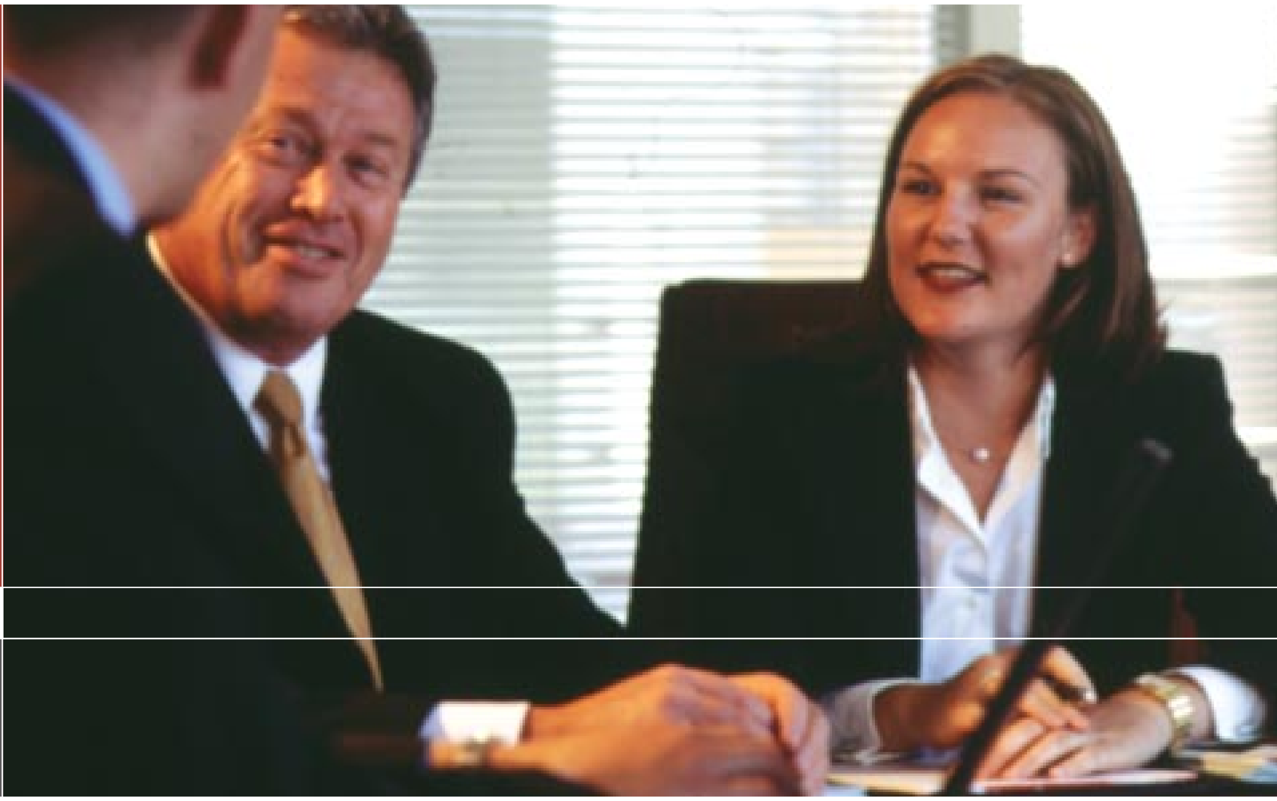
McMillan Shakespeare

Delivering Enhanced Business Solutions

McMILLAN SHAKESPEARE LIMITED

ABN 74 107 233 983

Prospectus to raise $10,500,000 by the issue of 21,000,000 Shares at $0.50 per Share



Underwriter and Broker to the Issue: Lodge Partners Pty Limited

CORPORATE DIRECTORY

Directors
Ronald Pitcher (Chairman)
Anthony Podesta (Chief Executive Officer)
John Bennetts
Ross Chessari

Company Secretary
David Carter

Registered Office
Level 4
321 Exhibition Street
Melbourne Victoria 3000

Company Lawyers
Baker & McKenzie
Level 39
Rialto
525 Collins Street
Melbourne Victoria 3000

