

24 August 2021

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

By E-lodgement

McMillan Shakespeare Limited 2021 Appendix 4E

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

1. Appendix 4E in accordance with listing rule 4.3A of the ASX listing rules.
2. 2021 Annual report, including financial statements for the year ended 30 June 2021.

Yours faithfully
McMillan Shakespeare Limited



Ashley Conn
Chief Financial Officer and Company Secretary

This document was authorised for release by the MMS Board.

For personal use only

Appendix 4E

PRELIMINARY FINAL REPORT
PROVIDED UNDER LISTING RULE 4.3A
YEAR ENDED 30 JUNE 2021

MMS
McMillanShakespeareGroup

Appendix 4E

1 Details of the reporting period and the previous corresponding period

Current period: 1 July 2020 to 30 June 2021

Previous corresponding period: 1 July 2019 to 30 June 2020

2 Results for announcement to the market

	Key information	Percentage change	Year ended 30 June 2021 \$'000	Year ended 30 June 2020 \$'000
2.1	Revenues from continuing operations	10.2%	544,451	493,962
2.2	Profit from ordinary activities after income tax attributable to members	>100%	61,065	1,269
2.3	Net profit from ordinary activities after income tax attributable to members	>100%	61,065	1,269
2.3.1	Underlying net profit after tax and acquisition amortisation (UNPATA) attributable to members	14.8%	79,213	69,028

2.4 Dividends

	Amount per security	Franked amount per security
Final dividend	\$0.311	\$0.311
Interim dividend	\$0.302	\$0.302
Total dividend (interim plus final)	\$0.613	\$0.613

There is no dividend reinvestment plan in operation.

2.5 Dividend record date

Ex-dividend date	9 September 2021
Record date for determining entitlements to the dividend	10 September 2021
Dividend payment date	24 September 2021

2.6 Information on Note 2.2 and Note 2.3

Net profit after-tax for the year of \$61,065,000 includes the after-tax impact of acquisition related and non-business operational items as detailed in Note 2.1 of the Financial Report. Underlying Net Profit after Income Tax and Amortisation that excludes these items is \$79,213,000 which is a 14.8% increase on the preceding year of \$69,028,000.

3 Statement of Comprehensive Income

Refer Statements of Profit or Loss and Other Comprehensive Income in the Annual Report.

4 Statement of Financial Position

Refer Statements of Financial Position in the Annual Report.

5 Statement of Cash Flows

Refer Statements of Cash Flows in the Annual Report.

6 Statement of Changes in Equity

Refer Statements of Changes in Equity in the Annual Report.

7 Details of Dividend Payment

Refer Dividends note in the Annual Report.

8 Dividend reinvestment plan

None.

9 Net tangible assets per security

	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Ordinary shares	1.74	1.14

10 Control gained or lost over entities during the financial year

Name of entities where control was gained during the period	Date control acquired
Maxxia Limited	31 December 2020

Name of entities where control was lost during the period	Date control lost
European Vehicle Contracts Limited	11 March 2021

11 Details of Joint Venture entities

The Group's 50% joint venture interest in Maxxia Limited ("ML"), a company operating in the UK, reported a loss after tax for the period to 31 December 2020 of \$652,000 (FY20: \$1,508,000) and has not been equity accounted as it exceeded the carrying amount of the Group's net investment in the joint venture ("JV"). The Group obtained control of Maxxia Limited on 31 December 2020 through the acquisition of the remaining 50% equity interest in Maxxia Limited. The acquisition cost of \$1,805,000 was based on an historical incentive arrangement to retain prior management.

Refer to Note 6.3 of the Annual Report.

12 Significant information on financial performance and financial position for investors

Refer Results Presentation announced to the ASX and the Annual Report.

13 Accounting standards used by foreign entities

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

14 Commentary on the results for the financial year

Underlying net profit after tax and acquisition amortisation (UNPATA), being net profit after tax but before the after-tax impact of acquisition related and non-business operational items (as outlined in the following table), has been used to measure the financial performance of the Group. The Group believes this measure of performance best represents the underlying operating results of the Group. For the year ended 30 June 2021, Group UNPATA of \$79.2m (2020: \$69.0m) was 14.8% higher than the previous corresponding period (pcp).

	FY21 \$'000	FY20 \$'000
Net profit after income tax attributable to members of the parent entity (item 2.2)	61,065	1,269
Amortisation of intangible assets from acquisitions	1,578	2,918
Impairment of goodwill and intangible assets ¹	1,962	49,822
UK restructuring expenses – cash	1,805	-
UK restructuring expenses – non-cash ²	12,755	-
Acquisition related expenses ³	48	-
Class action legal costs and settlement provision ⁴	-	5,079
Deferred revenue and acquisition costs valuation ⁵	-	9,751
Share buyback expenses ⁶	-	383
Due diligence and restructure costs ⁷	-	1,265
Fair valuation of deferred consideration and finance charge ⁸	-	(1,459)
Consolidated UNPATA	79,213	69,028

1 Non-cash impairment of CLM goodwill in financial year 2021. Non-cash impairment for the carrying value of intangible assets in the Aggregation business of the Group's Retail Financial Services (RFS) segment and the businesses in the UK in 2020.

2 Includes the impairment of Maxxia Limited, impairment of the JV subordinated loan and impairment of deferred tax asset.

3 Relates to the acquisition of Plan Tracker Pty Ltd which completed on 1 July 2021.

4 Class action costs relate to the settlement provision and legal expenses for the class action against the warranty product business in RFS.

5 Deferred income and associated costs relate to the reassessment of the carrying value of the deferred income balance of the RFS Warranty balance sheet to adopt current assumptions that include product and operational changes.

6 Share buyback costs related to the off-market share buyback completed in October 2019.

7 Due diligence and restructure costs relate to the UK strategic review and restructuring activities.

8 Non-cash fair valuation of deferred consideration relates to the business combination of Asset Management segment's businesses in the UK that is unlikely to be paid.

	FY21 \$'000	FY20 \$'000	FY21 \$'000	FY20 \$'000
	Revenue		UNPATA ¹	
Group Remuneration Services	228,780	214,822	61,161	60,946
Asset Management	256,319	229,288	16,992	6,038
Retail Financial Services	59,202	49,539	2,551	3,005
Segment operations	544,301	493,649	80,704	69,989
Unallocated	150	313	(1,491)	(961)
Consolidated	544,451	493,962	79,213	69,028

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

Basic earnings per share as shown in the financial statements was 78.9 cents per share (2020: 1.6 cents per share) and on a diluted basis 78.4 cents per share (2020: 1.6 cents per share). Basic UNPATA per share is 102.4 cents per share (2020: 87.4 cents per share).

For additional information and commentary, refer to the FY21 Results Presentation announced to the ASX on 24 August 2021.

15 Audit

This report is based on accounts which have been audited.

For more information, please contact:

Mr Michael Salisbury

Managing Director and Chief Executive Officer

McMillan Shakespeare Limited

Telephone: +61 3 9097 3000

Mr Ashley Conn

Chief Financial Officer and Company Secretary

McMillan Shakespeare Limited

Telephone: +61 3 9097 3000

For personal use only



Annual Report 2021

MMS
McMillanShakespeareGroup

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

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

Maxxia

RemServ

interleasing

PRESIDIAN

CLM

nfc
AGGREGATION

National
Warranty Company

UFS
AGGREGATION

Plan
Partners
Bringing your plan to life

JustHonk

NATIONAL
ROADSERVICE
AUSTRALIA

McMillan
Shakespeare

AngloScottish
ASSET FINANCE

Annual General Meeting

The Annual General Meeting of the members of McMillan Shakespeare Limited A.B.N. 74 107 233 983 will be held at the State Library of Victoria, Village Roadshow Theatre, 328 Swanston Street, Melbourne (subject to COVID-19 restrictions) and online via <https://web.lumiagm.com/351991812> (Meeting ID 351-991-812) on 22 October 2021 at 10.00am

mmsg.com.au

Contents

Chair and Chief Executive Officer's Joint Report	2	Environmental regulations	38
Our Vision, Purpose and Values	5	Indemnification and insurance	38
Key Metrics	6	Non-audit services	38
Directors' Report	8	Corporate governance practices	38
Directors	8	Auditor's independence declaration	39
Directors' meetings	9	Directors' declaration	39
Principal activities	10	Five year summary	40
Results	10	Financial Report	41
Dividends	10	Directors' Declaration	99
Review of operations	11	Independent Audit Report	100
State of affairs	14	Auditor's Independence Declaration	103
Risks	14	Shareholder Information	104
Outlook and likely developments	15	Corporate Directory	107
Events subsequent to balance date	15		
Directors' experience and special responsibilities	16		
Company Secretary	17		
Remuneration Report	18		
Unissued shares	37		
Directors' interests	37		

Chair and Chief Executive Officer's Joint Report

The McMillan Shakespeare (MMS) Group delivered revenue of \$544.5 million and underlying net profit after tax and amortisation (UNPATA) of \$79.2 million in FY21. A fully franked dividend of 61.3 cents per share was delivered for the year. We are pleased to present the Group's full year results for FY21.



Group Performance and Pandemic Impacts

An improved profit performance for the Group in FY21 was achieved in a highly challenging operating environment, still impacted by the ongoing COVID-19 pandemic.

Group UNPATA of \$79.2 million represented growth of 14.8% on FY20. Revenue of \$544.5m represented growth of 10.2% on FY20. Return on Capital Employed (ROCE) improved to 33.2%, up from 19.8% and underlying earnings per share at 102.4c was up 17.1%.

The result reflects the varied and on-going impacts of COVID-19 on our businesses such as the automotive supply dynamic, as well as the benefits from execution of our key strategic priorities such as the restructure of our United Kingdom (UK) business, Plan Partners growth and improved customer engagement through an ongoing shift toward digital distribution.

In response to the pandemic, we instituted a wage freeze for FY21 and no bonuses relating to FY20 were paid. Additionally, we extended senior debt maturities and non-essential spending was restricted. The Australian Government JobKeeper funding received (\$7.3 million after-tax) in FY21 enabled the retention of our employees despite the challenges of COVID-19 and the negative impacts on our financial performance compared to FY19. The business by period end had returned to around 90% of its pre-pandemic performance, equating to approximately 80% in the absence of JobKeeper.

A fully franked dividend of 61.3 cents per share was delivered for the year inclusive of the final dividend of 31.1 cents per share payable on 24 September 2021. This represents 66% of UNPATA excluding the contribution from the Jobkeeper program.

The ongoing impacts of the COVID-19 pandemic include the way in which work is performed and constrained new vehicle supply globally. Vehicle supply issues were, and continue to be, the combined result of various COVID-19 related restrictions, behaviour shift away from public transport and shared mobility, and a shortage of vehicle semi-conductors impacting manufacturers globally.

These factors combined to create an abnormal trading market, punctuated by increased vehicle values, which presented a range of both opportunities and challenges for the majority of our operating segments.

Operating Segment Performance and Strategy Execution

Group Remuneration Services

Our Group Remuneration Services (GRS) business achieved segment UNPATA of \$61.2 million representing an 0.4% increase on FY20. Total salary packages under management declined marginally (1.0%) on FY20, primarily as a result of the loss of the salary packaging arrangements within the New South Wales (NSW) public health network, despite the addition of 109 new client wins. Novated leases increased 2.2% against a backdrop of the limited supply of new vehicles, increased retail prices and net amount financed, with carry-over of sales orders increasing to over five times historical levels.

Our ongoing commitment to improve customer engagement and strengthen our digital distribution capability, was a key driver of GRS performance, with traditional face-to-face customer engagement severely constrained. Digital innovations included our new online education hubs, the introduction of a remote online sign-up for new salary package customers and a new digital estimates function for novated leases.

We are also now interacting with customers more intuitively and meeting their changing needs on a more individualised basis, with more than 80,000 customer interactions recorded through our digital live chat functions across the year.

Plan Partners, largely unaffected by COVID-19, achieved strong customer organic growth, with funds under administration in FY21 increasing by 76% and support co-ordination hours increasing 43%. A significant milestone in the growth strategy for the business was achieved through the small acquisition of Plan Tracker, a well-established NSW based national plan management provider, on 1 July 2021. Plan Tracker has a footprint in NSW, Queensland, South Australia and Western Australia and is highly aligned with our culture and quality service. We warmly welcome the Plan Tracker team and look forward to being better together to make a positive impact on the disability sector.

Asset Management

Underlying net profit for our Asset Management business in Australia and New Zealand was \$15.6 million, an increase of 44.3% on FY20. The business was impacted by the vehicle supply shortage, with a reduction in new business volumes, offset by increased demand for used vehicles leading to the generation of higher yields through our remarketing channels. The business recorded 30 new client wins including a strong number of returning customers.

In Asset Management in the UK, underlying profit after tax for FY21 was \$1.4 million, an increase of more than 100% on FY20, whilst we successfully finalised the restructure of our UK business during the period. This included the completion of the acquisition of the remaining 50% equity interest in the Maxxia Ltd joint venture and the internal re-organisation of our Asset Finance businesses. The sale of European Vehicle Contracts Limited (EVC) was also completed during the year which was materially at our carrying value.

The UK business also continued to run down the existing on-balance sheet lease portfolio with no new funding being provided, a strategy commenced in FY20. The business achieved stronger than expected off-balance sheet originations with Net Amount Financed (NAF) increasing to \$890 million, in part benefited by the UK CBILS, albeit at lower yields.

Retail Financial Services

Our Retail Financial Services (RFS) segment performed resiliently across the period given in particular the impact of COVID-19 lockdowns in the first half of the year, vehicle supply constraints and ongoing regulatory uncertainty in our retail business. The RFS segment delivered an uplift in revenue to \$59.2 million, however UNPATA was down 15.1% to \$2.6 million primarily as a result of an increase in the claim experience pattern giving rise to an increased deferral of revenue and associated acquisition costs, a \$1.4 million reduction to UNPATA.

While higher vehicle prices hampered the penetration of warranty and insurance products for the Retail side of the business, a strategic intent to diversify our distribution channels, particularly into the new vehicle franchise market, was a key driver of the improved performance.

The Aggregation side of the business performed well, recording a 7% increase in Net Amount Financed, to over \$1 billion worth of originations for the year.

A strategic review of the RFS Retail business was completed in FY21 including an assessment of the current regulatory landscape and MMS business growth priorities.

Funding Warehouse

A securitisation and funding warehouse for the business commenced development in the latter stages of FY20, in order to create a more secure source of funding and increasing funding options and price benefits for novated lease customers. Equally, by transitioning to more annuity style revenue over the life of a lease, we will recognise higher overall value from each transaction.

This strategic initiative is particularly important given some rationalisation of the automotive finance sector in FY21, with Westpac planning to exit the automotive finance market. Development of the warehouse progressed well in FY21 and remains on track, with the first volumes expected to be delivered during FY22.

The Regulatory Environment

The regulatory environment in which we operate remains subject to change, particularly following The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Most notable is the introduction of a Deferred Sales Model (DSM) in the second quarter of FY22, with respect to the sale of Add-on Insurance and Warranty Products within our GRS business. We are well placed to respond to and implement the necessary changes.

Other potential reforms, including those being considered by the Australian Securities and Investments Commission (ASIC), continue to be monitored and assessed by the business. We maintain an active and ongoing dialogue with relevant policymakers and regulators alike, both directly and in conjunction with key industry advocacy bodies.

Clear Sustainability Commitment

During the year, the Board of MMS approved an inaugural Sustainability strategy for the Group, which sets out our focus and future direction on how we aim to create positive environmental and social outcomes and value for our stakeholders, including our shareholders, clients, customers, our people and broader communities.

This strategy responds to key environmental, social and governance (ESG) risks and opportunities for the Group, including taking action on climate change, supporting greater accessibility and social inclusion, and our community engagement activities. These are supported by a number of targets for FY22 and beyond.

Reflecting the development of the MMS Sustainability Strategy and our commitment to enhanced transparency, this year, we produced our Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standard. This framework will help us report on the most material issues and impacts to our key stakeholders, and guide how we track and improve our sustainability performance over time.

Some of our key sustainability highlights during the year included offsetting 100% of the Group's Scope 1 (company car fleet) and Scope 2 (electricity use) carbon emissions, transition of six of our offices to renewable energy contracts, and investing over \$733,000 in community causes and organisations.

Investment in our people remained a priority for the Group in FY21 and continued to adapt to new ways of working as the pandemic persisted. Throughout the year, we also delivered more than 81,000 hours of training and professional development to our employees.

We were delighted to see our Sustainable Engagement Score increase by 6% (since the previous employee engagement biennial survey in 2019) to 85%, a figure above the benchmark for financial services firms and in line with global high performing organisations. This suggests that our people feel more connected to the business, our values and culture than at any time in the past.

Our risk culture was equally well appraised, with a score of 86%, in line with leading global high performance benchmarks. This indicates that employees feel well informed and trained about risk and are safe to speak up, and see an organisational culture of integrity and high ethical standard.

Governance Changes

Board renewal saw independent Non-Executive Director Ian Elliot retiring on 1 April 2021 after more than six years of committed service. Bruce Akhurst was appointed as an independent Non-Executive Director on 1 April 2021, a highly experienced former executive and ASX director with a deep understanding of digital, technology, consumer and regulated businesses. We are also grateful that independent Non-Executive Director Tim Poole has agreed to the Board's request to offer himself for re-election this year. If shareholders approve his re-election, Tim's term would conclude August 2022, allowing for a new NED recruitment and transition to occur given Tim's corporate knowledge and contributions at an important time at MMS.

Board Committees were restructured effective 1 April 2021, with a People, Culture and Remuneration Committee chaired by Mr Bruce Akhurst and a Nomination Committee chaired by Helen Kurincic, replacing the former Nomination and Remuneration Committee. All Committee membership is now solely independent Directors.

Strategic Focus & Outlook

We expect the abnormal trading conditions that characterised FY21 to continue throughout FY22, in particular given the ongoing response of Governments to the global pandemic, and motor vehicle supply constraints.

Our strategic focus in FY22 centres on growth and efficiency across our businesses including the integration of the 1 July 2021 small acquisition of Plan Tracker into Plan Partners.

We will continue to invest in enhancing our digital capability and reducing our cost to serve as we look to improve our value proposition and ensure that all of our business segments are well placed to continue to meet the changing needs of customers, in both business as usual circumstances and in the face of changing and disrupted market conditions.

We expect the warehouse to be operational in FY22 to provide longer term strategic and financial benefits whilst recognising the accounting impacts and changes (FY22 impact to UNPATA \$(4m) to \$(5m)).

As a result of the strategic review of the RFS Retail business, on 23 August 2021, we agreed to the sale of the business via a management buy-out as the most effective and efficient option, resulting in on-going service and support to existing customers and staff. We expect that this transaction will be completed in 1HFY22.

We will also be developing a number of foundational programs which will enable us to make meaningful and lasting impact in the area of sustainability. These will include developing the first MMS Reconciliation Action Plan (RAP) and an Accessibility and Inclusion Plan (AIP), creating a pathway to achieve net zero carbon emissions for our own operations and completing a climate risk assessment in FY22.

Finally, we again sincerely thank our people for their amazing efforts and commitment during such a challenging time. As always, we thank our customers and our shareholders for their ongoing engagement and support of the Group. Take care and stay well.



Helen Kurincic
Chair



Mike Salisbury
Managing Director &
Chief Executive Officer

Our Vision, Purpose and Values

MMS' vision, our values and our WHY guide the Group's activities, in both a business sense and in our commitment to our communities and stakeholders, providing a framework to guide us in our day-to-day actions and long-term decision making.

They are a guarantee to our people, our customers and our broader stakeholders that they are always at the center of what we do and that there is a considered and deliberate approach to delivering value through all our activities.

Vision

To build a sustainable business that creates long term value for our people, customers and shareholders.

For our people we create value through long term job security; career opportunities and through being a values-based business.

For our customers we create value through the quality services and products we deliver.

For our shareholders we deliver value through the returns / dividends and share value growth.

Purpose

To create new ways to make people's lives easier.

Values

Above and beyond – always going the extra mile.

Better together – always supporting and challenging one another to learn, grow and develop – it's OK to disagree.

Make it count – Big or small, we make the most of each and every opportunity and always follow through and do what we say we will.

Own it – always taking responsibility for our decisions, actions and interactions.

Our 'WHY' – Driving What's Possible

We do this by:

- Being a leader, not a follower
- Being a smart, creative driven business
- Investing in/sharing the thrill of BIG ideas
- Seeing things differently
- Challenging ideas and conventions
- Shaping what's to come

Key Metrics

Our Customers



357,388
Salary packages¹
Down (1.0%)



73,375
Novated leases
Up 2.2%



33,591
Assets pool – units
Down (15.2%)



\$363m
Assets managed – WDV²
Down (18.3%)



\$2,770m
Net amount financed
Up 5.9% on pcp



60
Net Promoter Score (NPS)³
Up 15.4% (FY21 avg. monthly score)



\$1,179m
Plan Partners client funds
under administration
Up 76.2% on pcp

- 1 Salary Package reduction includes the loss of NSW LHD (16,200 customers), underlying growth excluding this loss was 3.5%.
 - 2 Inclusive of on and off balance sheet funding. WDV excludes off balance sheet Maxxia Ltd assets.
 - 3 GRS salary packaging and novated leasing customer satisfaction measured through Net Promoter Score.
- Note: Movements compared to prior corresponding period.

Our People and Environment



1,286
Employees (FTE)
MMS Group
*Down (0.7%)
as at 30 June*



85%
Employee Sustainable
Engagement Score
*Up 6% (Aust. result of 86% is at Global
High Performing Companies Norm)*



81,928
Developing our people
(training & development hours)
Up 44.4%



2.7%
Absenteeism rate¹
Down from 4.0%



34%
Women in leadership²
Consistent with FY20



27%
Total electricity sourced
from renewable sources
Up from 0%



4,191
Greenhouse gas emissions
(CO₂e tonnes)³
*100% of Scope 1 and 2 greenhouse
gas emissions offset*

¹ Australian Operations only.

² Australian and New Zealand Operations only. Board, Executive Committee and General Managers, Senior Managers and Other Managers.

³ Includes Scope 1 (fuel), Scope 2 (purchased electricity) and Scope 3 emissions (employee commute and working from home, business travel and third party services) from offices and facilities in Australia, NZ and the UK.

Note: Movements compared to prior corresponding period.

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 2021 (**Group** or **MMS**).

Directors

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

Ms Helen Kurincic (Independent Non-Executive Director)

Mr Tim Poole (Independent Non-Executive Director)

Mr Bruce Akhurst (appointed Independent Non-Executive Director effective 1 April 2021)

Mr John Bennetts (Non-Executive Director)

Mr Ross Chessari (Non-Executive Director)

Mr Ian Elliot (retired as Independent Non-Executive Director on 1 April 2021)

Ms Kathy Parsons (Independent Non-Executive Director)

Mr Mike Salisbury (Managing Director and CEO)

Details of the qualifications, experience and special responsibilities of the Directors are set out on pages 16 and 17.

Independent Directors, as determined in accordance with the Company's definition of independence, have been independent at all times throughout the period that they held office during the financial year ended 30 June 2021.

Directors' meetings

The number of meetings held and attended by the board of Directors (Board) (including meetings of committees of the Board) during the financial year ended 30 June 2021 were as indicated in the table below.

Director	Board Meetings		Audit, Risk & Compliance Committee Meetings		Remuneration & Nomination Committee Meetings ⁵	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Ms H. Kurincic (Chair) ¹	17	17	13	13	4	4
Mr T. Poole (Chair) ²	17	17	13	13	4	4
Mr M. Salisbury (Managing Director and CEO)	17	17	-	-	-	-
Mr B. Akhurst ³	5	5	2	2	-	-
Mr J. Bennetts	17	17	11	11	-	-
Mr R. Chessari	17	17	-	-	4	4
Mr I. Elliot ⁴	13	11	-	-	4	4
Ms K. Parsons	17	17	13	13	4	4

Director	People, Culture and Remuneration Committee ⁵		Nomination Committee ⁵	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Ms H. Kurincic (Chair) ¹	2	2	1	1
Mr T. Poole (Chair) ²	2	2	1	1
Mr M. Salisbury (Managing Director and CEO)	-	-	-	-
Mr B. Akhurst ³	2	2	1	1
Mr J. Bennetts	-	-	-	-
Mr R. Chessari	-	-	-	-
Mr I. Elliot ⁴	-	-	-	-
Ms K. Parsons	2	2	-	-

¹ Ms H Kurincic was appointed as Chair effective 20 October 2020

² Mr T Poole stepped down as Chair effective 20 October 2020

³ Mr B Akhurst was appointed effective 1 April 2021

⁴ Mr I Elliot retired effective 1 April 2021

⁵ The Remuneration and Nomination Committee was last held on 21 September 2020 and was replaced by the separate People, Culture and Remuneration Committee and Nomination Committee

Directors' Report

Principal activities

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

In the opinion of the Directors, there were no significant changes in the nature of the activities of the Company and its controlled entities during the course of the financial year ended 30 June 2021 that are not otherwise disclosed in this Annual Report.

