUCT

The Company has adopted a Director Code of Conduct that applies to the directors of the Company. The Director Code of Conduct reflects the commitment of the Company to ethical standards and practices. The Director Code of Conduct can be reviewed on the Company's website.

The Company has also adopted an extensive Employee Code of Conduct that applies to all employees of the Company, which acknowledges the need for, and continued maintenance of, the highest standard of ethics and seeks to ensure that employees act honestly, transparently, diligently and with integrity. A summary of the Employee Code of Conduct can be accessed on the Company's website.

The Company has also implemented a policy on securities trading that binds all of the Group's officers and employees. In addition to ensuring that all officers and employees are aware of the legal restrictions on trading in the Company's securities whilst in possession of unpublished price-sensitive information, the policy also places restrictions on when Directors and employees can deal in the Company's securities and requires the Directors and certain employees to notify the Company Secretary upon dealing in the Company's securities. The policy can be accessed on the Company's website.

The Company has adopted a Whistleblower Policy, which is designed to ensure that employees of the Group can raise concerns in good faith regarding actual or suspected improper conduct or malpractice in the Group, without fear of reprisal or feeling threatened by doing so. The policy can be accessed on the Company's website.

The Company has issued an Equal Opportunity & Diversity Policy which assists in confirming the Company's commitment to a diverse workforce, ensuring there is ongoing development and implementation of relevant plans, programs and initiatives to recognise and promote diversity, and in establishing the process for appropriate reporting. The company will report on its progress in the annual report for the financial year ending 30 June 2012. The policy can be accessed on the Company's website.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Economic Entity		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue and other income	3	271,305	132,022	21,133	26,281
Employee and director benefit expenses		(55,336)	(41,347)	(1,018)	(544)
Depreciation and amortisation expenses and impairment	4	(68,061)	(19,307)	-	-
Leasing and vehicle management expenses		(52,434)	(13,063)	-	-
Consulting expenses		(1,541)	(1,278)	(88)	-
Marketing expenses		(2,671)	(2,573)	-	-
Property and corporate expenses		(4,942)	(2,698)	(201)	(169)
Technology and communication expenses		(5,594)	(3,422)	-	-
Other expenses		(7,250)	(5,282)	(131)	-
Finance costs	4	(11,278)	(3,149)	(1,814)	(791)
<b>Profit before income tax and business combination</b>		62,198	39,903	17,881	24,777
Gain on business combination	28	-	20,991	-	-
Acquisition costs	28	-	(5,707)	-	(4,430)
<b>Profit before income tax</b>		62,198	55,187	17,881	20,347
Income tax (expense) benefit	5	(18,738)	(10,227)	(217)	1,623
<b>Profit attributable to members of the parent entity</b>		43,460	44,960	17,664	21,970
<b>Other comprehensive income</b>					
Changes in fair value of cash flow hedges		(306)	-	-	-
Income tax on other comprehensive income		92	-	-	-
<b>Total comprehensive income for the period</b>		43,246	44,960	17,664	21,970
Basic earnings per share (cents)	6	64.0	66.5		
Diluted earnings per share (cents)	6	61.2	66.5		

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Economic Entity		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Current assets</b>					
Cash and cash equivalents	8	15,034	16,757	506	1,405
Trade and other receivables	9	17,779	12,645	342	-
Inventory		1,477	1,809	-	-
Prepayments		1,489	2,122	72	-
<b>Total current assets</b>		<b>35,779</b>	<b>33,333</b>	<b>920</b>	<b>1,405</b>
<b>Non-current assets</b>					
Trade and other receivables	9	4,200	6,269	-	-
Other financial assets	10	-	-	100,863	100,381
Property, plant and equipment	12	219,440	209,829	-	-
Deferred tax assets	13	1,240	126	71	1,427
Intangible assets	14	39,849	38,905	-	-
<b>Total Non-current assets</b>		<b>264,729</b>	<b>255,129</b>	<b>100,934</b>	<b>101,808</b>
<b>TOTAL ASSETS</b>		<b>300,508</b>	<b>288,462</b>	<b>101,854</b>	<b>103,213</b>
<b>Current liabilities</b>					
Trade and other payables	15	45,285	44,942	30,990	17,194
Current tax liability	16	6,752	8,431	6,752	8,431
Provisions	17	4,023	3,184	-	-
Borrowings	18	2,949	7,949	2,949	7,949
Other liabilities		-	117	-	-
<b>Total current liabilities</b>		<b>59,009</b>	<b>64,623</b>	<b>40,691</b>	<b>33,574</b>
<b>Non-current liabilities</b>					
Provisions	17	448	458	-	-
Borrowings	18	126,539	133,964	13,917	21,866
<b>Total Non-current liabilities</b>		<b>126,987</b>	<b>134,422</b>	<b>13,917</b>	<b>21,866</b>
<b>TOTAL LIABILITIES</b>		<b>185,996</b>	<b>199,045</b>	<b>54,608</b>	<b>55,440</b>
<b>NET ASSETS</b>		<b>114,512</b>	<b>89,417</b>	<b>47,246</b>	<b>47,733</b>
<b>EQUITY</b>					
Contributed equity	19	25,053	23,066	25,053	23,066
Reserves		1,320	1,284	1,534	1,284
Retained earnings		88,139	65,067	20,659	23,383
<b>TOTAL EQUITY</b>		<b>114,512</b>	<b>89,417</b>	<b>47,246</b>	<b>47,733</b>

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 2011

2011	Note	Economic Entity				Total \$'000
		Ordinary Shares \$'000	Retained Earnings \$'000	Option Reserve \$'000	Cash flow Hedge Reserve \$'000	
Equity as at beginning of year		23,066	65,067	1,284	-	89,417
Profit attributable to members of the parent entity		-	43,460	-	-	43,460
Other comprehensive income after tax		-	-	-	(214)	(214)
<b>Total comprehensive income for the period</b>		-	43,460	-	(214)	43,246
Issue of shares		1,755	-	-	-	1,755
Transfer on exercise of options		232	-	(232)	-	-
Option expense		-	-	482	-	482
Dividends paid	7	-	(20,388)	-	-	(20,388)
<b>Equity as at 30 June 2011</b>		25,053	88,139	1,534	(214)	114,512
<b>2010</b>						
Equity as at beginning of year		22,637	33,962	804	-	57,403
Profit attributable to members of the parent entity		-	44,960	-	-	44,960
Other comprehensive income after tax		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	44,960	-	-	44,960
Issue of shares		360	-	-	-	360
Transfer on exercise of options		69	-	(69)	-	-
Option expense		-	-	549	-	549
Dividends paid	7	-	(13,855)	-	-	(13,855)
<b>Equity as at 30 June 2010</b>		23,066	65,067	1,284	-	89,417
<b>Parent Entity</b>						
2011	Note	Parent Entity				Total \$'000
		Ordinary Shares \$'000	Retained Earnings \$'000	Option Reserve \$'000	Cash flow Hedge Reserve \$'000	
Equity as at beginning of year		23,066	23,383	1,284	-	47,733
Profit attributable to members of the parent entity		-	17,664	-	-	17,664
Other comprehensive income after tax		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	17,664	-	-	17,664
Issue of shares		1,755	-	-	-	1,755
Transfer on exercise of options		232	-	(232)	-	-
Option expense		-	-	482	-	482
Dividends paid	7	-	(20,388)	-	-	(20,388)
<b>Equity as at 30 June 2011</b>		25,053	20,659	1,534	-	47,246
<b>2010</b>						
Equity as at beginning of year		22,637	15,268	804	-	38,709
Profit attributable to members of the parent entity		-	21,970	-	-	21,970
Other comprehensive income after tax		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	21,970	-	-	21,970
Issue of shares		360	-	-	-	360
Transfer on exercise of options		69	-	(69)	-	-
Option expense		-	-	549	-	549
Dividends paid	7	-	(13,855)	-	-	(13,855)
<b>Equity as at 30 June 2010</b>		23,066	23,383	1,284	-	47,733

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 2011

	Note	Economic Entity		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		264,627	132,863	-	-
Payments to suppliers and employees		(126,605)	(74,232)	(1,101)	(119)
Proceeds from sale of assets under lease		43,646	11,792	-	-
Payments for assets under lease		(113,181)	(25,261)	-	-
Interest received		767	1,050	33	572
Interest paid		(12,294)	(914)	(2,302)	(196)
Dividends received		-	-	9,500	25,758
Income taxes paid		(21,438)	(9,156)	(713)	(14)
<b>Net cash from operating activities</b>	21	35,522	36,142	5,417	26,001
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary, net of cash	28	-	(166,143)	-	(55,000)
Acquisition expenses		(216)	(4,744)	(216)	(4,218)
Payment for capitalised software		(2,694)	(1,629)	-	-
Proceeds from sale of plant and equipment		8	30	-	-
Payments for plant and equipment		(2,875)	(3,457)	-	-
<b>Net cash used in investing activities</b>		(5,777)	(175,943)	(216)	(59,218)
<b>Cash flows from financing activities</b>					
Equity contribution		1,755	360	1,755	360
Dividends paid by parent entity	7	(20,388)	(13,855)	(20,388)	(13,855)
Proceeds from borrowings		5,000	142,006	-	29,280
Repayment of borrowings		(17,727)	-	(13,000)	-
Payment of borrowing costs		(108)	-	-	-
Proceeds from controlled entities		-	-	25,533	7,073
<b>Net cash (used in) / provided by financing activities</b>		(31,468)	128,511	(6,100)	22,858
<b>Net cash decrease in cash and cash equivalents</b>					
Cash and cash equivalents at beginning of year		16,757	28,047	1,405	11,764
<b>Cash and cash equivalents at end of year</b>	8	15,034	16,757	506	1,405

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 2011

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) General information

The financial report of McMillan Shakespeare Limited and its controlled entities for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 August 2011 and covers McMillan Shakespeare Limited ("the Company" or the "parent entity") as an individual entity as well as "the economic entity", consisting of McMillan Shakespeare Limited and its subsidiaries ("the Group") as required by the *Corporations Act 2001*.

The financial report is presented in Australian currency, which is the economic entity's functional and presentation currency.

McMillan Shakespeare Limited is a company limited by shares and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange.

#### (b) Basis of preparation

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

The financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on fair values of the consideration given in exchange for assets.

##### Compliance with IFRS

Australian Accounting Standards include International Financial Reporting Standards as adopted in Australia (AIFRS). Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS).