Underwriter And Broker To The Issue
Lodge Partners Pty Limited

Level 3
405 Collins Street
Melbourne Victoria 3000

Level 2
2 Bligh Street
Sydney New South Wales 2000

Independent Accountants
William Buck (Vic) Pty Limited
Level 2
215 Spring Street
Melbourne Victoria 3000

and

William Buck Financial Services (Vic) Pty Limited
215 Spring Street
Melbourne Victoria 3000

Company Auditors
William Buck
Level 2
215 Spring Street
Melbourne Victoria 3000

Share Registry
Computershare Investor Services Pty Limited
Level 12
565 Bourke Street
Melbourne Victoria 3000

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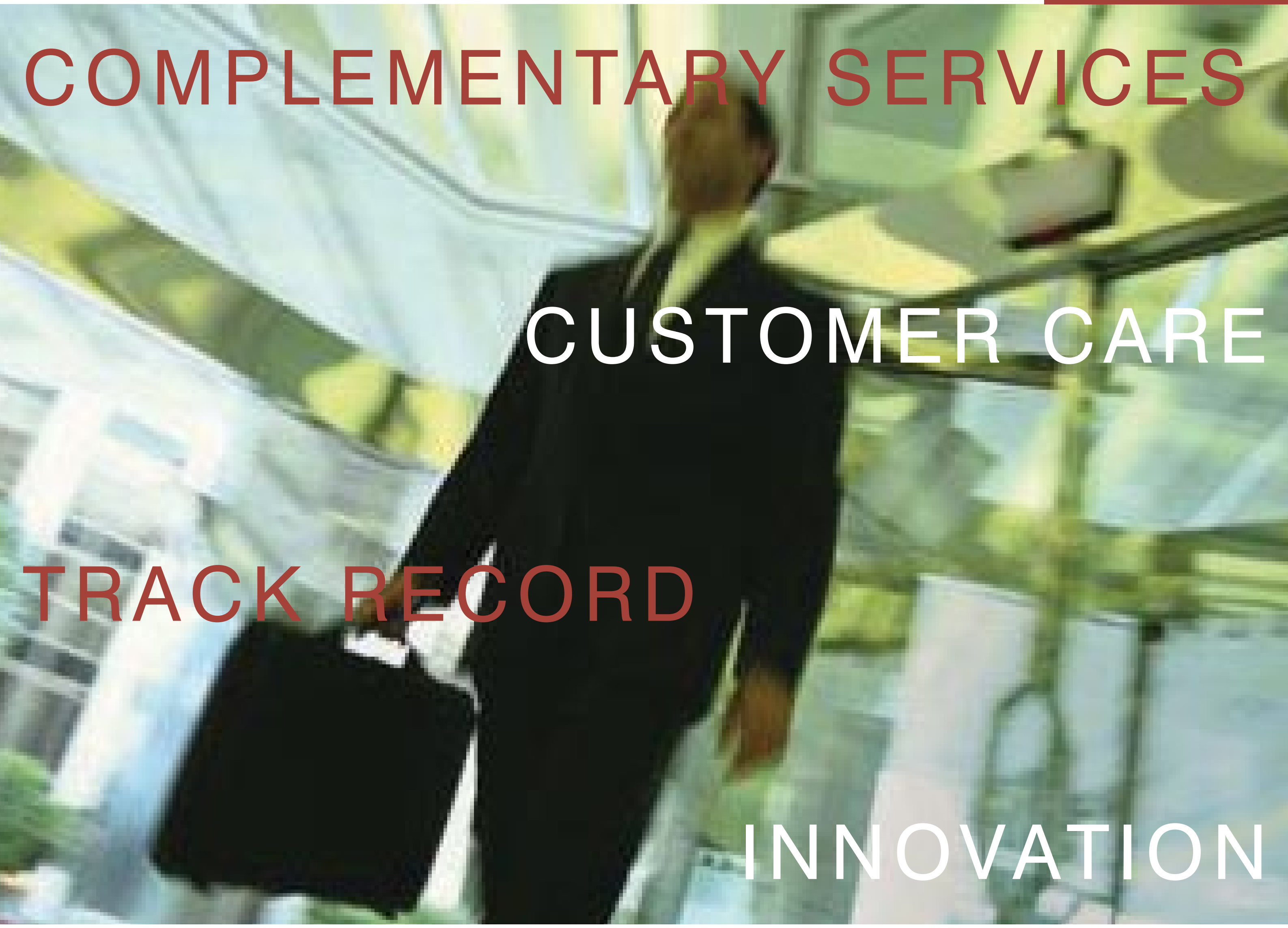