Results

Results for the financial year ended 30 June 2021 are as follows:

Results	2021	2020
Net profit after income tax (NPAT) attributable to owners of the Company	\$61,065,330	\$1,269,264
Underlying Net profit after income tax (UNPATA) ¹	\$79,212,985	\$69,028,191
Basic earnings per share (EPS)	78.9 cents	1.6 cents
Underlying earnings per share	102.4 cents	87.4 cents
Basic earnings per share on a diluted basis (DPS)	78.4 cents	1.6 cents

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

Dividends

Dividends paid by the Company during the financial year ended 30 June 2021 are as follows:

Dividends	2021	2020
No final dividend for the financial year ended 30 June 2020 was declared (2019: 40.0 cents) per ordinary share (2019: fully franked at the tax rate of 30%)	Nil	\$33,281,888
Interim dividend for the financial year ended 30 June 2021 of 30.2 cents (2020: 34.0 cents) per ordinary share paid on 26 March 2021 fully franked at the tax rate of 30% (2020: 30%)	\$23,369,094	\$26,309,576
Total	\$23,369,094	\$59,591,464

Subsequent to the financial year ended 30 June 2021, the Directors declared a final dividend of 31.1 cents per ordinary share (fully franked at the tax rate of 30%) to be paid on 24 September 2021, bringing the total dividend to be paid for the financial year ended 30 June 2021 to 61.3 cents per ordinary share.

Ex-dividend date	9 September 2021
Record date for determining entitlements to the dividend	10 September 2021
Dividend payment date	24 September 2021

Review of operations – Group

The MMS Group delivered an improved profit performance in FY21, achieved against the backdrop of a highly challenging operating environment.

This result is encouraging, whilst also reflecting the varied and on-going impacts of COVID-19, including the way in which we engage with our customers, the way our people perform their roles and the challenges of constrained new vehicle supply globally.

We took steps to ensure the sustainability and financial security of the Group in the face of the ongoing pandemic, including reducing all non-essential operating and capital expenditure, whilst also developing new ways to connect and support our remote workforce, and maintaining high levels of service to our customers through enhanced digital capabilities.

In the year we also executed on a number of strategic priorities, successfully completing the restructure of our UK business, delivering strong organic customer growth in Plan Partners, whilst delivering on our market consolidation strategy by completing the acquisition of NSW national plan management provider, Plan Tracker, on 1 July 2021.

This combination of factors has made for a very complex and challenging year. The improved profit performance on FY20 speaks to the organisation's ability to anticipate, react and respond to these conditions, which is testament to the engagement and commitment of our people.

We acknowledge the support of the Australian Government JobKeeper Program in the first quarter of the financial year of approximately \$7.3 million after tax, ensuring we were able to retain all staff, many of whom had been either partially or fully stood down as a result of COVID-19. Despite the JobKeeper support, our operating performance remains below pre-pandemic levels, recovering to approximately eighty percent of FY19 levels.

Financial Performance Key Indicators

- Revenue of \$544.5 million, up 10.2%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$130.7 million, up 31.4% on FY20
- UNPATA of \$79.2 million, up 14.8%
- Return on Equity (ROE) of 31.1%
- ROCE of 33.2% which is based on underlying earnings before interest and tax (EBIT) as the numerator
- Statutory Net Profit After Tax (NPAT) \$61.1 million up significantly on FY20
- Final dividend declared of 31.1cps

Segment Review

Group Remuneration Services

In the GRS segment UNPATA was \$61.2 million, a small increase on the previous period.

The result reflects our ongoing commitment to improve our value proposition through increased efficiency and enhancing the customer experience, a strategy that has proven particularly important with COVID-19 restrictions necessitating a transition to digital-centric customer engagement and distribution.

Salary Packaging and Novated Leasing

The global auto supply shortage negatively impacted revenue growth for the period. Despite increased enquiry levels from our customers, driven in part by COVID-19 and the shift away from public transport and shared mobility, the lack of available new car stock meant that customer orders have been carried forward into future periods. As at the end of the financial year, our carryover increased by over 500% on pre COVID-19 levels. The impact to revenue has partially been offset by the increase in average finance amounts driven by higher retail prices being charged by dealerships.

We expect these challenging trading conditions to continue through FY22, with longer-term normalisation expected as global movement restrictions and supply challenges ease.

Whilst we recorded strong growth in new salary packages during the period, this was offset by the transition out of the remaining New South Wales Local Health Districts, resulting in overall salary packages under management falling marginally below that recorded in the previous period.

The business recorded 109 new client wins during the period, across the not for profit, health, government and private sectors. Significantly, Maxxia was appointed to the Commonwealth Government salary packaging panel during the period, with the new panel arrangement commencing from 1 July 2021 for an initial three-year period.

Increased novated lease lead generation, new salary packages, and the increase in our client base was a positive endorsement of our strategy to improve the customer experience and reduce the cost to serve through digital enhancements, particularly in the context of the challenging operating conditions that prevailed during the year.

Directors' Report

Digital Strategy for 2021

The progression of our Digital Strategy, designed to lower costs and improve execution and distribution, was central to our performance. A focus on digital customer engagement and distribution was particularly important during FY21 with traditional face to face customer interaction significantly reduced, as a result of COVID-19 restrictions.

Initiatives during FY21 included:

- Enhanced digital functionality, with online claim take-up for both Maxxia and RemServ increasing by 6%;
- A range of new online education and engagement hubs were established, with live streaming and video-on-demand used to replicate the traditional on-site experience of approximately 20,000 customer engagement sessions;
- A Novated Leasing Digital Estimates platform designed to provide more flexibility and convenience for customers, demonstrating positive early adoption among customers;
- An online sign-up function for salary packaging, driven by an ongoing focus on enabling customers to self-service at their own convenience and to offset face to face distribution challenges; and
- Introduction of enhanced digital live chat functionality substantially increased novated lease leads, with more than 80,000 customer interactions recorded, a 30% increase on FY21.

These initiatives were central to increasing our average monthly Net Promoter Score (NPS) to 60, well above the sector benchmark and a pleasing 15.4% increase from 52 in FY20.

Plan Partners

Plan Partners delivered another strong performance for the period, with Funds under Administration growing by more than 76% to \$1.179 billion and support co-ordination hours increasing 43% to 49,218 hours.

Over the year, the National Disability Insurance Agency continued to execute on the roll-out of the Scheme, with approximately 93% of eligible individuals now in receipt of funding. The number of people with plan management included in their National Disability Insurance Scheme (NDIS) plans has also continued to increase and now represents 49% of all plans, up from 40% at the same time last year.

Our focus was on creating a more efficient customer experience through further investment in technology, including:

- Enhancements to our online Dashboards to improve self-service functionality;
- A redesign of our website to improve accessibility and deliver richer educational content to customers, carers, and service providers; and
- The introduction of live chat functionality as an additional communication tool recording more than 11,000 sessions in the year.

We ended the year well positioned to continue to progress our growth strategy in FY22, with a focus on expanding our investment in people and capability, through product and service enhancements.

Immediately post the end of the period we successfully completed the small acquisition of Plan Tracker, a NSW based plan management provider that represents a strong operational and cultural alignment with our business. The acquisition demonstrates pleasing progression of our growth and consolidation strategy. Merger and acquisition opportunities, with the right cultural fit, will continue to be a strategic priority.

Asset Management - Australia and New Zealand

The AM ANZ segment achieved UNPATA of \$15.6 million, an increase of 44.3% on FY20, and continued to operate in a market both buoyed and impacted by COVID-19.

A fall in new vehicle supply hampered new business volumes and presented challenges in replacing assets that had reached end-of-contract periods. However most customers were retained and continued to utilise existing assets.

This was offset by strong increased demand for used vehicles, which resulted in higher yields through the wholesale and retail remarketing channels.

The rise in contract extensions and reductions to overall fleet sizes led to a reduction in overall written down value of assets under management by 11.2% to \$311.2 million. The market remains highly competitive and this is expected to continue in FY22 and beyond.

The business recorded 30 new client wins during the period and renewed several large contracts, including with the NSW Government, the largest outsourced funded fleet in the Australian market.

These wins reflect a focus in recent periods of improving our value proposition and reinforcing our core capability - centred around strengthening customer relationships and improving our service provision through technology enhancements.

Such initiatives included the introduction of a new customer portal, Interleasing Connect, to improve the customer self-service experience through enhanced navigation to core fleet management and other value-add services.

Off-balance sheet funding of assets remained above 30% concentration levels, reflecting the focus of recent periods on increasing principal and agency funding.

Asset Management - UK

In the UK, UNPATA for FY21 was \$1.4 million, an increase of more than 100% on FY20. The result was pleasing given economic conditions remained challenging, with the UK heavily impacted by COVID-19 restrictions throughout the year.

Used vehicle disposal profitability was impacted by widespread lockdowns, as sales channels were limited to online click-and-collect distribution during the period. CLM reported an impairment of \$2.0 million against the carrying value of goodwill with lockdowns having a greater than anticipated impact on maintenance management and outsourced fleet management services.

A restructure of the UK business was completed during the year with a new senior leadership team being established. The restructure resulted in a cash cost of \$1.8 million and non-cash costs of \$12.8 million, primarily attributable to the acquisition of the remaining 50% equity interest in the Maxxia Ltd joint venture. The disposal of the underperforming EVC business was completed which approximated our carrying value.

The business reported stronger than expected off-balance sheet originations with Net Amount Financed (NAF) increasing by 2% to \$890 million. NAF was benefited by the UK Government Coronavirus Business Interruption Loan Scheme (CBILS), albeit at lower yields. The Asset Finance business also successfully completed an internal re-organisation which has resulted in a new leadership structure under the consolidated Anglo Scottish brand.

The business also continued to execute on the strategy to run down the existing on balance sheet lease portfolio with no new funding being provided.

Retail Financial Services

Segment UNPATA was \$2.6 million, representing a 15.1% decrease on FY20, with solid year on year improvement in both businesses, offset by a \$1.4m adjustment for deferred warranty income reflecting the enhanced product terms and recent claims experience.

Retail

The Retail Financial Services Retail segment overall performance was impacted by challenging trading conditions, primarily associated with the impact of COVID-19 on the used vehicle market.

Despite the conditions, work done in previous periods to reinforce the business value proposition through enhanced products, distribution into new markets and strengthening stakeholder relationships continued across FY21.

We were also pleased to see the Federal Court approval of the Davantage class action settlement.

On 23 August 2021 MMS entered into an agreement to sell its RFS Retail business to the current management team. This will include the sale of Davantage Group Pty Ltd (trading as Presidian, National Warranty Company and National Roadservice Australia) and Presidian Management Services Pty Ltd.

The transaction is expected to close during 1HFY22.

The sale is the result of a strategic review of the RFS Retail business including an assessment of the current regulatory landscape and the strategic priorities of MMS. Sale to the existing management team was the preferred and most effective and efficient alternative arising from the review, resulting in the ongoing service and support to the Retail business' existing customers and staff.

Directors' Report

Aggregation

Despite challenging market conditions in the Broker Asset Finance Aggregation market, the Aggregation business performed soundly, with NAF increasing 7% compared to FY20. The result was driven by a strong recovery in consumer and small business confidence during the period, and particularly the demand for vehicles and leisure goods.

Acquisition of new broker accounts combined with organic growth by a number of large existing brokers resulted in NAF exceeding the \$1 billion threshold for only the second time in the business's history.

The Aggregation team focussed on maintaining relationships with brokers and lenders throughout the COVID-19 pandemic, which included holding virtual events and enhancing the use of video calling, social media channels and websites to offer improved connectivity and convenience.

This focus on relationships, a core component of our value proposition, helped the business grow the lender panel to 32 funders during the period, providing brokers and their customers – consumers and businesses – with even greater choice and range of products and lending solutions and was a key contributor to the business performance and result.

State of affairs

There were no other significant changes in the state of affairs of the Company and its controlled entities during the financial year ended 30 June 2021 that are not otherwise disclosed in this Annual Report.

Risks

In order to achieve our business objectives and build a more resilient business, the Board and Management at MMS have a responsibility to effectively govern and manage the financial, operational, compliance, environmental and social risks to which it is exposed. MMS' approach to risk management, underpinned by the Group's risk management policy, framework and risk appetite, overseen by the Audit, Risk and Compliance Committee, is embedded in our culture and reflected in our decision making. Our approach is to proactively manage the risks facing the business, including the early identification and assessment of risks, the implementation of controls and the active monitoring and reporting of risks.

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

Key risks include:

- The COVID-19 pandemic and its potential ongoing adverse impact on consumer movement and confidence, business investment, the health and safety of our people, asset values, vehicle/asset supply, and access to client and MMS premises;
- Deteriorating economic conditions and related conditions in the markets we operate in and their influence on business and consumer sentiment, including post Brexit impact on the UK economy, and cross border flow of assets;
- Movements in the health of the new and used vehicle sales markets, including the ongoing available supply of vehicles and fluctuations in used vehicle values and potential residual value risks;
- Impact of recommendations arising out of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – including the sector requirement to introduce a deferred sales model across add-on financial products sold in connection with a motor vehicle in FY22; ASIC's consideration of the imposition of a cap on the amount of commission that may be paid to vehicle dealers in relation to the sale of add-on insurance products; and forthcoming product Design and Distribution obligations;
- Adverse change in the regulatory conditions relating to consumer lending products and similar change to the policy settings relating to products and services administered or offered by the Group;
- Adverse regulatory policy changes impacting the business including for example Fringe Benefits Tax legislation or NDIS legislation;
- Capital market constraints impacting the security and ongoing commitment of funding in the automotive segment;
- The loss or non-renewal of a material client or clients to the business;
- Competitive intensity due to new entrants, mergers between existing competitors and/or due to the failure to respond to changes in market conditions, customer demands or technology changes;
- Climate change risks, including those associated with the transport sector's transition to a low carbon future;
- The threat of a cybersecurity attack, including during a period where many MMS employees are working remotely;
- The non-performance or failure of key technology and operating systems;
- The occurrence of a significant breach of MMS's privacy obligations;
- The non-performance or failure of MMS key suppliers; and
- The inherent credit risk that exists within the asset financing businesses.

Outlook and likely developments

We expect COVID-19 to continue to challenge the environments within which we operate, with the unpredictable imposition of restrictions expected to remain, impacting our operations and remaining a material risk during FY22.

The constrained auto supply conditions that impacted the market in FY21, are also expected to continue throughout FY22 and potentially beyond.

In response, the focus for the GRS segment will be to continue to work to enhance our digital distribution channels and increase choice and convenience for customers. Further customer insights research will also be pursued in order to tailor our offering to meet customers specific needs to ensure our point of competitive difference remains compelling.

We expect the warehouse to be operational in FY22 to provide longer term strategic and financial benefits whilst recognising the accounting impacts and changes (FY22 impact to UNPATA \$(4m) to \$(5m)).

In the Plan Partners business, we will continue to invest in technologies that support our customer's experience. Continued focus on both customer acquisition and retention is expected to further expand our customer base, in addition to the successful integration of Plan Tracker into the group.

A targeted approach to further market consolidation will continue to be a strategic priority.

In the AM ANZ business, we will continue to focus on leveraging the abnormal conditions in the used vehicle market, whilst reinforcing our value proposition through further technology enhancements and introducing new driver products and services.

As COVID-19 lockdowns ease in the UK, more favourable trading conditions are expected. Following the successful management restructure, a key concentration for the business will be the growth of the broker business and the profitable realisation of Maxxia Limited end of lease vehicles.

Events subsequent to balance date

Other than the matters disclosed at Note 8.9 of the Financial Report and below, there were no material events subsequent to reporting date.

On 1 July 2021, the Group successfully completed the small acquisition of Plan Tracker, a NSW based plan management provider.

On 23 August 2021 the Group executed an agreement with a Management Buy-Out consortium to dispose of the RFS Retail business. Completion is expected to occur in 1H FY22. The Divestment is expected to result in an estimated loss of (\$1.8m). Further details on the financial impact to the Group are included in the Events Subsequent to the Reporting Date section in the Notes to the Financial Statements (Note 8.9).

Directors' experience and special responsibilities



Helen Kurincic *MBA, FAICD, FGIA*

Appointed: 15 September 2018 (Non-Executive Director), 20 October 2020 (Chair)

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

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



Tim Poole *B Comm*

Appointed: 17 December 2013 (Non-Executive Director), 28 October 2015 – 20 October 2020 (Chair)

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

Mr Poole is currently Chair of Aurizon Holdings Limited and a Non-Executive Director of Reece Limited. Mr Poole was previously an executive of the unlisted infrastructure and private equity manager, Hastings Funds Management (1995 to 2007), including being the Managing Director from 2005. He was formerly the Non-Executive Chair of Lifestyle Communities Limited. Mr Poole is considered an independent director under the Company's definition of independence.



Mike Salisbury *MBA*

Appointed: 1 October 2014 (as Chief Executive Officer), 5 February 2015 (as Managing Director)

Positions: Managing Director and Chief Executive Officer

Mr Salisbury joined MMS as Managing Director of RemServ in April 2008 and was appointed to the position of Chief Executive Officer in October 2014. Before joining the company in April 2008, Mr Salisbury was a member of the senior management team at AAMI. Mr Salisbury held a variety of management positions within the organisation, including a number of state management roles and the position of Product Manager for Compulsory Third Party Insurance. Mr Salisbury is a member of the Australian Institute of Company Directors, and is a Director of the National Automotive Leasing & Salary Packaging Association. Mr Salisbury is a graduate of the Advanced Management Program at Harvard Business School.



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

Appointed: 1 April 2021

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

Mr Akhurst is currently Non-Executive Director, Chair of the Risk and Compliance Committee and a member of the People and Remuneration Committee and Technology Committee at Tabcorp Holdings Limited. Mr Akhurst is also Chair of the Peter McCallum Cancer Foundation and Council Member of RMIT University chairing the Technology and Infrastructure Committee. Mr Akhurst was previously Non-Executive Director and a member of the People, Culture and Remuneration Committee of Vocus Group Limited, CEO of Sensis, Group MD and General Counsel of Telstra and a Partner of Mallesons Stephen Jaques.



John Bennetts *B Ec, LLB*

Appointed: 1 December 2003

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

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



Ross Chessari *LLB, M Tax*

Appointed: 1 December 2003

Positions: Non-Executive Director

Mr Chessari is a founder and director of the investment manager, SciVentures Investments Pty Limited (SciVentures). Prior to founding SciVentures, Mr Chessari was the Managing Director of ANZ Asset Management and the General Manager of ANZ Trustees.



Kathy Parsons *B Comm*

Appointed: 22 May 2020

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

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



Ashley Conn *B Comm, CA, MBA*

Appointed: 5 October 2020

Positions: Chief Financial Officer and Company Secretary

Mr Conn joined MMS in October 2020 as CFO and has over 20 years of financial services experience. Previously Mr. Conn was the CFO of CSG Ltd and prior to that had been an investment banker working in Australia and New York predominantly for Goldman Sachs and Morgan Stanley.

Remuneration Report (audited)

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

Dear Shareholders,

On behalf of the People, Culture and Remuneration Committee (PCRC) and Board of McMillan Shakespeare Limited (the Company), I am pleased to present the Financial Year 2021 (FY21) Remuneration Report (Report).

During the year, the Remuneration and Nomination Committee was replaced by the People, Culture and Remuneration Committee and the Nomination Committee. The role of the PCRC is to review and have oversight of people, culture and remuneration matters and make recommendations to the Board.

At MMS, we are committed to achieving long-term, sustainable returns for our shareholders by leveraging scale, introducing new technology and pursuing value accretive, strategic growth opportunities in a rapidly changing landscape. In achieving this, we don't provide short-term incentives to Executives but instead operate a Long-Term Incentive Plan (LTIP) which includes performance hurdles comprising both financial and strategic targets.

Overview of Company performance

In FY21 an improved profit performance for the Group was achieved in a highly challenging operating environment, still impacted by the ongoing COVID-19 pandemic. Group UNPATA grew by 14.8% to \$79.2 million, with revenue up 10.2% to \$544.5m. A fully franked dividend of 61.3 cents per share was delivered for the year.

The result reflected the on-going impacts of COVID-19 on the businesses such as the global automotive supply constraints, as well as the benefits from execution of key strategic priorities including restructure of the United Kingdom business, Plan Partners growth and improved customer engagement through an ongoing shift toward digital distribution. Development of a securitisation and funding warehouse for the business progressed well in FY21 and remains on track, with the first volumes expected to be delivered during FY22.

FY21 remuneration outcomes

While Group earnings out-performed against plan and PCP, the Earnings per Share and Return on Capital Employed targets for the FY19 and FY20 LTIP grants relating to FY21 performance hurdles were not achieved and thus did not vest. However, the FY20 LTIP ROCE performance hurdle relating to FY22 and the FY21 LTIP grant are estimated to have a possibility of vesting.

Strategic targets accounted for 30% of FY21 LTIP, 20% of the plan has qualified for vesting. Further details are provided in Section 5(b).

Impact to remuneration as a result of COVID-19

The Board and management are focused on the sustainability and financial health of the Company for the longer term. As a result of COVID-19, measures were put in place to protect its long-term future and to put affected business units in a position to stand back up as quickly as possible when circumstances permit, by retaining our talented workforce.

As announced previously in FY20, effective from 13 April 2020 to 6 July 2020, the Company moved into a partial or full stand down of the workforce in most parts of the business where there had been a material change in workload. We matched our workforce to the activity in each of our business units and to support our customers.

The Company received JobKeeper for the period from April to September 2020 and this subsidy enabled the retention of all staff. JobKeeper has been included in the setting and calculation of the achievement of the financial performance hurdles under the LTIP.

There were no increases in fixed remuneration in FY21.

Remuneration framework changes in FY21 and FY22

To maintain the alignment to the long-term strategy of MMS, changes to the LTI scheme were implemented in FY21 which were disclosed within the FY20 remuneration report. These changes are further detailed in section 4(c).

From FY22, strategic targets are to account for 40% of the LTIP with the remaining 60% to continue to represent financial targets.

Changes in KMP / MMSG leadership

Mark Blackburn, CFO and Company Secretary, stepped down from his position on 1 December 2020 after nine years in the role and with the Company. Mr Ashley Conn assumed the role of Chief Financial Officer and Company Secretary on 5 October 2020.

Geoffrey Kruyt, Chief Operating Officer, resigned on 10 June 2021 with an effective termination date of 10 December 2021. No rights or options under the LTI vested during the year and all unvested rights will be forfeited when his employment formally terminates on 10 December 2021.

Ian Elliot resigned as an independent Non-Executive Director of the Company and the Chair of the Remuneration and Nomination Committee effective 1 April 2021. I was announced as an independent Non-Executive Director of the Company and assumed the role of Chair of the People, Culture and Remuneration Committee effective from 1 April 2021.

We thank you for your support and welcome your feedback.



Bruce Akhurst

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

For personal use only

1. Contents

Section	Reference
Key Management Personnel	Section 2 Page 19
FY21 Remuneration Snapshot	Section 3 Page 20
Executive Remuneration Framework and Policy – Overview	Section 4 Page 21
FY21 Outcomes and the Link to Performance	Section 5 Page 27
Remuneration Governance	Section 6 Page 29
Executive Remuneration Tables	Section 7 Page 31
Non-Executive Director Remuneration	Section 8 Page 35

2. Key Management Personnel

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

The table below sets out the Company's Executive KMP and Non-Executive Directors during the 2021 Financial Year.