#### (c) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of the parent entity, including the value of options issued by the Company on behalf of its subsidiaries in relation to employee remuneration.

#### (d) Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition costs including advisory, legal, accounting, valuation and other professional consulting fees directly attributable to the acquisition are expensed. Where equity instruments are issued, the value of the equity instruments is their published market price on the date of exchange unless, in rare circumstances, it can be demonstrated that the published price on the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the economic entity's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(g)(i)). If the cost of acquisition is less than the economic entity's share of the fair value of the net assets acquired, the difference is recognised in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired. If the initial accounting for a business combination is incomplete by the time of reporting the period in which the business combination occurred, preliminary estimates are used for items for which accounting is incomplete. These provisional estimates are adjusted in a measurement period that is not to exceed 12 months from the date of acquisition to reflect new information about facts and circumstances that existed at the date of acquisition that had they been known would have affected the amounts recognised at that date.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to the present value at the date of the exchange using the entity's incremental borrowing rate as the discount rate.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (e) Income tax

#### (i) Income tax expense

The income tax expense for the period is the tax payable on the current period's taxable income based on the Australian income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### (ii) Deferred tax

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those rates which are enacted or substantially enacted. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities 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 the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

#### (iii) 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 current tax liability or current tax asset of the head entity.

#### (iv) Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

### (f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20% – 40%
Software	25% – 33%
Motor vehicles under operating lease	25% – 33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Motor vehicles no longer held under an operating lease are classified as inventory.

### (g) Intangible assets

#### (i) 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. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (refer Note 14(c)). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Any impairment is recognised immediately in the Statement of Comprehensive Income and cannot be subsequently reversed.

#### (ii) Capitalised software development costs

Software development costs are recognised when it is probable that future economic benefits attributable to the software will flow to the entity and the cost of the development can be measured reliably. Capitalised software development costs are amortised on a straight line basis over three to five years, during which the benefits are expected to be realised. Capitalised software development costs are reviewed annually for indicators of impairment, and if indicators are identified an impairment test is performed (refer Note 1(h)).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (iii) Contract rights

Contract rights acquired and amounts paid for contract rights are recognised at the value of any consideration paid plus any expenditure directly attributable to the transactions. Contracts are amortised over the life of the contract, and reviewed annually for indicators of impairment in line with the economic entity's impairment policy (refer Note 1(h)).

### (iv) Intangible assets acquired in a business combination

Any potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

## (h) Impairment of assets

At each reporting date, the economic entity reviews the carrying amounts of its tangible (including operating lease assets) and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the economic entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease, except where it exceeds a previous revaluation increment, in which case it is recognised in the profit or loss.

Where an impairment loss, other than one relating to goodwill, subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Operating lease assets are reviewed for impairment on an ongoing basis and at reporting date using both internal and external sources of information.

## (i) Financial instruments

### Recognition and de-recognition

Regular purchases and sales of financial assets and liabilities are recognised on trade date, the date on which the economic entity commits to the financial assets or liabilities. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the economic entity has transferred substantially all the risks and rewards of ownership.

### (i) Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

### (ii) Trade and other receivables

All receivables are classified as 'loans and receivables' under the requirements of AASB 139 Financial Instruments: Recognition and Measurement and are recognised initially at fair value, and subsequently at amortised cost, less provision for impairment. All trade and other receivables are classified as current as they are due for settlement no more than 30 days from the date of recognition. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The Directors establish an allowance for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The provision consists of allowances for specific doubtful amounts.

The allowance account for receivables is used to record impairment losses unless the Group is satisfied that there is no possible recovery of the amount, at which point it is written off directly against the amount owing. The impairment loss and any subsequent reversal thereof, is recognised in the Statement of Comprehensive Income within other expenses. There have been no amounts recorded for impairment for the parent entity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (iii) Other financial assets

#### Investments in subsidiaries

Investments in subsidiaries are carried at cost and adjusted for any share based payments in the separate financial statements of the Company, under AASB 127: Consolidated and Separate Financial Statements.

### (iv) Other financial liabilities

#### Trade and other payables

Trade and other payables, including accruals, are recorded initially at fair value, and subsequently at amortised cost. Trade and other payables are non-interest bearing.

## (j) Employee benefits

### (i) Wages and salaries, annual leave and long service leave

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

### (ii) Superannuation

The amount charged to the Statement of Comprehensive Income in respect of superannuation represents the contributions made by the economic entity to superannuation funds.

### (iii) Bonuses

A liability for employee benefits in the form of bonuses is recognised in employee benefits. This liability is based upon predetermined plans tailored for each participating employee and is measured on an ongoing basis during the financial period. The amount of bonuses is dependent on the outcomes for each participating employee. An additional amount is included where the Board has decided to pay discretionary bonuses for exceptional performance.

## (k) Revenue

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are shown net of returns, trade allowances and duties, and taxes paid. The following specific criteria must also be met before revenue is recognised:

### (i) Rendering of services

Revenue from services provided is recognised when the service is provided to the customer.

### (ii) Interest

Revenue from interest is recognised as interest accrues using the effective interest rate method. The effective interest rate method uses the rate that exactly discounts the estimated future cash flows over the expected life of the financial asset.

### (iii) Dividends

Revenue from dividends is recognised when the economic entity's right to receive payment is established.

### (iv) Lease revenue (property, plant and equipment)

Operating lease revenue is made up of operating lease interest and revenue from the principal that forms the net investment in the leased asset. Interest included in operating lease instalments is calculated on a straight-line basis for each customer contract based on the effective rate method using the interest rate in the lease contract, the net investment value of the leased asset and the residual value. The principal portion upon receipt reduces the net investment in the leased asset.

### (v) Sale of leased assets

Revenue includes the proceeds from the routine sale of motor vehicles previously leased and included within property, plant and equipment following the cessation of the rental of these assets by a customer.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (vi) Vehicle maintenance services

Revenues from maintenance service contracts are recognised for services rendered when it is probable that economic benefits from the transaction will flow to the Group. When the amounts are collectable or recovery is not considered probable, an expense is recognised immediately. Revenue is recognised for each reporting period by reference to the stage of completion when the outcome of the service contracts can be estimated reliably. The stage of completion of service contracts is based on the proportion that costs incurred to date bear to total estimated costs. When the outcome cannot be measured reliably, revenue is deferred and recognised 60 days after the contract terminates.

### (l) 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.

### (m) Leasing

Leases are classified as finance leases whenever the terms of the contract transfers substantially all the risk and rewards of ownership to the lessee. All other contracts are classified as operating leases.

#### (i) Finance lease receivable portfolio

Lease contracts with customers are recognised as finance lease receivables at the Group's net investment in the lease which 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 on the Group's remaining net investment in respect of the lease.

#### (ii) Operating lease portfolio – the Group as lessor

Lease contracts with customers other than finance leases are recognised as operating leases. The Group's 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 amortised as an expense on a straight line over the term of the lease based on the cost less residual value of the lease.

### (n) Share-based payments

The fair values of options granted are recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined using a binomial option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of the Company ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of options that will ultimately vest because of internal conditions attached to the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

### (o) Contributed equity

Ordinary shares are classified as equity.

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

### (p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the economic entity, on or before the end of the financial year but not distributed at balance date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (q) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

#### Diluted earnings per share

Earnings and the weighted average number of shares used in calculating basic earnings per share is adjusted for the following to calculate diluted earnings per share:

- the after-tax effect of interest and any other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (r) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

### (s) Provisions

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.

#### Restructurings

A restructuring provision is recognised when the Group has developed a plan for the restructuring and has communicated with those affected that it will carry out the plan. The provision is measured based on the direct cost arising from and necessary to undertake the restructuring plan and not with the ongoing activities of the Group.

### (t) Inventories

The inventory of motor vehicles is stated at the lower of cost and net realisable value. Following termination of the 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.

### (u) Operating cash flow

All cash flows other than investing or financing cash flows are classified as operating cash flows. As the asset management segment provides operating and finance leases for motor vehicles and equipment, the cash outflows to acquire the lease assets are classified as operating cash outflows. Similarly interest received and interest paid in respect of the asset management segment are classified as operating cash flows.

### (v) Borrowings

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.

### (w) Derivative financial instruments

The economic entity uses derivative financial instruments to manage its interest rate exposure to interest rate volatility and its impact on leasing product margins. The process to mitigate against the exposure seeks to have more control in balancing the spread between interest rates charged to lease contracts and interest rates and the level of borrowings assumed in its financing as required.

In accordance with the economic entity's treasury policy, derivative interest rate products that can be 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.

Derivative financial instruments are recognised at fair value at the date of inception and subsequently remeasured at fair value at reporting date. The resulting gain or loss is recognised in profit or loss unless the derivative or amount thereof is designated and effective as a hedging instrument, in which case the gain or loss is taken to equity and subsequently recognised in profit or loss to match the timing and relationship with the amount that the instrument was intended to hedge.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (x) Foreign currency translation

The consolidated financial statements of the economic entity are presented in Australian dollars which is the functional and presentation currency.

The financial results and affairs of foreign operations are translated into the presentation currency using the closing rate method where assets and liabilities are translated at the closing rate at reporting date and the results for the period at exchange rates at the date of the transactions. Exchange differences arising from the translation at reporting date are recognised in other comprehensive income for monetary items that form part of the net investment in the foreign operation and for differences arising from inter-group balances they are recognised in profit and loss.

### (y) Critical judgements and significant accounting estimates

The preparation of financial statements requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

All significant judgements, estimates and assumptions made during the year have been considered for significance. Key assumptions used for value-in-use calculations to determine the recoverable amount of assets in impairment tests are discussed in Note 14(d).

Estimates of significance are used in determining the residual values of operating lease and rental assets at the end of the contract date and income from maintenance services, which is recognised on a percentage stage of completion. In determining residual values, critical judgements include the future value of the asset lease portfolio at the time of sale, economic and vehicle market conditions and dynamics. For income from maintenance contracts, judgement is made in relation to expected realisable margins. The estimates and underlying assumptions are reviewed on an ongoing basis.

No other judgements, estimates or assumptions are considered significant.

