

15 August 2005

Company Announcements Office  
Australian Stock Exchange, Melbourne

**By E-lodgement**

**Preliminary Final Report**

This release contains an announcement to the Australian Stock Exchange Limited (**ASX**) regarding the full year results for the year ending 30 June 2005 for McMillan Shakespeare Limited, in accordance with the requirements set out in Appendix 4E of the ASX Listing Rules.

Paul McCluskey  
Chief Financial Officer and Company Secretary

## APPENDIX 4E Preliminary Final Report

### McMillan Shakespeare Limited ABN 74 107 233 983

<b>1 Details of the reporting period and the previous corresponding period</b>	
1	Current period: 1 July 2004 to 30 June 2005. Previous corresponding period: 1 December 2003 to 30 June 2004.

<b>Results for announcement to the market</b>			
	Key Information	Percentage change	Year Ended 30 June 2005 \$
2.1	Revenues form ordinary activities	Up 326.4% to	35,837,924
2.2	Profit / (loss) from ordinary activities	Up 675.8% to	5,053,739
2.3	Net profit / (loss) for the period attributable to ordinary shareholders	Up 675.8% to	5,053,739
	<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
2.4	Final dividend	\$0.024	\$0.024
2.5	Record date for determining entitlements to the dividend	24 August 2005	
2.6	<b>Commentary</b>		
	<p>Net profit after income tax for the year ended 30 June 2005 was \$5,053,739 compared to the previous period of \$651,437.</p> <p>For the year ended 30 June 2005, EBITDA (earnings before interest, tax, depreciation and amortisation) was \$12,718,615 compared to the previous period of \$2,276,152. EBIT (earnings before interest and tax) was \$8,770,127 compared to the previous period \$1,209,315.</p> <p>Basic earnings per share, as shown in the financial statements, was 7.72 cents per share (2004: 1.56) and on a diluted basis, as shown in the financial statements, was 7.52 cents per share (2004 1.53). These calculations are after the deduction of amortisation of goodwill.</p> <p>Refer to the 2005 Results Announcement for more details.</p>		

<b>Statement of financial performance</b>	
3	Refer to attachment A

<b>Statement of financial position</b>	
4	Refer to attachment A

<b>Statement of cash flows</b>	
5	Refer to attachment A

<b>Dividend details</b>			
6	<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
	Final dividend	0.024	0.024
	Interim dividend	0.015	0.015
	Total dividend (interim <i>plus</i> final)	0.039	0.039
	Final dividend payable on 16 September 2005		

<b>Dividend reinvestment plan</b>			
7	None		

<b>8 Retained Earnings</b>			
		<b>Year Ended 30 June 2005 \$</b>	<b>Period Ended 30 June 2004 \$</b>
	Retained earnings at the beginning of the financial period	651,437	-
	Net profit attributable to the members of the parent entity	4,065,840	651,437
	Retained earnings at the end of the financial period	4,717,277	651,437

<b>9 Net tangible assets per security</b>			
		<b>Year Ended 30 June 2005 \$</b>	<b>Period Ended 30 June 2004</b>
	Ordinary shares	-0.11	-0.09

<b>10 Control gained or lost over entities during the financial year</b>		
	<b>Name of entities where control was gained during the financial year</b>	<b>Date control Gained</b>
	PKF Remuneration Services (Qld) Pty Ltd was acquired on 1 November 2004 and changed its name to Remuneration Services (Qld) Pty Ltd on 10 November 2004.	1 November 2004
	Profit from ordinary activities and extraordinary items after tax of the controlled entity to 30 June 2005 since control was gained.	\$1,820,926
	<b>Name of entities where control was lost during the financial year</b>	<b>Date control Gained</b>
	Nil	N/A

<b>11 Investment associates and joint ventures</b>	
	Not applicable

<b>12 Other information</b>	
	None

<b>13 Foreign Entities</b>	
	Not applicable

<b>14 Commentary on results for the financial year</b>	
	Refer to the 2005 Results Announcement for details.

<b>15 Audited report</b>	
	This report is based on audited accounts.
	The audited financial report is not subject to disputes or qualifications.