Executive KMP

Name	Position	Term as KMP in 2021
Mr M Salisbury	Chief Executive Officer (CEO) and Managing Director	Full year
Mr M Blackburn	Group Chief Financial Officer (CFO) and Company Secretary	Part year ¹
Mr A Conn	Group Chief Financial Officer (CFO) and Company Secretary	Part year ²
Mr G Kruyt	Chief Operating Officer (COO)	Full year ³

Non-Executive Directors

Name	Position	Term as NED in 2021
Ms H. Kurincic	Non-Executive Chair ⁴	Full year
Mr T. Poole	Non-Executive Director ⁴	Full year
Mr B Akhurst	Non-Executive Director	Part year ⁵
Mr J. Bennetts	Non-Executive Director	Full year
Mr R. Chessari	Non-Executive Director	Full year
Mr I. Elliot	Non-Executive Director	Part year ⁶
Ms K. Parsons	Non-Executive Director	Full year

1 Resigned 1 December 2020

2 Appointed 5 October 2020

3 Resigned on 10 June 2021 with an effective termination date of 10 December 2021

4 Ms H. Kurincic was appointed Chair on 20 October 2020 at the conclusion of the Annual General Meeting replacing Mr T. Poole

5 Appointed 1 April 2021

6 Resigned 1 April 2021

Remuneration Report (audited)

3. FY21 Remuneration Snapshot

Company Performance

The Company continued to be impacted by COVID-19 during FY21. The GRS and Asset Management ANZ businesses experienced a faster than anticipated recovery in novated lease sales and strong returns in remarketing values on used vehicles. Plan Partners continued to grow its market share and customer base while ongoing investment in technology continues to deliver productivity and efficiency gains.

In the UK, CLM continued to be negatively impacted by the lockdowns with reduced activity within the fleet control and rental businesses. However, the UK asset finance businesses were able to increase net amounts financed (NAF) through the origination of the UK Government CBILS (Coronavirus Business Interruption Loan Scheme) loans.

The Board set strategic goals as part of the FY21 LTIP. The completion of the capital light strategy in the UK, delivery of core business growth through enhanced digital capability, novated leasing conversion rate improvement and the acceleration of customer growth in Plan Partners were all achieved.

KMP Remuneration

Fixed pay	Long-term incentive
<p>Fixed pay adjustments are made to reflect general market conditions and remuneration offered to comparable roles within related industries.</p> <p>As outlined in the 2020 report, with COVID-19 and the current economic environment, the Managing Director and Group Executives reduced their remuneration by approximately 24% from the 13 April 2020 to 6 July 2020.</p> <p>No fixed remuneration increases were applied in respect of FY21.</p>	<p>The Company does not pay short-term incentives to its KMP and instead operate a LTIP based on financial and strategic performance hurdles.</p> <p>Reflecting the link between organisation performance and executive reward, MMS performance hurdles have not been satisfied and no performance options or rights will vest in respect of the FY19 three year or FY20 two year LTIP.</p> <p>Furthermore, the earnings per share performance hurdles for the FY22 and FY23 performance periods are unlikely to be achieved. However, the return on capital employed performance hurdles in respect of the FY22 and FY23 performance periods are considered likely to be achieved.</p> <p>In relation to the strategic targets in the FY21 LTIP, 20% of the plan has qualified for vesting.</p> <p>As announced in the 2020 report, several changes have been made for the LTIP for FY21 to further align the Company with market practice and stakeholder expectations (refer Note 4(c)).</p>

Non-Executive Director Fees

Non-Executive Director fees were not increased during FY21.

4. Executive Remuneration Framework and Policy – Overview

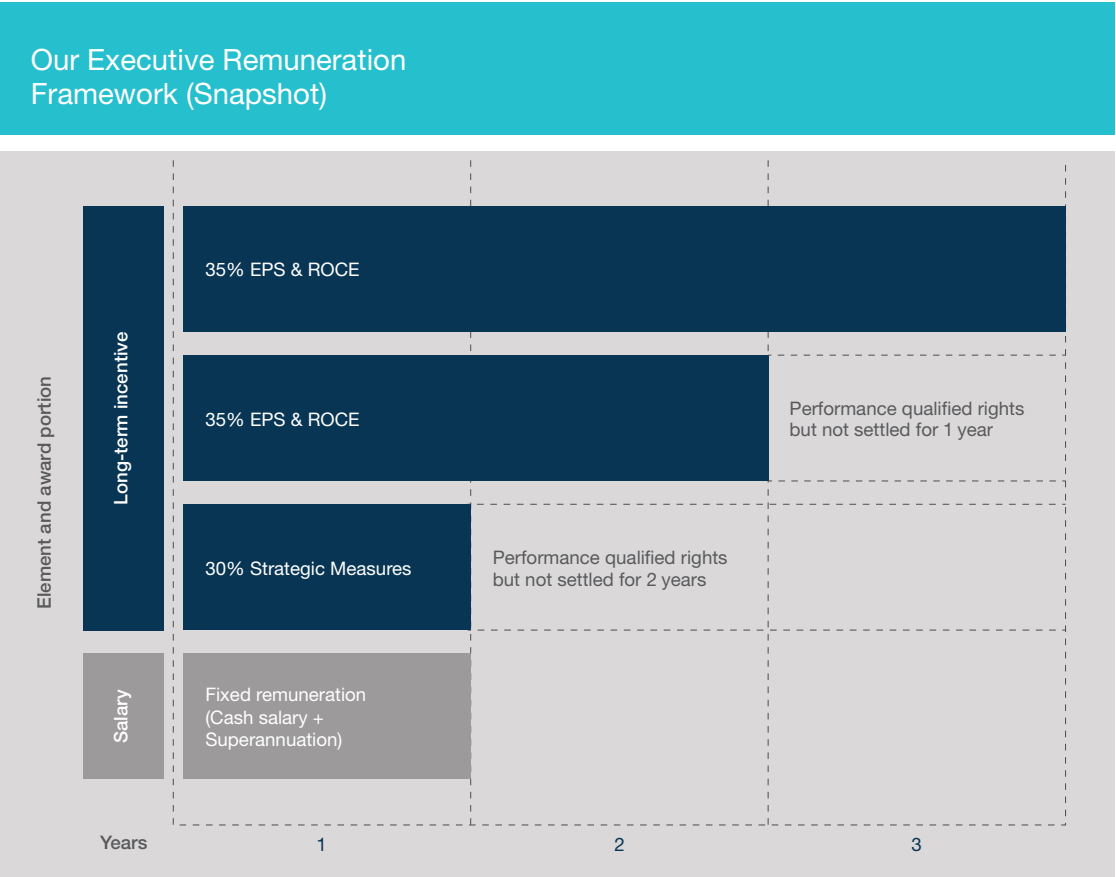
(a) FY21 Strategic Pillars and Design Principles



Remuneration Report (audited)

(b) Remuneration framework cycle

In relation to the FY21 framework, fixed remuneration was provided in addition to a long-term incentive granted 100% as Performance Rights, based on 70% financial measures and 30% as strategic objectives.



(c) Executive remuneration framework

The PCRC and Board of the Company are committed to ensuring our executive remuneration framework remains fit-for-purpose going forward.

The below table describes each element of pay within the framework and the strategic link.

Our Executive Remuneration Framework

Element	Strategic Link
Fixed remuneration Fixed remuneration comprises base salary and superannuation (and, in some cases, non-cash benefits such as motor vehicle lease payments and car parking benefits)	Fixed remuneration of the Executive KMP is set to attract and retain the calibre of talent required to drive outcomes for the Company's shareholders and deliver on the Company's strategy. The PCRC reviews fixed remuneration annually (or on promotion) to ensure fixed remuneration levels remain fair, appropriate and market competitive.
Long-term incentive Incentives are delivered through indeterminate rights in a LTIP, with Performance Rights measured over a 3 year period and subject to performance measures.	By delivering variable reward wholly as a long-term incentive, our framework encourages sustainable decision making and a focus on the long-term health of the business (including the interests of customers), to drive long term value for shareholders. Vesting of the LTIP is subject to the achievement of performance hurdles to drive a high-performance culture amongst our Executive Team. The ROCE and EPS hurdles are aligned with our strategic pillars and our focus on both earnings and capital optimisation. Non-financial measures align to shorter term business objectives, measured through a combination of better capital management, increased productivity and growth.
Short-term incentive	MMS does not offer short term incentives and only provides fixed remuneration and long-term incentives.

Each element of remuneration is outlined in more detail below:

Fixed annual remuneration in FY21

Fixed remuneration of the Executive KMP is reviewed by the PCRC annually (or on promotion) to determine whether changes are appropriate in order to maintain market competitiveness and attract and retain the talent required to drive outcomes for the Company's shareholders. Fixed remuneration is determined on an individual basis having regard to:

- The individual's role, duties and responsibilities and performance levels;
- General market conditions; and
- Remuneration offered to comparable roles within related industries.

In considering fixed remuneration changes, the PCRC has regard to external benchmarking and generally positions the fixed remuneration at the market median of comparable roles within comparator companies (taking into account revenue, employee numbers and market capitalisation).

Due to the economic environment and impact of COVID-19, no fixed annual remuneration increases were made to the Executive KMP in respect of FY21.

Remuneration Report (audited)

LTIP awarded in FY21

In FY21, the Executive KMP were granted Performance Rights in four equal parts of 17.5% each aggregating to 70.0% where each part was measured against financial targets and the remaining 30.0% measured against strategic targets.

Rolling annual grants will be made under the Company's LTIP going forward (as against larger amounts which vest every three years) to align with market practice.

LTIP changes in FY21

As part of the review of the LTIP program and as announced in the 2020 report, we have made the following changes in the LTIP effective in FY21:

LTIP FY21 changes

Transition from fair value to face value allocation methodology	<p>To align with market practice among other ASX listed organisations, the Board has decided to issue Rights under the LTIP on a face value (market value of a share) basis from FY21.</p> <p>The move from a fair value methodology to a face value methodology also aligns with shareholders and advisors' preference for LTIP awards to be calculated using the face value of the underlying shares, rather than the fair value of the Right.</p> <p>The move from a fair value to face value methodology required a one-off conversion of the stated 'Target' LTIP opportunity. It is noted that there is no change to the overall remuneration package.</p>
Move to an indeterminate right as the LTI instrument	<p>The shift to indeterminate rights provides the Company with flexibility to settle LTIP grants in either shares or cash payment depending on the Company's circumstance and preference at the time of exercise/escrow lifting. Rights are however generally expected to be settled in shares.</p>
Awards to generally remain on-foot for 'good' leavers	<p>Good Leavers are generally able to retain their awards on a pro rata basis whilst Bad Leavers forfeit all unvested awards at the time they cease employment. The Board retains discretion to determine a different treatment taking into consideration the circumstances of the departure, which may include an appropriate deferral period.</p>

Specific details on the Performance Rights granted to Executive KMP during FY21 are provided in section 7(b) of the report, and the table below outlines the terms of the grants:

Detailed summary – FY21 LTIP grant

Element	Description																																												
Opportunity levels (% of fixed remuneration)	<p>The opportunity levels offered to the Executive KMP in FY21 were:</p> <ul style="list-style-type: none">– 98% of fixed remuneration for the CEO;– 98% of fixed remuneration for the CFO; and– 98% of fixed remuneration for the COO. <p>Opportunity levels increased in FY21 from 75% to 98% to recognise the change from a fair value to face value methodology.</p>																																												
Allocation methodology	<p>Performance Rights: Rights are allocated on a face value basis from FY21.</p>																																												
Performance period	<p>Two and three years in respect of meeting financial targets. One year in relation to strategic targets. The vesting of any LTIP is subject to continued employment with the Company on the date that the Company's financial report is lodged with the ASX for the year ending 30 June 2023.</p>																																												
Performance hurdles	<p>Subject to the Executive remaining employed for the performance period, vesting of the Performance Rights is subject to the achievement of two performance hurdles:</p> <p>a) Financial targets</p> <ul style="list-style-type: none">– The Company's CAGR in underlying EPS which applies to 35.0% of the Performance Rights; and– Absolute average ROCE over the performance period which applies to 35.0% of the Performance Rights. <p>The following vesting schedules apply to Performance Rights (with vesting on a straight-line basis between each level of performance).</p> <table><tr><th colspan="4">Underlying EPS CAGR</th></tr><tr><th>Performance Period</th><th>Level of performance (%)</th><th>Percentage of awards vesting</th><th>Allocation of total grant</th></tr><tr><td rowspan="2">FY21 and FY22</td><td><11.5%</td><td>-</td><td>-</td></tr><tr><td>11.5%–15.5%</td><td>50%–100%</td><td>17.5%</td></tr><tr><td rowspan="2">FY21, FY22 and FY23</td><td><9.5%</td><td>-</td><td>-</td></tr><tr><td>9.5%–13.5%</td><td>50%–100%</td><td>17.5%</td></tr></table> <table><tr><th colspan="4">Average ROCE</th></tr><tr><th>Performance Period</th><th>Level of performance (%)</th><th>Percentage of awards vesting</th><th>Allocation of total grant</th></tr><tr><td rowspan="2">FY21 and FY22</td><td><29.5%</td><td>-</td><td>-</td></tr><tr><td>29.5%–32.5%</td><td>50%–100%</td><td>17.5%</td></tr><tr><td rowspan="2">FY21, FY22 and FY23</td><td><31.5%</td><td>-</td><td>-</td></tr><tr><td>31.5%–34.5%</td><td>50%–100%</td><td>17.5%</td></tr></table> <p>Calculation of Underlying EPS (CAGR) shall be based on comparing the underlying EPS results in the final year of the performance period to the Underlying EPS results for FY20 as the base year (excluding any impairment losses recognised in the base year).</p> <p>The ROCE performance condition is based on the Company's average ROCE over the performance period.</p>	Underlying EPS CAGR				Performance Period	Level of performance (%)	Percentage of awards vesting	Allocation of total grant	FY21 and FY22	<11.5%	-	-	11.5%–15.5%	50%–100%	17.5%	FY21, FY22 and FY23	<9.5%	-	-	9.5%–13.5%	50%–100%	17.5%	Average ROCE				Performance Period	Level of performance (%)	Percentage of awards vesting	Allocation of total grant	FY21 and FY22	<29.5%	-	-	29.5%–32.5%	50%–100%	17.5%	FY21, FY22 and FY23	<31.5%	-	-	31.5%–34.5%	50%–100%	17.5%
Underlying EPS CAGR																																													
Performance Period	Level of performance (%)	Percentage of awards vesting	Allocation of total grant																																										
FY21 and FY22	<11.5%	-	-																																										
	11.5%–15.5%	50%–100%	17.5%																																										
FY21, FY22 and FY23	<9.5%	-	-																																										
	9.5%–13.5%	50%–100%	17.5%																																										
Average ROCE																																													
Performance Period	Level of performance (%)	Percentage of awards vesting	Allocation of total grant																																										
FY21 and FY22	<29.5%	-	-																																										
	29.5%–32.5%	50%–100%	17.5%																																										
FY21, FY22 and FY23	<31.5%	-	-																																										
	31.5%–34.5%	50%–100%	17.5%																																										

Remuneration Report (audited)

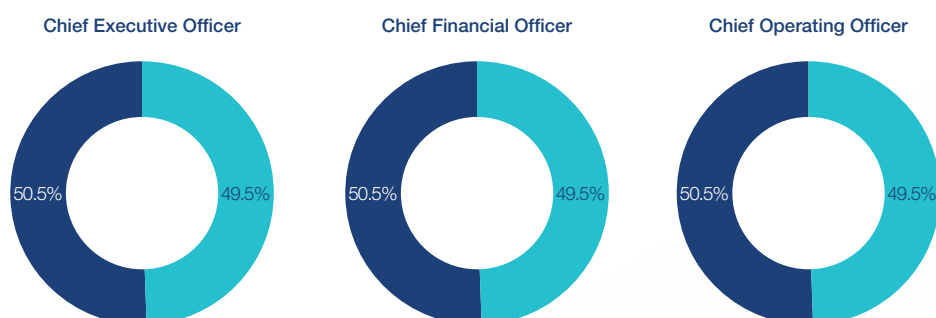
Element	Description
Performance hurdles (continued)	<p>b) Strategic objectives</p> <p>Strategic objectives are set by the Board across key strategic areas in FY21 as follows:</p> <ul style="list-style-type: none"> – Capital management (including, amongst other things, a focus on the delivery and operation of the Company's warehouse funding initiative during FY21 and the rate at which the Company can move to capital light funding in the UK); – Productivity (including, amongst other things, delivery of productivity benefits and core business growth through the Company's enhanced digital capability); and – Growth (including, amongst other things, a focus on acceleration of growth initiatives with an emphasis on accelerating customer growth in Plan Partners and the delivery of organic extensions).
Process for assessing performance conditions	<p>To determine the full extent to which the performance hurdles are satisfied, the PCRC relies on the audited financial results and vesting is determined in accordance with the LTIP Rules.</p> <p>The PCRC believes this method of assessment provides an appropriate and objective assessment of performance. The PCRC adjusts for impairments recognised in year while the impact and timing of any capital raisings and acquisitions are adjusted for to ensure metrics are correctly adjusted to take into account these changes.</p> <p>In the event that the Executive takes approved unpaid leave for a period exceeding three months during FY21, FY22 or FY23, the vesting criteria outlined above with respect to the performance hurdles and the executive's continued employment will be deemed on a pro-rata basis to reflect the period of continuous service during the relevant financial year, unless the Board determines otherwise.</p>
Voting and dividend entitlements	No voting rights or dividend entitlements attach to the Performance Rights.
Malus (i.e. forfeiture of awards)	If the Board determines that an act of fraud, defalcation or gross misconduct has occurred in relation to the affairs of the Group, the Participant will forfeit any right or interest in the Shares, Rights or Options or other entitlements under the Plan.
Treatment upon cessation of employment	If the Executive leaves employment with the Company prior to the date specified in the Invitation Letter, the Rights will lapse without any payment to the employee (subject to the discretion of the Board).
Change of control	On a change of control, the Board has discretion to waive the performance conditions attached to the Performance Rights.
Hedging	No Executive can enter a transaction that is designed or intended to hedge the Executive's exposure to any unvested option or right. Executives are required to provide declarations to the Board on their compliance with this policy from time to time.

(d) Pay mix

Reward Mix

We set out below the mix between fixed remuneration and LTIP at maximum for current Executive KMP. The Board believes this is an appropriate mix to ensure that Executives are focused on generating value for shareholders over the long term (based on targeted financial metrics).

- Fixed remuneration
- Long-term incentive



5. FY21 Outcomes and the Link to Performance

(a) MMS financial performance FY19 to FY21

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

Indices	FY21	FY20	FY19
Net profit attributable to Company members	\$61,065,330	\$1,269,264	\$63,672,478
Underlying net profit after income tax (UNPATA) ¹	\$79,212,985	\$69,028,191	\$88,696,719
NPAT growth	>100%	(98.0%)	26.6%
UNPATA growth	14.8%	(22.2%)	(5.1%)
Dividends paid	\$23,369,094	\$59,591,464	\$61,173,277
Dividend payout ratio ²	66.0%	42.4%	69.0%
Share price as at 30 June	\$12.95	\$9.08	\$12.21
Market capitalisation (A\$m)	\$1,002.1	\$702.6	\$1,016.0
Earnings per share (cents)	78.9	1.6	77.0
Underlying earnings per share (cents) ³	102.4	87.4	107.3
ROCE ⁴	33%	20%	21%

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

2 Dividend payout ratio is calculated as total dividends declared for the financial year divided by UNPATA for the financial year. FY21 payout ratio is calculated on UNPATA excluding JobKeeper of \$7.3m (net of tax) (FY20: \$7.0m net of tax).

3 Underlying earnings per share is based on UNPATA.

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

Remuneration Report (audited)

(b) Company performance outcomes linked to the LTIP

The following table outlines the performance against the LTIP financial performance measures that have been used across the KMP in FY21.

Alignment between Performance and Remuneration

FY19 Grants – 3 Year Performance LTIP Metric	FY18 ¹	FY19	FY20 ²	FY21	Metric Achieved	Vesting Target Range	Vesting Target Met
ROCE ^{2,3}	N/A	17.7%	10.4%	29.5%	19.2%	22.25% - 24.25%	No
Underlying EPS growth (cps) ²	113.2	80.8	24.8	81.0	(10.5%)	6.0% - 14%	No

FY20 Grant – 2 & 3 Year Performance LTIP Metrics	FY19 ¹	FY20 ²	FY21	Metric Achieved	Period	Vesting Target Range	Vesting Target Met
ROCE ^{2,3}	N/A	10.4%	29.5%	20.0%	2 year	21.5% - 23.0%	No
					3 year	21.5% - 24.0%	Expected
Underlying EPS growth (cps) ²	107.3	24.8	81.0	(13.1%)	2 year	6.0% - 10.5%	No
					3 year	6.0% - 10.5%	Not expected

FY21 Grant – 2 & 3 Year Performance LTIP Metrics	FY20 ^{1,2}	FY21	Metric Achieved	Period	Vesting Target Range	Vesting Target Met
ROCE ^{2,3}	N/A	29.5%	29.5%	2 year	29.5% - 32.5%	Expected
				3 year	31.5% - 34.5%	Expected
Underlying EPS growth (cps) ²	87.4	81.0	(7.3%)	2 year	11.5% - 15.5%	Not expected
				3 year	9.5% - 13.5%	Not expected

FY21 Grant – Tranches for strategic targets	Allocation of Grant	Vesting Target Met	Vesting Allocation
Successful development and implementation of funding warehouse	5%	-	-
Execute capital light strategy in the UK	5%	Yes	5%
Delivery of core business growth through the Group's enhanced digital capability	5%	Yes	5%
Novated leasing conversion rate improvement	5%	Yes	5%
Accelerating customer growth in Plan Partners	5%	Yes	5%
Delivery of organic extensions in GRS or Plan Partners	5%	-	-
Total	30%	-	20%

1 Base year for underlying EPS.

2 ROCE and EPS metrics include impairment charges and UK restructuring costs as well as one-off UK contract loss in the UK in FY19.

3 ROCE is based on the average in the performance period.

The Rights that have qualified and are subject to meeting the relevant employment conditions in the table above will result in 45,571 ordinary MMS shares being provided to Mr M. Salisbury, Mr G. Krut and Mr A. Conn and will be issued by the MMS Employee Share Trust.

6. Remuneration Governance

(a) Responsibility for setting remuneration

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

The Board has established the PCRC and its objectives are to oversee the formulation and implementation of the remuneration policy and make recommendations to the Board on remuneration policies and packages applicable to the Directors and Executive KMP. For further details on the composition and responsibilities of the PCRC, please refer to the Corporate Governance Statement on our website www.mmsg.com.au/overview/#governance.

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



(b) Use of independent remuneration consultant

The PCRC obtains external independent advice from remuneration consultants when required, and will use it to guide and inform their decision-making. During FY21, no remuneration recommendations (as defined in the *Corporations Act 2001* (Cth)) were received.

(c) Board discretion

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

- 1. Transparency:** for any adjustments made, MMS will provide clear disclosure and rationale. Where possible, disclosures will be made in advance that may result in necessary adjustments ensuring early communication to shareholders.
- 2. Timing of adjustments:** adjustments will be made only to reward outcomes at the time of vesting, applying to both positive and negative adjustments.
- 3. Shareholders and management alignment:** adjustments will be made in the interests of balancing the shareholder and management alignment ensuring consistency in Company objectives.

Remuneration Report (audited)

(d) Details of executive service agreements

The table below sets out key information in respect of the service agreements of the CEO and other Executive KMP.

Element	Description
Duration	Ongoing
Notice period ¹	<ul style="list-style-type: none">– CEO: 9 months' written notice by the Company or CEO. The agreement may, however, be terminated by the Company for cause without notice or any payment.– Executive KMP: 6 month's written notice by the Company or the Executive KMP. The agreement may, however, be terminated by the Company for cause without notice or any payment.
Termination payments	<p>The Company has discretion to make a payment in lieu of notice in respect of the above notice periods.</p> <p>No contracted retirement benefits are in place with any of the Company's Executives.</p>
Restraint of trade	A restraint period not exceeding 6 months.