### (z) New accounting standards and interpretations

The following new accounting standards, amendments to standards and interpretations (standards) have been issued, but are not mandatory for the 30 June 2011 reporting period. They may impact the economic entity in the period of initial application. They are available for early adoption, but have not been applied in preparing this financial report. No other new standards will impact the financial report.

i. *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

In addition, AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value. The majority of requirements from AASB 139 for the classification and measurement of financial liabilities has been carried forward unchanged, except in relation to own credit risk where an entity takes the option to measure financial liabilities at fair value. AASB 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income (OCI), unless there is an accounting mismatch in the profit or loss, in which case all gains or losses are to be presented in the profit or loss. The Group has not yet decided when to adopt AASB 9.

ii. *AASB 124 Related Part Disclosures (effective from 1 January 2011)*

The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011 which discloses any transactions between its subsidiaries.

iii. *AASB 2009-14 Prepayments of a Minimum Funding Requirement*

As the Group does not have a defined benefit pension plan this amendment to interpretation 14 is not expected to have any impact on the Group's financial report.

iv. *AASB 1053 Application of Tiers of Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

As the Group is listed on the ASX it is not eligible to adopt this standard and therefore has no impact on the Group's financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

- v. *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)*

This amendment interacts with the amendments made to AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transfers of assets through sale, factorisation, securitisation, lending or otherwise transfer to other parties. The Group intends to apply the amendment from 1 July 2011.

- vi. *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)*

This amendment introduces a more practical measurement of deferred taxes on investment property. As the Group has no investment property the amendment is unlikely to have any impact on the financial report.

- vii. *IFRS 10, 11 and 12 Consolidation Suite of Standards to be issued as AASB 10, 11 and 12 (effective from 1 January 2013)*

IFRS 10 revises the framework to assess the existence of control in a subsidiary. It introduces a new principle-based definition of control which will determine the scope of consolidation.

IFRS 11 adopts the same principles as IFRS 10 for determining control in joint ventures. The accounting for a joint arrangement will be dependent on the nature of the rights and obligations arising from the arrangement and will change the presentation of the statement of financial position and consequently, performance ratios.

IFRS 12 introduces new disclosure of judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities.

### (aa) Changes in accounting policies

In the current year, the economic entity has adopted all of the new and revised Standards and Interpretations issues by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

There have been no significant effects on current, prior or future periods arising from the first time application of the standards in respect of presentation, recognition and measurement in the current year financial statements.

### (ab) Rounding of amounts

The Company is of a kind referred to in Class order CO98/100, 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 Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (ac) Parent entity accounts

In accordance with Class order CO10/654 the Group will continue to include parent entity financial statements in the financial report.

## 2. FINANCIAL RISK MANAGEMENT

The Group’s overall risk management approach is to identify the risks and implement safeguards which seek to profit from and minimise potential adverse effects on the financial performance of the Group. The Board is responsible for monitoring and managing the financial risks of the Group. The Board monitors these risks through monthly board meetings, via regular reports from the Risk and Compliance Committee and ad hoc discussions with senior management, should the need arise. A risk register is presented to the Board at least quarterly and Credit and Treasury reports are provided to the Interest Committee and Credit Committee respectively, by the Group Treasurer and Credit Manager, including sensitivity analysis in the case of interest rate risk and aging / exposure reports for credit risk. These Committee reports are discussed at Board meetings monthly, along with management accounts. All exposures to risk and management strategies are consistent with prior year, other than as noted below.

### (a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

#### Liquidity management strategy

The Interleasing business and the resultant borrowings exposes the Group to potential mismatches between the refinancing of its assets and liabilities. The Group’s objective is to maintain continuity and flexibility of funding through the use of committed revolving bank facilities, asset subordination and surplus cash as appropriate to match asset and liability requirements.

The Group’s policy is to ensure that there is sufficient liquidity through access to committed available funds to meet at least twelve months of average net asset funding requirements. This level is expected to cover any short term financial market constraint for funds.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

The Group monitors monthly positive operating cash flows and forecasts cash flows for each twelve month period. Significant cash deposits have been maintained which enable the Group to settle obligations as they fall due without the need for short term financing facilities. The Chief Financial Officer and the Group Treasurer monitor the cash position of the Group weekly.

### Financing arrangements

During the year the Group re-negotiated its borrowing arrangements for Interleasing (Australia) Limited to extend the original facility by a further two years to 31 March 2014 on improved terms.

The Group's total borrowing facilities at reporting date was \$147m of which \$17m was undrawn. The Group also has facilities that can be stepped up by \$20m to \$167m on 1 July 2011 and a further \$30m to \$197m on 1 October 2011. The level and type of funding will be reviewed on an ongoing basis to ensure they meet the Group's on-going requirements.

The facilities may be drawn at any time. Details of each facility are as follows:

Facility A: \$17m amortising facility, fully drawn; expiry 31 March 2013 with \$4m amortisation payments required every six months in June and December. The scheduled payments of \$4m in December 2011 and \$1m in June 2012 have been pre-paid at reporting date.

Facility C: \$130m revolving facility that is drawn to \$113m at reporting date can be stepped up by \$20m to \$150m on 1 July 2011 and by \$30m to \$180m on 1 October 2011. The facility expires on 31 March 2014.

### Maturities of financial liabilities

The table below analyses the Group's and the parent entity's financial liabilities into relevant maturity groupings based on their contractual maturities and based on the remaining period to the expected settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

#### Group – at 30 June 2011: Contractual maturities of financial liabilities

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Trade payables	45,285	-	-	-	-	45,285	45,285
Borrowings	4,644	7,593	22,620	118,905	-	153,762	129,488
	49,929	7,593	22,620	118,905	-	199,047	174,773

#### Group – at 30 June 2010: Contractual maturities of financial liabilities

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Trade payables	44,942	-	-	-	-	44,942	44,942
Borrowings	9,282	9,048	128,405	15,341	-	162,076	141,913
	54,224	9,048	128,405	15,341	-	207,018	186,855

#### Parent – at 30 June 2011: Contractual maturities of financial liabilities

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Trade payables	30,990	-	-	-	-	30,990	30,990
Financial guarantee contracts	3,966	3,923	7,867	118,905	-	134,661	-
Borrowings	678	3,670	14,753	-	-	19,101	16,866
	35,634	7,593	22,620	118,905	-	184,752	47,856

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

Parent – at 30 June 2010: Contractual maturities of financial liabilities

	Less than 6 mths \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/liabilities \$'000
Trade payables	17,194	-	-	-	-	17,194	17,194
Financial guarantee contracts	4,157	4,089	118,913	-	-	127,159	-
Borrowings	5,125	4,959	9,492	15,341	-	34,917	29,815
	26,476	9,048	128,405	15,341	-	179,270	47,009

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company and economic entity have exposure to credit risk through the receivables' balances, customer leasing commitments and deposits with banks. Credit risk for the economic entity arising from total receivables is \$21,979,000 (2010: \$18,914,000) and \$15,031,000 (2010: \$16,754,000) arising from total deposits with banks. Credit risk for the parent entity arising from total receivables is \$342,000 (2010: nil) and \$506,000 (2010: \$1,405,000) arising from total deposits with banks. The Asset Management business has exposure to credit risk from assets leased to corporate customers, mainly from finance lease receivables of \$7,948,000 (2010: \$9,226,000) and the amortisation of operating lease vehicles of \$210,661,000 (2010: \$202,471,000) that have yet to be invoiced as future lease rentals. Such assets are secured against underlying assets.

#### Credit risk management strategy

Credit risk arises from cash and cash equivalents and deposits with banks as well as exposure from outstanding receivables and unbilled rentals for leased vehicles. For deposits with banks, only independently rated institutions with investment-grade ratings are used.

Credit risk relating to the leasing of assets is managed pursuant to the Board approved Credit Policy by the Group CFO and the Group Treasurer and Credit Manager. The policy is reviewed annually and prescribes minimum criteria in the credit assessment process that includes credit risk of the customer, type and intended use of the asset under lease 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 and value of the application. All minutes of Credit Committee meetings are reported to the Board. Additionally, the Board and the Credit Committee meet periodically to review and set concentration limits to effectively spread the risks as widely as possible across asset classes, client base, industries and asset manufacturer.

Where customers are independently rated, these ratings are taken into account. If there is no independent official rating, management assesses the credit quality of the customer, taking into account information from independent national credit bureau, its financial position, business segment, past experience and other factors using an application scorecard or other risk-assessment tools. The overall debtor aging position is reviewed monthly by the Board, as is the provision for any impairment in the trade receivables balance.

### (c) Market risk

#### (i) Interest rate risk

The Group's strong cash flow from operations and borrowings exposes the Group to movements in interest rates where movements could directly affect the margins from existing contracts and the pricing of new contracts for assets leased and income earned from surplus cash.

Exposure to interest rate volatility is managed via the Group's Treasury and pricing policies. The 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 along with the minutes of the monthly Interest Committee meetings.

Interest rate risk arises where movements in interest rates affect the net margins on existing contracts for assets leased. As the Group carries significant cash and borrowings, movements in interest rates can affect net income to the Group, particularly for the Group Remuneration services segment.

Borrowings issued at variable rates expose the Group to repricing interest rate risk. As at the end of the reporting period, the Group had \$113,000,000 (2010: \$112,727,000) variable rate borrowings under long-term revolving facilities attributable to the asset management business and \$17,000,000 (2010: \$30,000,000) for other Group requirements. The weighted average interest rate was 5.06% (2010: 5.07%) for the \$113,000,000 which is used as an input to asset repricing decisions. An analysis of maturities is provided in note 2(a).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

To mitigate the cash flow volatility arising from interest rate movements, the Group has entered into interest rate swaps, to exchange, at specified periods, the difference between fixed and variable rate interest amounts calculated on contracted notional principal amounts. The contracts require settlement of net interest receivable or payable on a quarterly basis. These 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. At 30 June 2011, all of the Group's borrowings for the Asset Management business of \$113,000,000 were covered by interest rate swaps at a fixed rate of interest of 5.25%.

The Group's interest rate risk also arises from cash at bank and deposits, which are at floating interest rates.

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

	30 June 2011		30 June 2010	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate	Balance \$'000
Cash and deposits	4.19%	15,034	4.02%	16,757
Bank loans (Group other)	5.06%	(17,000)	4.94%	(30,000)
Bank loans (Asset Management segment)	5.06%	(113,000)	4.94%	(112,727)
Interest rate swaps (notional amounts)	5.25%	123,000	-	-
Net exposure to cash flow interest rate risk		8,034		(125,970)

### Sensitivity analysis – floating interest rates

At 30 June 2011, the Group's and parent entity's cash and cash equivalents give rise to credit and interest rate risk. If the Australian interest rate weakened or strengthened by 100 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 \$56,238 higher or lower (and the parent entity \$115,458) higher or lower depending on which way the interest rates moved based on the cash and cash equivalents and borrowings balances at 30 June (2010: Group: \$630,000; parent entity: \$142,975, higher or lower depending on which way the interest rates moved based on the cash and cash equivalents balances at 30 June).