**APPENDIX 4E – ATTACHMENT A**  
**McMILLAN SHAKESPEARE LIMITED**  
**ABN 74 107 233 983**

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Consolidated 2005</b>	<b>Consolidated 2004</b>
	\$	\$
<b>Revenue from ordinary activities</b>		
Salary packaging related income	35,344,956	8,266,184
Non-operating interest income	265,952	134,193
Other	227,016	4,425
<b>Total income from ordinary activities</b>	<b>35,837,924</b>	<b>8,404,802</b>
<b>Expenses from ordinary activities</b>		
Employee & Director benefits expenses	16,096,597	4,050,980
Depreciation of non-current assets	1,818,939	523,558
Amortisation of non-current assets	2,129,549	543,279
Write-down of non-current assets	Nil	205,900
Technology and communication expenses	2,456,031	886,840
Property and corporate expenses	1,530,824	468,446
Borrowing costs expense	1,121,517	356,645
Other expenses from ordinary activities	2,769,905	382,291
<b>Total expenses from ordinary activities</b>	<b>27,923,362</b>	<b>7,417,939</b>
<b>Profit from ordinary activities before income tax expense</b>	<b>7,914,562</b>	<b>986,863</b>
Income tax expense	2,860,823	335,426
<b>Profit from ordinary activities after related income tax expense</b>	<b>5,053,739</b>	<b>651,437</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>5,053,739</b>	<b>651,437</b>
<b>Earnings per share</b>	<b>Cents per share</b>	<b>Cents per share</b>
- Basic earnings per share	<b>7.72</b>	<b>1.56</b>
- Diluted earnings per share	<b>7.52</b>	<b>1.53</b>

**APPENDIX 4E – ATTACHMENT A**  
**McMILLAN SHAKESPEARE LIMITED**  
**ABN 74 107 233 983**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2005**

	<b>Consolidated 2005</b>	<b>Consolidated 2004</b>
<b>Current assets</b>	\$	\$
Cash on hand	1,842	2,700
Cash at bank	8,852,424	5,367,887
Trade debtors net of provision for doubtful debts	642,218	863,707
Other debtors	1,795,769	340,081
Prepayments	1,120,244	496,076
Capitalised borrowing costs	128,019	128,019
<b>Total current assets</b>	<b>12,540,516</b>	<b>7,198,470</b>
<b>Non-current assets</b>		
Plant and equipment	2,123,716	1,597,808
Capitalised software development	447,868	1,361,754
Capitalised borrowing costs	119,955	216,755
Goodwill on acquisition	31,254,664	24,078,502
Future income tax benefits	2,888,028	2,246,160
<b>Total non-current assets</b>	<b>36,834,231</b>	<b>29,500,979</b>
<b>Total assets</b>	<b>49,374,747</b>	<b>36,699,449</b>
<b>Current liabilities</b>		
Trade creditors	2,216,404	1,348,830
Amounts due to vendor	1,322,043	Nil
Sundry creditors and accruals	2,453,286	1,146,758
Bank overdraft	4,138	Nil
Bank loans	2,000,000	2,000,000
Finance lease liability	62,797	Nil
Tax payable	2,696,350	1,588,545
Accrued employee benefits	940,198	684,532
Income in advance	800,778	30,100
<b>Total current liabilities</b>	<b>12,495,994</b>	<b>6,798,765</b>
<b>Non-current liabilities</b>		
Bank loans	12,750,000	11,750,000
Finance lease liability	67,795	0
Accrued employee benefits	70,012	49,107
<b>Total non-current liabilities</b>	<b>12,887,807</b>	<b>11,799,107</b>
<b>Total liabilities</b>	<b>25,383,801</b>	<b>18,597,872</b>
<b>Net assets</b>	<b>23,990,946</b>	<b>18,101,577</b>
<b>Equity</b>		
Contributed equity	19,273,669	17,450,140
Retained profits	4,717,277	651,437
<b>Total equity</b>	<b>23,990,946</b>	<b>18,101,577</b>

**APPENDIX 4E – ATTACHMENT A**  
**McMILLAN SHAKESPEARE LIMITED**  
**ABN 74 107 233 983**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

