McMillan Shakespeare Limited
ABN 74 107 233 983

www.mcms.com.au

Level 4
321 Exhibition Street
MELBOURNE VIC 3000

Tel: (03) 9635 0000
Fax: (03) 9635 0011

16 February 2006

Company Announcements Office
Australian Stock Exchange Limited
530 Collins Street
MELBOURNE VIC 3000

Via E-lodgement

Dear Sir/Madam

McMillan Shakespeare Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, together with media release, the financial report, Directors' Report and Auditor's Independent Review Report relating to the results for the half year ended 31 December 2005.

This information should be read in conjunction with McMillan Shakespeare Limited's 2005 Annual Report.

The documents referred to above are provided to the ASX in accordance with ASX Listing Rule 4.2A.

Yours faithfully
McMillan Shakespeare Limited

Paul McCluskey

Paul McCluskey
Company Secretary

RESULTS FOR ANNOUNCEMENT TO THE MARKET
APPENDIX 4D – HALF YEAR REPORT

	% Change up	Consolidated 2005 $000	Consolidated 2004 $000
Revenue from ordinary activities	**51%**	23,200,614	15,359,214
Interest income		(250,683)	(102,449)
Revenue from ordinary activities excluding interest income	**50%**	**22,949,931**	**15,256,765**
Operating expenses		(14,523,684)	(9,915,502)
Earnings before interest tax, depreciation and amortisation (EBITDA)	**58%**	**8,426,247**	**5,341,263**
Depreciation of plant and equipment		(837,185)	(861,801)
Earning before interest, tax and amortisation (EBITA)	**69%**	**7,589,062**	**4,479,462**
Net interest costs		(260,907)	(447,550)
Amortisation		(888,416)	(492,218)
Profit from ordinary activities before income tax expense	**82%**	**6,439,739**	**3,539,694**
Income tax expense relating to profit from ordinary activities		(2,204,598)	(1,197,726)
Income tax benefit arising from forming a tax consolidated group		1,100,669	-
Profit from ordinary activities after income tax expense		**5,335,810**	**2,341,968**
Net profit attributable to members	**128%**	**5,335,810**	**2,341,968**

Net Tangible assets per ordinary shares	($0.031)	($0.15)

	Cents	**Cents**
Basic earnings per share	8.08	3.60
Diluted earnings per share	7.89	3.52
Final dividend in respect of the financial year ended 30 June 2005 (2004) – Amount per security	2.4	nil
Interim dividend in respect of the period ended 31 December 2005 (2004) – Amount per security	2.5	1.5

All dividends are fully franked at the corporate income tax rate (2005 30%, 2004 30%).
The record date for determining entitlement to the interim dividend is 15 March 2006.
The interim dividend is payable on 29 March 2006.

The results for the six month period ended 31 December 2004 only include the trading results for Remuneration Services (Qld) Pty Ltd (RemServ), which was acquired on 1 November 2004, for two months of trading.

McMillan Shakespeare
Benefit From Our Experience

16 February 2006

McMILLAN SHAKESPEARE LIMITED
ABN 74 107 233 983

Half-Year Results Announcement

McMillan Shakespeare Limited (ASX:MMS) today released its results for the half-year ended 31 December 2005 with a reported after tax profit of $5,335,810. The results include an amortisation of contracts expense under A-IFRS of $813,679 and also a tax benefit (gain) as a result of forming a tax consolidated group of $1,100,669.

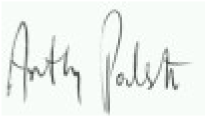
The results reflect an organisation focused on customer service excellence and benefiting from the re-engineering of strategies in respect of sales, marketing and customer retention.

Highlights of the operating results were:

	% increase over half yr 30-Jun-05	% increase over half yr 31-Dec-04	Half year 31-Dec-05	Half year 30-Jun-05	Half year 31-Dec-04
Revenue	13%	51%	23,200,614	20,478,710	15,359,214
EBITDA	15%	58%	8,426,247	7,321,905	5,341,263
			36%	36%	35%
EBITA	19%	69%	7,589,062	6,364,767	4,479,462
			33%	31%	29%
EBIT	33%	68%	6,700,646	5,044,687	3,987,244
NPAT	86%	128%	5,335,810	2,861,589	2,341,968
Earnings per share (cents)	86%	125%	8.08	4.34	3.60
Dividends declared per share (cents)			2.50	2.40	1.50
% franked			100%	100%	100%
All results have been restated for A-IFRS.					