#### (ii) Foreign currency risk

*The economic entity's transactions are pre-dominantly denominated Australian dollars which is the functional and presentation currency.*

#### (iii) Other market price risk

The economic entity does not engage in any transactions that give rise to any other market risks.

#### (d) Asset risk

The Group's exposure to asset risk is mainly from the residual value of assets under lease and the maintenance and tyre 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. This estimate, which 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 recorded in the books. The risk relating to maintenance and tyre services arises where the costs to meet customer claims over the contracted period exceed estimates made at inception.

The Group continuously reviews 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.

At reporting date, the portfolio of motor vehicles under operating lease of \$210,661,000 (2010: \$202,471,000) included a residual value provision of \$1,303,000 (2010: \$266,000).

#### (e) Fair value measurements

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

Refer to notes 8 to 14 for details of the fair value of assets and 15 to 18 for the fair value of liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>3 REVENUE</b>				
<b>Revenue from continuing operations</b>				
Remuneration services <sup>1</sup>	111,797	92,139	-	-
Asset management services	118,699	26,656	-	-
Proceeds from sale of leased assets	40,042	12,226	-	-
Dividends received	-	-	21,100	25,758
Interest – other persons	767	1,001	33	523
<b>Total revenue</b>	<b>271,305</b>	<b>132,022</b>	<b>21,133</b>	<b>26,281</b>
<sup>1</sup> Included in remuneration services revenue is fee income derived from the holding of trust funds	11,064	7,538	-	-
<b>4 EXPENSES</b>				
<b>(a) Profit before income tax includes the following specific expenses</b>				
<b>Finance costs</b>				
Interest – financial institutions	11,278	3,149	1,814	791
<b>Depreciation and amortisation expense</b>				
Software development 14(b)	786	659	-	-
Contract rights acquired 14(b)	964	1,083	-	-
Assets under operating lease 12	62,558	15,723	-	-
Plant and equipment 12	2,716	1,576	-	-
Residual value impairment loss	1,037	266	-	-
	68,061	19,307	-	-
<b>Rental expense on operating leases</b>				
Minimum lease payments	3,670	1,931	-	-
<b>Superannuation</b>				
Defined contribution superannuation expense	3,035	2,557	-	-
<b>(b) Auditor's remuneration</b>				
<b>Remuneration of the auditor (Grant Thornton) of the parent entity for:</b>				
Auditing the Financial Reports	157,500	84,290	5,000	5,000
Audits for customer contracts	22,000	20,000	-	-
Review of subsidiary	25,000	17,500	-	-
<b>Remuneration of other auditors for:</b>				
Auditing the Financial Reports	-	75,000	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>5 INCOME TAX EXPENSE/(BENEFIT)</b>				
<b>(a) Components of tax expense/(benefit)</b>				
Current tax expense/(benefit)	19,760	14,215	(1,139)	(198)
Under-provision from prior year	-	-	1,183	
Deferred tax	(1,022)	(3,988)	173	(1,425)
Income tax expense/(benefit)	18,738	10,227	217	(1,623)
<b>(b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense/(benefit) as follows:</b>				
Profit before income tax expense	62,198	55,187	17,881	20,347
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	18,659	16,556	5,364	6,104
Add tax effect of:				
- gain on business acquisition	-	(6,357)	-	-
- share-based payments	145	159	-	-
- non-deductible costs	17	10	-	-
- investment allowance	-	(28)	-	-
- research & development	(83)	(110)	-	-
- (over)/under provision from prior year	-	(3)	1,183	-
	18,738	10,227	6,547	6,104
Less tax effect of:				
- dividends received	-	-	(6,330)	(7,727)
Income tax expense/(benefit)	18,738	10,227	217	(1,623)
<b>6 EARNINGS PER SHARE</b>				
<b>Reconciliation of earnings to profit</b>				
	'000	'000		
Net profit	\$43,460	\$44,960		
Earnings used to calculate basic earnings per share (EPS)	\$43,460	\$44,960		
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	67,903	67,592		
Weighted average number of options on issue outstanding	3,088	-		
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	70,991	67,592		

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>7 DIVIDENDS</b>				
Final fully franked ordinary dividend for the year ended 30 June 2010 of \$0.14 (2009: \$0.105) per share franked at the tax rate of 30% (2010: 30%)	9,497	7,097	9,497	7,097
Interim fully franked ordinary dividend for the year ended 30 June 2011 of \$0.16 (2010: \$0.10) per share franked at the tax rate of 30% (2010: 30%)	10,891	6,758	10,891	6,758
	20,388	13,855	20,388	13,855
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 – 30%)	32,764	22,631	32,990	22,631

The above amounts represent the balance of the franking account at the end of the financial year end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax,
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividends recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$6,421,829 (2010: \$4,060,679).

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>8 CASH AND CASH EQUIVALENTS</b>				
Cash on hand	3	3	-	-
Bank balances	14,119	15,844	506	1,405
Short term deposits	912	910	-	-
	15,034	16,757	506	1,405

Cash and cash equivalents are subject to interest rate risk as they earn interest at floating rates. Cash at bank is invested at floating rates. In 2011, the floating interest rates for the economic entity and parent entity were between 1.50% and 5.22% (2010: 1.50% and 5.28%). The short term deposits are also subject to floating rates, which in 2011 were between 4.96% and 5.43% (2010: 3.64% and 4.96%). These deposits have an average maturity of 90 days (2010: 90 days).



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>9 TRADE AND OTHER RECEIVABLES</b>				
<b>Current</b>				
Trade receivables	6,444	4,346	-	-
Finance lease receivables	3,748	2,957	-	-
Other receivables	7,587	5,342	342	-
	17,779	12,645	342	-
Included in 2010 trade receivables were amounts received in advance of \$2,401,000 which have been reclassified as a liability				
<b>Non Current</b>				
Finance lease receivables	4,200	6,269	-	-

The carrying amount of all current receivables are equal to their fair values as they are short term and fully recoverable. The fair value of Non-current receivable is \$4,736,000 (2010: \$7,160,000). The fair values are based on cash flows discounted using a lending rate of 8.4% (2010: 8.12%).

### (a) Ageing and impairment losses

The ageing of trade receivables for the economic entity at reporting date was:

Economic entity	2011			2010		
	Total	Amount impaired	Amount not impaired	Total	Amount impaired	Amount not impaired
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not past due	6,196	-	6,196	4,133	-	4,133
Past due 30 days	178	(54)	124	77	(34)	43
Past due 31-60 days	30	(2)	28	256	(86)	170
Past due 61-90 days	114	(23)	91	16	(16)	-
Past due > 90 days	145	(140)	5	108	(108)	-
<b>Total</b>	6,663	(219)	6,444	4,590	(244)	4,346

### (b) Concentration of risk

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

Approximately 25% (2010: 26%) of the Group's trade receivables relate to customers for the supply of vehicle leasing related products. Management have assessed this concentration of risk and are satisfied with the strategies employed in ensuring the exposure to this risk is minimal. Management considers that no other significant concentrations of risk within trade receivables exist.

### (c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the economic entity. None of the other current receivables are impaired or past due.

### (d) Doubtful debts policy

Refer Note 1(i).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (e) Finance lease receivables

	Economic Entity			
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	2011 \$'000	2011 \$'000	2010 \$'000	2010 \$'000
Within one year	4,198	3,748	4,191	2,957
Later than one but not more than five years	4,792	4,200	8,772	6,269
	8,990	7,948	12,963	9,226
Less: unearned finance income	1,042	-	3,737	-
Present value of minimum lease payments	7,948	7,948	9,226	9,226

	Note	Economic Entity		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>10 OTHER FINANCIAL ASSETS</b>					
<b>Non-current</b>					
Shares in subsidiaries at cost	11	-	-	100,863	100,381

### 11 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c).

Name	Country of Incorporation	Percentage Owned 2011	Percentage Owned 2010
<b>Parent entity</b>			
McMillan Shakespeare Limited	Australia		
<b>Subsidiaries of parent entity</b>			
Maxxia Pty Limited*	Australia	100%	100%
Remuneration Services (Qld) Pty Limited *	Australia	100%	100%
Easilease Pty Limited	Australia	100%	100%
Interleasing (Australia) Ltd *	Australia	100%	100%
CARILA Pty Ltd *	Australia	100%	100%
TVPR Pty Ltd *	Australia	100%	100%
Maxxia Limited	New Zealand	100%	100%

\*These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 27.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>12 PROPERTY, PLANT AND EQUIPMENT</b>				
<b>(a) Plant and equipment</b>				
<b>Plant and equipment</b>				
At cost	17,069	13,130	-	-
Less accumulated depreciation	(8,290)	(5,772)	-	-
	8,779	7,358	-	-
<b>Assets under operating lease</b>				
At cost	279,855	218,460	-	-
Less accumulated depreciation	(69,194)	(15,989)	-	-
	210,661	202,471	-	-
Total plant and equipment	219,440	209,829	-	-

**(b) Movements in cost and accumulated depreciation**

	Plant and equipment \$'000	Assets under operating lease \$'000	Total \$'000
<b>Consolidated entity</b>			
<b>Year ended 30 June 2011</b>			
Balance at the beginning of year	7,358	202,471	209,829
Additions <sup>(1)</sup>	4,165	104,212	108,377
Disposals/ transfers to assets held for sale	(28)	(32,427)	(32,455)
Impairment loss	-	(1,037)	(1,037)
Depreciation expense	(2,716)	(62,558)	(65,274)
<b>Balance at 30 June</b>	<b>8,779</b>	<b>210,661</b>	<b>219,440</b>
<b>Year ended 30 June 2010</b>			
Balance at the beginning of year	2,007	-	2,007
Additions <sup>(1)</sup>	6,948	23,701	30,649
Assets classified as held for sale	(91)	(8,560)	(8,651)
Additions as part of a business combination	70	203,319	203,389
Impairment loss	-	(266)	(266)
Depreciation expense	(1,576)	(15,723)	(17,299)
<b>Balance at 30 June</b>	<b>7,358</b>	<b>202,471</b>	<b>209,829</b>

(1) Included in additions of \$4,165,000 (2010: \$6,948,000) were reimbursements by the lessor of \$895,000 (2010: \$3,400,000)

**(c) Security**

The above assets form part of the security supporting the fixed and floating charge pledged to the economic entity's financier.