	<b>Consolidated 2005</b>	<b>Consolidated 2004</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>		
Receipts from customers	40,866,428	15,621,201
Payments to suppliers and employees	-27,128,373	-12,572,575
Interest received	265,952	134,193
Interest paid	-1,112,940	-105,146
Income tax paid	-2,411,379	-1,440,400
<b>Net cash provided from operating activities</b>	<b>10,479,688</b>	<b>1,637,273</b>
<b>Cash flow from investing activities</b>		
Proceeds on sale of property, plant and equipment	12,377	Nil
Payment for property, plant and equipment	-1,132,441	-398,231
Payment for purchase of controlled entity, net of cash acquired	-5,847,881	-26,692,886
<b>Net cash used in investing activities</b>	<b>-6,967,945</b>	<b>-27,091,117</b>
<b>Cash flow from financing activities</b>		
Proceeds from share issue	Nil	18,816,087
Equity raising costs	Nil	-1,365,497
Proceeds from borrowings	3,000,000	15,750,000
Repayment of borrowings	-2,000,000	-2,000,000
Capitalised borrowing costs	-44,303	-376,159
Dividends paid	-987,899	Nil
<b>Net cash provided by financing activities</b>	<b>-32,202</b>	<b>30,824,431</b>
Cash at beginning of financial period	5,370,587	Nil
Net increase in cash held	3,479,541	5,370,587
<b>Cash at end of financial period</b>	<b>8,850,128</b>	<b>5,370,587</b>

**APPENDIX 4E – ATTACHMENT A**  
**McMILLAN SHAKESPEARE LIMITED**  
**ABN 74 107 233 983**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2005**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Comparative Figures**

McMillan Shakespeare Limited was registered on 1 December 2003 as an unlisted public company and on 15 March 2004 became a listed public company on the Australian Stock Exchange. The financial information presented for the period ended 30 June 2004 includes operations for the seven months commencing on 1 December 2003 to 30 June 2004. In that prior period the cash flow from operating activities included funds deposited (receipts from customers) and withdrawn (payments to suppliers and employees) from a bank clearing account held by the economic entity. The funds deposited equalled the funds withdrawn. The directors believe that it is more meaningful to exclude these deposits and withdrawals from the statement of cash flows. The net impact of this change to the cash provided by operating activities is nil.

**(b) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards**

The economic entity is preparing for and managing the transition from current Australian Accounting Standards (AGAAP) to Australian Equivalents of International Financial Reporting Standards (AIFRS) effective for financial reporting periods commencing on or after 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's financial report for the half-year ending 31 December 2005 and the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" has been considered where applicable.

The directors' best estimates of the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences where known are as follows. Users of the financial statements should, however, note that the estimates disclosed may differ from the actual effects due to:

- Changes to the interpretation of the AIFRS requirements due to the continuing transition work being undertaken by the AIFRS committee;
- Possible amendments to AIFRS Standards and UIG Interpretations thereof; and
- Developments in practice relating to the interpretation and application of those Standards and Interpretations.

## Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Economic Entity 30 June 2005 \$	Parent Entity 30 June 2005 \$	Economic Entity 1 July 2004 \$	Parent Entity 1 July 2004 \$
<b>Total equity under AGAAP</b>		<b>23,990,946</b>	<b>18,101,577</b>	<b>19,518,462</b>	<b>17,225,082</b>
<i>Adjustments to retained earnings (net of tax)</i>					
Recognition of share-based payments expense	(i)	(66,713)	(66,713)	(11,266)	(11,266)
Write back of goodwill amortisation	(ii)	1,988,444	-	-	-
Amortisation of identifiable intangible assets	(iii)	(1,671,193)	-	-	-
Impairment of assets, including goodwill	(iv)	-	-	-	-
Tax effect of share issue costs	(v)	<u>(223,972)</u>	<u>(223,972)</u>	<u>(111,986)</u>	<u>(111,986)</u>
<i>Total adjustments to retained earnings</i>		<u>24,017,512</u>	<u>17,810,892</u>	<u>19,395,210</u>	<u>17,101,830</u>
<i>Adjustments to other reserves (net of tax)</i>					
Recognition of share-based payments expense	(i)	<u>66,713</u>	<u>66,713</u>	<u>11,266</u>	<u>11,266</u>
<i>Total adjustments to retained earnings</i>		<u>66,713</u>	<u>66,713</u>	<u>11,266</u>	<u>11,266</u>
<i>Adjustments to capital</i>					
Tax effect of share issue costs	(v)	<u>559,934</u>	<u>559,934</u>	<u>559,934</u>	<u>559,934</u>
<i>Total adjustments to retained earnings</i>		<u>559,934</u>	<u>559,934</u>	<u>559,934</u>	<u>559,934</u>
<b>Total equity under AIFRS</b>		<b><u>24,644,159</u></b>	<b><u>18,437,539</u></b>	<b><u>19,966,410</u></b>	<b><u>17,673,030</u></b>