COMPLEMENTARY SERVICES
CUSTOMER CARE
TRACK RECORD
INNOVATION

LETTER FROM THE CHAIRMAN

Dear Investor

On behalf of the Directors, it is my pleasure to invite you to subscribe to become a Shareholder in McMillan Shakespeare.

McMillan Shakespeare was established specifically for the purpose of undertaking the MSA Acquisition. The proceeds raised under this Prospectus will be applied towards the costs associated with the MSA Acquisition and the Offer. The balance of the purchase price for the MSA Acquisition will be paid by pre-float equity and debt, further particulars of which can be found in Section 2.3.

Since entering the salary packaging administration market, MSA has developed long-term business relationships with a variety of clients and introduced services that have enabled it to become one of the market leaders in this industry. MSA presently has contracts with approximately 700 Employer Clients who represent in excess of 70,000 Employee Clients.

As the salary packaging administration market evolved, MSA became one of the market leaders in the development of complementary products and services. In addition to the administration of benefits, MSA also offers a variety of services in connection with a range of activities, including the procurement of motor vehicles, insurance, finance and fuel and service maintenance programs.

MSA continues to innovate and look to develop new products and services which will improve customer service, enhance the service offering and provide Employee Clients with greater flexibility in their salary packaging arrangements. Over the past 2 years, MSA has developed a new information technology platform for its customer service centre. This new platform is currently being implemented and will enable MSA to improve the customer service experience and operating efficiencies within its business.

The Directors believe that the Offer presents an opportunity for investors to acquire a share in a significant, financially sound and well-established business operating in a growth industry.

The details of the Offer and the operating and financial information with respect to McMillan Shakespeare and MSA are set out in this Prospectus. I encourage you to read this document in its entirety and I look forward to welcoming you as a Shareholder.

Yours sincerely

Ronald Pitcher
Chairman

KEY DATES

The key dates with respect to the Offer are as follows:

Lodgement of the Prospectus with the ASIC	4 February 2004
Expected Opening Date	12 February 2004
Expected Closing Date	4 March 2004
Expected date for Shares to be allotted	10 March 2004
Expected date for shareholding statements to be dispatched	10 March 2004
Expected date for completion of the MSA Acquisition	11 March 2004
Expected Date for Quotation of Shares on the ASX	15 March 2004

Please note that these dates are indicative only as McMillan Shakespeare, in consultation with the Underwriter, may alter these dates at its discretion without prior notice. Applicants are, therefore, encouraged to submit their Applications as soon as possible.

IMPORTANT NOTICES

PRESCRIBED INFORMATION

This Prospectus is dated 4 February 2004 and was lodged with ASIC on that date. Neither ASIC nor the ASX take any responsibility for the contents of this Prospectus.

McMillan Shakespeare will apply for admission to the official list of the ASX and Quotation of the Shares offered by this Prospectus within 7 days following the date of this Prospectus.

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person or organisation is authorised to give any information or make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been duly authorised by McMillan Shakespeare in connection with the Offer.

This Prospectus provides information for investors to decide if they wish to invest in McMillan Shakespeare, and should be read in its entirety. If after reading this Prospectus you have any questions about its contents you should contact the Underwriter, your accountant or other adviser.

In considering the prospects for McMillan Shakespeare, potential investors should consider the assumptions underlying the prospective financial information and the risk factors that could affect the performance of McMillan Shakespeare. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding to invest.

RESTRICTIONS ON DISTRIBUTION

This Prospectus does not constitute an offer of Shares in any jurisdiction other than Australia. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any persons to whom, it would be unlawful to issue this Prospectus. It is the responsibility of any overseas applicant to seek advice and ensure compliance with all laws of any country relevant to its application. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The return of a duly completed Application will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

PROSPECTUS AVAILABILITY

This Prospectus may be viewed online on the Underwriter's Internet site at www.lodgepartners.com.au. Applicants using the Application Forms attached to the electronic version of this Prospectus must be Australian residents.