The company has declared an interim dividend of 2.5 cents per share. The record date for dividends is 15 March 2006 and is payable on 29 March 2006. Net profit after tax has increased by 128% from $2,341,968 to $5,335,810 for the same period in the prior year. The results for the prior six month period only include the trading results for Remuneration Services (Qld) Pty Ltd (RemServ), which was acquired on 1 November 2004, for two months of trading.

A-IFRS transition: McMillan Shakespeare Limited has adopted accounting policies to comply with IFRS, effective 1 July 2005. Prior year accounts have been restated to reflect the transition and to provide a consistent comparison. The primary impact relates to the amortisation of goodwill, the amortisation of contracts and the restatement of last years net profit for the six months ended 31 December 2004 to $2,341,968 from $1,942,605. Full details of the A-IFRS impact are included in the Appendix 4D after the report.



Anthony Podesta
Chief Executive Officer

McMillan Shakespeare Limited
Telephone: (03) 9635 0100
E-mail: anthony.Podesta@mcms.com.au

McMillan Shakespeare Limited A.B.N. 74 107 233 983
Level 4, 321 Exhibition Street, Melbourne, Victoria 3000
Tel: 61 3 9635 0000 Fax: 61 3 9635 0060 Web: www.mcms.com.au

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 and motor vehicle lease management. McMillan Shakespeare also provides a complementary fleet management service, including the procurement of motor vehicles and finance and fuel card and service maintenance programs.

DIRECTORS REPORT

The Directors of McMillan Shakespeare Limited submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the *Corporations Act* 2001, the Directors report as follows:

The names of the Directors of the company during or since the end of the half-year are:

Name

Mr R. Pitcher
Mr A. Podesta
Mr J. Bennetts
Mr R. Chessari
Mr G. McMahon

The above named Directors held office during and since the end of the half-year.

Review of Operation

A review of the operations of the consolidated entity during the half-year ended 31 December 2005 and the results of these operations are set out in the attached results announcement.

McMillan Shakespeare Limited First Half Year Results

The consolidated net profit for the half-year ended 31 December 2005 attributable to the shareholders of McMillan Shakespeare Limited after providing for income tax was $5,335,810.

Dividend

On 16 February 2006, the Board of Directors declared a fully franked dividend of 2.5 cents per ordinary share. The record date is 15 March 2006 and the dividend will be paid on 29 March 2006.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of *the Corporations Act 2001* is included on page 6 of the half-year financial report.

Signed in accordance with a resolution of Directors made pursuant to section 306(3) of the *Corporations Act* 2001.

On behalf of the Directors

Mr R. Pitcher	Mr A. Podesta
Chairman	Managing Director
Melbourne, 16 February 2006	

William Buck
Business Advisors
Chartered Accountants

Auditor's Independence Declaration to the directors of McMillan Shakespeare Limited

I declare that, to the best of my knowledge and belief, in relation to our review of McMillan Shakespeare Limited for the half year ended 31 December 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and

(ii) no contraventions of any applicable code of professional conduct.

William Buck	Brad Taylor
Chartered Accountants	Lead Audit Partner

Dated this 16th day of February 2006.
Melbourne, Australia.

Level 2, 215 Spring Street, Melbourne VIC 3000 • GPO Box 4984WW, Melbourne VIC 3001 • DX39320 Port Melbourne
T (61 3) 8663 6000 F (61 3) 8663 6333 E info@williambuckvic.com.au W www.williambuck.com.au

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MCMILLAN SHAKESPEARE LIMITED

Scope

We have reviewed the half year financial report of McMillan Shakespeare Limited for the half year ended 31 December 2005 comprising the comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to and forming part of the financial statements and the Directors' Declaration.

The half year financial report includes the financial statements of the consolidated entity comprising the McMillan Shakespeare Limited (the company) and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the half year financial report.

We have performed an independent review of the half year financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the half year financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to meet its obligations to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report, as defined in the scope section of McMillan Shakespeare Limited is not in accordance with:

- the Corporations Act 2001, including:
  - giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- other mandatory professional reporting requirements in Australia.

William Buck Chartered Accountants	Brad Taylor Partner

Dated this 16th of February 2006.

Level 2, 215 Spring Street, Melbourne VIC 3000 • GPO Box 4984WW, Melbourne VIC 3001 • DX39320 Port Melbourne
T (61 3) 8663 6000 F (61 3) 8663 6333 E info@williambuckvic.com.au W www.williambuck.com.au

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements for the six month period ended 31 December 2005 and notes thereto are in accordance with the *Corporations Act* 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act* 2001.