¹ It is noted that Mr G. Kruyt, COO, announced his resignation on 10 June 2021 with an effective termination date of 10 December 2021.

(e) Minimum shareholding requirements

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

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

Directors and officers	Description	Requirement
Executive KMP	50% of one year's fixed remuneration	The later of: <ul style="list-style-type: none">– 5 years from September 2017; or– 5 years from date of commencement as Executive KMP
Non-Executive Directors ¹	100% of one year's base director fees	The later of: <ul style="list-style-type: none">– 5 years from September 2017; or– 5 years from date of commencement as Non-Executive Director

¹ Share Ownership and Retention Policy reviewed and updated 26 June 2020.

7 Executive Remuneration Tables

(a) Executive remuneration

The following table sets out the executive remuneration for FY21 in accordance with the requirements of the Accounting Standards and *Corporations Act 2001* (Cth).

		Cash salary/fees ⁹	Annual Leave Entitlements	Other Benefits ¹	Superannuation	Long Service Leave	Options and Rights ^{2,3}	Total remuneration	Percentage of remuneration as options and rights	Value of remuneration received ^{3,4}	Value of options exercised and sold ⁵
		\$	\$	\$	\$	\$	\$	\$	%	\$	\$
Executive KMP											
Mr M. Salisbury (CEO and Managing Director)	FY21	876,309	21,175	30,892	25,000	15,282	300,294	1,268,952	24%	932,201	-
	FY20	844,502	(14,395)	33,530	25,479	19,456	(81,110)	827,462	n/a	903,511	930,331
Mr G. Kruyt ⁷ (COO)	FY21	658,732	15,248	-	21,694	11,056	(33,751)	672,979	n/a	680,426	-
	FY20	647,743	(10,688)	311,130	47,705	36,802	(74,202)	958,490	n/a	1,006,577	664,522
Mr M. Blackburn ^{5,6} (Group CFO and Company Secretary)	FY21	562,897	(144,675)	-	10,013	(96,863)	80,215	411,587	19%	572,910	-
	FY20	633,220	28,552	6,382	22,747	13,203	25,937	730,041	4%	662,349	788,973
Mr A. Conn ⁵ (Group CFO and Company Secretary)	FY21	407,218	12,514	-	15,853	6,996	60,222	502,803	12%	423,071	-
	FY20	-	-	-	-	-	-	-	n/a	-	-
Total Remuneration	FY21	2,505,156	(95,738)	30,892	72,560	(63,529)	406,980	2,856,321	14%	2,608,608	-
	FY20	2,125,465	3,469	351,042	95,931	69,461	(129,375)	2,515,993	-	2,572,437	2,383,826

1 Other benefits reflect motor vehicle packaging payments, travel benefits, housing allowance and car parking benefits.

2 The equity value comprises the value of Performance Options and Rights issued. No shares were issued to any Non-Executive Director (and no Performance Options or Rights were granted to any Non-Executive Director) during the financial years ended 30 June 2020 and 30 June 2021. The value of Performance Options and Rights issued to Executive KMP (as disclosed above) are the assessed fair values (less any payments for the options) at the date that the Performance Options and Rights were granted to the Executives, allocated equally over the period from when the services are provided to vesting date. Fair values at grant date are determined using a binomial pricing model that takes into account the exercise price, the expected term of the option or right, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or right.

3 The expense in FY21 comprises the fair value expense of Performance Rights granted in FY20 and FY21 based on the number of Rights estimated to vest based on the Company's performance against the EPS and ROCE performance targets (subject to continuing employment) with vesting periods in FY22 and FY23.

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

5 Mr M. Blackburn resigned and ended service on 1 December 2020 while Mr A. Conn was appointed and commenced service on 5 October 2020.

6 The value of Options and Rights of Mr M. Blackburn in FY20 is based on vesting entitlement of Rights granted in FY20 that is measured against strategic targets less the reversal of Performance Options and Rights granted in FY18 and FY19.

7 Mr G. Kruyt resigned on 10 June 2021 with an effective termination date of 10 December 2021 with the Options and Rights expense representing the reversal of Performance Rights granted in FY20.

8 The value of options in 2020 relates to Performance Options granted in FY15 and were exercised and sold in FY20. These options were subject to a 12 month holding lock from vesting date in August 2017 that was effectively extended to April 2019 when the Company terminated its proposed merger with Eclix Ltd. The value is based on the amount realised on disposal less the exercise price (excludes value of remuneration received).

9 Cash salary/fees are lower in FY20 due to KMP taking pay reductions during the period 13 April 2020 to 6 July 2020.

Remuneration Report (audited)

(b) Detail of LTIP securities

The terms and conditions of each grant of Performance Options and Performance Rights to Executive KMP affecting their remuneration in FY21 and each relevant future financial year are set out below.

Grant Date	Type of LTI securities	Expiry Date	Share price at valuation date	Exercise Price	Value per option at grant date ¹	Date Exercisable
02/07/18	3 Year Performance Options	12 months following the 3 Year Lodgement Date	\$16.14	\$16.64	\$2.54	3 Year Lodgement Date (expected to be September 2021)
02/07/18	3 Year Performance Rights	Date that the FY21 financial statements are lodged	\$16.14	-	\$14.12	3 Year Lodgement Date (expected to be September 2021)
23/10/18 ²	3 Year Performance Options	12 months following the 3 Year Lodgement Date	\$15.90	\$16.64	\$2.25	3 Year Lodgement Date (expected to be September 2021)
23/10/18 ²	3 Year Performance Rights	Date that the FY21 financial statements are lodged	\$15.90	-	\$13.95	3 Year Lodgement Date (expected to be September 2021)
01/07/19	3 Year Performance Rights	Date that the FY22 financial statements are lodged	\$12.37	-	\$10.18	3 Year Lodgement Date (expected to be September 2022)
22/10/19 ³	3 Year Performance Rights	Date that the FY22 financial statements are lodged	\$14.85	-	\$12.83	3 Year Lodgement Date (expected to be September 2022)
18/12/19	1 Year Performance Rights	31 October 2020	\$12.90	-	\$12.27	31 October 2020
20/10/20 ⁴	3 Year Performance Rights	Date that the FY23 financial statements are lodged	\$9.46	-	\$8.51	3 Year Lodgement Date (expected to be September 2023)
30/10/20	3 Year Performance Rights	Date that the FY23 financial statements are lodged	\$9.34	-	\$8.40	3 Year Lodgement Date (expected to be September 2023)

¹ Reflects the fair value at grant date for options or rights granted as part of remuneration, calculated in accordance with AASB2 Share-based Payment.

² The issue to Mr Mike Salisbury occurred on 23 October 2018, after shareholder approval at the Company's AGM.

³ The issue to Mr Mike Salisbury occurred on 22 October 2019, after shareholder approval at the Company's AGM.

⁴ The issue to Mr Mike Salisbury occurred on 20 October 2020, after shareholder approval at the Company's AGM.

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

Name	Date of grant	Type of LTIP securities	Number of securities granted	Value of securities granted during the year \$	Number of securities vested during year	Vested %	Number of securities forfeited/ lapsed during the year	Forfeited or lapsed %	Year in which securities may vest	Maximum value of securities yet to vest ¹ \$
Mr M. Salisbury	23/10/18	3 Year Performance Options	105,272	-	-	-	(105,272)	100%	FY22	-
	23/10/18	3 Year Performance Rights	18,937	-	-	-	(18,937)	100%	FY22	-
	22/10/19	3 Year Performance Rights	69,178	-	-	-	(31,131)	45%	FY23	290,766
	20/10/20	3 Year Performance Rights	103,763	\$8.51	-	-	(10,376)	10%	FY24	663,909
Mr G. Krut ²	02/07/18	3 Year Performance Options	78,201	-	-	-	(78,201)	100%	FY22	-
	02/07/18	3 Year Performance Rights	14,067	-	-	-	(14,067)	100%	FY22	-
	01/07/19	3 Year Performance Rights	50,491	-	-	-	(22,721)	45%	FY23	282,783
	30/10/20	3 Year Performance Rights	75,733	\$8.40	-	-	(7,573)	10%	FY24	572,610
Mr M. Blackburn	18/12/19	1 Year Performance Rights	16,899	-	(16,899)	100%	-	-	FY21	-
Mr A. Conn	30/10/20	3 Year Performance Rights	48,362	\$8.40	-	-	(4,836)	10%	FY24	305,438

1 There is no minimum value attached to the securities at the vesting date. Maximum value is defined as the fair value at grant less amount expensed.

2 All rights granted to Mr G. Krut will be forfeited on his effective termination date of 10 December 2021.

(c) Movement of LTIP securities granted

The table below reconciles the Performance Options and Performance Rights held by each Executive KMP from the beginning to the end of FY21.

Name	LTI Securities	Balance at the start of the year	Number Granted during year ¹	Vested during the year	Exercised during the year	Forfeited during year	Other changes during the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Mr M. Salisbury	Performance Options	105,272	-	-	-	(105,272)	-	-	-
	Performance Rights	88,115	103,763	-	-	(60,444)	-	-	131,434
Mr G. Krut ²	Performance Options	78,201	-	-	-	(78,201)	-	-	-
	Performance Rights	64,558	75,733	-	-	(44,361)	-	-	95,930
Mr M. Blackburn	Performance Rights	16,899	-	(16,899)	(16,899)	-	-	-	-
Mr A. Conn	Performance Rights	-	48,362	-	-	(4,836)	-	-	43,526

1 Granted pursuant the Company's LTIP

2 All rights granted to Mr G. Krut will be forfeited on his effective termination date of 10 December 2021.

Remuneration Report (audited)

(d) Shares issued on Performance Options

No ordinary shares in the Company were issued following the exercise of Performance Options by Executive KMP during FY21. Any shares issued on exercise of options were acquired on market under the terms of the Company's Share Trust Plan.

(e) Other transactions and balances with KMP

There were no loans made during the year, or remaining unsettled at 30 June 2021, between the Company and its KMP and/or their related parties.

(f) Executive KMP and director share ownership

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

	Balance at the start of the year	Shares acquired through option exercise	Other changes during the year	Balance at the end of the year	Value of Shares ¹ \$	Minimum Shareholding Requirement ² \$
Non-Executive Directors						
Ms H. Kurincic	20,000	-	-	20,000	259,000	210,125
Mr T. Poole	30,000	-	-	30,000	388,500	137,500
Mr B. Akhurst	-	-	25,000	25,000	323,750	147,500
Mr J. Bennetts	3,343,025	-	(275,000)	3,068,025	39,730,924	127,500
Mr R. Chessari	6,050,941	-	-	6,050,941	78,359,686	125,000
Mr I. Elliot	1,254	-	-	1,254	16,239	N/A ³
Ms K. Parsons	1,400	-	6,600	8,000	103,600	150,000
Executive KMP						
Mr M. Salisbury	16,526	-	-	16,526	214,012	469,629
Mr G. Kruyt	7,000	-	-	7,000	90,650	N/A ⁴
Mr M. Blackburn	3,000	-	-	3,000	38,850	N/A ⁵
Mr A. Conn	-	-	-	-	-	297,000

1 Calculated as the number of shares multiplied by the share price as at 30 June 2021 of \$12.95.

2 Minimum shareholding required as outlined under section 6(e).

3 Mr I. Elliot resigned as a Non-Executive Director of the Company with effect from 1 April 2021.

4 Mr G. Kruyt resigned on 10 June 2021 with an effective termination date of 10 December 2021.

5 Mr M. Blackburn resigned and ended service on 1 December 2020.

8. Non-Executive Director remuneration

(a) Remuneration policy and arrangements

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

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

The Non-Executive Directors are remunerated for their services from the maximum annual aggregate amount approved by the shareholders of the Company on 29 October 2014 (currently \$900,000 per annum).

(b) Fees and other benefits

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

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

Role		FY21 Fee
Chair		\$210,125
Non-executive Directors		\$115,000
Audit, Risk and Compliance Committee	Chair	\$25,000
	Membership	\$12,500
People, Culture and Remuneration Committee	Chair	\$20,000
	Membership	\$10,000
Nomination Committee	Chair	\$Nil
	Membership	\$Nil

Remuneration Report (audited)

(c) Non-Executive Director remuneration – statutory disclosure

The fees paid or payable to the directors of the Company in respect of the 2021 financial year are set out below.

		Cash salary/fees ¹	Other Benefits ²	Superannuation	Total value of remuneration received	Total remuneration
		\$	\$	\$	\$	\$
Non-Executive Directors						
Ms H. Kurincic (Non-Executive Chair)	FY21	171,797	-	16,321	188,118	188,118
	FY20	119,292	-	11,333	130,625	130,625
Mr T. Poole (Non-Executive Director)	FY21	145,669	-	13,839	159,508	159,508
	FY20	143,921	-	13,673	157,594	157,594
Mr B. Akhurst ³ (Non-Executive Director)	FY21	33,676	-	3,199	36,875	36,875
	FY20	-	-	-	-	-
Mr J. Bennetts (Non-Executive Director)	FY21	116,438	-	11,062	127,500	127,500
	FY20	87,329	-	8,296	95,625	95,625
Mr R. Chessari (Non-Executive Director)	FY21	114,155	-	10,845	125,000	125,000
	FY20	84,471	1,146	8,134	93,751	93,751
Mr I. Elliot ⁴ (Non-Executive Director)	FY21	92,466	-	8,784	101,250	101,250
	FY20	117,123	-	11,127	128,250	128,250
Ms K. Parsons ⁵ (Non-Executive Director)	FY21	133,630	1,454	12,833	147,917	147,917
	FY20	10,763	-	1,023	11,786	11,786
Total Remuneration	FY21	807,831	1,454	76,883	886,168	886,168
	FY20	562,899	1,146	53,586	617,631	617,631

1 Cash salary/fees are lower in FY20 due to Directors taking pay reductions during the period 13 April 2020 to 6 July 2020.

2 Other benefits comprise salary packaging.

3 Mr B. Akhurst was appointed as a Non-Executive Director of the Company with effect from 1 April 2021.

4 Mr I. Elliot resigned as a Non-Executive Director of the Company with effect from 1 April 2021.

5 Ms K. Parsons was appointed as a Non-Executive Director of the Company with effect from 22 May 2020.

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

On behalf of the Directors.



Bruce Akhurst
Non-Executive Chair of the PCRC



Helen Kurincic
Non-Executive Chair of the Board

End of the audited Remuneration Report

Directors' Report

Unissued shares

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

Option class	No. of unissued ordinary shares	Exercise price	Expiry date
Voluntary Options	12,500	\$13.45	30 September 2021

No options were granted to the Directors or any of the five highest remunerated officers of the Company since the end of the financial year.

Directors' interests

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

Director	Rights	Options	Ordinary shares
Ms H. Kurincic (Chair)	-	-	20,000
Mr. T. Poole	-	-	30,000
Mr M. Salisbury (Managing Director)	131,434	-	16,526
Mr B. Akhurst	-	-	25,000
Mr J. Bennetts	-	-	3,068,025
Mr R. Chessari	-	-	6,050,941
Ms K. Parsons	-	-	8,000

No Director during FY21, became entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors shown in the Remuneration Report or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a controlled entity with the Director or an entity in which the Director has a substantial financial interest or a firm in which the Director is a member other than for payment of \$27,468 for the provision of IT services on arms' length terms by Mailguard Pty Ltd, of which John Bennetts has an economic interest.

Directors' Report

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

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

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 FY21, are disclosed in Note 8.6 to the Financial Statements.

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

The ARCC has reviewed the services other than the statutory audit provided by Grant Thornton Audit Pty Ltd during the financial year ended 30 June 2021. The other services related to non-statutory audit services and other assurance services which are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). This has been formally advised to the Board. Consequently, the Directors are satisfied that the provision of non-audit services during the year by the auditor and its related practices did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth).

Corporate governance practices

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

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* (Cth), is set out on page 103 of this Annual Report.

Directors' declaration

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

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

Signed in accordance with a resolution of the Directors.



Helen Kurincic
Chair

24 August 2021
Melbourne, Australia



Mike Salisbury
Managing Director &
Chief Executive Officer

Directors' Report

Five year summary

Five-Year Summary 2017 – 2021	2021 ⁹	2020 ⁹	2019	2018	2017
Financial Performance					
Group					
Revenue (\$m)	544.5	494.0	549.7	545.4	523.4
NPAT (\$m)	61.1	1.3	63.7	50.3	67.9
UNPATA (\$m) ¹	79.2	69.0	88.7	93.5	87.2
Group Remuneration Services segment					
Segment revenue (\$m)	228.8	214.8	221.9	207.7	189.7
Segment NPAT (\$m)	61.2	60.9	66.1	64.1	58.3
Segment UNPATA (\$m) ³	61.2	60.9	66.1	64.1	58.3
Asset Management segment					
Segment revenue (\$m) ²	256.3	229.3	245.8	243.7	226.1
Segment NPAT (\$m)	(0.6)	(9.9)	12.4	25.5	16.6
Segment UNPATA (\$m) ³	17.0	6.0	17.2	21.6	17.5
Retail Financial Services segment					
Segment revenue (\$m)	59.2	49.5	80.7	92.5	106.0
Segment NPAT (\$m)	2.0	(47.3)	(14.0)	(38.5)	(5.0)
Segment UNPATA (\$m) ³	2.6	3.0	6.4	8.6	12.4
Shareholder Value					
Dividends per share (cps)	61.3	34.0	74.0	73.0	66.0
Dividend payout ratio (%) ⁴	66	42	69	65	63
Basic earnings per share (cps)	78.9	1.6	77.0	60.9	81.6
Return on Equity (%) ⁵	31	21	23	4	24
Underlying earnings per share (cps) ⁶	102.4	87.4	107.3	113.2	104.8
Return on capital employed (%) ⁵	33	20	21	20	20
Other					
Employees (FTE) ⁷	1286	1295	1334	1,283	1,195
Employee engagement score (%) ⁸	85	86 ⁸	79	No survey	76

- 1 FY21 UNPATA excludes UK restructuring costs of \$14.6m and impairment of CLM goodwill for \$2.0m. FY20 UNPATA excludes one-off adjustments for Deferred Income and DAC of \$9.8m (post tax), class action settlement and legal costs of \$5.1m (post tax) and share buyback costs \$0.4m (post tax).
- 2 Revenue in 2017 has been re-stated to recognise the proceeds from the sale of motor vehicles as revenue to replace profit from the sale of motor vehicles.
- 3 Segment UNPATA does not include unallocated public company costs and interest from Group treasury funds.
- 4 FY21 payout ratio is calculated on UNPATA excluding JobKeeper of \$7.3m (net of tax) (FY20: \$7.0m net of tax).
- 5 Prior period comparatives have been restated to measure ROE and ROCE, which are based on UNPATA and underlying EBIT respectively to exclude the after-tax impact of acquisition related items and non-business operational items. Equity and capital employed used in the calculations includes the add-back of impairment of acquired intangible asset charges incurred in the respective financial period.
- 6 Underlying earnings per share is based on UNPATA.
- 7 As at 30 June.
- 8 Employee engagement survey conducted biennially with Pulse Survey's conducted in intervening periods. The 2020 result represents the May 2020 Pulse Survey Sustainability Engagement score.
- 9 Includes JobKeeper benefit of \$7.3m (net of tax) for FY21 (FY20: \$7.0m net of tax) which has been recognised as an offset against employee benefit expenses.

For personal use only

Financial Report

FOR THE YEAR ENDED 30 JUNE 2021

MMS
McMillanShakespeareGroup

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated Group		Parent Entity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue					
Revenue from contracts with customers	2.2	544,222	493,116	-	-
Interest income		229	846	106	154
Dividends received	2.3	-	-	128,109	59,591
Revenue from continuing operations		544,451	493,962	128,215	59,745
Fair value on previously held equity interest	6.1	1,805	-	-	-
Expenses					
Employee benefit expenses		(130,690)	(128,879)	(1,006)	(905)
Leasing and vehicle management expenses		(141,189)	(103,312)	-	-
Brokerage commissions and incentives		(27,489)	(30,892)	-	-
Depreciation and amortisation expenses	2.4	(67,113)	(83,290)	-	-
Net claims incurred		(12,264)	(13,591)	-	-
Other operating expenses	2.4	(46,473)	(47,794)	(1,196)	(2,048)
Finance costs		(8,386)	(8,786)	(161)	(512)
Operational expenses excluding impairment & other non-operational items		(433,604)	(416,544)	(2,363)	(3,465)
Impairment of intangible assets	2.4	(13,541)	(50,139)	-	-
Impairment of financial assets	2.4	(2,270)	(3,822)	(5,541)	(77,969)
Gain on loss of control of subsidiary		305	-	-	-
Related party loan forgiveness		-	-	52,640	-
Contingent consideration fair valuation		-	1,459	-	-
Impairment & other non-operational items		(15,506)	(52,502)	47,099	(77,969)
Total expenses		(449,110)	(469,046)	44,736	(81,434)
Profit / (loss) before income tax		97,146	24,916	172,951	(21,689)
Income tax (expense) / benefit	2.5	(36,081)	(22,585)	687	643
Net profit / (loss) for the year		61,065	2,331	173,638	(21,046)
Net profit / (loss) attributable to:					
Owners of the Company		61,065	1,269	173,638	(21,046)
Non-controlling interest		-	1,062	-	-
		61,065	2,331	173,638	(21,046)
Other comprehensive income					
<i>Items that may be re-classified subsequently to profit or loss:</i>					
Changes in fair value of cash flow hedges		1,514	(524)	-	(89)
Exchange differences on translating foreign operations		652	542	-	-
Reclassification of exchange differences on disposal of foreign operation		34	-	-	-
Income tax on other comprehensive income		(454)	114	-	27
Other comprehensive income / (loss) for the year		1,746	132	-	(62)
Total comprehensive income / (loss) for the year		62,811	2,463	173,638	(21,108)
Total comprehensive income / (loss) for the year is attributable to:					
Owners of the Company		62,811	1,401	173,638	(21,108)
Non-controlling interest		-	1,062	-	-
Total comprehensive income / (loss) for the year		62,811	2,463	173,638	(21,108)
Basic earnings per share (cents)	2.6	78.9	1.6		
Diluted earnings per share (cents)	2.6	78.4	1.6		

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

Statements of Financial Position

AS AT 30 JUNE 2021

	Note	Consolidated Group		Parent Entity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current assets					
Cash and cash equivalents	4.1	157,997	91,408	74	220
Trade and other receivables	3.2	40,975	70,502	481	12,863
Finance lease receivables	3.3	21,478	43,936	-	-
Assets under operating lease	3.4	62,877	62,272	-	-
Inventories	3.6	15,312	7,715	-	-
Prepayments		4,660	3,299	19	20
Deferred acquisition costs	3.7	5,218	5,206	-	-
Total current assets		308,517	284,338	574	13,103
Non-current assets					
Finance lease receivables	3.3	29,770	69,150	-	-
Assets under operating lease	3.4	147,441	153,670	-	-
Right-of-use assets	3.5	40,511	15,953	-	-
Property, plant and equipment		4,174	5,269	-	-
Intangible assets	3.1	134,852	140,413	-	-
Deferred tax assets	2.5	13,753	10,122	-	-
Deferred acquisition costs	3.7	6,912	6,641	-	-
Other financial assets	6.2	-	-	253,303	211,123
Total non-current assets		377,413	401,218	253,303	211,123
TOTAL ASSETS		685,930	685,556	253,877	224,226
Current liabilities					
Trade and other payables	3.8	102,085	94,859	12,372	128,324
Contract liabilities	3.9	7,181	8,098	-	-
Other liabilities	3.9	8,090	2,341	-	-
Provisions	3.10	13,722	14,521	-	-
Unearned premium liability	3.7	19,142	18,083	-	-
Current tax liability		4,148	5,274	2,824	3,433
Borrowings	4.2	23,886	11,706	5,761	5,761
Lease liabilities	3.5	1,602	6,523	-	-
Derivative financial instruments		213	1,678	-	-
Total current liabilities		180,069	163,083	20,957	137,518
Non-current liabilities					
Unearned premium liability	3.7	22,748	20,483	-	-
Provisions	3.10	1,484	1,608	-	-
Borrowings	4.2	152,444	251,914	3,991	9,115
Lease liabilities	3.5	47,273	17,913	-	-
Deferred tax liabilities	2.5	12,717	1,669	942	814
Total non-current liabilities		236,666	293,587	4,933	9,929
TOTAL LIABILITIES		416,735	456,670	25,890	147,447
NET ASSETS		269,195	228,886	227,987	76,779
Equity					
Issued capital	4.5	76,257	76,419	76,257	76,419
Reserves		(9,510)	(12,078)	1,254	360
Retained earnings		202,448	164,545	150,476	-
TOTAL EQUITY		269,195	228,886	227,987	76,779