Persons who received the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any Australian resident who requests a copy by contacting the Underwriter on (03) 9618 7000 during the Offer period.

APPLICATIONS

The Application Forms included in this Prospectus may only be distributed if they are included in, or accompanied by, a complete and unaltered copy of the Prospectus. The Application Forms contain a declaration that the investor who has received the Prospectus electronically has personally received a complete and unaltered copy of the Prospectus prior to completing the relevant Application Form. Applications under the General Offer and the Employee Offer must be made by completing a paper copy of the relevant Application Form included in this Prospectus or a printed copy of the relevant Application Form included in the electronic copy of this Prospectus. McMillan Shakespeare will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

EXPOSURE PERIOD

Applications for Shares under this Prospectus should not be lodged, and will not be processed, until after the expiry of the Exposure Period for this Prospectus under the Corporations Act. If the Exposure Period is extended, Applications will not be accepted until after the expiry of the extended Exposure Period. No preference will be conferred on Applications received during the Exposure Period. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to the raising of funds. That examination may result in identification of deficiencies in the Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

This Prospectus will be made generally available during the Exposure Period by being posted on the Underwriter's Internet site at www.lodgepartners.com.au.

DEFINITIONS, GLOSSARY AND PHOTOS

Defined terms and abbreviations used in this Prospectus are explained in the glossary in Section 11. The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. References to time are to the time in Melbourne, Australia. All pictures or other similar visual representations may not be drawn to scale and are for illustrative purposes only and do not and are not to be taken to represent assets that are either owned or controlled by McMillan Shakespeare or MSA unless otherwise stated. Organisations depicted in photographs in this Prospectus should not be taken to have in any way endorsed this Prospectus or the Offer.

1 INVESTMENT HIGHLIGHTS

1.1 OVERVIEW

One of the Australian Market Leaders in Salary Packaging

MSA is one of the market leaders in the provision of independent salary packaging administration and related services in Australia with forecast annual revenue to 31 December 2004 in excess of $26,000,000 (see Section 7). MSA has in excess of 70,000 Employee Clients sourced from approximately 700 Employer Clients throughout all states of Australia and the Australian Capital Territory.

Complementary Services

MSA's position as one of the market leaders in the salary packaging administration market stems partly from the range of services available to its clients.

MSA's primary offerings include:

- Salary Packaging Administration – the provision of salary packaging administration services, including remuneration policy design, salary packaging benefit administration and processing, motor vehicle lease management, taxation recording and related services; and
- Fleet Solutions – the provision of motor vehicle fleet management and consulting services, including procurement of motor vehicles, finance, arranging insurance and fuel and maintenance service programs.

Growing Client Base

Historically, larger employers have conducted salary packaging administration and related services in-house. The trend towards outsourcing by these types of employers has, however, seen MSA's client base grow from approximately 13,626 Employee Clients in 1998 to in excess of 70,000 Employee Clients at the date of this Prospectus.

Quality Earnings

The majority of MSA's revenue is derived from contracts with state governments, large public authorities, public companies, multi-national corporations and their participating employees.

Diversified and Growing Revenue Streams

MSA derives its revenue from a variety of sources including:

- the administration of salary packaging, including fees from Employee Clients;
- the salary packaging and procurement of motor vehicles;
- the provision of meal entertainment cards; and
- the procurement of specialist products and services, such as insurance and fuel.

MSA has increased its revenue from $8,600,000 in 1999 to $25,500,000 in 2003.

MSA has a nation-wide client base spanning all states and territories of Australia except the Northern Territory.

Competitive Advantages

The Directors believe that MSA has a competitive advantage in the salary packaging administration market due to its:

- range of complementary value added services and products;
- considerable experience in the Australian salary packaging administration market;
- conduct of the Business in all states of Australia and the Australian Capital Territory;
- scale of operations;
- strong relationship network;
- track record with state governments and large public authorities; and
- purpose-built proprietary information technology platform that provides processing and administration efficiencies.