**(d) Property, plant and equipment held for sale**

Property, plant and equipment no longer held under operating leases are classified as inventory.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>13 DEFERRED TAX ASSETS AND LIABILITIES</b>				
<b>(a) Asset/(Liability)</b>				
The balance comprises temporary differences attributable to:				
<b>Amounts recognised in profit or loss</b>				
Doubtful debts	65	46	-	-
Provisions	1,622	869	-	-
Property, plant and equipment	(5,955)	(6,644)	-	-
Accrued expenses	3,612	1,929	17	164
Costs incurred as a result of business combination	-	1,263	-	1,263
Other receivables/prepayments	(699)	(442)	-	-
Finance leases	2,851	7,862	-	-
Other	481	130	54	-
Contract rights	(829)	(1,107)	-	-
Derivatives	92	-	-	-
Deferred tax arising on acquisition	-	(3,780)	-	-
<b>Closing balance at 30 June</b>	<b>1,240</b>	<b>126</b>	<b>71</b>	<b>1,427</b>
<b>(b) Movement</b>				
Opening balance at 1 July	126	(82)	1,427	2
(Credited/Charged) to Statement of Comprehensive Income	1,022	3,988	(1,356)	1,425
Charged to equity	92	-	-	-
Deferred tax arising on acquisition	-	(3,780)	-	-
<b>Closing balance at 30 June</b>	<b>1,240</b>	<b>126</b>	<b>71</b>	<b>1,427</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>14 INTANGIBLE ASSETS</b>				
<b>(a) Carrying values</b>				
Goodwill				
Cost	33,328	33,328	-	-
Impairment loss	(36)	(36)	-	-
Net carrying value	33,292	33,292	-	-
Software development costs				
Cost <sup>(1)</sup>	9,001	6,299	-	-
Accumulated amortisation	(5,207)	(4,413)	-	-
Net carrying value	3,794	1,886	-	-
Contract rights				
Cost <sup>(1)</sup>	7,672	7,672	-	-
Accumulated amortisation	(4,909)	(3,945)	-	-
Net carrying value	2,763	3,727	-	-
Total Intangibles	39,849	38,905	-	-

(1) Software includes capitalised internal costs

### (b) Reconciliation of net book amount

	Economic Entity			
	Goodwill \$'000	Software development costs \$'000	Contract rights \$'000	Total \$'000
<b>2011</b>				
Net book amount				
Balance beginning of year	33,292	1,886	3,727	38,905
Additions	-	2,694	-	2,694
Amortisation	-	(786)	(964)	(1,750)
Balance end of year	33,292	3,794	2,763	39,849
<b>2010</b>				
Net book amount				
Balance beginning of year	33,292	962	4,764	39,018
Additions	-	1,583	46	1,629
Amortisation	-	(659)	(1,083)	(1,742)
Balance end of year	33,292	1,886	3,727	38,905

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (c) Impairment test for goodwill

Goodwill is allocated to the economic entity's cash-generating units (CGUs) identified arising from the acquisitions of subsidiaries.

The carrying amount of goodwill allocated to each CGU:

	Economic Entity	
	2011 \$'000	2010 \$'000
Maxxia Pty Limited	24,190	24,190
Remuneration Services (Qld) Pty Limited	9,102	9,102
	33,292	33,292

The recoverable amount of each CGU above is determined based on value-in-use calculations. These calculations use the present value of cash flow projections based on financial budgets approved by management covering a five-year period.

### (d) Key assumptions used for value-in-use calculations

	Discount rate	
	2011 %	2010 %
Maxxia Pty Limited	16.20	17.84
Remuneration Services (Qld) Pty Limited	16.20	17.84

The budgets use historical average growth rates to project revenue. Costs are determined taking into account historical margins and estimated cost increases. Cash flows beyond the five-year period are extrapolated using a zero growth rate for conservatism. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In performing the value-in-use calculations for each CGU, the economic entity has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The discount rates used reflect specific risks relating to the relevant business each subsidiary is operating in.

These assumptions have been used for the analysis of each CGU within each subsidiary.

The recoverable amounts of the CGUs exceed the carrying amounts by substantial margins. Consequently, a sensitivity analysis of possible changes in key assumptions is not considered necessary.

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>15 TRADE AND OTHER PAYABLES</b>				
<i>Unsecured liabilities</i>				
Trade payables	13,561	10,766	-	-
GST payable	1,211	1,129	-	-
Sundry creditors and accruals	20,619	21,996	508	817
Maintenance instalments received in advance	6,306	8,653	-	-
Receivables in advance	3,282	2,398	-	-
Derivative financial instruments	306	-	-	-
Amounts payable to wholly owned entities	-	-	30,482	16,377
	45,285	44,942	30,990	17,194

Trade and other payables are non-interest bearing. These are short-term liabilities and the carrying value is representative of the fair value.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>16 CURRENT TAX LIABILITY</b>				
Income tax	6,752	8,431	6,752	8,431
<b>17 PROVISIONS</b>				
Current				
Employee benefits	4,023	3,184	-	-
Non current				
Employee benefits	448	458	-	-
Aggregate employee benefits liability	4,471	3,642	-	-
<b>18 BORROWINGS</b>				
Current				
Bank loans	2,949	7,949	2,949	7,949
Non-current				
Bank loans	126,539	133,964	13,917	21,866

### (a) Security

The parent entity guarantees a bank loan of a subsidiary of \$113,000,000 (2010: \$112,727,000). Fixed and floating charges are also provided by the Group in respect to financing facilities.

The loans are secured by pledges to the following financial undertakings:

- (i) for each quarter, consolidated EBIT shall be or exceed 3.0 times consolidated interest;
- (ii) the ratio of total bank loans to consolidated EBIT for the twelve months ending at the end of each quarter must be less than 4.5:1; and
- (iii) shareholders' equity to 30 December 2011 must be at least \$55,000,000 and from 31 December 2011 to be at least \$65,000,000.

### (b) Fair value disclosures

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.

### (c) Risk exposures

Details of the Group's exposure to risks arising from current and Non-current borrowings are set out in note 2.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>19 CONTRIBUTED EQUITY</b>				
<b>(a) Share capital</b>				
68,081,810 (2010: 67,677,977) fully paid ordinary shares	25,053	23,066	25,053	23,066

### (b) Reconciliation of movement in equity

	Number of shares	Issue price \$	Ordinary shares \$'000
Balance at 1 July 2010	67,677,977		23,066
Options exercised during the year			
Fully paid shares issued on the exercise of employee options	95,520	3.80	362
Fully paid shares issued on the exercise of employee options	308,313	4.52	1,393
Transfer from option reserve	-		232
Total shares issued	403,833		1,987
Balance at 30 June 2011	68,081,810		25,053
Balance at 1 July 2009	67,583,428		22,637
Options exercised during the year			
Fully paid shares issued on the exercise of employee options	94,549	3.80	360
Transfer from option reserve	-		69
Total shares issued	94,549		429
Balance at 30 June 2010	67,677,977		23,066

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.

### (c) Options

At 30 June 2011, there were 7,186,454 (2010: 8,317,289) unissued ordinary shares for which options were outstanding.

No options over ordinary shares were issued during the year.

The Company issued the following options over ordinary shares to specified executives in 2010.

Date of issue	Number of options	Exercise price	Option expiry date
14 August 2009	133,334	\$3.40	13 August 2012
14 August 2009	193,939	\$4.70	13 August 2012
28 May 2010	698,924	\$3.42	1 October 2015

### (d) Capital management strategy

The Group's objectives when managing capital are 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 and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as long and short term borrowings (excluding derivatives and financial guarantees) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

The Group's gearing ratio at 30 June 2011 was 50% (2010: 58%), calculated as Net debt of \$114,454,000 (2010: \$125,156,000) divided by total capital of 228,966,000 (2010: \$214,573,000). The Group's banking facility agreement includes covenants that require the total equity of the group to exceed \$55,000,000 and the dividend payout to earnings after tax ratio not to exceed 65%. During the financial year the Group met these requirements. Total equity of the Group as at 30 June was \$114,512,000 (2010: \$89,417,000). No banking facility covenants were breached during the financial year.

The Group's Risk and Compliance Committee reviews the capital structure of the Group on an ongoing basis. As part of this review the committee considers the cost of capital and the risks associated with each class of capital.

### 20 RESERVES

(a) **Option reserve** Movements in the reserve are detailed in the Statements of Changes in Equity. The reserve records amounts for the fair value of options granted and recognised as an employee benefits expense but not exercised.

### (b) Cash flow hedge reserve

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revaluation - gross	(306)	-	-	-
Deferred tax	92	-	-	-
Balance at 30 June 2011	(214)	-	-	-

### 21 CASH FLOW INFORMATION

#### Reconciliation of cash flow from operations with profit from operating activities after income tax

Profit for the year	43,460	44,960	17,664	21,970
Non-cash flows in profit from operating activities				
Amortisation	964	1,742	-	-
Impairment loss	1,037	266	-	-
Depreciation	66,060	17,299	-	-
Option expense	482	549	-	-
Net loss on disposal of plant and equipment	19	30	-	-
Gain from business combination	-	(20,991)	-	-
Acquisition expenses	-	5,707	-	4,430
Purchase of operating lease assets	(113,181)	(25,261)	-	-
Written down value of assets sold	33,527	10,386	-	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
Decrease/(increase) in trade receivables and other assets	(9,213)	(6,880)	(414)	66
Increase/(decrease) in trade payables and accruals	14,331	6,859	(11,510)	(253)
Increase/(decrease) in income taxes payable	(1,679)	(1,298)	(1,679)	(212)
Decrease/(increase) in deferred taxes	(1,114)	2,279	1,356	-
Increase in provisions	829	495	-	-
<b>Net cash from operating activities</b>	<b>35,522</b>	<b>36,142</b>	<b>5,417</b>	<b>26,001</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Parent Entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>22 COMMITMENTS</b>				
<b>(a) Capital expenditure commitments</b>				
Capital expenditure commitments contracted for:				
Property, plant and equipment	1,537	1,447	-	-
Payable:				
- Not later than 12 months	1,537	1,447	-	-
<b>(b) Operating lease commitments</b>				
Noncancellable operating leases contracted for but not capitalised in the financial statements:				
Payable minimum lease payments				
Not later than 12 months	3,970	3,809	-	-
Between 12 months and 5 years	14,665	14,773	-	-
Greater than 5 years	11,634	15,502	-	-
	30,269	34,084	-	-

The property leases are non-cancellable leases with varying terms, with rent payable monthly in advance. Individual rental agreements specify each rental adjustment. A new lease was entered into during the year securing office premises for 5 years, with an option of a further 5 years. The equipment leases are non-cancellable leases with varying terms, with rent payable quarterly in arrears.