On behalf of the Directors

Mr R. Pitcher
Chairman
Melbourne, 16 February 2006

Mr A. Podesta
Managing Director

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Half year ended 31 Dec 2005	**Half year ended 31 Dec 2004**
	$	$
Revenue	23,200,614	15,359,214
Employee & Director benefits expenses	(9,981,135)	(7,043,109)
Depreciation of non-current assets	(837,185)	(861,801)
Amortisation of non-current assets	(888,416)	(492,218)
Technology and communication expenses	(1,568,095)	(886,153)
Property and corporate expenses	(803,325)	(936,221)
Borrowing costs expense	(511,590)	(549,999)
Other expenses from ordinary activities	(2,171,129)	(1,050,020)
Profit before income tax expense	**6,439,739**	**3,539,694**
Income tax expense relating to profit from ordinary activities	(2,204,598)	(1,197,726)
Income tax benefit arising from forming a tax consolidated group	1,100,669	-
Net profit attributable to members of McMillan Shakespeare Limited	**5,335,810**	**2,341,968**
Basic earnings per share	8.08	3.60
Diluted earnings per share	7.89	3.52

Notes to the financial statements are annexed.

MCMILLAN SHAKESPEARE LIMITED
(A.B.N. 74 107 233 983)
AND CONTROLLED ENTITIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	31-Dec 2005	30-Jun 2005
Current assets		
Cash and equivalents	11,082,445	8,854,266
Trade and other receivables	3,525,957	2,437,987
Other	2,284,776	1,248,263
Total current assets	16,893,178	12,540,516
Non current assets		
Property, plant and equipment	2,246,111	2,123,716
Deferred tax assets	1,380,301	3,223,990
Goodwill	30,973,940	30,758,237
Other intangible assets	240,076	1,261,546
Other	173,237	119,955
Total non current assets	35,013,665	37,487,444
Total assets	51,906,843	50,027,960
Current liabilities		
Trade and other payables	7,215,424	5,470,468
Borrowings	2,091,175	2,066,935
Other financial liabilities	-	1,322,043
Current tax payables	410,577	2,696,350
Provisions	1,027,630	940,198
Total current liabilities	10,744,805	12,495,994
Non current liabilities		
Borrowings	11,750,000	12,817,795
Provisions	237,306	70,012
Total non current liabilities	11,987,306	12,887,807
Total liabilities	22,732,111	25,383,801
Net assets	29,174,732	24,644,159
Equity		
Issued capital	20,522,362	19,833,603
Reserves	153,353	66,713
Retained earnings	8,499,017	4,743,843
Total equity	29,174,732	24,644,159

Notes to the financial statements are annexed.

MCMILLAN SHAKESPEARE LIMITED
(A.B.N. 74 107 233 983)
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Half year ended 31 Dec 2005	**Half year ended 31 Dec 2004**
Retained Earnings		
Retained earnings at the beginning of the period	4,743,843	528,185
Net profit attributable to members of McMillan Shakespeare Limited	5,335,810	2,341,968
Dividends	(1,580,637)	-
Retained earnings at the end of the period	8,499,017	2,870,153
Reserves		
Reserves at the beginning of the period	66,713	11,266
Share based payments	86,640	27,724
Reserves at the end of the period	153,353	38,990
Share Capital		
Share capital at start period - 1 July 2005 - 65,859,900 fully paid shares (1 July 2004 - 64,683,430)	19,833,603	18,010,074
Issue of shares for business combination	661,002	1,823,529
Issue of shares under the employee share option plan	27,757	-
Share capital at the end of the period - 31 December 2005 66,267,011 - fully paid shares (31 December 2004 - 65,859,900)	20,522,362	19,833,603