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 2021

		Consolidated Group						
2021		Issued capital \$'000	Retained earnings \$'000	Share-based payment reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Acquisition reserve \$'000	Total \$'000
	Note							
Equity as at beginning of year	4.5	76,419	164,545	360	(1,288)	(4,018)	(7,132)	228,886
Net profit for the year		-	61,065	-	-	-	-	61,065
Other comprehensive income for the year		-	-	-	1,060	686	-	1,746
Total comprehensive income for the year		-	61,065	-	1,060	686	-	62,811
<i>Transactions with owners in their capacity as owners:</i>								
Share-based expense	5.1	-	-	1,101	-	-	-	1,101
Treasury shares	4.5	(162)	-	-	-	-	-	(162)
Reclassification of share-based payment reserve		-	207	(207)	-	-	-	-
Adjustment to acquisition reserve		-	-	-	-	-	(72)	(72)
Dividends paid	4.6	-	(23,369)	-	-	-	-	(23,369)
Equity as at 30 June 2021		76,257	202,448	1,254	(228)	(3,332)	(7,204)	269,195

		Consolidated Group							
2020		Issued capital \$'000	Retained earnings \$'000	Share-based payment reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Outside equity interest \$'000	Acquisition reserve \$'000	Total \$'000
	Note								
Equity as at beginning of year	4.5	135,868	237,956	872	(878)	(4,560)	(194)	-	369,064
Net profit for the year		-	1,269	-	-	-	1,062	-	2,331
Other comprehensive income / (loss) for the year		-	-	-	(410)	542	-	-	132
Total comprehensive income / (loss) for the year		-	1,269	-	(410)	542	1,062	-	2,463
<i>Transactions with owners in their capacity as owners:</i>									
Share buyback	4.5	(10,366)	(69,650)	-	-	-	-	-	(80,016)
Share-based expense	5.1	-	-	(512)	-	-	-	-	(512)
Dividends paid	4.6	-	(59,591)	-	-	-	-	-	(59,591)
Exercise of employee options	4.5	5,478	-	-	-	-	-	-	5,478
Acquisition of Outside Equity Interest	8.1(d)	-	-	-	-	-	(868)	(7,132)	(8,000)
Capital reduction	4.5	(54,561)	54,561	-	-	-	-	-	-
Equity as at 30 June 2020		76,419	164,545	360	(1,288)	(4,018)	-	(7,132)	228,886

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

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2021

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

		Parent				
2020		Issued capital \$'000	Retained earnings \$'000	Share-based payment reserve \$'000	Cash flow hedge reserve \$'000	Total \$'000
	Note					
Equity as at beginning of year	4.5	135,868	95,726	872	62	232,528
Loss attributable to owners of the Company		-	(21,046)	-	-	(21,046)
Other comprehensive loss for the year		-	-	-	(62)	(62)
Total comprehensive loss for the year		-	(21,046)	-	(62)	(21,108)
<i>Transactions with owners in their capacity as owners:</i>						
Share buyback	4.5	(10,366)	(69,650)	-	-	(80,016)
Share-based expense	5.1	-	-	(512)	-	(512)
Dividends paid	4.6	-	(59,591)	-	-	(59,591)
Exercise of employee options	4.5	5,478	-	-	-	5,478
Capital reduction	4.5	(54,561)	54,561	-	-	-
Equity as at 30 June 2020		76,419	-	360	-	76,779

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 2021

	Note	Consolidated Group		Parent Entity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash flows from operating activities					
Receipts from customers		551,400	554,699	-	-
Payments to suppliers and employees		(371,002)	(293,697)	(514)	(4,556)
Proceeds from sale of assets previously under lease		81,758	67,878	-	-
Proceeds from sale of lease portfolio		34,909	111,474	-	-
Payments for assets under lease		(76,942)	(232,357)	-	-
Government subsidies		14,809	7,696	-	-
Interest received		229	846	106	154
Interest paid		(9,938)	(9,168)	(161)	(501)
Dividends received		-	-	23,369	59,591
Income taxes paid		(30,258)	(18,911)	-	-
Net cash from operating activities	4.1	194,965	188,460	22,800	54,688
Cash flows from investing activities					
Payments for capitalised software	3.1	(7,572)	(13,494)	-	-
Payments for plant and equipment		(2,367)	(1,212)	-	-
Payment to acquire Outside Equity Interest	8.1(d)	-	(8,000)	-	-
Payments for joint venture subordinated loans	6.2	(3,520)	(4,596)	-	-
Cash lost from disposal of subsidiary, net of cash consideration received		(565)	-	-	-
Cash acquired from business combination, net of cash consideration paid	6.1	5,963	-	-	-
Net cash used in investing activities		(8,061)	(27,302)	-	-
Cash flows from financing activities					
Dividends paid by parent entity	4.6	(23,369)	(59,591)	(23,369)	(59,591)
Proceeds from borrowings	4.1	124,792	107,949	-	-
Repayments of borrowings	4.1	(215,070)	(171,086)	(5,124)	(4,481)
Payments for lease liabilities		(6,726)	(7,923)	-	-
Payments for borrowing costs		-	(1,828)	-	-
Payments for share buyback	4.5	-	(80,016)	-	(80,016)
Payments for share expenses		-	(548)	-	(548)
Proceeds from exercise of employee options	4.5	-	5,478	-	5,478
Payment for treasury shares	4.5	(162)	-	(162)	-
Proceeds from loans from controlled entities		-	-	5,709	75,646
Net cash used in financing activities		(120,535)	(207,565)	(22,946)	(63,512)
Effect of exchange changes on cash and cash equivalents		220	53	-	-
Net increase / (decrease) in cash and cash equivalents		66,589	(46,354)	(146)	(8,824)
Cash and cash equivalents at beginning of year		91,408	137,762	220	9,044
Cash and cash equivalents at end of year	4.1	157,997	91,408	74	220

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 2021

1 Introduction to the Report

The financial report of McMillan Shakespeare Limited (Company or parent entity) in respect of the Company and the entities it controlled at the reporting date or during the year ended 30 June 2021 (Group or Consolidated Group) was authorised in accordance with a resolution of the Directors on 24 August 2021.

Reporting entity

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

Basis of preparation and accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001 (Cth)*. The financial report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

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

Key judgements, estimates and assumptions

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

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

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

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

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

Note	Item	Judgements, Estimates and Assumptions
3.1	Intangible assets	Assessment of recoverable amount
3.4	Assets under operating lease	Lease assets residual value
3.7	Unearned premium liability and deferred acquisition costs	Pattern of incidence of risk
4.3(b)	Trade and other receivables and finance lease receivables	Impairment of financial assets

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

The Notes

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

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

The Notes are organised into the following sections:

2. Performance

Information on the performance of the Group, including segment results, earnings per share (EPS) and income tax.

3. Assets and Liabilities

Details the assets used in the Group's operations and the liabilities incurred as a result.

4. Capital Management

Information relating to the Group's capital structure and financing as well as the Group's exposure to various financial risks.

5. Employee Remuneration and Benefits

Information relating to remuneration and benefits provided to employees and key management personnel.

6. Group Structure

Information relating to subsidiaries and other material investments of the Group.

7. Unrecognised Items

Information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial performance or position in the future.

8. Other Disclosures

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

Basis of consolidation

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

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

Foreign currency

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

Transactions and balances

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

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

Group companies

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

Accounting policies

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

Current versus non-current classification

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

An asset is current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Rounding of amounts

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

2 Performance

2.1 SEGMENT REPORTING

Description of segments

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

The Group's reportable segments are set out below:

Reportable Segment	Services provided
Group Remuneration Services (GRS)	Administrative services in respect of salary packaging and facilitates the settlement of motor vehicle novated leases for customers but does not provide financing Ancillary services associated with motor vehicle novated lease products Plan management and support coordination services to participants in the National Disability Insurance Scheme (NDIS)
Asset Management (AM)	Financing and ancillary management services associated with motor vehicles, commercial vehicles and equipment
Retail Financial Services (RFS)	Retail brokerage services, aggregation of finance originations and extended warranty cover, but does not provide financing

Underlying net profit after-tax and amortisation (UNPATA), being net profit after-tax but before the after-tax impact of acquisition related and non-business operational items (as outlined in the following tables), is the key measure by which management monitors the performance of the Segments. Segment revenue and expenses are reported as attributable to the shareholders of the Company and excludes outside equity interests share.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

2.1 SEGMENT REPORTING (CONTINUED)

2021	GRS \$'000	AM \$'000	RFS \$'000	Unallocated ¹ \$'000	Consolidated \$'000
Revenue from contracts with customers	228,780	256,240	59,202	-	544,222
Interest revenue	-	79	-	150	229
Segment revenue	228,780	256,319	59,202	150	544,451
Timing of revenue recognition:					
– At a point in time	128,476	161,442	35,703	-	325,621
– Over time	100,304	94,798	23,499	-	218,601
Segment revenue from contracts with customers	228,780	256,240	59,202	-	544,222
UNPATA	61,161	16,992	2,551	(1,491)	79,213
Reconciliation to statutory net profit after-tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	(1,299)	(750)	-	(2,049)
United Kingdom (UK) restructuring expenses – cash	-	(1,805)	-	-	(1,805)
UK restructuring expenses – non-cash	-	(12,755)	-	-	(12,755)
Impairment of CLM goodwill	-	(1,962)	-	-	(1,962)
Acquisition costs	-	-	-	(69)	(69)
Income tax	-	246	225	21	492
UNPATA adjustments after-tax	-	(17,575)	(525)	(48)	(18,148)
Statutory net profit / (loss) after-tax attributable to members of the parent entity	61,161	(583)	2,026	(1,539)	61,065
Assets and liabilities					
Segment assets	138,165	384,474	56,202	107,089	685,930
Segment liabilities	106,207	248,916	48,904	12,708	416,735
Additions to segment non-current assets	40,415	76,445	20	-	116,880
Segment depreciation and amortisation ²	14,798	64,558	1,298	-	80,654

1 Unallocated assets include cash and bank balances of segments other than AM, maintained as part of the centralised treasury and funding function of the Group.

2 Depreciation and amortisation includes impairment of goodwill and other intangibles of \$13.5 million (2020: \$50.1 million).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

2.1 SEGMENT REPORTING (CONTINUED)

2020	GRS \$'000	AM \$'000	RFS \$'000	Unallocated ¹ \$'000	Consolidated \$'000
Revenue from contracts with customers	214,822	228,755	49,539	-	493,116
Interest revenue	-	533	-	313	846
Segment revenue	214,822	229,288	49,539	313	493,962
Timing of revenue recognition:					
– At a point in time	121,589	130,815	41,238	-	293,642
– Over time	93,233	97,940	8,301	-	199,474
Segment revenue from contracts with customers	214,822	228,755	49,539	-	493,116
UNPATA	60,946	6,038	3,005	(961)	69,028
Reconciliation to statutory net profit after-tax attributable to members of the parent entity					
Amortisation of intangible assets acquired on business combination	-	(1,753)	(2,141)	-	(3,894)
Impairment of goodwill and other intangible assets	-	(16,174)	(33,965)	-	(50,139)
Other, including class action legal costs and settlement provision (refer to Note 7.2)	-	-	(7,255)	-	(7,255)
Deferred revenue and acquisition costs valuation	-	-	(13,930)	-	(13,930)
Share buyback expenses	-	-	-	(548)	(548)
Other, including due diligence and restructuring expenses	-	(123)	-	(1,165)	(1,288)
Fair valuation of deferred consideration and finance charge	-	1,459	-	-	1,459
Income tax	-	673	6,998	165	7,836
UNPATA adjustments after-tax	-	(15,918)	(50,293)	(1,548)	(67,759)
Statutory net profit / (loss) after-tax attributable to members of the parent entity	60,946	(9,880)	(47,288)	(2,509)	1,269
Assets and liabilities					
Segment assets	199,491	466,168	77,537	(57,640)	685,556
Segment liabilities	79,978	308,419	49,015	19,258	456,670
Additions to segment non-current assets	13,217	69,164	5	-	82,386
Segment depreciation and amortisation ²	15,872	80,183	37,374	-	133,429

1 Unallocated assets include cash and bank balances of segments other than AM, maintained as part of the centralised treasury and funding function of the Group.

2 Depreciation and amortisation includes impairment of goodwill and other intangibles of \$13.5 million (2020: \$50.1 million).

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

Included in Segment revenue for GRS are revenues of \$64,200,316 (2020: \$57,026,000) from the Group's largest contract. This is the only customer representing greater than 10% of total segment revenue.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Other segment information

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

Geographical segment information

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

	Revenue from external customers		Non-current assets ¹	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Australia	425,169	425,343	280,415	259,669
United Kingdom	102,776	55,861	56,303	92,638
New Zealand	16,356	12,445	26,942	38,789
	544,301	493,649	363,660	391,096

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

2.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Remuneration services	228,781	214,765	-	-
Lease rental services	102,131	111,226	-	-
Sale of leased and other assets	123,394	86,234	-	-
Brokerage commissions and financial services	89,518	80,612	-	-
Other	398	279	-	-
Total revenue from contracts with customers	544,222	493,116	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

2.3 DIVIDENDS RECEIVED

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

2.4 PROFIT AND LOSS INFORMATION

(a) Impairment of intangible assets

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Impairment of goodwill	12,537	48,475	-	-
Impairment of other intangible assets	1,004	1,664	-	-
	13,541	50,139	-	-

Impairment of goodwill and other intangible assets in financial year 2021 includes the impairment of CLM Fleet Management plc (CLM) and Maxxia Limited (ML) goodwill which was recognised in the half-year ended 31 December 2020 as outlined within Note 3.1.

The Group's impairment of goodwill and other intangible assets in 2020 relate to the RFS Aggregation segment and the business in the UK. The UK operations projected lower future cash flows affected by a weaker economic environment including the effects of COVID-19 affecting the products and markets that the businesses trade in. RFS Aggregation in the comparative period experienced increasing competitive pressures during the year affecting finance originations and yields in addition to the impact of COVID-19.

Refer Note 3.1 for the assumptions used in the assessments.

(b) Impairment of financial assets

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Impairment of subordinated loan	3,520	4,596	-	-
Trade debtors specific and expected credit loss allowance / (gain)	(833)	1,248	-	-
Finance receivables specific loss allowance gain	(80)	(1,844)	-	-
Finance lease receivable expected credit loss allowance gain	(337)	(178)	-	-
Impairment of investment in subsidiaries	-	-	5,541	74,348
Related entities loan impairment	-	-	-	3,621
	2,270	3,822	5,541	77,969

Group

The subordinated loan loss allowance of \$3,520,000 (2020: \$4,596,000) relates to the net investment in ML in the UK to which the Group had a joint venture arrangement prior to obtaining control on 31 December 2020 (refer to Note 6.1 for further details).

Finance lease receivables Expected Credit Loss (ECL) allowance gain of \$337,000 is affected largely by the reduction of the carrying value of Finance Lease receivables of \$61,838,000 from \$113,086,000 in 2020. The Group uses the assessment criteria from its credit management system and adds forward looking indicators to reflect macro-economic factors to estimate ECL including the downgrade of the credit rating of some clients due to their industry COVID-19 risk.

Finance receivables specific loss allowance gain of \$80,000 relates to the discharge of a provision for lease assets recovered from distressed clients.

Parent entity

The carrying value of investments in controlled entities were assessed for recoverable value that resulted in an impairment of \$5,541,000 (2020: \$74,348,000) (refer Note 6.2).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

(c) Other operating expenses

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Consulting ¹	7,161	11,678	245	1,616
Marketing	8,601	7,735	-	-
Property and other corporate costs	8,637	7,703	431	432
Technology and communication	16,692	13,197	-	-
Other	5,382	7,481	520	-
	46,473	47,794	1,196	2,048

1 Consulting expenses in 2020 include legal expenses of \$6.5m mostly related to the class action proceedings and \$2m for the provision of the class action settlement (refer Note 7.2).

(d) Other expense items

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Depreciation and amortisation expenses				
Depreciation of assets under operating lease	47,445	58,980	-	-
Amortisation of software development	8,181	11,700	-	-
Depreciation of plant and equipment	2,843	3,191	-	-
Amortisation of intangible assets	2,050	3,893	-	-
Depreciation of right-of-use (ROU) assets	6,594	5,526	-	-
	67,113	83,290	-	-
Superannuation				
Superannuation contribution expense	9,010	8,863	-	-

(e) Government subsidies

JobKeeper Payment	10,450	10,029	-	-
Coronavirus Job Retention Scheme	700	1,237	-	-
	11,150	11,266	-	-

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

(f) Impact of change in estimates

The unearned portion of revenue from warranty contract premiums is deferred based on projected future claim obligations. Direct acquisition costs associated with the unexpired portion of contracts are also deferred. During the 2020 financial year, the estimated value of future claims obligations was independently assessed using the methodology consistent with prior years and applying current risk factors and a refreshed claims profile. The claims profile reflected a slower earning pattern and the extension of validity of claims both as a consequence of changes to products and operations. The resulting effect was to defer a larger portion to meet future claims.

The impact of the transition to the new estimates in 2020 decreased revenue from contracts with customers by \$20,704,000 and decreased brokerage commissions and incentives by \$6,774,000 in the Consolidated Statement of Profit or Loss.

2.5 INCOME TAX

Components of tax expense / (benefit)

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current tax expense / (benefit)	29,305	28,839	(781)	(537)
Adjustments for current tax of prior years	(38)	(1,369)	(34)	-
Deferred tax expense / (benefit)	6,814	(4,885)	128	(106)
Income tax expense / (benefit)	36,081	22,585	(687)	(643)

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit / (loss) before income tax	97,146	24,916	172,951	(21,689)
Prima facie tax payable on profit before income tax at 30% (2020: 30%)	29,144	7,475	51,885	(6,507)
Add tax effect of:				
– Non-deductible impairment expense	2,382	12,946	1,662	23,391
– Non-deductible subordinated loan	669	836	-	-
– Non-deductible costs	604	774	25	350
– Contingent consideration fair valuation	-	(277)	-	-
– Share-based payments	-	(154)	-	-
– Overseas tax rate differential of subsidiaries	1,477	2,354	-	-
– Other	25	-	-	-
– Impairment of deferred tax asset	2,161	-	-	-
– Over-provision of tax from prior year	(38)	(1,369)	(34)	-
	36,424	22,585	53,538	17,234
Less tax effect of:				
– Dividends received	-	-	(38,433)	(17,877)
– Non-assessable fair value on previously held equity interest	(343)	-	-	-
– Non-assessable loan forgiveness	-	-	(15,792)	-
Income tax expense / (benefit)	36,081	22,585	(687)	(643)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Deferred tax asset / (liability)

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
The balance comprises temporary differences attributed for:				
Amounts recognised in profit or loss				
Doubtful debts	487	717	-	-
Provisions	6,760	7,043	-	-
Property, plant and equipment	(13,783)	(6,269)	-	-
Accrued expenses	5,756	7,582	64	79
Finance and other receivables / prepayments	3,245	2,992	(1,051)	(1,051)
Other	131	131	45	131
Losses	646	123	-	-
Deferred acquisition expenses	271	285	-	-
Intangible assets	(4,386)	(5,814)	-	-
Unearned income	1,583	1,379	-	-
	710	8,169	(942)	(841)
Amounts recognised in equity				
Derivatives recognised directly in equity	(46)	284	-	27
Share-based payments reserve	372	-	-	-
Closing balance at 30 June	1,036	8,453	(942)	(814)
Recognised as:				
Deferred tax asset (DTA)	13,753	10,122	-	-
Deferred tax liability (DTL)	(12,717)	(1,669)	(942)	(814)
	1,036	8,453	(942)	(814)
Movements in deferred tax asset / (liability)				
Opening balance at 1 July	8,453	3,331	(814)	(947)
Charged to profit or loss	(6,814)	4,885	(128)	106
Charged to other comprehensive income	(454)	111	-	27
Adjustment to acquisition of Outside Equity Interest	(72)	-	-	-
Foreign exchange translation	(77)	126	-	-
Closing balance at 30 June	1,036	8,453	(942)	(814)

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Unrecognised temporary differences

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Temporary differences that have not been tax effected:				
Unused tax losses and deferred tax assets	31,406	1,251	-	-
Foreign currency translation reserve for investment in subsidiaries	3,332	4,018	-	-
	34,738	5,269	-	-

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

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

Tax consolidation

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

2.6 EARNINGS PER SHARE

	Consolidated Group	
	2021 \$'000	2020 \$'000
Basic EPS – cents per share	78.9	1.6
Diluted EPS – cents per share	78.4	1.6
Earnings used to calculate basic and diluted EPS (\$'000)		
Net profit after-tax (\$'000)	\$61,065	\$1,269
Weighted average number of ordinary shares used in the calculation of basic EPS ('000)	77,381	78,945
Weighted average number of options and rights on issue outstanding ('000)	555	869
Weighted average number of ordinary shares used in the calculation of diluted EPS ('000)	77,936	79,814

Basic EPS is calculated by dividing the profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

3 Assets and Liabilities

3.1 INTANGIBLE ASSETS

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

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

2020	Consolidated Group							
	Goodwill \$'000	Brands – indefinite life \$'000	Brands – finite life \$'000	Dealer relationships \$'000	Customer lists and relationships \$'000	Software development costs \$'000	Contract rights \$'000	Total \$'000
Useful life (range)	<i>Not applicable</i>	<i>Indefinite</i>	<i>6 years</i>	<i>6-13 years</i>	<i>5-13 years</i>	<i>3-5 years</i>	<i>Contract life</i>	
Cost	198,122	22,443	6,598	28,637	6,679	65,842	13,269	341,590
Accumulated depreciation	-	-	(6,598)	(14,299)	(5,106)	(32,948)	(13,269)	(72,220)
Accumulated impairment loss	(108,796)	(13,171)	-	(6,990)	-	-	-	(128,957)
Net carrying value	89,326	9,272	-	7,348	1,573	32,894	-	140,413
Reconciliation of written down values								
Balance beginning of year	137,427	9,272	878	11,088	2,276	30,387	-	191,328
Additions	-	-	-	-	-	13,494	-	13,494
Impairment	(48,475)	-	-	(1,664)	-	-	-	(50,139)
Amortisation	-	-	(878)	(2,270)	(745)	(11,700)	-	(15,593)
Other	-	-	-	-	-	713	-	713
Changes in foreign currency	374	-	-	194	42	-	-	610
Closing balance	89,326	9,272	-	7,348	1,573	32,894	-	140,413

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Goodwill

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

Identifiable intangible assets acquired from business combination

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

Identifiable intangible assets with finite lives are amortised over their estimated useful lives on a straight-line basis and assessed for impairment annually. Brand names that have indefinite useful lives are not amortised but are subject to annual impairment assessments. Brands are assessed for impairment as part of the relevant CGU.

Brand names that have an indefinite life are pursuant to the Group's plan for its continued use into the foreseeable future are expected to continue to generate cash flows indefinitely. The useful life assessment is reviewed annually.

Capitalised software development costs

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

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

Contract rights

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

Impairment test of goodwill

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

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

Key judgement: Assessment of recoverable amount

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Group

	Goodwill	Intangibles	Total	Goodwill	Intangibles	Total
	2021	2021	2021	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Maxxia Pty Limited (Maxxia)	24,190	25,211	49,401	24,190	23,820	48,010
Remuneration Services (Qld) Pty Limited (RemServ)	9,102	4,047	13,149	9,102	6,288	15,390
CLM Fleet Management plc (CLM)	5,959	-	5,959	7,799	311	8,110
Anglo Scottish Asset Finance Limited (ASF)	16,717	4,693	21,410	13,139	2,710	15,849
Retail Financial Services Segment Aggregation Business (RFS Aggregation)	31,894	11,956	43,850	31,894	12,828	44,722
Capex Asset Finance Limited (CAPEX)	-	-	-	3,202	2,791	5,993
Other	-	1,083	1,083	-	2,339	2,339
	87,862	46,990	134,852	89,326	51,087	140,413

Key assumptions used for VIU calculations

Cash flow projections

Cash flow projections are based on the financial year 2022 (FY2022) budgets. Growth assumptions used for subsequent years reflect strategic business plans and forecast growth rates. Financial projections take into account any risk exposures in changes to the trading, market and regulatory environments.

