

18 August 2004

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 period ending 30 June 2004 for McMillan Shakespeare Limited, in accordance with the requirements set out in Appendix 4E of the ASX Listing Rules.

George Tsiamis
Chief Financial Officer

APPENDIX 4E
Preliminary Final Report

McMillan Shakespeare Limited
ABN 74 107 233 983

I Details of the reporting period and the previous corresponding period	
1	Current period: 1 December 2003 to 30 June 2004 Previous corresponding period: No previous period.

Results for announcement to the market		
2	Key Information	Year Ended 30 June 2004 \$
2.1	Revenues from ordinary activities	8,404,802
2.2	Profit / (loss) from ordinary activities	651,437
2.3	Net profit / (loss) for the period attributable to ordinary shareholders	651,437
	Dividends	Amount per security
2.5	Final dividend	Nil
2.6	Record date for determining entitlements to the dividend	N/A
2.7	Commentary	
	<p>Net profit after income tax for the period ended 30 June 2004 was \$651,437 compared to a prospectus forecast of \$410,000.</p> <p>In the period to 30 June 2004, EBITDA (earnings before interest, tax, depreciation and amortisation) was \$2,276,152 against a prospectus forecast of \$1,949,000. EBIT (earnings before interest and tax) was \$1,209,315 for the same period compared to the prospectus forecast of \$1,042,000.</p> <p>During the year, the company listed on the Australian Stock Exchange raising net proceeds of \$9,450,589 and issuing 21,683,430 ordinary shares.</p> <p>Basic earnings per share, as shown in the financial statements was 1.56 cents per share and on a diluted basis, as shown in the financial statements was 1.53 cents per share. These calculations are after the deduction of amortisation of goodwill.</p> <p>Refer to the 2004 Results Announcement for more details.</p>	

Statement of financial performance	
3	Refer to attachment A

Statement of financial position	
4	Refer to attachment A

Statement of cash flows	
5	Refer to attachment A

Dividend details			
6	Dividends	Amount per security	Franked amount per security
	Final dividend	Nil	Nil
	Interim dividend	Nil	Nil
	Total dividend (interim <i>plus</i> final)	Nil	Nil
	Consistent with the policy disclosed in the prospectus lodged with ASIC on the 4 th of February 2004, no dividend will be declared with respect to profits earned to 30 June 2004.		

7 Retained Earnings		
		Year Ended 30 June 2004 \$
	Retained earnings at the beginning of the financial period	-
	Net profit attributable to the members of the parent entity	651,437
	Retained earnings at the end of the financial period	651,437

8 Net tangible assets per security		
		Year Ended 30 June 2004 \$
	Ordinary shares	-0.09

9 Control gained or lost over entities during the financial year		
	Name of entities where control was gained during the financial year	Date control gained
	McMillan Shakespeare Australia Pty. Ltd.	10 March 2004
	Profit from ordinary activities and extraordinary items after tax of the controlled entity to 30 June 2004 since control was gained.	\$876,495
	Name of entities where control was lost during the financial year	Date control gained
	Nil	N/A

10 Investment associates and joint ventures	
	Not applicable

11 Other information	
	<p>During the period, the board approved the issue of 1.5 million employee options. All options were granted on 15 March 2004. No options have been granted since the end of the financial year ended 30 June 2004.</p> <p>The exercise price of the options granted was based on the price of ordinary shares offered to the public under the prospectus dated 4 February 2004 and the supplementary prospectus dated 19 February 2004.</p> <p>No options were issued to Directors during the financial year ended 30 June 2004.</p>

12 Foreign Entities	
	Not applicable

13 Commentary on results for the financial year	
	Refer to the 2004 results announcement for details

14 Audited report	
	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 PERIOD ENDED 30 JUNE 2004**

	Consolidated 2004 \$
Revenue from ordinary activities	
Administration fees	6,481,365
Finance commissions	1,784,819
Non-operating interest income	134,193
Other	4,425
Total income from ordinary activities	8,404,802
Expenses from ordinary activities	
Employee & Director benefits expenses	4,050,980
Depreciation of non-current assets	523,558
Amortisation of non-current assets	543,279
Write-down of non-current assets	205,900
Technology expenses	428,937
Communication expenses	457,903
Property expenses	374,078
Borrowing costs expense	356,645
Corporate expenses	94,368
Other expenses from ordinary activities	382,291
Total expenses from ordinary activities	7,417,939
Profit from ordinary activities before income tax expense	986,863
Income tax expense	335,426
Profit from ordinary activities after related income tax expense	651,437
Total changes in equity other than those resulting from transactions with owners as owners	651,437
Earnings per share	Cents per share
- Basic earnings per share	1.56
- Diluted earnings per share	1.53

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ABN 74 107 233 983**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	Consolidated 2004 \$
Current assets	
Cash on hand	2,700
Cash at bank	5,367,887
Trade debtors net of provision for doubtful debts	863,707
Other debtors	340,081
Prepayments	496,076
Capitalised borrowing costs	128,019
Total current assets	7,198,470
Non-current assets	
Plant and equipment	1,597,808
Capitalised software development	1,361,754
Capitalised borrowing costs	216,755
Goodwill on acquisition	24,078,502
Future income tax benefits	2,246,160
Total current assets	29,500,979
Total assets	36,699,449
Current liabilities	
Trade creditors	1,348,830
Sundry creditors and accruals	1,146,758
Bank loans	2,000,000
Tax payable	1,588,545
Accrued employee benefits	684,532
Fees received in advance	30,100
Total current liabilities	6,798,765
Non-current liabilities	
Bank loans	11,750,000
Accrued employee benefits	49,107
Total non-current liabilities	11,799,107
Total liabilities	18,597,872
Net assets	18,101,577
Equity	
Contributed equity	17,450,140
Retained profits	651,437
Total equity	18,101,577