## Reconciliation of net profit as presented under AGAAP to that under AIFRS

<b>Net profit under AGAAP</b>		<b>5,053,739</b>	<b>1,457,750</b>
Share-based payments expense	(i)	(55,447)	(55,447)
Reversal of goodwill amortisation	(ii)	1,988,444	-
Amortisation of identifiable intangible assets	(iii)	(1,671,193)	-
Impairment of assets, including goodwill	(iv)	-	-
Tax effect of share issue costs	(v)	<u>(111,986)</u>	<u>(111,986)</u>
<b>Net profit under AIFRS</b>		<b><u>5,203,557</u></b>	<b><u>1,290,317</u></b>

- (i) In accordance with AASB 2 “Share-based Payment”, the economic entity will be required to recognise the fair value of options or other equity instruments granted to employees as an expense on a time basis over the period from the grant date to the vesting date with a corresponding increase in equity. AGAAP does not require an expense to be recognised for employee equity participation schemes. This would result in a decrease in profit from AGAAP to AIFRS.
- (ii) In accordance with AASB 3 “Business Combinations”, amortisation of goodwill will no longer be allowed. Instead, goodwill will be subject to an annual impairment test. Under AGAAP goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

The economic entity has not elected to apply the new requirements retrospectively and therefore amortisation prior to the date of transition to AIFRS will not be reversed.

- (iii) The parent entity acquired a subsidiary during the financial year. In accordance with AASB 138 “Intangible Assets”, identifiable intangible assets will be recognised separately from goodwill and amortised over their useful lives. Under AGAAP these identifiable intangible assets were not recognised separately from goodwill.
- (iv) In accordance with AASB 136 “Impairment of assets”, the recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use, being the present value of the future cash flows derived from the assets.

The economic entity’s assets, including goodwill, are tested for impairment at the date of transition to AIFRS and at each subsequent reporting date as part of the cash generating unit to which they belong. Any resulting impairment losses are recognised in the income statement. AGAAP did not require such cash flows to be discounted when assessing recoverable amounts. The economic entity has determined that there are no impairment losses at 1 July 2004 or 30 June 2005.

- (v) In accordance with AASB 112 “Income Taxes”, deferred tax assets and liabilities will be recognised using the balance sheet method which calculates temporary differences based on the difference between the carrying values of assets and liabilities and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

Under AGAAP, deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

On this basis, revaluations of and fair value adjustments to assets above their historical cost carrying amount would give rise a deferred tax liability. AGAAP does not require recognition of deferred tax in the case of revaluations of and fair value adjustments to assets.

The tax effect of transaction costs relating to share issues will be recognised directly in equity, resulting in an increase in current income tax expense and an increase in contributed equity.

Other AIFRS adjustments may also affect income tax expense and retained earnings.

#### **Cash flows as presented under AGAAP compared to those under AIFRS**

No material impacts are expected to the cash flows presented under AGAAP on the adoption of AIFRS.