Barriers to Entry

Barriers to entry to the salary packaging administration market include:

- the human capital and knowledge base required to provide sophisticated administrative services in high volumes;
- the capital cost of establishing an operating system; and
- the need for a proven track record in an industry in which it is imperative to assist clients to create recording structures that enable them to comply with legislative requirements.

New Information Technology Platform

MSA has recently invested over $5,000,000 in its new information technology system, COMET. The introduction of COMET should further improve processing and administration efficiencies within MSA. With minimal additional capital expenditure, COMET can service significant further growth in client numbers and accommodate the introduction of additional products and services by MSA.

Opportunities for Growth

As at January 2003, the Australian workforce was estimated at 9.5 million people. Despite being one of the market leaders in the salary packaging administration market, MSA services only a small portion of this addressable market. The trend towards outsourcing non-core activities by governments, large public authorities, private sector organisations and other large employers is expected to provide continued growth opportunities for the Business.

Opportunities for growth identified by MSA include:

- increased participation by employees of existing Employer Clients;
- increased participation by existing Employee Clients in additional MSA services;
- increased participation by large scale private sector organisations;
- the introduction of new products and services; and
- the acquisition of other similar or complementary businesses.

Pricing

Based on MSL's pro forma 12 month forecast net profit after tax before goodwill amortisation of $3,887,000 to 31 December 2004 (see Section 7) and a market capitalisation at the Offer Price of $32,000,000 (excluding funds raised under the Employee Offer), the General Offer is priced on a prospective price earnings multiple of 8.23 times (see Section 1.3).

Board and Management

The Board brings a range of relevant skills and experience, particularly in the finance and financial services industries and the public company environment. McMillan Shakespeare's senior management team has already demonstrated its experience in the salary packaging administration and fleet management industries generally and in the specific conduct of the Business.

1.2 GENERAL OFFER SUMMARY

Offer Price:	$0.50 per Share
Shares offered under this Prospectus:	21,000,000
Amount to be raised under the Offer:	$10,500,000
Shares on issue after the Offer (excluding the Shares issued under the Employee Offer):	64,000,000
Market capitalisation after the Offer (at the Offer Price) (excluding funds raised under the Employee Offer):	$32,000,000

1.3 KEY FINANCIAL INFORMATION

McMillan Shakespeare was incorporated on 1 December 2003 for the specific purpose of acquiring the whole of the share capital of MSA. MSA's financial year-end is 31 December and McMillan Shakespeare's financial year-end is 30 June. The full year pro forma consolidated forecast and historical statements of financial performance have been prepared for the years ending 31 December. The statutory result and half year forecasts have been prepared based on McMillan Shakespeare's financial year ending on 30 June.

The pro forma consolidated forecast and historical statements of financial performance have been prepared as if McMillan Shakespeare had owned MSA for each of the full 12-month periods since 1 January 2001, to assist investors to assess the forecast consolidated financial performance of McMillan Shakespeare. The pro forma consolidated historical and forecast financial information of the Group is set out in the table below.

Investors should note that past performance is not necessarily an indicator of future performance.

McMillan Shakespeare - Full Year Pro Forma Historical and Forecast Results

Statement of Financial Performance	Note	Pro forma Forecast Year ended 31 December 2004 ($'000)	Pro forma Historical Year ended 31 December 2003 ($'000)	Pro forma Historical Year ended 31 December 2002 ($'000)	Pro forma Historical Year ended 31 December 2001 ($'000)
Operating revenue	1	26,183	25,540	21,176	14,825
Reported EBITDA	1,2		7,050	5,971	379
Normalisation adjustments	3		(138)	737	314
EBITDA	2,3	8,132	6,912	6,708	693
EBITA	2,3	6,307	4,660	5,835	75
EBIT	2,3	4,723			
Net profit after tax	4	**2,303**			

Earnings per Share (EPS)	
Net profit after tax (NPAT)	$2,303,000
Goodwill amortisation included in NPAT	$1,584,000
NPAT before goodwill amortisation used in adjusted EPS1 calculation	$3,887,000
EPS1	3.60 cents
EPS1 – adjusted for goodwill amortisation	6.07 cents