COVID-19 has resulted in significant uncertainty in the economic environment affecting the Group's businesses in particular the CLM CGU. The scale of the restrictions, changing economic and social environment and pace of recovery has created inherent uncertainty to the projection of cash flows assumed in the financial models. The VIU assessment models have adopted a probability weighted outcome of various scenarios in the cash flow projections.

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

Cash flows beyond five years are extrapolated using conservative growth rates of 2.0% (in-line with long term CPI) as well as using 1.0% in forming the probability weighted assessment for the CLM CGU.

GRS CGUs

The Maxxia and RemServ CGUs that form the GRS segment operate largely in the same business environment and are exposed to similar risks. The equivalent pre-tax discount rate of 16% (2020: 15%) was applied in the VIU calculation.

Cash flow projections for GRS in FY2022 are substantially higher than the carrying value of goodwill and any reasonable changes to the key assumptions would not cause an impairment. A key assumption in the GRS segment is that there is no significant change to Australian tax legislation that could affect the salary packaging and novated lease businesses. RemServ generates a substantial portion of its salary packaging and novated leasing business from the provision of services to employees of the Queensland Government pursuant to contractual arrangements to November 2021 and March 2022 respectively.

AM CGUs

Impairment assessment model for AM CGUs

The base case scenario used the business plans that formed the FY2022 budget and the growth assumptions for the subsequent years as disclosed for each CGU below. The at-risk scenarios assumed the base case plus the impact of a further COVID-19 wave imposing a lockdown (where applicable) as well as a projection risk for the possibility of under-performing the future budget and forecast results.

CAPEX and ASF

During the year, the UK business re-organised its operations within the CAPEX and ASF business groups. CAPEX and ASF operate largely in the same business sector and are exposed to relatively similar types of risks. Following the internal re-organisation of the UK asset finance businesses under a common leadership structure with sharing of resources, the business of CAPEX was transferred to ASF creating one new combined ASF CGU replacing the CAPEX and ASF CGUs identified in prior periods. Goodwill and other intangible assets of CAPEX were re-allocated to the ASF CGU accordingly.

ASF experienced a recovery during FY2021 from the initial fall in volumes during the initial period of lockdowns due to COVID-19 that occurred in April and May 2020.

Probability weighting assumptions were applied to each year in the scenarios between 25% and 50%. If the probability weightings were changed by 10% the impact to the assessed VIU of ASF is \$0.7m.

A 0.25% increase to the discount rate indicated a reduction in VIU of \$1.4m and a 5% decrease to revenue indicated a reduction in VIU of \$6.4m.

The equivalent pre-tax discount rate of 13.2% (2020: 12.2%) was applied in the VIU calculation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Revenue growth rate assumptions	FY2022	FY2023	FY2024	FY2025 –FY2026	
ASF					
Base scenario	11%	7%	14%	2%	Business activity is expected to continue to improve as a result of improving economic conditions as lockdowns are eased and the roll-out of the vaccine program creates more favourable trading conditions for businesses.
At-risk scenario #1	5%	7%	14%	2%	Discount applied to future cash flows as a projection risk for under-performing against planned targets and any adverse impacts due to COVID-19.
At-risk scenario #2	0%	7%	14%	2%	

CLM

Impairment recognised for the period ended 31 December 2020

On 24 February 2021, the Group announced an impairment of CLM goodwill.

CLM's business is driven by transactional activities related to the delivery, service, maintenance, repair and disposal of motor vehicles, the COVID-19 lockdown periods had a greater than anticipated impact on these sectors causing a substantial loss to CLM's maintenance management and outsourced fleet management services. A recovery is anticipated on the back of pent-up demand for required services but inherent uncertainty remained affecting the level and pace of recovery. As a result, the CGU was assessed for impairment as at 31 December 2020.

An impairment of \$1,962,000 was determined from the weighted probability of the cash flow scenarios modelled for CLM.

Impairment testing for the year ended 30 June 2021

No further impairment has been recognised based on the VIU assessment conducted as at 30 June 2021.

Cash flows beyond the five year period are extrapolated using terminal growth rates of 2.0% (in-line with long term CPI) as well as using 1.0% in forming the probability weighted assessment.

Probability weighting assumptions were applied with an equal probability applied to each of the scenarios. If the probability weightings for the at-risk scenarios were increased by 20% (collectively), the reduction to the assessed VIU of CLM is \$0.1m.

From other sensitivity tests applied, a 0.25% increase to the discount rate indicated a reduction in VIU of \$0.1m and a 5% decrease to revenue indicated a reduction in VIU of \$0.5m.

The equivalent pre-tax discount rate of 13.2% (2020: 12.2%) was applied in the VIU calculation.

Revenue growth rate assumptions	FY2022	FY2023	FY2024	FY2025 –FY2026	
CLM					
Base scenario	13.0%	3.9%	2.7%	2.0%	The easing of lockdown restrictions allows a gradual recovery in CLM's business activities during FY2022 to FY2024 as withheld required services are re-instated. Beyond FY2024, growth is in-line with estimated CPI.
At-risk scenario #1	(38.8%)	55.5%	2.7%	2.0%	As CLM's business is heavily impacted by COVID-19, FY2022 includes the risk of additional lockdowns that will potentially have a negative impact to its business in FY2022. An upturn in business is assumed in the subsequent period for the pent-up demand for required motor vehicle services. A projection risk for under-performing planned targets based on prior year experience is also factored in.
At-risk scenario #2	(38.8%)	45.7%	2.7%	2.0%	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Maxxia Limited

The ML joint venture was acquired on 31 December 2020 as outlined within Note 6.1 as a result of a contractual arrangement to acquire the remaining 50% equity interest. The acquisition cost of \$1,805,000 for the remaining JV interest was based on an historic incentive arrangement to retain prior management. ML has reported historical accumulated losses and the estimated recoverable amount based on future earnings did not support the carrying amount of the goodwill recognised of \$10,575,000 and therefore this was impaired to zero.

RFS Aggregation CGU

The motor vehicle market was stronger than anticipated in FY2021 with origination volumes recovering from the initial decline experienced toward the end of FY2020 due to COVID-19. However, uncertainty remains over future cash flows due to reduced yields due to increased competition and the lender mix.

Given that significant uncertainty remains with the economic environment and impact of COVID-19, the sustainability and level of recovery from COVID-19 and as RFS Aggregation seeks to hold and recover its market position, the impairment assessment has been modelled on the weighted probability of three outcomes. The base scenario uses the plan for FY2022, a second scenario factors a projection risk for COVID-19 and other factors and a third scenario as a growth model that seeks to recover market share and yields ("Growth"). An equivalent pre-tax discount rate of 16.0% (2020: 15.0%) has been used for the pre-tax value-in-use calculations.

Scenarios have been applied using probability weighting assumptions of 60%, 30% and 10% for the base, at-risk and growth scenarios respectively. If the probability weighting of the at-risk scenario was increased by 10% and the probability weighting of the growth scenario was reduced by 10% with no change to the base scenario, the reduction to the assessed carrying value is \$2.4m.

From other sensitivity tests applied, a 0.25% increase to the discount rate indicated a reduction in carrying value of \$0.2m and a 5% decrease to revenue indicated a reduction in carrying value of \$4.5m.

No impairment has been brought to account based on the weighted probability of the three outcomes.

Revenue growth rates	FY2022	FY2023	FY2024 –FY2026	
RFS Aggregation				
Base scenario	11%	0%	2%	The volume of finance originations is assumed to increase in FY2022 however lower net yields are expected to continue to remain as the business faces increased competition and a change in financier mix.
At-risk scenario	(1%)	2%	2%	Discount applied to future cash flows as a projection risk for under-performing against planned targets.
Growth scenario	9%	6%	2%	The growth model assumes recovery to pre-COVID-19 net yields as the business changes its financier mix and recovers market share.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

3.2 TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Trade receivables	34,016	32,356	-	-
Other receivables	6,959	38,146	-	-
Amounts receivable from wholly owned entities	-	-	481	12,863
	40,975	70,502	481	12,863

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business and held with the objective of collecting cash flows. They are generally settled within 30 days and the carrying amount includes a loss allowance of \$924,000 (FY20: \$967,000) and specific doubtful debts allowance of \$284,000 (2020: \$1,074,000). The carrying amount is generally considered to equal their fair value.

Other receivables

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

The 2020 balance includes \$25,560,000 from the sale of a portfolio of operating leases at written down.

None of the other receivables are impaired or past due.

3.3 FINANCE LEASE RECEIVABLES

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current finance lease receivables	21,478	43,936	-	-
Non-current finance lease receivables	29,770	69,150	-	-
	51,248	113,086	-	-

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

	Consolidated Group			
	Minimum lease payments 2021 \$'000	Present value of lease payments 2021 \$'000	Minimum lease payments 2020 \$'000	Present value of lease payments 2020 \$'000
Amounts receivable under finance lease receivables				
Within one year	23,608	21,478	47,296	43,936
Later than one but not more than five years	32,287	29,551	72,233	68,062
Later than five years	234	219	1,138	1,088
	56,129	51,248	120,667	113,086
Less: unearned finance income	(4,881)	-	(7,581)	-
Present value of minimum lease payments	51,248	51,248	113,086	113,086
Fair value of finance lease receivables		50,657		113,496

The fair value of finance lease receivables due within one year are considered to approximate their carrying amount. Fair values were calculated based on cash flows discounted using an average of current lending rates appropriate for the geographical markets the leases operate of 4.03% (2020: 3.62%). They are classified as level 3 fair values in the fair values hierarchy due to the inclusion of unobservable inputs.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

3.4 ASSETS UNDER OPERATING LEASE

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Assets under operating lease terminating within the next 12 months – current	62,877	62,272	-	-
Assets under operating lease terminating after more than 12 months – non current	147,441	153,670	-	-
Assets under operating lease – total	210,318	215,942	-	-

	Consolidated Group	
	2021 \$'000	2020 \$'000
Depreciation rate (range)	20% – 33%	20% – 33%
At cost	339,842	360,876
Accumulated depreciation	(129,524)	(144,934)
	210,318	215,942
Movements during the year		
Balance at the beginning of year	215,942	280,705
Additions	64,949	67,679
Reclassification from finance lease receivables ¹	13,601	-
Disposals / transfers to assets held for sale	(36,457)	(72,496)
Depreciation expense	(47,445)	(58,980)
Addition from business combinations (refer Note 6.1)	(2,178)	-
Residual value adjustment	1,840	(551)
Change in foreign currency	66	(415)
Balance at 30 June	210,318	215,942

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

Accumulated provision for impairment loss at reporting date is \$5,071,000 (2020: \$4,733,000).

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

Provision for residual value

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Key judgement: Lease assets residual value

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

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

If the estimated residual values reduced by 5%, this would result in an increase in the provision by \$3.4m.

3.5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Right-of-use assets (ROU assets)				
At cost	78,770	47,481	-	-
Accumulated depreciation	(38,259)	(31,528)	-	-
	40,511	15,953	-	-
Balance at beginning of year	15,953	20,990	-	-
New assets leased in the period	31,418	489	-	-
Depreciation included in profit or loss	(6,594)	(5,526)	-	-
Impairment included in profit or loss	(89)	-	-	-
Disposal of subsidiary	(243)	-	-	-
Change in foreign currency	66	-	-	-
Balance at 30 June	40,511	15,953	-	-

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Lease liabilities				
Balance at beginning of year	24,436	31,868	-	-
New assets leased in the period	31,418	489	-	-
Finance charge included in profit or loss	2,357	1,031	-	-
Disposal of subsidiary	(324)	-	-	-
Lease payments	(9,083)	(8,952)	-	-
Change in foreign currency	71	-	-	-
Balance at 30 June	48,875	24,436	-	-
Carrying value of lease liabilities				
Current	1,602	6,523	-	-
Non-current	47,273	17,913	-	-
	48,875	24,436	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

During the financial year the Group brought to account a non-cancellable property lease under AASB 16 Leases for a lease variation to extend the existing lease arrangement as well as a new lease agreement for the same property (that is expected to commence in December 2022). The lease variation and new lease agreements have been treated as a lease modification at the effective date of the lease variation. The lease liability has been remeasured for the entire modified agreement based on the modified lease's consideration and term.

Recognition and measurement of lease assets and liabilities

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

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

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

Short-term leases of less than 12 months and low-value leases are expensed on a straight line basis to the profit or loss. The principal portion of payments is included in financing activities in the Statements of Cash Flows and the finance charges is included in operating activities.

3.6 INVENTORIES

Motor vehicles are stated at the lower of cost and net realisable value. Following termination of a lease or rental contract the relevant assets are transferred from Assets under Operating Lease to Inventories at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.

3.7 UNEARNED PREMIUM LIABILITY, DEFERRED ACQUISITION COSTS (DAC) AND OUTSTANDING CLAIMS LIABILITY

Unearned premium liability

The Group assesses the risk attached to unexpired wholesale warranty discretionary products based on the risk and earning pattern analysis to ascertain whether the unearned premium liability (contract liability) is sufficient to cover all expected future claims against current warranty contracts. Underwriting premium revenue that is not recognised in the period is deferred as an unearned premium liability.

Deferred acquisition costs

Acquisition costs incurred in deriving warranty income are deferred and recognised as contract assets where they can be reliably measured and where it is probable that the associated warranty contract will give rise to warranty revenue in subsequent reporting periods.

DAC are amortised systematically in accordance with the expected pattern of the incidence risk under the warranty contracts to which they relate. The pattern of amortisation corresponds to the earning pattern of warranty revenue.

Outstanding claims liability

A liability is recognised for claims authorised but unpaid and claims reported which are not authorised for payment but are assessed for a probability of payment at reporting date. Claims incurred is the expense recognised in the settlement of extended warranty claims net of amounts recovered from third parties.

Key judgement: Pattern of incidence of risk

Underwriting premium revenue is measured based upon the expected future pattern of incidence of risk in relation to warranty contracts. The pattern of incidence of risk is estimated using a variety of techniques based on statistical analysis of the Group and industry experience that assumes that the development pattern of current claims will be consistent with past experience as appropriate.

During the year, external actuarial services were engaged to assess the deferred income and acquisition costs of active contracts that may give rise to future claims. Whilst the underlying methodology had not changed, the critical variable in the claims profile were refreshed to assume the pattern and timing of claims affected by more recent history of claims as well as the impact of recent regulatory changes and product changes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

3.8 TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unsecured liabilities				
Trade payables	30,458	24,577	-	-
GST payable	5,003	4,594	-	-
Accrued expenses	45,134	50,573	-	-
Sundry creditors	21,490	15,115	481	103
Amounts payable to wholly owned entities	-	-	11,891	128,221
	102,085	94,859	12,372	128,324

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

3.9. CUSTOMER RECEIPTS IN ADVANCE

Other liabilities

Other liabilities relate to customer receipts in advance which represent payments for future vehicle sales not yet delivered.

Contract liabilities

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Maintenance fees received in advance	5,146	4,051	-	-
Rebates and cancellations	2,035	4,047	-	-
	7,181	8,098	-	-

Maintenance fees received in advance

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

Rebates and cancellations

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

3.10 PROVISIONS

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Employee benefit liabilities	13,281	11,800	-	-
Provision for class action	-	2,000	-	-
Other provisions	441	721	-	-
	13,722	14,521	-	-
Non-current				
Employee benefit liabilities	1,484	1,608	-	-
	1,484	1,608	-	-

	Employee benefit liabilities		Other provisions		Provision for class action	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at start of the year	13,408	11,704	721	519	2,000	-
Employee benefits earned and accrued in the year	8,034	8,901	-	-	-	-
Payments in the year	(6,677)	(7,197)	(436)	(100)	(2,000)	-
Provision made in the year	-	-	156	302	-	2,000
Balance at the end of the year	14,765	13,408	441	721	-	2,000

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

Employee benefits

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

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

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

Provision for class action

The provision for class action of \$2,000,000 in 2020 was based on the possible settlement of the class action dispute which was settled during financial year 2021 (refer Note 7.2).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

4 Capital Management

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

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

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

4.1 CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash on hand	5	5	-	-
Bank balances	157,750	90,178	74	220
Short-term deposits	242	1,225	-	-
	157,997	91,408	74	220

Cash and cash equivalents

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

Cash at bank and short term deposits earn interest at floating rates with the floating interest rates for the year for cash at bank between 0.01% and 0.55% (2020: 0.59% and 1.22%). Short-term deposits have an average maturity of 90 days (2020: 90 days) and are highly liquid.

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

Pursuant to contractual arrangements with clients, GRS administers cash flows on behalf of clients as part of the remuneration benefits administration service. Cash held in trust for clients are therefore not available for use in the Group's operations. For some clients, cash is held in bank accounts specified in their name and other client monies are held in bank accounts specially designated as monies in trust for clients. All client monies are segregated from the Group's own cash and not included in the Consolidated Statement of Financial Position. At reporting date, the balance of monies held in bank accounts in trust for clients representing all client contributions to operate their accounts were as follows:

	Consolidated Group		Consolidated Group	
	2021	2020	2021	2020
	Average interest rate %	\$'000	Average interest rate %	\$'000
Client monies in trust, interest accruing to the Group	0.51%	435,376	1.46%	408,676
Client monies in trust, interest accruing to clients	0.49%	23,828	1.29%	23,092
		459,204		431,768

The parent entity does not hold any client monies.

Pursuant to contractual agreement with clients, the Group received the following interest for managing client monies and as part of the administration service fees at an average interest rate of 0.51% (2020: 1.46%). Interest received is recognised within Remuneration Services revenue from contracts with customers.

	Consolidated Group	
	2021 \$'000	2020 \$'000
Interest received on client monies in trust	2,283	5,976

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Cash Flow Information

Reconciliation of cash flow from operations with profit / (loss) from operating activities after-tax	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit / (loss) for the year	61,065	2,331	173,638	(21,046)
Non cash flows in profit / (loss) from operating activities				
Amortisation	10,231	15,593	-	-
ROU assets depreciation	6,594	5,526	-	-
Impairment	16,790	54,735	5,541	77,969
Gain on previously held equity interest	(1,805)	-	-	-
Gain on disposal of subsidiary	(305)	-	-	-
Depreciation	50,289	62,171	-	-
Loss allowance / (gain)	(417)	583	-	-
Share-based expense	1,101	(512)	1,101	(512)
Fair valuation of contingent consideration	-	(1,462)	-	-
Share buyback expenses	-	548	-	-
Other	(833)	1,390	(52,640)	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
Decrease / (increase) in trade receivables and other assets	22,165	(16,549)	(104,736)	(4)
Decrease in finance lease receivables principle repayments and disposals	25,668	172,141	-	-
Increase in assets under lease	(76,942)	(232,459)	-	-
Decrease in written down value of assets sold	70,419	76,573	-	-
(Decrease) / increase in trade payables and accruals	(3,658)	26,391	377	(270)
(Decrease) / increase in income taxes payable	(1,428)	8,810	(609)	(1,316)
Decrease / (increase) in deferred taxes	7,332	(5,214)	128	(133)
Increase in unearned revenue	9,639	21,119	-	-
Decrease in provisions	(940)	(3,255)	-	-
Net cash from operating activities	194,965	188,460	22,800	54,688

Cash from operating activities

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

Net debt reconciliation

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

Financing cash flow from liabilities	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Borrowings (excluding capitalised borrowing costs)	176,808	265,381	9,752	14,876
Payable due to wholly owned entities	-	-	11,410	115,358
Financing liabilities	176,808	265,381	21,162	130,234

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financing cash flow from liabilities (continued)				
Movements during the year				
Liabilities at the start of the period	265,381	328,430	130,234	55,421
Cash flows relating to borrowings	(90,278)	(63,137)	(5,124)	(4,481)
Cash flows relating to payables due to wholly owned entities	-	-	7,022	79,294
Non-cash settlement of payables due to wholly owned entities	-	-	(58,330)	-
Related party loan forgiveness	-	-	(52,640)	-
Foreign exchange adjustments	1,705	88	-	-
Liabilities at the end of the period	176,808	265,381	21,162	130,234

4.2 BORROWINGS

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Bank loans – at amortised cost	23,886	11,706	5,761	5,761
Non-current				
Bank loans – at amortised cost	152,444	251,914	3,991	9,115
Total bank loans	176,330	263,620	9,752	14,876

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

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

Security and financial covenants

The parent entity guarantees all bank loans of subsidiaries in the Group, totalling \$167,056,000 (2020: \$250,498,000).

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

Loans are also secured by the following financial undertakings from all entities in the Group:	<ul style="list-style-type: none"> > Negative pledge that imposes certain covenants including a restriction to provide other security over its assets, cap on its maximum finance debt, acquire assets which are non-core business to the Group, not to dispose of a substantial part of its business and reduction of its capital; > Maintenance of certain financial thresholds for shareholders' equity, gearing ratio and fleet asset portfolio performance; and > Various business parameters of the Interleasing Group and Maxxia Finance Ltd.
--	--

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

The Groups' gearing ratio was 20% (2020: 46%) calculated as net debt of \$67,208,000 (2020: \$196,648,000) divided by total debt and equity of \$336,403,000 (2020: \$425,534,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

4.3 FINANCIAL RISK MANAGEMENT

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

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

Financial risks of the Group are monitored by the Board through:	<ul style="list-style-type: none"> > ARCC obtains management confirmation of adherence with the Risk Management Policy and Framework; > regular reporting of compliance with, and/or breaches of, the Risk Appetite Statement; > monthly board meetings which include financial and operational reports from senior management; > regular reports from the ARCC; and > discussions with senior management.
Other monitoring occurs through:	<ul style="list-style-type: none"> > dedicated Group Risk Manager responsible for overall monitoring and reporting of financial risks; > a risk report is presented to the ARCC at least four times per year; and > Credit and Interest Committees which oversee Group credit risk, liquidity risk and interest rate risk with reporting provided to the Board.