**NOTE 2: EARNINGS PER SHARE****Reconciliation of Earnings to Net Profit**

	2005	2004
Net Profit	<u>5,053,739</u>	<u>651,437</u>
Earnings used in the calculation of basic Earnings per Share (EPS)	<u>5,053,739</u>	<u>651,437</u>
Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	<u>65,469,892</u>	<u>41,830,796</u>
Weighted average number of options on issue outstanding	<u>1,437,507</u>	<u>757,075</u>
Weighted average number of shares to be issued to vendor	<u>276,172</u>	<u>-</u>
Weighted average number of ordinary shares outstanding during the period used in calculation of diluted EPS	<u>67,183,571</u>	<u>42,587,871</u>

**NOTE 3: CONTINGENT LIABILITIES AND ASSETS**

Estimates of the potential financial effect of contingent liabilities that may become payable:

Guarantees issued for the performance of contractual obligations. \$800,000 of these guarantees are supported by a term deposit.

<u>1,550,000</u>	<u>800,000</u>
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Guarantee issued in respect of a property lease supported by a term deposit

<u>48,537</u>	<u>-</u>
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The vendors of the acquired entity, Remuneration Services (Qld) Pty Ltd, may be entitled to two performance payments based on the profit performance of Remuneration Services (Qld) Pty Ltd for the years ended 30 June 2006 and 2007. The amount of these payments cannot be reliably estimated at this stage but will range between \$nil and \$1,633,334 for each year and are payable within 30 days of adoption of the financial report for each respective year. The consideration is payable via a combination of cash and the issue of fully paid shares in the Company. The share component will comprise between 25% and 50% of the amount payable and this determination is at the discretion of the Board of McMillan Shakespeare Limited.

15 August 2005

**McMILLAN SHAKESPEARE LIMITED**  
**ABN 74 107 233 983**

**Preliminary Final Report**  
**ASX Announcement**

McMillan Shakespeare Limited (ASX:MMS) today released its preliminary results for the year ended 30 June 2005, with a reported after tax profit of \$5,053,739 (after allowing for amortisation of goodwill of \$1,988,444). The results reflect an organisation that is focused on customer service excellence and benefiting from the re-engineering undertaken of its strategies in respect of sales, marketing and customer retention.

Highlights of the operating results were:

	For the year ended 30 June 2005 Actual \$	For the period ended 30 June 2004 Actual \$
Operating Revenues	35,571,972	8,270,609
EBITDA	12,718,615	2,276,152
EBITA	10,899,676	1,752,594
EBIT	8,770,127	1,209,315
NPAT	5,053,739	651,437
NPAT before goodwill amortisation	7,042,183	1,155,433

The Company is well placed moving forward with its core products: salary packaging administration and fleet management. New products and services being developed by the Company over the past twelve months are expected to be commercialised during the 2005/6 financial year.

Remuneration Services (Qld) Pty Ltd (RemServ) was acquired on 1 November 2004, contributing eight months of earnings, and continues to operate successfully as a stand alone business in Queensland.

Mr Podesta said that: "Our two subsidiaries, RemServ and McMillan Shakespeare Australia, have significant resources, intellectual property, process improvements and technology which create a clear and distinct difference from our competitors".

The Company will continue to focus on being sales and service driven with a strong emphasis on innovation.

“Our customers continue to acknowledge our investment in quality assurance and customer service programs by extending or retaining our existing contracts,” Mr Podesta stated.

“We are consistently out performing our contractual customer KPI’s which is a ‘tangible’ indicator of our performance,” Mr Podesta added.

“Over the past twelve months, we continued our emphasis on human resources management and our continued investment in training and development, coaching and establishing high performing teams. This area of the business is a critical focus for us as we move forward and further strengthen our business performance”, Mr Podesta said.

The Company has declared a final dividend of 2.4 cents per share. The record date for dividends is 24 August 2005 and is payable on 16 September 2005.

Independent Chairman, Mr Ron Pitcher, expressed great satisfaction with the results of operations during the financial year and said, “McMillan Shakespeare enters the new financial year with strong sales work in progress, newly secured and retained contracts and excellent customer servicing achievements”.

For more information contact:

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*About McMillan Shakespeare*

McMillan Shakespeare is considered a market leader in the provision of salary packaging administration. Its services include remuneration policy design, salary packaging benefit administration, motor vehicle lease management and taxation recording. MSA also provides a complementary fleet management service, including the procurement of motor vehicles and finance and fuel card and service maintenance programs.

**McMillan Shakespeare Limited ABN 74 107 233 983**  
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