Notes to the financial statements are annexed.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Cash flows from operating activities	**31-Dec-05**	**31-Dec-04**
Receipts from customers	28,934,447	18,253,571
Payments to suppliers and employees	(20,741,126)	(12,445,032)
Interest and other costs of finance paid	(530,148)	(534,974)
Income tax paid	(1,657,569)	(1,079,587)
Net cash provided by operating activities	6,005,604	4,193,978
Cash flows from investing activities		
Interest received	250,682	100,670
Payment for plant and equipment	(751,591)	(426,731)
Payment for businesses	(691,741)	(5,756,016)
Net cash used in investing activities	(1,192,650)	(6,082,077)
Cash flows from financing activities		
Payment for debt issue costs	-	(50,194)
Proceeds from borrowings	-	3,000,000
Repayment of borrowings	(1,000,000)	(1,000,000)
Dividends paid to members of the parent entity	(1,580,637)	-
Net cash used in financing activities	(2,580,637)	1,949,806
Net increase in cash and cash equivalents	2,232,318	61,707
Cash and cash equivalents at the beginning of the half year	8,850,127	5,370,587
Cash and cash equivalents at the end of the half year	11,082,445	5,432,294

Notes to the financial statements are annexed.

1. SUMMARY OF ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act* 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is discussed in note 6.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 6), the consolidated entity's date of transition, except for the accounting policies in respect to financial instruments. The consolidated entity has not restated comparative information for financial instruments as permitted under the first-time adoption transitional provisions.

Significant Accounting Policies

The half-year financial report covers McMillan Shakespeare Limited and its controlled entities as an economic entity. McMillan Shakespeare Limited is a listed public company, incorporated and domiciled in Australia.

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) Principles of Consolidations

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent company) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. Consistent accounting polices are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax Consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. McMillan Shakespeare Limited is the head entity in the tax consolidated group.

Entities within the tax-consolidation group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, McMillan Shakespeare Limited and each of the entities in the tax-consolidated group has 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 entity.

During the period the consolidated entity formed a tax consolidated group under Australian taxation law. The consolidated entity recognised a tax benefit at the time of forming a tax consolidation group which was recorded as a credit (reduction) to the consolidated income tax expense for the amount of $1,100,669.

(c) Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The depreciation of rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Plant and equipment	20-40%	Straight Line

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease Incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

(e) Intangibles

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note (f).

Intangible Assets Acquired in a Business Combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Those identified intangible assets not acquired as part of a business combination are measured at cost. Those with a finite useful life are amortised over their useful lives. Capitalised software development costs are amortised on a straight-line basis for a period no longer than 3 years, being the period during which the benefits are expected to arise. Intangible assets are tested for impairment annually or more often if there is an indication of impairment.

(f) Impairment of Assets

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

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

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

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

(g) Employee Benefits

Wages and Salaries, Annual Leave, Long Service Leave

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

Superannuation

The amount charged to the income statement in respect of superannuation represents the contributions made by the Company to superannuation funds.

Bonuses

A liability for employee benefits in the form of bonuses is recognised in employee benefits. This liability is based upon predetermined plans tailored for each participating employee and is measured on an ongoing basis during the financial period.

The amount of bonuses is dependent on the outcomes for each participating employee.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(i) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(j) Revenue

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue from services is recognised when the service is provided.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 balance sheet 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 balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(l) Receivables

All trade debtors are recognised at the amounts receivable, as they are due for settlement no more than 30 days from the date of recognition. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(m) Trade Creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Interest bearing liabilities and borrowing costs

Loans are carried at their principal amounts, which represent the face value of the debt. Where applicable, interest is accrued over the period it becomes due and is recorded as part of other creditors.

Borrowing costs are recognised as expenses in the period in which they are incurred.

(o) Recoverable amount of non-current assets

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

(p) Comparative Figures

In the prior period cash flow statement for the 6 months ended 31 December 2004, 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 consolidated 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.

(q) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

2. DIVIDENDS

On 16 February 2006, the Board of Directors declared a fully franked dividend of 2.5 cents per ordinary share. The record date is 15 March 2006 and the dividend will be paid on 29 March 2006.

	Half-year ended 31 December 2005		Half-year ended 31 December 2004	
	Cents per share	Total	Cents per share	Total
Recognised amounts				
Fully paid ordinary shares - Final dividend	2.4	1,580,637	-	-
Unrecognised amounts				
Fully paid ordinary shares - Interim dividend	2.5	$1,657,057	1.5	987,899

3. CONTINGENT LIABILITIES

The contingent liabilities of the group have increased since 30 June 2005 by $552,751 as a result of a rental guarantee provided in relation to the consolidated entity's premises. Total contingent liabilities are $2,102,751 at 31 December 2005.

4. ISSUANCES, REPURCHASES AND REPAYMENTS OF SECURITIES

During the half-year reporting period, McMillan Shakespeare Limited issued 55,514 ordinary shares for $27,757 under its employee share option plan. McMillan Shakespeare Limited issued 150,000 share options over ordinary shares under its employee share option plan during the half-year reporting period. These share options had a fair value at grant date of $1.15 per share option.