1. EPS based on full year pro forma 2004 forecasts (excluding funds raised under the Employee Offer).

Pricing of the Offer

Pricing ratios are based on full year pro forma 2004 forecasts and a market capitalisation at the Offer Price of $32 million (excluding funds raised under the Employee Offer)

Price earnings multiple	13.89 times
Price earnings multiple – adjusted for goodwill amortisation	8.23 times
Enterprise Value to EBITDA	5.06 times

Statutory Result and Half-Year Forecasts

The statutory result and half-year forecasts are for the period since incorporation of McMillan Shakespeare (1 December 2003) and are based on an anticipated completion date for the MSA Acquisition of 15 March 2004. The profits from MSA are included in these results from the expected completion date of 15 March 2004.

Statement of Financial Performance	Note	Forecast period 1 December 2003 to 30 June 2004 ($'000)	Forecast period 1 July 2004 to 31 December 2004 ($'000)
Operating revenue	5	7,254	13,490
EBITDA	2,5	1,949	4,546
EBITA	2,5	1,501	3,628
EBIT	2,5	1,042	2,832
NPAT	5	**410**	**1,455**

Note 1: Historical pro forma consolidated operating revenue and reported EBITDA for the financial years ending 31 December 2001 and 2002 have been derived from the audited financial statements of MSA for these respective financial years and from unaudited MSA financial statements for the year ended 31 December 2003.

Note 2: EBITDA, EBITA, EBIT and NPAT are defined in the glossary in Section 11.

Note 3: Normalised earnings have been determined by adjusting reported EBITDA to remove the impact of unusual and non-recurring items and to include the costs of operating as a listed public company. The nature and quantum of adjustments made are explained in Section 7. The EBITDA and EBITA for the pro forma historical years have been adjusted to reflect these normalisation adjustments.

Note 4: The historical pro forma results have not been reported below the EBITA line as MSA operated under a substantially different gearing structure than will operate after the completion of the MSA Acquisition.

Note 5: The statutory result and half-year forecasts cover the periods from the incorporation of McMillan Shakespeare, being 1 December 2003, to 30 June 2004 and 1 July 2004 to 31 December 2004. The forecast profits from MSA are included in these results from the expected completion date of 15 March 2004.

This information is provided as a summary only and is based on a number of assumptions and qualifications that are set out in Sections 7 and 8. The Directors' forecasts as detailed in Section 7 are based upon a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of McMillan Shakespeare. These estimates, assumptions and uncertainties are discussed in greater detail in Sections 6 and 7. Events and circumstances often do not occur as anticipated and actual results are likely to differ from the forecasts. These differences may be material. Accordingly, the Board does not guarantee the achievement of the Directors' forecasts.

Investors and prospective investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, lawyer, stockbroker or other professional adviser before deciding to invest.

Dividend Policy

McMillan Shakespeare does not intend to pay a dividend during the period to 31 December 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 and then ongoing for the medium term on a half-yearly basis of an aggregate amount not less than 50% per annum of reported net profit after tax. This is indicative only and subject to revision at any time as the Directors deem appropriate. The declaration of a dividend, if any, for any future period by McMillan Shakespeare, and the extent to which franking credits are attached to such dividends, will be the subject of a number of factors, including the financial results of McMillan Shakespeare, the general business environment, ongoing capital expenditure, future cash requirements, the taxation position of McMillan Shakespeare and any other factors that the Directors may consider relevant.