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2004**

	Consolidated 2004 \$
Cash flow from operating activities	
Receipts from customers	15,621,201
Payments to suppliers and employees	(12,572,575)
Interest received	134,193
Interest paid	(105,146)
Income tax paid relating to acquisition	(1,440,400)
Net cash used in operating activities	1,637,273
 Cash flow from operating activities	
Payment for property, plant and equipment	(398,231)
Payment for purchase of controlled entity, net of cash acquired	(26,692,886)
Net cash used in operating activities	(27,091,117)
 Cash flow from financing activities	
Proceeds from share issue	18,816,087
Equity raising costs	(1,365,497)
Proceeds from borrowings	15,750,000
Repayment of borrowings	(2,000,000)
Capitalised borrowing costs	(376,159)
Net cash provided by financing activities	30,824,431
 Cash at beginning of financial period	-
Net increase in cash held	5,370,587
Cash at end of financial period	5,370,587

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ABN 74 107 233 983**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2004**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS, and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian International Financial Reporting Pronouncements (AIFRPs). The adoption of the AIFRPs will be first reflected in the economic entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The economic entity will formally establish a project team to manage the transition to AIFRPs, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team will be chaired by the CFO and will report quarterly to the audit committee. As at the date of this report, analysis of a significant number of the AIFRPs has been undertaken. This analysis has identified a number of accounting policy changes that will be required. In some cases, choices of accounting policies are available including elective exemptions under AASB 1 First-time Adoption of Australian International Financial Reporting Pronouncements. Some of these choices are still to be analysed to determine the most appropriate accounting policy for the Group.

Major changes identified to date that will be required to the Economic Entity's existing accounting policies include the following:

(i) *Intangible assets - goodwill*

Under the Australian equivalent to IFRS 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on cashflow of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight-line basis over the period during which the benefits are expected to arise and not exceeding 15 years.

(ii) *Intangible assets – software development*

Under the Australian equivalent to IAS 38 Intangible Assets, an intangible asset is defined as an “identifiable non-monetary asset without physical substance held for use in production or supply of goods or services, for rental to others, or for administrative purposes”. The effect of IAS 38 will be:

- The classification of capitalised software development costs as an intangible asset;
- A change to the current accounting policy, under which capitalised software costs are amortised on a straight line basis over a three year period; and
- The application of an annual impairment test against the carrying value of software development assets.

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FOR THE PERIOD ENDED 30 JUNE 2004**

(iii) *Equity-based compensation benefits*

Under the Australian equivalent to IFRS 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(b) Comparative amounts

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.

Since this is the first year of operations, comparative figures are not applicable.

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.

18 August 2004

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 period to 30 June 2004, which show an after tax profit (allowing for amortisation of goodwill of \$503,996) of \$651,437. This result compares favourably with the prospectus forecast for the comparable period of \$410,000.

McMillan Shakespeare CEO and Managing Director Anthony Podesta said the results reflected a re-focussed and re-energised organisation that emerged subsequent to the acquisition of McMillan Shakespeare Australia Pty. Ltd. (MSA) from the Zurich group and the ASX listing in March 2004.

“The result is pleasing for a number of reasons. Importantly, it exceeds our prospectus profit forecast for the period, and it confirms that the work done to re-organise and re-energise the business with particular emphasis on being a more sales and service driven and client focussed organisation, has placed the business in an excellent position to succeed both in the short and long term” Mr Podesta said.

“Work in progress in our sales teams is strong and the company’s new-look marketing approach is being very well received” Mr Podesta added.

Mr Podesta went on to re-affirm the prospectus forecasts for the first half of the 2004/2005 financial year, citing the renewal of several salary packaging contracts.

Highlights of the operating results were:

	Period Ended 30 June 2004 Actual \$	Period Ended 30 June 2004 Prospectus \$	% Change
Operating Revenues	8,270,609	7,254,157	14.0%
EBITDA	2,276,152	1,948,941	16.8%
NPAT	651,437	409,879	58.9%
NPAT adjusted for Goodwill	1,155,433	868,548	33.0%

Please note that the operating results effectively cover the period subsequent to the acquisition of MSA, which was completed on March 10 2004.

The increase in revenues was driven by particularly strong results in the salary and motor vehicle packaging categories.

Operating expenses exceeded prospectus forecasts by 9.1% largely due to the increased sales activity and the additional call volumes and related administration activity that accompanies the FBT year-end. The profit result takes into account a one-off write-down of capitalised software costs of \$205,900.

Consistent with the dividend policy outlined in the prospectus, no dividend has been declared with respect to period to 30 June 2004. Subject to McMillan Shakespeare making a profit over the relevant period, it is anticipated that McMillan Shakespeare will commence paying dividends following the reporting of the financial results for the half-year ending 31 December 2004.

McMillan Shakespeare's underlying profit performance was reflected in strong operating cash flow.

During the period ended 30 June 2004, the outstanding debt facilities with Bank West were reduced by \$2,000,000.

Independent Chairman Mr Ron Pitcher expressed great satisfaction with the results of operations during this initial reporting period and said "McMillan Shakespeare enters the new financial year with strong momentum having secured a number of contract renewals with respect to salary packaging services for existing clients and the winning of new business".

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. With significant growth over the past few years, MSA currently services approximately 700 employer clients who represent approximately 70,000 employees.

McMillan Shakespeare Limited ABN 74 107 233 983
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