During the half-year reporting period, McMillan Shakespeare Limited also issued 351,597 ordinary shares for $661,002 to the vendors of Remuneration Services (Qld) Pty Ltd for partial satisfaction of the vendors contractual entitlement based on the financial performance of Remuneration Services (Qld) Pty Ltd for the year ended 30 June 2005, details of which are set in note 11 to the financial statements in consolidated entity's 2005 Annual Report.

5. SEGMENT REPORTING

The economic entity operates in Australia within the salary packaging industry. All revenue, operating profit and assets relate to operations in Australia.

6. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian Equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

6. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Effect of A-IFRS on the balance sheet as at 30 June 2004.

	Note	Superseded policies*	Effect of adoption	A-IFRS
Current assets				
Cash and equivalents		5,370,587	-	5,370,587
Trade and other receivables		1,203,788	-	1,203,788
Other		624,095	-	624,095
Total current assets		7,198,470		7,198,470
Non current assets				
Property, plant and equipment		1,597,808	-	1,597,808
Deferred tax assets	c	2,246,160	447,948	2,694,108
Goodwill	a	24,078,502	-	24,078,502
Other intangible assets	a	1,361,754	-	1,361,754
Other		216,755	-	216,755
Total non current assets		29,500,979	447,948	29,948,927
Total assets		36,699,449	447,948	37,147,397
Current liabilities				
Trade and other payables		2,525,688	-	2,525,688
Borrowings		2,000,000	-	2,000,000
Current tax payables		1,588,545	-	1,588,545
Provisions		684,532	-	684,532
Total current liabilities		6,798,765		6,798,765
Non current liabilities				
Borrowings		11,750,000	-	11,750,000
Provisions		49,107	-	49,107
Total non current liabilities		11,799,107		11,799,107
Total liabilities		18,597,872		18,597,872
Net Assets		18,101,577	447,948	18,549,525
Equity				
Issued capital	c	17,450,140	559,934	18,010,074
Reserves	b	-	11,266	11,266
Retained earnings	d	651,437	-123,252	528,185
Total equity		18,101,577	447,948	18,549,525

* Reported financial position for the financial year ended 30 June 2004

6. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Effect of A-IFRS on the income statement for the half-year ended 31 December 2004 and the financial year ended 30 June 2005.

		Consolidated 31 December 2004			Consolidated 30 June 2005		
	Note	**Superseded policies***	**Effect of adoption**	**A-IFRS**	**Superseded policies***	**Effect of adoption**	**A-IFRS**
		$	$	$	$	$	$
Revenue		15,359,214		15,359,214	35,837,924		35,837,924
Employee & Director benefits expenses	b	-7,015,385	-27,724	-7,043,109	-16,096,597	-55,447	-16,152,044
Depreciation of non-current assets		-861,801		-861,801	-1,818,939		-1,818,939
Amortisation of non-current assets	a	-975,297	483,079	-492,218	-2,129,549	317,251	-1,812,298
Technology and communication expenses		-886,153		-886,153	-2,456,031		-2,456,031
Property and corporate expenses		-936,221		-936,221	-1,530,824		-1,530,824
Borrowing costs expense		-549,999		-549,999	-1,121,517		-1,121,517
Other expenses from ordinary activities		-1,050,020		-1,050,020	-2,769,905		-2,769,905
Profit before income tax expense		**3,084,338**	**455,356**	**3,539,694**	**7,914,562**	**261,804**	**8,176,366**
Income tax expense	c	-1,141,733	-55,993	-1,197,726	-2,860,823	-111,986	-2,972,809
Net profit attributable to members of McMillan Shakespeare Limited		**1,942,605**	**399,363**	**2,341,968**	**5,053,739**	**149,818**	**5,203,557**