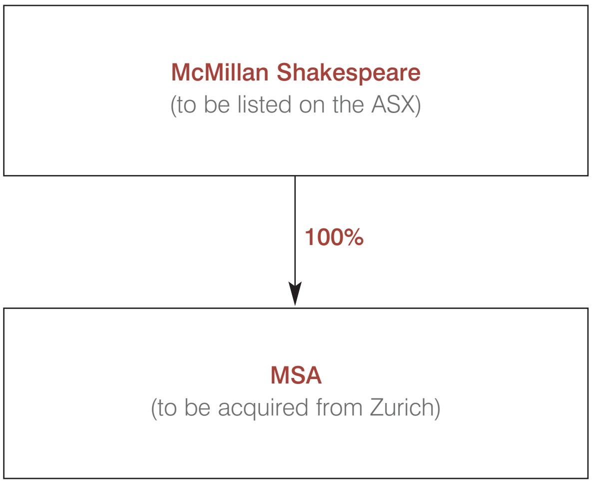
1.4 McMILLAN SHAKESPEARE OVERVIEW

Background

The business currently operated by MSA was established by McMillan Shakespeare and Associates Pty Limited in 1989. In July 1998, McMillan Shakespeare and Associates Pty Limited transferred its assets and business to MSA and then Zurich acquired 80% of the shares in MSA. All remaining shares in MSA were acquired by Zurich in March 2003.

On 24 December 2003, McMillan Shakespeare agreed to acquire MSA from Zurich in accordance with the terms of the MSA Acquisition Agreement (see Section 9.3). Settlement of the MSA Acquisition is due to occur approximately 3 business days prior to the expected date for Quotation of the Shares issued under this Prospectus (see page 4 of this Prospectus).

Upon completion of the MSA Acquisition and Quotation of the Shares, the structure of the Group will be as follows:



One of the Australian Market Leaders in the Provision of Independent Salary Packaging Administration and Related Services

MSA is one of the leaders in the Australian independent salary packaging administration market and provides a number of outsourcing business solutions to its clients. MSA and its predecessor, McMillan Shakespeare and Associated Pty Limited, have provided salary packaging administration services since 1989.

At 1 January 2004, McMillan Shakespeare had 198 full time equivalent staff servicing in excess of 70,000 Employee Clients.

Market Position

The salary packaging administration market consists of 4 different sectors being:

- PBIs – charities;
- PBIs – public hospitals;
- FBT rebateable organisations – including not-for-profit private education organisations, registered trade unions and associations and select sporting groups; and
- full FBT organisations – including state education organisations, government departments and private organisations.

Independent salary packaging administration service providers are an alternative to in-house administration by employers. MSA's growth has been driven by the trend by large public sector employers towards outsourcing of non-core activities, such as salary packaging administration and fleet management services, and the increase in employee awareness of their ability to access the benefits of salary packaging.

MSA's market position, scale of operations and relationship network has enabled it to benefit from this outsourcing trend.

Range of Products and Services

MSA's primary services are salary packaging administration and fleet management services.

Salary Packaging Administration

MSA formulates and provides remuneration policy advice and salary packaging administration and processing services for Employer Clients.

MSA provides a number of value added services that augment its standard salary packaging administration services, which are designed to enhance its outsourcing business solutions model.

Fleet Solutions

MSA's Fleet Solutions business complements its salary packaging administration business and is a rapidly expanding component of the Business. MSA provides its clients with motor vehicle fleet management services, including fuel card and service maintenance programs, consulting in relation to motor vehicle finance, procurement of motor vehicles and referrals with respect to insurance.

Fleet Solutions customers include current salary packaging administration clients as well as large corporate entities and private sector organisations.

Diversified Client Base and National Presence

MSA's revenues are principally derived under contracts with state governments and large public authorities and their participating employees.

MSA has a wide client base spanning all of the states of Australia and the Australian Capital Territory.

MSA's head office is in Victoria with smaller branch offices located in New South Wales, Western Australia, Tasmania and South Australia.

Sophisticated Systems for Customer Service and Operating Efficiencies

MSA has spent in excess of $5,000,000 in developing its new administration system, COMET. The system is web-based and has been designed to enhance customer service and reduce administration costs to MSA.

Phase 1 of the system became operational in October 2003 with full client migration expected to be completed by mid 2004.

Experienced Management and Skilled Staff

MSA's management is headed by its Chief Executive Officer, Mr Anthony Podesta. Mr Podesta is the founder of MSA and has been the Chief Executive Officer overseeing the growth achieved in the Business since its formation. Together with the rest of his team, Mr Podesta has considerable experience gained whilst identifying the key value drivers for MSA's clients and developing a growing and profitable business in servicing those clients.