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

Risk	Exposure	Response
Liquidity risk	<p>Risk that the Group will not be able to meet its financial obligations as they fall due.</p> <p>The AM businesses borrowings exposes the Group to potential mismatches between the refinancing of its assets and liabilities.</p>	<p>Maintain continuity and flexibility of funding through the use of committed revolving bank club facilities based on common terms, asset subordination and surplus cash to match asset and liability requirements.</p> <p>Ensure there is sufficient liquidity through access to committed available funds to meet at least twelve months of average net asset funding requirements augmented with uncommitted P&A facilities. This level is expected to cover any short-term financial market constraint for funds.</p> <p>The Group monitors daily operating cash flows and forecast cash flows for a twelve month period. Significant cash deposits have been maintained which enable the Group to settle obligations as they fall due without the need for short term financing facilities.</p>
Credit risk	<p>Risk of financial loss if a customer or counter-party to a financial instrument fails to meet its contractual obligations.</p> <p>Exposure to credit risk is through the receivables' balances, customer leasing commitments, deposits with banks and counterparty risks associated with interest and currency swaps.</p>	<p>For deposits with banks, only independently rated institutions with upper investment-grade ratings are used, in accordance with the Board approved Investment Policy.</p> <p>Leasing credit risk is managed pursuant to the Board approved Credit Policy. The policy is reviewed annually and prescribes minimum criteria in the credit assessment process that includes the credit risk rating of the customer, concentration risk parameters, type and intended use of the asset and the value of the exposure.</p> <p>A two-tiered Credit Committee structure is in place to stratify credit applications for assessment; a Local Credit Committee and an Executive Credit Committee reviewing applications based on volume, nature and value of the application.</p> <p>The Board receives a monthly report from the Credit Committee and periodically reviews concentration limits that effectively spread the risks as widely as possible across asset classes, client base, industries, regions and asset manufacturers.</p> <p>Credit risk concentration is spread through exposure to individual customers, industry sectors, asset types, asset manufacturers or regions.</p> <p>Where customers are independently rated, these ratings are taken into account. If there is no independent official rating, the credit quality is assessed using the Group's internal risk rating tool, taking into account information from an independent national credit bureau, its financial position, business segment, past experience and other factors using an application scorecard or other risk-assessment tools.</p> <p>Collateral is obtained where appropriate, to mitigate the risk of financial loss from defaults. Debtor ageing and the provision for impairment is reviewed monthly by the Board.</p>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Risk	Exposure	Strategy
Market risk		
<i>Interest rate risk</i>	<p>Movements in interest rates could directly affect the margins from existing contracts and the pricing of new contracts for assets leased and income earned from surplus cash.</p> <p>Borrowings issued at variable rates expose the Group to repricing interest rate risk.</p>	<p>Treasury and pricing policies aim to minimise mismatches between the amortised value of lease contracts and the sources of financing to mitigate repricing and basis risk. Mismatch and funding graphs including sensitivity analysis, are reported monthly to the Board.</p> <p>The Group has entered into interest rate swaps with counterparties rated as AA- by Standard & Poor's to exchange, at specified periods, the difference between fixed and variable rate interest amounts calculated on contracted notional principal amounts. Swaps are designated to hedge underlying borrowing obligations and match the interest-repricing profile of the lease portfolio in order to preserve the contracted net interest margin.</p>
<i>Foreign currency risk</i>	<p>Foreign currency risk arises from holding financial instruments that are denominated in a currency other than the functional currency in which they are measured. This includes the Group's inter-company receivables and payables which do not form part of the net investment in the UK and New Zealand entities.</p>	<p>Translation related risks from financial and non-financial items of the UK and New Zealand entities do not form part of the Group's risk exposure given these entities are part of longer term investments and consequently, their sensitivity to foreign currency movements are not measured.</p> <p>The Group's transactions are predominantly denominated in Australian dollars which is the predominant functional currency and the presentation currency of the Group.</p>
Asset risk	<p>Asset risk is mainly from the residual value of assets under lease and the tyre and maintenance obligations to meet claims for these services sold to customers. Residual value is an estimate of the value of an asset at the end of the lease. The estimate is formed at the inception of the lease and any subsequent impairment, exposes the Group to potential loss from resale if the market price is lower than the value as recognised.</p> <p>Risk relating to tyre and maintenance services arises where the costs to meet customer claims over the contracted period exceed estimates made at inception.</p>	<p>Continuous review of the portfolio's residual values via a Residual Value Committee comprising experienced senior staff with a balance of disciplines and responsibilities, who measure and report all matters of risk that could potentially affect residual values and maintenance costs and matters that can mitigate the Group from these exposures.</p> <p>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.</p>

(a) Liquidity risk

Financing arrangements

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

Borrowing facilities in local currency (AUD '000)	2021			2020		
	Facility	Used	Unused	Facility	Used	Unused
AM borrowing facilities	251,834	160,761	91,073	322,115	240,648	81,467
Other borrowing facilities	16,047	16,047	-	24,726	24,726	-
Total Borrowings¹	267,881	176,808	91,073	346,841	265,374	81,467

¹ Borrowings do not include capitalised borrowing costs of \$478,000 (2020: \$1,761,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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

AM secured bank borrowings (excluding borrowing costs)	Maturity dates	2021			2020		
		Facility	Used	Unused	Facility	Used	Unused
AUD'000 ¹	31/03/2023	75,000	45,800	29,200	-	-	-
AUD'000 ¹	31/03/2024	58,000	48,000	10,000	-	-	-
AUD'000 ¹	31/03/2025	20,000	5,300	14,700	-	-	-
AUD'000 ¹	31/03/2022	-	-	-	130,670	112,800	17,870
AUD'000 ¹	31/03/2023	-	-	-	45,000	25,000	20,000
AUD'000 ¹	31/03/2024	-	-	-	20,000	4,000	16,000
NZD'000 ¹	31/03/2023	11,000	6,600	4,400	-	-	-
NZD'000 ¹	31/03/2024	29,000	23,100	5,900	-	-	-
NZD'000 ¹	31/03/2022	-	-	-	30,000	27,200	2,800
NZD'000 ¹	31/03/2023	-	-	-	15,000	7,100	7,900
GBP'000 ¹	31/03/2023	15,000	-	15,000	-	-	-
GBP'000 ²	31/03/2023	18,500	18,500	-	-	-	-
GBP'000 ¹	31/10/2021	-	-	-	47,000	37,200	9,800

- 1 Revolving facility
2 Amortising facility

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

The borrowing facilities are further augmented by P&A facilities of \$194 million (\$100 million utilised) and residual value facilities totalling \$123 million (\$69 million utilised). The Group carries a residual value exposure in relation to some P&A facilities that revert the lease asset to the Group at the termination of the lease. The residual value was assessed at the lower of book value and estimated disposal value resulting in a provision for loss in value of \$2.0 million for assets identified to be possibly below book value.

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

Loan maturities were extended for most facilities with the Club of financiers during the year. Revolving facilities for Australian operations of \$196 million due to mature on 31 March 2022 were reduced to \$153 million and extended for another 1 to 3 years at significantly improved margins. Committed bank facilities for UK operations reduced by GBP13.5 million in aggregate as the mix of internal funding and the employment of P&A in the provision of lease financing continue to evolve. Facilities were extended, at improved margins, to match the maturity profile of the underlying lease receivables. Unused facilities will provide funding to meet immediate requirements together with the headroom from the uncommitted P&A facilities and residual value facility. This, together with contractual lease receivable cash flows, will provide the necessary funding requirements for the next twelve months of forecast new lease additions.

The other facilities are borrowed in local currency as follows:

Secured bank borrowings (excluding borrowing costs)	Maturity dates	2021			2020		
		Facility	Used	Unused	Facility	Used	Unused
AUD'000	31/12/2022	5,739	5,739	-	7,650	7,650	-
AUD'000	29/09/2022	4,013	4,013	-	7,224	7,224	-
GBP'000	31/01/2021	-	-	-	1,540	1,540	-
GBP'000	30/06/2023	3,422	3,422	-	-	-	-
GBP'000	31/03/2022	-	-	-	3,950	3,950	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Maturities of financial liabilities

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

Consolidated Group – at 30 June 2021: Contractual maturities of financial liabilities	Less than 6 months \$'000	6–12 months \$'000	1–2 years \$'000	2–5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
Trade payables	30,458	-	-	-	-	30,458	30,458
Other creditors and liabilities	78,709	6,640	-	-	-	85,349	86,833
Lease liabilities	4,488	4,185	7,881	19,989	32,389	68,932	48,875
Borrowings	14,002	14,231	77,666	75,596	-	181,495	176,808
	127,657	25,056	85,547	95,585	32,389	366,234	342,974

Consolidated Group – at 30 June 2020: Contractual maturities of financial liabilities	Less than 6 months \$'000	6–12 months \$'000	1–2 years \$'000	2–5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
Trade payables	24,577	-	-	-	-	24,577	24,577
Other creditors and liabilities	78,903	5,900	-	-	-	84,803	86,411
Lease liabilities	4,341	3,344	4,315	20,842	52,573	85,415	24,436
Borrowings	8,197	8,923	219,242	34,118	-	270,480	265,374
	116,018	18,167	223,557	54,960	52,573	465,275	400,798

Parent – at 30 June 2021: Contractual maturities of financial liabilities	Less than 6 months \$'000	6–12 months \$'000	1–2 years \$'000	2–5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
Amounts payable to wholly owned entities and other payables	12,372	-	-	-	-	12,372	12,372
Borrowings	2,939	2,919	4,009	-	-	9,867	9,752
Financial guarantee contracts	11,063	11,312	73,657	75,596	-	171,628	-
	26,374	14,231	77,666	75,596	-	193,867	22,124

Parent – at 30 June 2020: Contractual maturities of financial liabilities	Less than 6 months \$'000	6–12 months \$'000	1–2 years \$'000	2–5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
Amounts payable to wholly owned entities and other payables	128,324	-	-	-	-	128,324	128,324
Borrowings	4,267	2,955	5,837	2,086	-	15,145	14,876
Financial guarantee contracts	3,930	5,968	213,405	32,032	-	255,335	-
	136,521	8,923	219,242	34,118	-	398,804	143,200

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

(b) Credit risk

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

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade and other receivables	40,975	70,502	481	-
Deposits with banks	157,997	91,408	74	220
Finance lease receivables	51,248	113,086	-	-
Operating lease assets	210,318	215,942	-	-
	460,538	490,938	555	220

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

Impairment of trade receivables and finance lease receivables

Key judgement: Impairment of financial assets

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

ECL for finance lease receivables includes the inherent risk attached to the credit assessment of each customer, estimate of customer default risk, environment and inventory risk and other factors affecting recoverability. COVID-19 affected the credit quality of many customers at varying levels. The continuing impact of COVID-19 on the future credit quality of finance lease customers has resulted in the ECL being adjusted to include a downgrade to the credit rating of all customers where their industry is more exposed to the effects of COVID-19.

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

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

Trade receivables

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

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Expected loss rate	2.62%	2.81%	-	-
Gross carrying amount	35,224	34,397	-	-
Loss allowance	924	967	-	-
Specific loss allowance	284	1,074	-	-
Total loss allowance	1,208	2,041	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Ageing and expected credit loss of trade receivables	2021			2020		
	Total \$'000	Loss allowance \$'000	Amount not impaired \$'000	Total \$'000	Loss allowance \$'000	Amount not impaired \$'000
Not past due	29,060	(803)	28,257	28,102	(821)	27,281
Past due 30 days	2,806	(48)	2,758	2,442	(55)	2,387
Past due 31-60 days	1,324	(33)	1,291	1,374	(221)	1,153
Past due 61-90 days	403	(15)	388	674	(341)	333
Past due >90 days	1,631	(309)	1,322	1,805	(603)	1,202
	35,224	(1,208)	34,016	34,397	(2,041)	32,356

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

Finance lease receivables

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

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at start of year	1,139	3,149	-	-
Specific loss allowance	-	177	-	-
Expected loss allowance	(337)	(178)	-	-
Loss allowance discharged	(80)	(2,021)	-	-
Changes in foreign currency	25	12	-	-
Balance at end of year	747	1,139	-	-
Expected credit loss provision	629	950	-	-
Specific provision	118	189	-	-
	747	1,139	-	-

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

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Expected credit loss rate	1.18%	0.86%	-	-
Gross carrying amount	53,323	110,782	-	-
Loss allowance	629	950	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

(c) Market risk

Interest rate risk

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

	2021		2020	
	Borrowings \$'000	Weighted average interest rate %	Borrowings \$'000	Weighted average interest rate %
AUD'000	108,852	1.20%	156,676	1.60%
NZD'000	29,700	1.57%	34,300	1.79%
GBP'000	21,922	1.46%	42,693	1.87%
Total AUD '000	176,808	1.31%	265,374	1.68%

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

Borrowings for the AM business of \$125,668,000 (2020: \$168,479,000) were covered by interest rate swaps at a fixed rate of interest of 1.72% (2020: 2.72%).

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

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

	2021 \$'000	2020 \$'000
Cash and deposits	157,997	91,408
Bank loans ¹	(176,808)	(265,374)
Interest rate swaps (notional amounts)	125,668	168,479
Net exposure to cash flow interest rate risk	106,857	(5,487)

¹ Excluding capitalised borrowing costs of \$478,000 (2020: \$1,761,000) for AM.

Sensitivity analysis – floating interest rates:

If the Australian interest rate weakened or strengthened by 25 basis points, being the Group's view of possible fluctuation, and all other variables were held constant, the Group's post-tax profit for the year would have been \$947,000 (2020: \$721,000) higher or lower and the parent entity \$17,000 (2020: \$26,000) higher or lower, depending on which way the interest rates moved based on the balances at reporting date.

(d) Asset risk

The portfolio of motor vehicles under operating lease and the residual value of assets under P&A and other facilities of 327,180,000 (2020: \$290,675,000) included a residual value provision of \$5,071,000 (2020: \$4,733,000). Refer to Note 3.4 for further details.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

4.4 FINANCIAL INSTRUMENTS

Fair value measurement

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

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

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

Financial asset/ (financial liability)	Fair value at			Valuation technique and key input
	2021 \$'000	2020 \$'000	Fair value hierarchy	
Interest rate swaps	(213)	(1,678)	2	Discounted cash flow using estimated future cash flows based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted to reflect the credit risk of various counterparties.

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

Derivative financial instruments

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

Hedge accounting

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

4.5 ISSUED CAPITAL

Share capital

The following relates to the Group and Parent entity:

	Number of shares	Issue price	Ordinary shares \$'000
Shares issued at 1 July 2020	77,381,107		76,419
Treasury shares acquired on-market	(16,899)		(162)
Shares held by external shareholders at the beginning of the year	77,364,208		76,257
Treasury shares distributed in the year on the exercise of employee rights	16,899		-
Shares held by external shareholders at 30 June 2021	77,381,107		76,257

	Number of shares	Issue price	Ordinary shares \$'000
Shares issued at 1 July 2019	83,204,720		135,868
Treasury shares acquired on-market	(538,129)		-
Shares held by external shareholders at the beginning of the year	82,666,591		135,868
Share buyback	(5,823,613)	\$1.78	(10,366)
Treasury shares distributed in the year on the exercise of employee options	538,129	\$10.18	5,478
Capital reduction	-		(54,561)
Shares held by external shareholders at 30 June 2020	77,381,107		76,419

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

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

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

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of members' shares held. At members' meetings, each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital reduction

The net assets of the parent were affected by the loss in value of its investments in and receivable balances from its subsidiaries amounting to \$77,969,000 resulting in a deficit in retained earnings of \$54,561,000 at 30 June 2020. In order to avoid the limitation on the Company's capacity to pay a dividend, the deficit in retained earnings was applied as a reduction against share capital for the value that is no longer represented in assets in accordance with S.258F of the Corporations Act. The loss in value of assets in 2020 is summarised as follows:

	2021 \$'000	2020 \$'000
Investment in subsidiaries	-	74,348
Loan receivables from subsidiaries	-	3,621
Loss in value of assets	-	77,969

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

The loss in value of the investment in subsidiaries resulted from the impairment of intangibles assets of the RFS Aggregation and the AM subsidiaries in the UK (refer Note 3.1) and the recoverable value of another subsidiary investment in 2020. The parent entity's assessment of the recoverability of loans receivable from its subsidiaries resulted in an impairment of \$3,621,000.

The capital reduction is non-cash and the impairment of the parent's investment in its subsidiaries and loan receivables did not impact the consolidated financial statements and did not affect net assets of the parent or the Group.

Share buyback

In October 2019, the Company completed an off-market share buyback of 5,823,613 fully paid ordinary shares at \$13.74 per share that was funded from cash of \$80,016,443. The share buyback comprised a capital component of \$1.78 which reduced share capital by \$10,366,031 and a fully franked dividend per share of \$11.96 that was paid out of retained earnings of \$69,650,412.

Treasury shares

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

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

Options

At 30 June 2021, there were 12,500 (2020: 8,979) unissued ordinary shares for which options were outstanding and exercisable at an average price of \$13.45 (2020: \$13.45). Details relating to options issued, exercised and lapsed during the year and options outstanding at the end of the year is set out in Note 5.1.

4.6 DIVIDENDS

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Final fully franked ordinary dividend for the year ended 30 June 2020 of \$Nil (2019: \$0.40) per share franked at the tax rate of Nil (2019: 30%)	-	33,281	-	33,281
Interim fully franked ordinary dividend for the year ended 30 June 2021 of \$0.302 (2020: \$0.34) per share franked at the tax rate of 30% (2020: 30%)	23,369	26,310	23,369	26,310
	23,369	59,591	23,369	59,591
Franking credits available for subsequent financial years based on a tax rate of 30% (2020 – 30%)	112,284	91,455	112,284	91,455

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

5 Employee Remuneration and Benefits

5.1 SHARE-BASED PAYMENTS

The Company operates a LTIP for certain executives and employees under the McMillan Shakespeare Limited Employee Share Plan. The Company issues Performance Rights annually with a three year vesting period. The issuance to the Managing Director was granted on 20 October 2020 following shareholder approval on that day.

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

Performance Options

Performance Options are granted for Nil consideration with no dividend or voting rights. The performance options may be exercised into ordinary shares subject to the satisfaction of specified performance hurdles and continuity of employment. On exercise, each participant will pay the exercise price and receive one fully paid ordinary share in the Company.

The People, Culture and Remuneration Committee recommends to the Board the number of performance options to be granted on the basis of the position, duties and responsibilities of the relevant executive.

Voluntary Options

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

Performance Rights

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

Performance hurdles and vesting entitlements

Refer page 23 for details of the terms and conditions for Performance Rights issued in the year.

Recognition and measurement

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Options

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

Performance Options

Consolidated Group and parent entity – 2021

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
3 July 2018	30 September 2022	\$16.64	466,905	-	-	(466,905)	-	-
23 October 2018	30 September 2022	\$16.64	105,272	-	-	(105,272)	-	-
			572,177	-	-	(572,177)	-	-
Weighted average exercise price			\$16.64	-	-	\$16.64	-	-

Performance Options

Consolidated Group and parent entity – 2020

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
19 August 2014	30 September 2019	\$10.18	538,129	-	(538,129)	-	-	-
3 July 2017	30 September 2020	\$13.45	332,381	-	-	(332,381)	-	-
26 September 2017	30 September 2020	\$14.97	17,340	-	-	(17,340)	-	-
24 October 2017	30 September 2020	\$13.45	71,140	-	-	(71,140)	-	-
3 July 2017	30 September 2021	\$13.45	308,488	-	-	(308,488)	-	-
26 September 2017	30 September 2021	\$14.97	15,920	-	-	(15,920)	-	-
24 October 2017	30 September 2021	\$13.45	66,027	-	-	(66,027)	-	-
3 July 2018	30 September 2022	\$16.64	576,253	-	-	(109,348)	466,905	-
23 October 2018	30 September 2022	\$16.64	105,272	-	-	-	105,272	-
			2,030,950	-	(538,129)	(920,644)	572,177	-
Weighted average exercise price			\$13.68	-	\$10.18	\$13.88	\$16.64	-

Voluntary Options

Consolidated Group and parent entity – 2021

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
3 July 2017	30 September 2020	\$13.45	8,979	-	-	(8,979)	-	-
3 July 2017	30 September 2021	\$13.45	12,500	-	-	-	12,500	12,500
			21,479	-	-	(8,979)	12,500	12,500
Weighted average exercise price			\$13.45	-	-	\$13.45	\$13.45	\$13.45

Voluntary Options

Consolidated Group and parent entity – 2020

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised or sold during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
3 July 2017	30 September 2020	\$13.45	8,979	-	-	-	8,979	8,979
3 July 2017	30 September 2021	\$13.45	12,500	-	-	-	12,500	-
			21,479	-	-	-	21,479	8,979
Weighted average exercise price			\$13.45	-	-	-	\$13.45	\$13.45

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Rights

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

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

2020		Balance at the start of the year	Granted during the year	Distributed during the year	Forfeited during the year ¹	Balance at end of the year	Exercisable at end of the year
Grant date	Exercise date ¹						
3 July 2017	30 September 2019	83,429	-	-	(83,429)	-	-
26 September 2017	30 September 2019	4,365	-	-	(4,365)	-	-
24 October 2017	30 September 2019	17,860	-	-	(17,860)	-	-
3 July 2017	30 September 2020	87,883	-	-	(87,883)	-	-
26 September 2017	30 September 2020	4,598	-	-	(4,598)	-	-
24 October 2017	30 September 2020	18,814	-	-	(18,814)	-	-
3 July 2018	30 September 2021	103,648	-	-	(19,670)	83,978	-
23 October 2018	30 September 2021	18,937	-	-	-	18,937	-
1 July 2019	30 September 2022	-	334,336	-	(56,823)	277,513	-
22 October 2019	30 September 2022	-	69,178	-	-	69,178	-
18 December 2019	31 October 2020	-	16,899	-	-	16,899	-
		339,534	420,413	-	(293,442)	466,505	-

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

Fair value of Performance Rights granted

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

Grant	Share price at grant date	Expected life (years)	Expected dividend yield	Fair value
20 October 2020	\$9.46	2.9	3.6%	\$8.51
30 October 2020	\$9.34	2.9	3.6%	\$8.40

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Expenses arising from share-based payment transactions

	Consolidated Group		Parent Entity	
	2021 \$	2020 \$	2021 \$	2020 \$
Performance Options issued under the LTIP	-	(432,342)	-	-
Voluntary Options issued under the LTIP	1,607	3,552	-	-
Performance Rights issued under the LTIP	1,099,680	(83,400)	-	-
	1,101,287	(512,190)	-	-

5.2 KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated Group		Parent Entity	
	2021 \$	2020 \$	2021 \$	2020 \$
Short-term employment benefits	3,249,595	3,044,020	2,155,883	2,095,836
Post-employment benefits	149,443	149,517	111,896	101,812
Long-term employment benefits	(63,529)	69,461	(81,581)	32,659
Share-based payments	406,980	(129,375)	380,509	(55,173)
	3,742,489	3,133,623	2,566,707	2,175,134

5.3 OTHER EMPLOYEE BENEFITS

Bonuses

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

6 Group Structure

6.1 BUSINESS COMBINATIONS

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

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

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

Acquisition of ML

The Group acquired the remaining 50% equity interest of ML on 31 December 2020, a company incorporated in the UK providing asset funding solutions, vehicle fleet leasing and asset management. These products and services are delivered through a variety of channels, both direct to market through a diverse customer base containing a number of publicly quoted and private companies, government bodies including those in the education sector and public authorities. The acquisition cost of \$1,805,000 for the remaining JV interest was based on an historic incentive arrangement to retain prior management. ML was previously a joint venture of the Group through the Group's 50% equity interest and the acquisition represents the acquisition of the remaining equity in ML (refer to Note 6.3).

Consideration transferred

Consideration transferred for the acquisition is summarised as follows:

	Consolidated Group
	2021 \$'000
Cash	1,805
Total consideration transferred	1,805

Reconciliation of consideration to cash flow

	Consolidated Group
	2021 \$'000
Purchase consideration – cash inflow for ML acquisition	
Cash consideration	1,805
Cash acquired	(7,768)
Net cash inflow in period	(5,963)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Assets acquired and liabilities assumed at the date of acquisition

Fair Value at acquisition date	Consolidated Group
	2021 \$'000
Cash and cash equivalents	7,768
Trade and other receivables, and prepayments	1,836
Inventory	10,278
Property, plant and equipment	47
Assets acquired	19,929
Trade payables and accrued expenses	15,778
Income tax provision	337
Other liabilities	530
Provisions	2,178
Related party payables	8,071
Liabilities assumed	26,894
Identifiable net liabilities acquired	(6,965)
Goodwill	10,575
Fair value on previously held equity interest	(1,805)
Consideration transferred	1,805

Goodwill arose as the acquisition cost of \$1,805,000, which was based on a historical incentive arrangement to retain prior management, exceeded the net assets at acquisition following historical accumulated losses. None of the goodwill is expected to be tax deductible. Refer to Note 3.1 regarding the carrying value of the goodwill recognised.

Acquisition-related expenses of \$100,000 have been incurred and expensed on consolidation and included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period within 'Other operating expenses'.

Trade receivables of ML at acquisition resulted from trade sales with customers and have been fair valued at \$1,000,000. Their collection and conversion to cash are expected in full pursuant to customer terms.

Impact of acquisition on the results of the Group

The Consolidated Statement of Profit or Loss for the period includes revenue of \$34,292,000 and net loss after-tax of \$1,200,000 attributed to ML. Had the acquisition occurred effective 1 July 2020, revenue of ML to the Group would have been \$57,057,000 and net loss after-tax adjusted for differences in the accounting policies between the Group and ML would have been \$2,504,000.