* Reported under superseded GAAP

Effect of A-IFRS on the balance sheet as at 31 December 2004 and 30 June 2005

	Note	Consolidated 31 December 2004			Consolidated 30 June 2005		
Current assets		**Superseded policies***	**Effect of adoption**	**A-IFRS**	**Superseded policies***	**Effect of adoption**	**A-IFRS**
Cash and equivalents		5,437,506	-	5,437,506	8,854,266		8,854,266
Trade and other receivables		955,611	-	955,611	2,437,987		2,437,987
Other		837,921	-	837,921	1,248,263		1,248,263
Total current assets		7,231,038		7,231,038	12,540,516		12,540,516
Non current assets							
Property, plant and equipment		1,575,525	-	1,575,525	2,123,716		2,123,716
Deferred tax assets	c	2,456,931	391,955	2,848,886	2,888,028	335,962	3,223,990
Goodwill	a	31,038,028	-1,578,053	29,459,975	31,254,664	-496,427	30,758,237
Other intangible assets	a	1,088,994	2,061,132	3,150,126	447,868	813,678	1,261,546
Other		380,394	-	380,394	119,955		119,955
Total non current assets		36,539,871	875,034	37,414,905	36,834,231	653,213	37,487,444
Total assets		43,770,909	875,034	44,645,943	49,374,747	653,213	50,027,960
Current liabilities							
Trade and other payables		3,214,685	-	3,214,685	5,470,468	-	5,470,468
Borrowings		2,005,212	-	2,005,212	2,066,935	-	2,066,935
Other financial liabilities		-	-	-	1,322,043	-	1,322,043
Current tax payables		1,901,734	-	1,901,734	2,696,350	-	2,696,350
Provisions		966,908	-	966,908	940,198	-	940,198
Total current liabilities		8,088,539		8,088,539	12,495,994		12,495,994
Non current liabilities							
Borrowings		13,750,000	-	13,750,000	12,817,795	-	12,817,795
Provisions		64,661	-	64,661	70,012	-	70,012
Total non current liabilities		13,814,661		13,814,661	12,887,807		12,887,807
Total liabilities		21,903,200		21,903,200	25,383,801		25,383,801
Net Assets		21,867,709	875,034	22,742,743	23,990,946	653,213	24,644,159
Equity							
Issued capital	c	19,273,669	559,934	19,833,603	19,273,669	559,934	19,833,603
Reserves	b	-	38,990	38,990	-	66,713	66,713
Retained earnings	d	2,594,040	276,111	2,870,151	4,717,277	26,566	4,743,843
Total equity		21,867,709	875,034	22,742,743	23,990,946	653,213	24,644,159

* Reported financial position for the financial year ended 30 June 2004 and 2005

Effect of A-IFRS on the cash flow statement for the half year ended 31 December 2004

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliation of income and equity

(a) Goodwill and identifiable intangible assets

The consolidated entity has elected not to restate business combinations that occurred prior to the date of transition to A-IFRS. The acquisition of Remuneration Services (Qld) Pty Ltd, which occurred after the date of transition to A-IFRS, has been restated resulting in the recognition of the value of contracts acquired as an identifiable intangible asset for an amount of $2,484,871 and a corresponding reduction in the value of goodwill. The value of these contracts has been amortised over the life of each individual contract. The effect of this amortisation is a reduction in net profit before tax of $1,638,828 for the year ended 30 June 2005 and $423,739 for the half year ended 31 December 2004.

Goodwill, which was amortised under superseded policies, is not amortised under A-IFRS from the date of transition. The effect of the change is an increase in the carrying amount of goodwill by $1,988,444 and an increase in net profit before tax of $1,988,444 for the year ended 30 June 2005, and by $906,818 for the half year ended 31 December 2004. There is no tax effect as deferred taxes are not recognised for temporary differences arising from goodwill or amortisation of contracts which are not deductible for tax purposes.

(b) Share-based payments

For the half-year ended 31 December 2004 and the financial year ended 30 June 2005, share-based payments of $38,990 and $66,713 (included in 'employee and director benefit expenses') which were not recognised under the superseded policies were recognised under A-IFRS, with a corresponding increase in the employee equity-settled benefits reserve.

(c) Income Tax

Under superseded policies, the consolidated entity adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect of the above income tax adjustments is that deferred tax not recognised under previous GAAP at 31 December 2004 is $391,955 and at 30 June 2005 $335,962. The income tax adjustments also resulted in an increase to issued capital of $559,934 at 31 December 2004 and 30 June 2005.

(d) Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	31-Dec-04	**30-Jun-05**
Reported retained earnings	2,594,040	4,717,277
Amortisation of goodwill	906,818	1,988,444
Amortisation of contracts	-423,739	-1,671,193
Share based payments	-38,990	-66,713
Tax effect shares issue	-167,979	-223,972
Total adjustments to retained earnings	276,111	26,566
Adjusted IFRS retained earnings	2,870,151	4,743,843