## 23 SEGMENT REPORTING

### Reportable segments

#### (a) Description of Segments

The Group has identified its operating segments based on the internal reports reviewed and used by the Group's chief decision maker (the CEO) to determine business performance and resource allocation. Operating segments have been identified after considering the nature of the products and services, nature of the production processes, type of customer and distribution methods.

Two reportable segments have been identified "Group Remuneration Services" and "Asset Management", in accordance with AASB8 "Operating Segments" based on aggregating operating segments taking into account the nature of the business services and products sold and the associated business and financial risks and how they affect the pricing and rates of return.

Group Remuneration Services - This segment provides administrative services in respect of salary packaging and facilitates the settlement of motor vehicle novated leases for customers, but does not provide financing. The segment also provides ancillary services associated with motor vehicle novated lease products.

Asset Management - This segment provides financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (b) Segment information provided to the Chief Decision Maker

The following is an analysis of the Group's revenue and results from operations by reportable segment.

	Segment revenue		Segment profit	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Group Remuneration Services	111,648	92,139	45,268	35,830
Asset Management	158,890	38,882	19,299	4,573
Total for segment operations	270,538	131,021	64,567	40,403
Corporate administration and directors' fees			(831)	(710)
Integration costs			(491)	-
Interest expense			(1,814)	(791)
Interest income			767	1,001
Profit before tax from continuing operations			62,198	39,903
Net gain on business combination before tax			-	15,284
Profit before tax for the year			62,198	55,187

### (c) Other segment information

#### (i) Segment revenue

Segment revenue is reconciled to the Statement of Comprehensive Income as follows:

	2011	2010
	\$'000	\$'000
Total segment revenue	270,538	131,021
Interest revenue	767	1,001
Total revenue per Consolidated Statement of Comprehensive Income	271,305	132,022

Segment revenue above represents sales to external customers and excludes inter-segment sales, consistent with the basis by which the financial information is presented to the Chief Decision Maker.

The accounting policies of the reportable segments are the same as the Group's policies. 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 listing and company fees, director's fees and finance costs relating to borrowings not specifically sourced for segment operations or interest revenue not directly attributable to a segment.

Included in the revenue for the Group Remuneration Services segment are revenues of \$41,319,000 (2010: \$33,600,000) from the Group's largest customer.

The Group's operations and its customers are predominantly located in Australia.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (ii) Segment depreciation and amortisation

	2011 \$'000	2010 \$'000
Group Remuneration Services	4,275	3,305
Asset Management	63,786	16,002
	68,061	19,307

### (iii) Segment assets and liabilities

The segment information with respect to total assets is measured in a consistent manner with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The parent entity's borrowings are not considered to be segment liabilities.

The reportable segments' assets and liabilities are reconciled to total assets as follows:

	2011 \$'000	2010 \$'000
Segment assets		
Group Remuneration Services <sup>(3)</sup>	61,401	54,368
Asset Management <sup>(3)</sup>	222,833	217,211
Segment assets	284,234	271,579
Non-segment assets		
Unallocated assets <sup>(1)</sup>	16,274	16,883
Consolidated assets per statement of financial position	300,508	288,462
Segment liabilities		
Group Remuneration Services	27,079	25,010
Asset Management	135,299	136,309
Segment liabilities	162,378	161,319
Non-segment liabilities		
Unallocated liabilities <sup>(2)</sup>	23,618	37,726
Consolidated liabilities per statement of financial position	185,996	199,045

All assets and liabilities are located in Australia.

(1) Unallocated assets comprise cash and cash equivalents of the Group, maintained as part of the centralised treasury and funding function and deferred tax asset.

(2) Unallocated liabilities comprise tax liabilities of the Group and parent company loans that are employed by the whole group.

(3) Finance lease receivables of \$9,226,000 in 2010 were re-classified from Group Remuneration Services to Asset Management.

	2011 \$'000	2010 \$'000
Additions to Non-current assets		
Group Remuneration Services	4,886	8,577
Asset Management	106,185	23,701
	111,071	32,278

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>24 CONTINGENT LIABILITIES</b>				
Estimates of the potential financial effect of contingent liabilities that may become payable:				
Guarantees provided for the performance of contractual obligations. A term deposit supports the contractual guarantees.	623	573	-	-
Guarantee provided for the performance of a contractual obligation not supported by term deposit.	20	20	-	-
Guarantees provided in respect of property leases.	3,953	4,118	380	380
	4,596	4,711	380	380

## 25 RELATED PARTY TRANSACTIONS

### (a) Wholly owned group

Transactions between the Company and other entities within the wholly owned group during the years ended 30 June 2011 and 2010 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:

	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Dividend revenue	-	-	21,100	25,578
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current payables	-	-	30,482	16,377
<b>(b) Key management personnel compensation</b>				
Compensation				
Short-term employment benefits	3,294,212	2,917,219	1,926,251	1,657,002
Post-employment benefits	276,549	249,955	192,814	171,472
Long-term employment benefits	40,476	20,129	24,301	241
Termination benefits	196,923	-	196,923	-
Share-based payments	443,096	430,484	282,702	333,056
	4,251,256	3,617,787	2,622,991	2,161,771

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (c) Equity instrument disclosures relating to key management personnel

#### Shareholding

The number of shares in the Company held during the financial year ended 30 June 2011 and 30 June 2010 by each Director and each of the specified executives of the economic entity, including their personally related parties, are set out below:

Year ended 30 June 2011	Balance at the start of the year	Shares acquired through option exercise	Other changes during the year	Balance held at balance date
<b>Non-Executive Directors</b>				
R Pitcher	105,100	-	-	105,100
G McMahon	122,000	-	-	122,000
J Bennetts	4,718,025	-	(150,000)	4,568,025
R Chessari	6,425,063	-	(200,000)	6,225,063
<b>Executive Directors</b>				
A Podesta <sup>(1)</sup>	11,235,000	-	-	11,235,000
M Kay	4,164	-	-	4,164
	22,609,352	-	(350,000)	22,259,352
<b>Other key management personnel</b>				
M Cansdale (until 31 August 2010)	-	-	-	-
G Kruyt	370,348	90,000	(341,176)	119,172
P Lang	101,001	40,000	(134,549)	6,452
M Salisbury	-	-	-	-
P McCluskey (commenced 1 September 2010)	130	-	782	912
A Tomas (commenced 1 April 2010)	-	-	-	-
	471,479	130,000	(474,943)	126,536

(1) Mr Podesta resigned as an executive director with effect from 17 August 2010, but continues in the role of non-executive director.

#### Year ended 30 June 2010

#### Non-Executive Directors

R Pitcher	105,100	-	-	105,100
G McMahon	100,000	-	22,000	122,000
J Bennetts	4,718,025	-	-	4,718,025
R Chessari	6,425,063	-	-	6,425,063

#### Executive Directors

A Podesta	12,935,000	-	(1,700,000)	11,235,000
M Kay	4,164	-	-	4,164
	24,287,352	-	(1,678,000)	22,609,352

#### Other key management personnel

M Cansdale (until 31 August 2010)	-	-	-	-
G Kruyt	364,348	-	6,000	370,348
P Lang	406,138	94,549	(399,686)	101,001
M Salisbury	-	-	-	-
A Suckling	-	-	-	-
A Tomas (commenced 1 April 2010)	-	-	-	-
	770,486	94,549	(393,686)	471,349



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (c) Equity instrument disclosures relating to key management personnel

#### Options

The number of options to acquire shares in the Company held during the financial year ended 30 June 2011 and 30 June 2010 by each of the other key management personnel of the Group, including their personally related parties, are set out below. No options are held by Non-Executive Directors.

Year ended 30 June 2011	Balance at the start of the year	Issued	Exercised	Lapsed	Balance held at balance date
M Kay	3,750,000	-	-	-	3,750,000
M Cansdale (until 31 August 2010)	725,000	-	-	(725,000)	-
G Kruyt	715,000	-	(90,000)	-	625,000
P Lang	665,000	-	(40,000)	-	625,000
M Salisbury	136,364	-	-	-	136,364
P McCluskey (commenced 1 September 2010)	-	-	-	-	-
A Tomas (commenced 1 April 2010)	537,634	-	-	-	537,634
	6,528,998	-	(130,000)	(725,000)	5,673,998
<b>Year ended 30 June 2010</b>					
M Kay	3,750,000	-	-	-	3,750,000
M Cansdale (until 31 August 2010)	725,000	-	-	-	725,000
G Kruyt	715,000	-	-	-	715,000
P Lang	761,634	-	(94,549)	(2,083)	665,002
M Salisbury	136,364	-	-	-	136,364
A Suckling	-	66,667	-	-	66,667
A Tomas (commenced 1 April 2010)	-	537,634	-	-	537,634
	6,087,998	604,301	(94,549)	(2,083)	6,595,667

### 26 SHARE-BASED PAYMENTS

The Company established the Employee Option Plan in 2004. The Remuneration Committee determines the number of options to be granted on the basis of the position, duties and responsibilities of the relevant employees.

Options are granted under the plan for no consideration over unissued ordinary shares in the Company.

Options are generally granted for a four year period and the exercise price is based on or above prevailing market prices when the issue is approved by the Board.

Options granted under the plan carry no dividend or voting rights.

As at 30 June 2011, the Company had made ten offers under the Plan in March 2004, December 2004, April 2005, August 2005, February 2007, December 2007, July 2008, November 2008, August 2009 and May 2010.

Options issued in March 2004, December 2004, April 2005 and August 2005 have expired or have been exercised prior to 1 July 2008.