6.2 OTHER FINANCIAL ASSETS

Investment in subsidiaries

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Shares in subsidiaries at cost	-	-	253,303	211,123

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Name	Country of Incorporation	% Owned 2021	% Owned 2020	Principal activities
Parent entity				
McMillan Shakespeare Limited	Australia			
Subsidiaries in Group				
Maxxia Pty Limited ¹	Australia	100%	100%	Remuneration services provider
Remuneration Services (Qld) Pty Limited ¹	Australia	100%	100%	Remuneration services provider
Easilease Pty Ltd	Australia	100%	100%	Remuneration services provider
Onboard Finance Pty Ltd	Australia	100%	-	Remuneration services provider
MaxxiMe Pty Ltd ²	Australia	100%	100%	Remuneration services provider
Interleasing (Australia) Ltd ¹	Australia	100%	100%	Asset management and services
TVPR Pty Ltd ¹	Australia	100%	100%	Asset management and services
Carila Pty Ltd ¹	Australia	100%	100%	Asset management and services
Presidian Holdings Pty Ltd	Australia	100%	100%	Retail financial services
Davantage Group Pty Ltd	Australia	100%	100%	Retail financial services
Money Now Pty Ltd	Australia	100%	100%	Retail financial services
National Finance Choice Pty Ltd	Australia	100%	100%	Retail financial services
Franklin Finance Group Pty Ltd	Australia	100%	100%	Retail financial services
Australian Dealer Insurance Pty Ltd	Australia	100%	100%	Retail financial services
National Finance Solutions Pty Ltd	Australia	100%	100%	Retail financial services
National Insurance Choice Pty Ltd	Australia	100%	100%	Retail financial services
National Dealer Services Pty Ltd	Australia	100%	100%	Retail financial services
Motorsure Pty Ltd	Australia	100%	100%	Retail financial services
Presidian Management Services Pty Ltd	Australia	100%	100%	Retail financial services
ADU Investments Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services Network Pty Ltd	Australia	100%	100%	Retail financial services
United Financial Services (QLD) Pty Ltd	Australia	100%	100%	Retail financial services
Plan Management Partners Pty Ltd	Australia	100%	100%	Plan management services
Maxxia (UK) Limited	United Kingdom	100%	100%	Investment holding
Maxxia Finance Limited	United Kingdom	100%	100%	Asset management
CLM Fleet Management plc	United Kingdom	100%	100%	Fleet management services
Anglo Scottish Asset Finance Limited	United Kingdom	100%	100%	Asset management
European Vehicle Contracts Limited ³	United Kingdom	-	100%	Asset management
Capex Asset Finance Limited	United Kingdom	100%	100%	Asset management
Maxxia Ltd ⁴	United Kingdom	100%	50%	Asset management
The Car House Milton Keynes Limited	United Kingdom	100%	100%	Fleet management services
Corporate Vehicle Rentals Limited	United Kingdom	100%	100%	Fleet management services
Total Vehicle Mgt Limited	United Kingdom	100%	100%	Fleet management services
Maxxia Limited	New Zealand	100%	100%	Dormant
Maxxia Fleet Limited	New Zealand	100%	100%	Asset management and services
Wuxi McMillan Software Co. Ltd	Peoples Republic of China	100%	100%	Software development

1 These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to Note 6.4.

2 Formerly Just Honk Pty Ltd.

3 On 11 March 2021, the Group disposed of 100% of the share capital of European Vehicle Contracts Limited.

4 On 31 December 2020, the Group acquired the remaining 50% of the share capital of Maxxia Ltd (refer to Note 6.1 for details).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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

In 2021, the parent entity recognised impairments for its investments in United Financial Services Pty Ltd, United Financial Services Network Pty Ltd, United Financial Services (QLD) Pty Ltd and Presidian Holdings Pty Ltd of \$5,541,000 (2020: \$51,457,000) and in Maxxia (UK) Limited of \$Nil (2020: \$22,891,000) based on the assessment of their recoverable value.

Subordinated loan receivable

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Carrying value at start of the financial year	-	-	-	-
New loans during year	3,520	4,596	-	-
Specific credit loss allowance	(3,520)	(4,596)	-	-
Carrying value at end of the financial year	-	-	-	-

The loan receivable is made up of advances to the joint venture with ML ("JV", refer Note 6.3) as part of the working capital facility provided pursuant to the Group's investment arrangement and formed part of the net investment in the JV. The loan was classified as a financial asset at amortised cost prior to the Group obtaining control on 31 December 2020 (refer to Note 6.1).

During the period, the subordinated loan was assessed to be impaired and \$3,520,000 (2020: \$4,596,000) was expensed in the Statement of Profit and Loss.

6.3 INVESTMENT IN JOINT VENTURE

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Acquired	337	337	-	-
Share of losses after income tax	(337)	(337)	-	-
Carrying value at end of the financial year	-	-	-	-

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

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

The Group obtained control of the JV on 31 December 2020 (refer to Note 6.1).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Information relating to the joint venture investment is set out below:

	Consolidated Group	
	2021 \$'000	2020 \$'000
Current assets	-	16,155
Non-current assets	-	121
Total assets	-	16,276
Current liabilities	-	23,013
Non-current liabilities	-	11,665
Total liabilities	-	34,678
Net liabilities	-	(18,402)

The net liabilities of ML is reconciled to the carrying amount of the Group's interest is as follows:

	Consolidated Group	
	2021 \$'000	2020 \$'000
Net liabilities of JV	-	(18,402)
Group ownership interest (50%)	-	(9,201)
Carrying amount	-	-
Cumulative losses of JV equity accounted	-	-

The following are the JV's financial results prior to obtaining control on 31 December 2020:

Joint venture financial results	Consolidated Group	
	2021 \$'000	2020 \$'000
Revenues	22,765	5,186
Expenses	(24,069)	(8,202)
Loss before income tax	(1,304)	(3,016)
Income tax	-	-
Loss after income tax	(1,304)	(3,016)
Group's share of loss after income tax	-	-
Share of joint venture capital commitments	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

6.4 DEED OF CROSS GUARANTEE

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

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

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

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

Statement of Comprehensive Income	Consolidated Group	
	2021 \$'000	2020 \$'000
Revenue and other income	317,695	331,702
Employee and director benefits expenses	(94,532)	(93,827)
Depreciation and amortisation expenses and impairment	(54,256)	(69,138)
Leasing and vehicle management expenses	(36,986)	(43,261)
Consulting cost expenses	(5,190)	(3,065)
Marketing expenses	(7,056)	(6,781)
Property and corporate expenses	(2,095)	(2,405)
Technology and communication expenses	(13,182)	(10,205)
Finance costs	(5,623)	(5,005)
Other expenses	(715)	(3,868)
Impairment	(9,695)	(74,348)
Profit before income tax	88,365	19,799
Income tax expense	(29,471)	(26,504)
Profit / (losses) attributable to members of the parent entity	58,894	(6,705)
Other comprehensive income		
Other comprehensive (loss) / income for the year after-tax	438	(62)
Total comprehensive (loss) / income for the year	59,332	(6,767)
Movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	148,468	232,072
Profit / (loss) for the year	58,894	(6,705)
Dividends paid	(23,369)	(59,591)
Share buyback	-	(69,650)
Capital reduction	-	54,561
Lease transition	-	(2,219)
Retained earnings at the end of the financial year	183,993	148,468

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Statement of Financial Position

	2021 \$'000	2020 \$'000
Current assets		
Cash and cash equivalents	83,457	44,750
Trade and other receivables	35,567	48,231
Finance lease receivables	1,534	10,358
Assets under operating lease	49,761	62,272
Inventory	7,767	5,149
Total current assets	178,086	170,760
Non-current assets		
Property, plant and equipment	156,589	130,734
Intangible assets	55,514	56,740
Deferred tax asset	10,918	6,515
Finance lease receivables	6,426	9,007
Other financial assets	102,284	107,558
Total non-current assets	331,731	310,554
TOTAL ASSETS	509,817	481,314
Current liabilities		
Trade and other payables	73,632	69,147
Current tax liability	2,534	3,634
Provisions	13,676	12,509
Borrowings	5,761	7,037
Lease liabilities	538	4,749
Total current liabilities	96,141	97,076
Non-current liabilities		
Provisions	1,479	1,603
Borrowings	102,747	149,153
Lease liabilities	45,516	15,356
Deferred tax liability	9,469	-
Total non-current liabilities	159,211	166,112
TOTAL LIABILITIES	255,352	263,188
NET ASSETS	254,465	218,126
Equity		
Issued capital	76,420	76,420
Reserves	(5,948)	(6,762)
Retained earnings	183,993	148,468
TOTAL EQUITY	254,465	218,126

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

7 Unrecognised Items

7.1 COMMITMENTS

Operating lease commitments

The commitment in the 2020 period related to a non-cancellable property lease that was expected to commence in January 2023. During the 2021 period this lease was brought to account in the Statement of Financial Position as outlined within Note 3.5.

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Payable minimum lease payments				
– Not later than 12 months	-	-	-	-
– Between 1 and 5 years	-	14,770	-	-
– Greater than 5 years	-	39,604	-	-
Current payables	-	54,374	-	-

7.2 CONTINGENT LIABILITIES

Financial guarantees

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Guarantee provided for the performance of a contractual obligation not supported by term deposit	11,550	11,550	-	-
Guarantees provided for obligations under P&A facilities	14,862	14,088	14,255	13,908
Guarantee provided in respect of a working capital facility	11,359	10,768	11,036	10,768
Guarantees provided in respect of property leases	4,256	5,603	-	-
Cross company guarantees	473	448	-	-
	42,500	42,457	25,291	24,676

Class Action

On 14 August 2018, a class action proceeding was commenced in the Federal Court against Davantage Group Pty Ltd (trading as “National Warranty Company”), a subsidiary of the Company, in relation to certain warranty products. Davantage Group Pty Ltd was acquired by the Company in February 2015 and the claim relates to certain warranties entered into between 1 July 2013 and 28 May 2015. A significant portion of the relevant period to which the claim relates is in respect of a time when the “National Warranty Company” was not owned by the MMS Group.

The parties reached agreement to settle the matter with funds of \$2 million paid by the Group which was fully provided for as at 30 June 2020. The settlement is without any admission of liability and was approved by the Federal Court of Australia on 5 February 2021.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

8 Other Disclosures

8.1 RESERVES

(a) Share-based payment reserve

The reserve records amounts for the fair value of share-based payments granted and recognised as an employee benefits expense but not exercised. The balance in reserves representing share-based equity rights and options are transferred to retained earnings upon vesting.

(b) Cash flow hedge reserve

	Consolidated Group		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revaluation - gross	(213)	(1,678)	-	-
Deferred tax	(15)	390	-	-
Balance at the end of the financial year	(228)	(1,288)	-	-

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

(c) Foreign currency translation reserve

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

(d) Acquisition reserve

At 30 June 2020, the Company acquired Outside Equity Interest's (OEI) remaining interest in Plan Management Partners Pty Ltd for \$8,000,000. Given the Group already controlled Plan Management Partners Pty Ltd prior to acquiring the remaining equity interest, the remaining balance was accounted for as an equity transaction. The difference of \$7,132,000 between the purchase price of \$8,000,000 and the OEI prior to the transaction of \$868,000 was recognised as an acquisition reserve.

8.2 GOODS AND SERVICES TAX

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

8.3 INTEREST

Interest income is brought to account on an accrual basis.

8.4 PROPERTY, PLANT AND EQUIPMENT

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

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

8.5 RELATED PARTY TRANSACTIONS

Transactions between the Company and other entities within the wholly owned group during the years ended 30 June 2021 and 2020 consisted of:

- (a) loans advanced to the Company; and
- (b) the payment of dividends to the Company.

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

	Consolidated Group		Parent Entity	
	2021 \$	2020 \$	2021 \$	2020 \$
Dividend revenue	-	-	128,109,000	59,591,464
Aggregate amounts payable to entities within the wholly owned group at balance date:				
Current receivables	-	-	481,314	12,863,000
Current payables	-	-	11,891,036	128,221,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

8.6 AUDITOR'S REMUNERATION

	Consolidated Group		Parent Entity	
	2021 \$	2020 \$	2021 \$	2020 \$
Remuneration of the auditor (Grant Thornton Audit Pty Ltd) of the parent entity for:				
Audit or review of the financial report of the entity and any other entity in the Consolidated Group	306,000	301,200	-	-
Assurance related	264,400	157,970	-	-
Remuneration of a network firm of the parent entity auditor:				
Audit or review of the financial statements (UK)	183,018	179,813	-	-
Assurance related for non-statutory audit services	8,565	10,009	-	-

No non-assurance related services were provided.

8.7 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR

The amended accounting standards and interpretations issued by the Australian Accounting Standards Board during the year that were mandatory were adopted except as outlined below. None of these amendments or interpretations adopted materially affected any of the amounts recognised or disclosures in the current or prior year. The following IFRS Interpretations Committee (IFRIC) and IFRS Interpretations Committee agenda decisions were not yet adopted during the year.

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

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

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

As at 30 June 2021, the Group has not yet completed its assessment of the impact of the IFRIC agenda decision. The Group expects to adopt this IFRIC agenda decision in its half-year financial statements ending on 31 December 2021.

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

AASB 102 *Inventories* does not define costs necessary to sell inventories when determining net realisable value. The agenda decision confirmed that an entity cannot limit the costs it includes to those that are only incremental in determining which of its costs are necessary to sell its inventories.

As at 30 June 2021, the Group has not yet completed its assessment of the impact of the IFRS agenda decision however expects to adopt in its half-year financial statements ending on 31 December 2021.

8.8 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

The Group is yet to undertake a detailed assessment of the impact of AASB 17 *Insurance Contracts*. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2024 except for the classification of deferred acquisition costs which are likely to be reclassified against the unearned premium liability in the Statement of Financial Position.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

8.9 EVENTS SUBSEQUENT TO THE REPORTING DATE

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

General

At the date of this report, significant uncertainties remain in the economic environment and the impact of COVID-19 on the business sectors affecting the Group's businesses. COVID-19 restrictions remain to various degrees across Australia, and in particular more stringently across some of our most populous cities, while they have eased across the UK, as at the date of this report. Accordingly, there is significant uncertainty to the condition of markets that the Group operates in that may affect the recoverable value of assets, adequacy of provisions and the financial cash flow assumptions used to assess the carrying value of non-current assets.

Plan Tracker Acquisition

On 1 July 2021, a wholly owned subsidiary within the Group acquired 100% of the issued capital of Plan Tracker Pty Ltd. Plan Tracker Pty Ltd provides plan management services under the National Disability Insurance Scheme (NDIS).

RFS Retail Business Divestment

Subsequent to 30 June 2021 on 23 August 2021, an agreement to sell Davantage Group Pty Ltd and Presidian Management Services Pty Ltd (the "Warranty business") was entered into. The sale is expected to result in a loss on disposal of approximately \$1.8m with \$0.35m in estimated transaction costs. The sale will be recognised upon completion which is expected to occur in 1HFY2022.

The following provides a summary of the assets and associated liabilities of the warranty business that is subject to the sale as at 30 June 2021:

	Note	Consolidated Group 2021 \$'000
Current assets		
Cash and cash equivalents		20,513
Trade and other receivables		2,474
Promissory note receivable ¹		10,553
Prepayments		48
Deferred acquisition costs	3.7	5,218
Total current assets		38,806
Non-current assets		
Property, plant and equipment		17
Right-of-use asset		68
Intangible assets		186
Deferred acquisition costs	3.7	6,912
Deferred tax asset		268
Total non-current assets		7,451
Total assets		46,257
Current liabilities		
Trade and other payables		1,594
Provisions		841
Unearned premium liability	3.7	19,142
Lease liabilities		77
Total current liabilities		21,654
Non-current liabilities		
Provisions		60
Unearned premium liability	3.7	22,748
Total non-current liabilities		22,808
Total liabilities		44,462
Net assets		1,795

1 Promissory note receivable from the Group.

Directors' Declaration

The Directors are of the opinion that:

1. the financial statements and notes on pages 42 to 98 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; and
 - (b) giving a true and fair view of the Company and Group's financial position as at 30 June 2021 and financial performance for the financial year ended on that date; and
2. there are reasonable grounds to believe that the Company and Group will be able to pay its debts as and when they become due and payable.
3. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 6.4 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 6.4.

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

The Directors have been given 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 of McMillan Shakespeare Limited.



Helen Kurincic
Chair

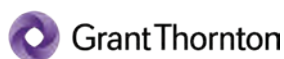


Mike Salisbury
Managing Director &
Chief Executive Officer

24 August 2021
Melbourne, Australia

Independent Audit Report

AS AT 30 JUNE 2021



Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of McMillan Shakespeare Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of McMillan Shakespeare Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statements of financial position as at 30 June 2021, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

#5940900v3

Independent Audit Report

AS AT 30 JUNE 2021



2

Key audit matter

How our audit addressed the key audit matter

Impairment of goodwill and intangible asset balance (Note 3.1)

At 30 June 2021, the Group has \$87,862,000 of goodwill and \$16,343,000 in other intangible assets (excluding software development costs) contained within separate cash generating units (CGUs).

During the year the Group recognised an impairment against goodwill for the following GCU's:

- CLM Fleet Management of \$1,962,000; and
- Maxxia Limited of \$10,575,000 (Maxxia Limited's future earnings did not support the carrying amount of the goodwill recognised of \$10,575,000 and therefore this was impaired to zero).

AASB 136 *Impairment of Assets* requires management to perform an impairment test on goodwill and other indefinite life intangibles at least annually, as well as on intangible assets with finite useful lives if indicators of impairment are identified.

We consider this a key audit matter due to the nature of the balances and the judgments required in preparing the value-in-use (VIU) models and due to the judgement in determining CGUs, impairment indicators and triggers. This involves consideration of the future results of the business, growth and the discount rates applied.

Our procedures included, amongst others

- assessing management's determination of CGUs based on our understanding of how management monitors the entity's operations and makes decisions about groups of assets that generate independent cash flows;
- evaluating management's process for the preparation and review of the impairment assessment VIU models, taking into consideration the impacts of sector specific issues;
- reviewing the impairment assessment VIU models for compliance with AASB 136;
- reviewing the completeness and accuracy of the underlying data used in the impairment assessment VIU models;
- utilising internal valuation specialists to assess the appropriateness of the valuation methodology;
- evaluating the mathematical accuracy of the VIU model calculations;
- assessing the key growth rate assumptions by comparing them to historical results, economic or industry forecasts and the discount rate by reference to the cost of capital for the relevant components and the Group by comparing to historical results, and considering the Group's historical ability to forecast accurately;
- performing sensitivity analyses in relation to the cash flow projections, discount and growth rate assumptions on CGU's with a higher risk of impairment. The impairment analysis considered the individual and collective impacts; and
- assessing the adequacy of the Group's disclosures within the financial statements.

Warranty revenue and unearned premium liability (Note 3.7)

The warranty area of the business derives revenues through the gross wholesale premiums obtained from dealers entering into the sale of warranty products to used vehicle consumers.

Revenue is recognised over the term of the warranty in line with the profile of expected future claims. This gives rise to the unearned premium liability. At year-end this balance was a liability of \$41,890,000.

We consider this a key audit matter due to the inherent subjectivity over the nature of the estimations used in determining the unearned premium liability.

Our procedures included, amongst others:

- verifying the mathematical accuracy of the unearned premium liability and warranty revenue calculations to ensure the revenue profile assumptions have been correctly applied;
- reviewing the completeness and accuracy of the underlying data used in the calculation;
- assessing the reasonableness of management's key assumptions in relation to the revenue profile, which is based on the profile of future claim costs by:
 - analytically reviewing the claims patterns during the year to determine the appropriateness of the percentages in the unearned premium model; and
 - selecting a sample of claims in the current year and agreeing their details to supporting documentation and payments;
- testing the accuracy of the gross premiums used in the unearned premium calculation by selecting a sample of gross premiums and agreeing amounts and key terms to supporting contracts; and
- assessing the adequacy of the Group's disclosures within the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Independent Audit Report

AS AT 30 JUNE 2021



3

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 18 to 36 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of McMillan Shakespeare Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

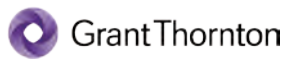
The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell
Partner – Audit & Assurance
Melbourne, 24 August 2021

Auditor's Independence Declaration

AS AT 30 JUNE 2021



Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 (the Company) and its subsidiaries (the Group) for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

A stylized, handwritten-style signature in grey ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in grey ink that reads "Darren Scammell".

Darren Scammell
Partner – Audit & Assurance

Melbourne, 24 August 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

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 30 July 2021 the number of shares held by substantial shareholders and their associates is as follows:

Shareholder	Number of Ordinary Shares	Percentage of Ordinary Shares ¹
HSBC Custody Nominees (Aust) Ltd	28,227,083	36.48
JP Morgan Nominees Australia Limited	9,859,180	12.74
Citicorp Nominees Limited	7,633,731	9.87
Chessari Holdings Pty Limited ²	6,050,941	7.82
Asia Pac Technology Pty Ltd ³	3,068,025	3.96

¹ As at 30 July 2021, 77,381,107 fully paid ordinary shares have been issued by the Company.

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

³ Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a Non-Executive Director.

NUMBER OF SHARE & OPTION HOLDERS

As at 30 July 2021, 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	4,933
Options exercisable at \$13.45 and expiring on 30 September 2021	2

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 30 July 2021, the distribution of share and option holders in the Company was as follows:

Distribution of Shares & Options	Number of Holders of Ordinary Shares & Options
1 – 1,000	3,124
1,001 – 5,000	1,413
5,001 – 10,000	225
10,001 – 100,000	151
100,000+	22

As at 30 July 2021 there were 265 shareholders who held less than a marketable parcel of 40 fully paid ordinary shares in the Company.

ON-MARKET BUYBACK

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

Shareholder Information

TOP 20 SHAREHOLDERS

As at 30 July 2021, the details of the top 20 shareholders in the Company are as follows:

No.	Name	Number of Ordinary Shares	Percentage of Ordinary Shares ¹
1	HSBC Custody Nominees (Aust) Ltd	28,227,083	36.48
2	JP Morgan Nominees Australia Limited	9,859,180	12.74
3	Citicorp Nominees Limited	7,633,731	9.87
4	Chessari Holdings Pty Limited ²	6,050,941	7.82
5	Asia Pac Technology Pty Ltd ³	3,068,025	3.96
6	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	2,457,774	3.18
7	UBS Nominees Pty Ltd	2,132,982	2.76
8	National Nominees Limited	1,943,961	2.51
9	Ann Leslie Ryan	1,008,418	1.30
10	BNP Paribas Noms Pty Ltd <DRP>	999,993	1.29
11	Milton Corporate Limited	803,532	1.04
12	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	723,575	0.94
13	MOHL Invest Pty Ltd <MOHL Super Fund A/C>	590,000	0.76
14	AFICO Pty Ltd	495,625	0.64
15	NWC Group Pty Ltd	437,781	0.57
16	Mr Kenneth Joseph Hall <Hall Park A/C>	250,000	0.32
17	BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	190,375	0.25
18	HSBC Custody Nominees (Australia) Limited <NT – Comnwlth Super Corp A/C>	134,341	0.17
19	BNP Paribas Nominees Pty Ltd <IOOF Instmt Mgt Ltd DRP>	131,169	0.17
20	Mod Enterprises Pty Ltd	129,619	0.17
Totals: Top 20 holders of Issued Capital		67,268,105	86.94
Total Remaining Holders Balance		10,113,002	13.06

¹ As at 30 July 2021, 77,381,107 fully paid ordinary shares have been issued by the Company.

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

³ Asia Pac Technology Pty Limited is a company associated with Mr John Bennetts, a Non-Executive Director.

UNQUOTED SECURITIES

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

Class	Number of Securities	Number of Holders
Options exercisable at \$13.45 and expiring on 30 September 2021	12,500	2

Options do not carry a right to vote

This page has intentionally been left blank.

Corporate Directory

Registered Office

Level 21, 360 Elizabeth Street
Melbourne Victoria 3000
Tel: +61 3 9097 3000
Fax: +61 3 9097 3060
www.mmsg.com.au

Company Auditor

Grant Thornton Audit Pty Ltd
Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Share Registry

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

McMillan Shakespeare Limited

ABN 74 107 233 983
ASFL No. 299054
Level 21, 360 Elizabeth Street
Melbourne Victoria 3000
www.mmsg.com.au

McMillan Shakespeare Limited

ABN 74 107 233 983
ASFL No. 299054
Level 21, 360 Elizabeth Street
Melbourne Victoria 3000
www.mmsg.com.au