All options in the February 2007 offer were issued subject to the following exercise conditions:

- 50% of the options vested and were exercisable in equal proportions on or after 15 September 2007, 15 September 2008 and 15 September 2009, but the entitlement to exercise was subject to continuity of employment;
- 25% of the options vested and were exercisable in equal proportions on or after 15 September 2007, 15 September 2008 and 15 September 2009, but the entitlement to exercise was subject to continuity of employment and achievement of predetermined targets. For the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 the targets centred on the achievement of budgeted NPAT;
- 25% of the options vested and were exercisable in equal proportions on or after 15 September 2007, 15 September 2008 and 15 September 2009, but the entitlement to exercise was subject to continuity of employment and satisfaction of individual performance indicators for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009;

other than with respect to 50,000 options that are exercisable on or after 15 September 2009 subject to continuity of employment until that date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

The December 2007 offer was made on varying terms. 165,000 options were issued subject to the following exercise conditions:

- 50% of those options vested and are exercisable in equal proportions on or after 15 September 2008, 15 September 2009 and 15 September 2010, but the entitlement to exercise is subject to continuity of employment;
- 25% of those options vested and are exercisable in equal proportions on or after 15 September 2008, 15 September 2009 and 15 September 2010, but the entitlement to exercise is subject to continuity of employment and achievement of predetermined targets. For the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010, the targets centred on the achievement of budgeted NPAT;
- 25% of those options vested and are exercisable in equal proportions on or after 15 September 2008, 15 September 2009 and 15 September 2010, but the entitlement to exercise is subject to continuity of employment and satisfaction of individual performance indicators for the financial years ending 30 June 2008, 30 June 2009 and 30 June 2010.

A further 90,000 options of the December 2007 offer vested and were exercisable on or after 15 September 2009 subject to continuity of employment until that date.

In July 2008, the Company issued 4,375,000 options, of which 3,750,000 options were available for issue at reporting date.

The entitlement to exercise was subject to continuity of employment to 30 June 2011 and the achievement of predetermined targets, of which 75% were based on earnings per share ("EPS") targets over three years, including a cumulative EPS target over the three year period in the event that the maximum EPS target was not achieved in any one year. The EPS growth targets were based on the actual FY08 EPS achieved as the base year. The EPS targets were as follows:

<b>Performance Hurdles</b>	<b>Weighting</b>
Achievement of FY2009 EPS growth of not less than 15.0%	12.50%
Achievement of FY2009 EPS growth of not less than 17.5%	6.25%
Achievement of FY2009 EPS growth of not less than 20.0%	6.25%
Achievement of FY2010 EPS growth of not less than 15.0%	12.50%
Achievement of FY2010 EPS growth of not less than 17.5%	6.25%
Achievement of FY2010 EPS growth of not less than 20.0%	6.25%
Achievement of FY2011 EPS growth of not less than 15.0%	12.50%
Achievement of FY2011 EPS growth of not less than 17.5%	6.25%
Achievement of FY2011 EPS growth of not less than 20.0%	6.25%

The balance (25%) was based on the undertaking by the Company of a transformational event resulting in a major diversification for the Company. At reporting date the transformational event is regarded as having been met through the acquisition of Interleasing (Australia) Ltd. The maximum amount from this option issue have vested upon the adoption of this Annual Report.

The remaining 625,000 options issued to the former Group CFO in this tranche lapsed during the financial year ended June 2011.

A further 2,600,114 options were issued in November 2008 and a further 327,273 options were issued in August 2009. These options all expire four years from the relevant date of issue.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

The entitlement to exercise these options was subject to continuity of employment and the achievement of predetermined targets, of which 100% is based on EPS targets over three years, including a cumulative EPS target over three years in the event that the maximum target was not achieved in any one year. The EPS growth target was based on the actual FY08 EPS achieved as the base year. The performance hurdles were as follows.

Performance Hurdles	Weighting
Achievement of FY2009 EPS growth of not less than 15.0%	25.00%
Achievement of FY2009 EPS growth of not less than 17.5%	5.00%
Achievement of FY2009 EPS growth of not less than 20.0%	3.34%
Achievement of FY2010 EPS growth of not less than 15.0%	25.00%
Achievement of FY2010 EPS growth of not less than 17.5%	5.00%
Achievement of FY2010 EPS growth of not less than 20.0%	3.33%
Achievement of FY2011 EPS growth of not less than 15.0%	25.00%
Achievement of FY2011 EPS growth of not less than 17.5%	5.00%
Achievement of FY2011 EPS growth of not less than 20.0%	3.33%

Other than options in this tranche which have lapsed due to resignation, the maximum amount of options in this tranche has vested upon the adoption of this Annual Report.

A further 698,924 options were issued in May 2010. The entitlement to exercise is subject to a further offer by the Company of a 36 month employment contract following completion of an 18 month fixed term employment contract. The entitlement is subject to continuity of employment and the achievement of predetermined EPS targets over three years. Targets will be established at the commencement of the 36 month employment contract. The entire issue vests and is exercisable (subject to the achievement of the conditions) on 1 October 2014.

Set out below are summaries of options granted under the plan:

### Economic and parent entity - 2011

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
4 February 2007	3 February 2011	\$3.80	95,522	-	(95,522)	-	-	-
21 December 2007	20 December 2011	\$4.52	425,001	-	(308,313)	(2,000)	114,688	114,688
1 July 2008	30 June 2012	\$4.70	4,375,000	-	-	(625,000)	3,750,000	-
24 November 2008	23 November 2012	\$3.40	306,819	-	-	-	306,819	-
24 November 2008	23 November 2012	\$4.70	2,088,750	-	-	(100,000)	1,988,750	-
14 August 2009	13 August 2012	\$3.40	133,334	-	-	-	133,334	-
14 August 2009	13 August 2012	\$4.70	193,939	-	-	-	193,939	-
28 May 2010	1 October 2015	\$3.42	698,924	-	-	-	698,924	-
			8,317,289	-	403,835	(727,000)	7,186,454	114,688
Weighted average exercise price			\$4.50	-	\$4.35	\$4.70	\$4.49	\$4.52

### Economic and parent entity - 2010

4 February 2007	3 February 2011	\$3.80	289,971	-	(94,549)	(99,900)	95,522	95,522
21 December 2007	20 December 2011	\$4.52	463,063	-	-	(38,062)	425,001	136,938
1 July 2008	30 June 2012	\$4.70	4,375,000	-	-	-	4,375,000	-
24 November 2008	23 November 2012	\$3.40	511,364	-	-	(204,545)	306,819	-
24 November 2008	23 November 2012	\$4.70	2,088,750	-	-	-	2,088,750	-
14 August 2009	13 August 2012	\$3.40	-	133,334	-	-	133,334	-
14 August 2009	13 August 2012	\$4.70	-	193,939	-	-	193,939	-
28 May 2010	1 October 2015	\$3.42	-	698,924	-	-	698,924	-
			7,728,148	1,026,197	(94,549)	(342,507)	8,317,289	232,460
Weighted average exercise price			\$4.57	\$3.66	\$3.80	\$3.64	\$4.50	\$4.22

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

Of the forfeited options, 2011: none (2010: 70,851 with a value of \$45,404) represented expired options.

The weighted average share price at the date of exercise of options during the year ended 30 June 2011 was \$4.35 (2010: \$3.80).

The weighted average remaining contractual life of options outstanding at the end of the year was 1.4 years (2010: 2.4 years).

### Fair value of options granted

No options were granted during the year and the assessed fair value at grant date of options granted in 2010 is disclosed in the table below. The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the share price at the 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 option.

	August 2009	May 2010
Fair value	\$0.60 and \$0.33	\$0.93
Exercise price	\$3.40 and \$4.70	\$3.42
Grant date	14 August 2009	28 May 2010
Expiry date	13 August 2012	1 October 2015
Share price at grant date	\$3.23	\$3.42
Expected price volatility of the Company's shares	37%	37%
Expected dividend yield	6.6%	5.0%
Risk-free interest rate	5.0%	5.5%

The expected price volatility is based on historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee and Director benefits expense were as follows:

	Economic Entity		Parent Entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Options issued under Employee Option Plan	482	549	-	-

## 27 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 entered into deeds of cross guarantee in the year ended 30 June 2011. 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 Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

Set out below is a statement of comprehensive income, statement of financial position and a summary of movements in consolidated retained profits for the year ended 30 June 2011 of the Closed Group consisting of McMillan Shakespeare Limited, Maxxia Pty Ltd and Remuneration Services (Qld) Pty Ltd, Interleasing (Australia) Ltd, CARILA Pty Ltd and TVPR Pty Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### (a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits

	2011 \$'000	2010 \$'000
<b>Statement of Comprehensive Income</b>		
Revenue and other income	271,297	132,016
Employee and director benefits expenses	(55,336)	(41,511)
Depreciation and amortisation expenses and impairment	(68,024)	(19,308)
Leasing and vehicle management expenses	(52,470)	(13,064)
Consulting cost expenses	(1,541)	(1,278)
Marketing expenses	(2,671)	(2,573)
Property and corporate expenses	(4,942)	(2,698)
Technology and communication expenses	(5,594)	(3,422)
Finance costs	(11,278)	(3,149)
Other expenses	(7,250)	(5,115)
Profit before business combination and income tax	62,191	39,898
Gain on business combination	-	20,991
Acquisition costs	-	(5,707)
Profit before income tax	62,191	55,182
Income tax expense	(18,735)	(10,226)
Profit attributable to members of the parent entity	43,456	44,956
<b>Other comprehensive income</b>		
Other comprehensive income/(loss) for the period after tax	(214)	-
<b>Total comprehensive income for the period</b>	<b>43,242</b>	<b>44,956</b>
<b>Summary of movements in consolidated retained profits</b>		
Retained profits at the beginning of the financial year	64,834	33,733
Profits for the year	43,456	44,956
Dividends paid	(20,388)	(13,855)
Retained profits at the end of the financial year	87,902	64,834

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

## (b) Consolidated Statement of Financial Position

	2011 \$'000	2010 \$'000
<b>Current assets</b>		
Cash and cash equivalents	14,833	16,562
Trade and other receivables	19,210	12,308
Inventory	1,477	1,809
<b>Total current assets</b>	35,520	30,679
<b>Non-current assets</b>		
Plant and equipment	220,050	209,829
Intangible assets	39,849	38,904
Deferred tax asset	1,248	135
Trade and other receivables	4,200	6,269
<b>Total Non-current assets</b>	265,347	255,137
<b>TOTAL ASSETS</b>	300,867	285,816
<b>Current liabilities</b>		
Trade and other payables	45,881	42,529
Current tax liability	6,752	8,431
Provisions	4,023	3,184
Borrowings	2,949	7,949
Other liabilities	-	116
<b>Total current liabilities</b>	59,605	62,209
<b>Non-current liabilities</b>		
Provisions	448	459
Borrowings	126,539	133,964
<b>Total Non-current liabilities</b>	126,987	134,423
<b>TOTAL LIABILITIES</b>	186,592	196,632
<b>NET ASSETS</b>	114,275	89,184
<b>EQUITY</b>		
Contributed equity	25,053	23,066
Reserves	1,320	1,284
Retained earnings	87,902	64,834
<b>TOTAL EQUITY</b>	114,275	89,184

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### 28 BUSINESS COMBINATION

The Gain from business combination in the prior year related to the Group's 100% acquisition of Interleasing (Australia) Limited ("Interleasing") and its subsidiaries on 1 April 2010, being unlisted companies based in Australia. The acquisition was made to facilitate brand expansion, cross selling opportunities, increased vehicles under management and scalability.

Consideration for the acquisition was \$208,390,000 (less cash assumed of \$1,507,000), funded mainly by a combination of surplus cash (\$25,000,000), debt (\$142,727,000) and the sale of a portfolio of novated finance lease receivables that were acquired as part of Interleasing's net assets (\$40,740,000).

The value of the consideration was determined based on an 11.3% discount to recorded net assets at the date of acquisition as a result of the vendor's global restructuring plans. The assets and liabilities acquired have been fair valued in accordance with AASB 3 "Business Combinations", which resulted in a Gain on Business Combination of \$20,991,000. Acquisition-related expenses of \$5,707,000 were incurred resulting in a net gain from the acquisition of \$17,055,000 after tax. This has been recognised in the Consolidated Income Statement as "Gain on Business Combination".

	<b>\$'000</b>
<b>Purchase consideration – cash outflow</b>	
Cash paid for shares	1,507
Cash paid to discharge loan from vendor	206,883
Total cash consideration	208,390
Cash acquired with Interleasing	(1,507)
Net cash outflow for consideration transferred	206,883
<b>Reconciliation to the Statement of Cash Flows</b>	
Net cash outflow transferred to vendor	206,883
Cash inflow from sale of novated lease book on acquisition	(40,740)
Net cash outflow for acquisition	166,143
<b>The net gain arising from the acquisition is as follows:</b>	
Total cash consideration	208,390
Fair value of net assets acquired	229,381
Gain on Business Combination	20,991
Acquisition expenses	(5,707)
Net gain on business combination before tax	15,284
Net gain on business combination after tax	17,055

## DIRECTORS' DECLARATION

The Directors are of the opinion that:

1. the financial statements and notes on pages 21 to 59 are in accordance with the *Corporations Act 2001* (Cth) including:
  - (a) compliance with Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements;
  - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and financial performance for the financial year ended on that date; and
  - (c) compliance with International Financial Reporting Standards as disclosed in Note 1.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

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

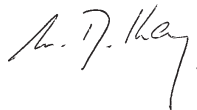


Ronald Pitcher, AM

Chairman

30 August 2011

Melbourne, Australia



Michael Kay

Managing Director



# INDEPENDENT AUDIT REPORT

AS AT 30 JUNE 2011



Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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## **Independent Auditor's Report To the Members of McMillan Shakespeare Limited**

### **Report on the financial report**

We have audited the accompanying financial report of McMillan Shakespeare Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's

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# INDEPENDENT AUDIT REPORT

AS AT 30 JUNE 2011



judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

#### **Electronic presentation of audited financial report**

This auditor's report relates to the financial report of McMillan Shakespeare Limited and its controlled entities for the year ended 30 June 2011 included on McMillan Shakespeare Limited's web site. The Company's Directors are responsible for the integrity of McMillan Shakespeare Limited's web site. We have not been engaged to report on the integrity of McMillan Shakespeare Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### **Auditor's opinion**

In our opinion:

- a the financial report of McMillan Shakespeare Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

# INDEPENDENT AUDIT REPORT

AS AT 30 JUNE 2011



## **Report on the remuneration report**

We have audited the remuneration report included in pages 6 to 15 of the directors' report for the year ended 30 June 2011. 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.

## **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of McMillan Shakespeare Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "Simon Trivett".

Simon Trivett  
Director - Audit & Assurance

Melbourne, 30 August 2011

# AUDITOR'S INDEPENDENCE DECLARATION

AS AT 30 JUNE 2011



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## **Auditor's Independence Declaration To the Directors of McMillan Shakespeare Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of McMillan Shakespeare Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "Simon Trivett".

Simon Trivett  
Director - Audit & Assurance

Melbourne, 30 August 2011

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## 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 22 August 2011, the number of shares held by substantial shareholders and their associates is as follows:

No.	Name	Number of Ordinary Shares	Percentage of Ordinary Shares <sup>1</sup>
1.	Meddiscope Pty Ltd	10,800,000	15.86
2.	J P Morgan Nominees Australia Limited	8,747,028	12.85
3.	National Nominees Limited	7,030,196	10.33
4.	Chessari Holdings Pty Ltd	6,225,063	9.14
5.	HSBC Custody Nominees (Aust) Ltd	5,999,258	8.81
6.	Asia Pac Technology Pty Ltd	4,568,025	6.71
7.	Cogent Nominees Pty Limited	2,615,226	3.84

<sup>1</sup> Meddiscope Pty Limited is a company associated with Mr Anthony Podesta, an executive Director. Meddiscope Pty Limited has a deemed relevant interest in the shares held by Cobax Pty Limited, as both entities are controlled by Mr Podesta.

<sup>2</sup> Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a non-executive Director.

<sup>3</sup> Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a non-executive Director.

### NUMBER OF SHARE & OPTION HOLDERS

As at 22 August 2011, the number of holders of ordinary shares and options in the Company was as follows:

Class of Security	Number of Holders
Fully paid ordinary shares	2,906
Options exercisable at \$4.52 and expiring on 20 December 2011	4
Options exercisable at \$4.70 and expiring on 30 June 2012	1
Options exercisable at \$3.40 and expiring on 23 November 2012	2
Options exercisable at \$4.70 and expiring on 23 November 2012	4
Options exercisable at \$3.40 and expiring on 13 August 2012	2
Options exercisable at \$4.70 and expiring on 13 August 2012	2
Options exercisable at \$3.42 and expiring on 1 October 2015	2
Options exercisable at \$7.31 and expiring on 30 September 2015	23

### 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 22 August 2011, the distribution of share and option holders in the Company was as follows:

Distribution of Shares & Options	Number of Holders of Ordinary Shares
1 – 1,000	1,161
1,001 – 5,000	1,217
5,001 – 10,000	283
10,001 – 100,000	212
100,000+	33

As at 22 August 2011 there were 57 shareholders who held less than a marketable parcel of 64 fully paid ordinary shares in the Company.

## TOP 20 SHAREHOLDERS

As at 22 August 2011, the details of the top 20 shareholders in the Company are as follows:

No.	Name	Number of Ordinary Shares	Percentage of Ordinary Shares <sup>1</sup>
1.	Meddiscope Pty Ltd	10,800,000	15.86
2.	J P Morgan Nominees Australia Limited	8,747,028	12.85
3.	National Nominees Limited	7,030,196	10.33
4.	Chessari Holdings Pty Ltd	6,225,063	9.14
5.	HSBC Custody Nominees (Aust) Ltd	5,999,258	8.81
6.	Asia Pac Technology Pty Ltd	4,568,025	6.71
7.	Cogent Nominees Pty Limited	2,615,226	3.84
8.	Aust Executor Trustees Nsw Ltd <Tea Custodians Limited>	1,726,536	2.54
9.	RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	1,367,496	2.01
10.	Ann Leslie Ryan	1,258,418	1.85
11.	Citicorp Nominees Pty Limited	1,063,317	1.56
12.	Perpetual Trustees Consolidated Limited <Clime Asset Management A/C>	930,153	1.37
13.	Cobax Pty Ltd <Podesta Super Fund A/C>	435,000	0.64
14.	Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	397,925	0.58
15.	MF Custodians Ltd	350,000	0.51
16.	Mohl Invest Pty Ltd <Mohl Family A/C>	345,455	0.51
17.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	298,863	0.44
18.	Bond Street Custodians Limited <RXN-V57322 A/C>	250,000	0.37
19.	JP Morgan Nominees Australia Limited <Cash Income A/C>	178,939	0.26
20.	Citicorp Nominees Pty Limited <Cwlth Bank Off Super A/C>	150,360	0.22
<b>Totals: Top 20 holders of issued capital</b>		<b>54,737,258</b>	<b>80.40</b>
<b>Total Remaining Holders Balance</b>		<b>13,344,552</b>	<b>19.60</b>

<sup>1</sup> As at 22 August 2011, 68,110,310 fully paid ordinary shares have been issued by the Company.

<sup>2</sup> Meddiscope Pty Limited is a company associated with Mr Anthony Podesta, an Executive Director. Meddiscope Pty Limited has a deemed relevant interest in the shares held by Cobax Pty Limited, as both entities are controlled by Mr Podesta.

<sup>3</sup> Chessari Holdings Pty Limited is a company associated with Mr Ross Chessari, a non-executive Director.

<sup>4</sup> Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a non-executive Director.

## RESTRICTED SECURITIES

As at the date of this Annual Report, there are no securities in the Company subject to voluntary escrow or any other restrictions.

## UNQUOTED SECURITIES

As at the date of this Annual Report, the details of unquoted securities in the Company are as follows:

Class	Number of Securities	Number of Holders
Options exercisable at \$4.52 and expiring on 20 December 2011	86,188	4
Options exercisable at \$4.70 and expiring on 30 June 2012	3,750,000	1
Options exercisable at \$3.40 and expiring on 23 November 2012	306,819	2
Options exercisable at \$4.70 and expiring on 23 November 2012	1,988,750	4
Options exercisable at \$3.40 and expiring on 13 August 2012	133,334	2
Options exercisable at \$4.70 and expiring on 13 August 2012	193,939	2
Options exercisable at \$3.42 and expiring on 1 October 2015	698,924	2
Options exercisable at \$7.31 and expiring on 30 September 2015	1,487,273	23

## ON-MARKET BUY BACK

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

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# McMillanShakespeareGroup

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