2 DETAILS OF THE OFFER

2.1 DETAILS OF SHARES OFFERED FOR SUBSCRIPTION

Under this Prospectus, McMillan Shakespeare is offering for subscription 21,000,000 Shares under the General Offer at an issue price of $0.50 per Share to raise $10,500,000.

The General Offer is fully underwritten (see Section 2.8).

Payment for Shares is required to be made in full on Application.

2.2 PURPOSE OF THE GENERAL OFFER

The purpose of the General Offer is to raise sufficient funds to:

- acquire all of the shares in the capital of MSA;
- pay related MSA Acquisition costs;
- pay the expenses of the General Offer; and
- provide working capital.

2.3 USE OF FUNDS AND THE MSA ACQUISITION

McMillan Shakespeare entered into the MSA Acquisition Agreement with Zurich on 24 December 2003 to acquire all of the shares in the capital of MSA. Under that agreement, McMillan Shakespeare will pay a total consideration of $32,500,000 if completion occurs between 2 February 2004 and 15 March 2004, or $32,750,000 if completion occurs between 16 March 2004 and 31 March 2004. The consideration for the MSA Acquisition, assuming a purchase price of $32,500,000, will be funded as to $8,750,000 from funds raised under the General Offer, $8,000,000 from private equity funding (see Section 10.4) and $15,750,000 from bank finance (see Section 9.4). If the purchase consideration for the MSA Acquisition is $32,750,000, the additional $250,000 will be derived from working capital.

A summary of the key terms of the MSA Acquisition Agreement is set out in Section 9.3.

McMillan Shakespeare intends to use the funds raised under the General Offer as follows:

	$
Residual payment for acquisition of MSA (after contributions from private funding and bank funding and assuming a purchase consideration of $32,500,000):	8,750,000
Cash expenses of the General Offer (including ancillary MSA Acquisition costs):	977,000
Bank facility set-up costs:	295,000
Remainder to be contributed to working capital:	478,000

Total costs associated with the MSA Acquisition include the legal and financial advisory fees arising from due diligence investigations, the negotiation of the transaction documents and the establishment of the bank finance.

Expenses of the General Offer include the Underwriter's fees, legal adviser's fees, Independent Accountant's fees, ASIC and ASX fees, printing and distribution costs and other costs arising from this Prospectus and the General Offer (see Section 10.8). These expenses were incurred prior to or will be incurred as a consequence of the lodgement of this Prospectus and the application for admission to the ASX.

The final use of funds forming part of working capital will depend entirely on the future performance of the Business and the various opportunities that arise. Notwithstanding, the Directors believe that McMillan Shakespeare will have sufficient working capital from the proceeds of the Issue, its operations and the existing cash resources of MSA, to fund its stated business objectives.

In the event that completion of the MSA Acquisition does not occur in accordance with the MSA Acquisition Agreement, the Offer will be withdrawn and Application Monies will be refunded to Applicants as soon as is practicable (without interest).

2.4 APPLICATION FOR SHARES – GENERAL OFFER

Applications for Shares under the General Offer can only be made on the relevant Application Form attached to this Prospectus. Instructions as to how to make an Application are printed on the reverse side of the Application Forms. The Application Forms attached to this Prospectus must not be circulated unless attached to a copy of this Prospectus.

The minimum application is for 4,000 Shares, representing $2,000. Additional Shares may be applied for in multiples of 2,000 Shares, representing $1,000.

Applications for Shares must be accompanied by payment in full by a cheque or bank draft in Australian currency drawn on an Australian branch of an Australian bank in the amount of $0.50 for each Share. Cheques should be made payable to "McMillan Shakespeare Limited Share Offer" and crossed "Not Negotiable".

Subject to the rights of McMillan Shakespeare, in consultation with the Underwriter, to close the General Offer prior to the expected Closing Date, completed Applications must be received at the following address no later than 5:00pm (AEST) on the Closing Date:

McMillan Shakespeare Limited Share Offer
C/– Computershare Investor Services Pty Limited
Level 12, 565 Bourke Street
Melbourne Victoria 3000

2.5 APPLICATION MONIES

Application Monies received from an Applicant for Shares under the General Offer will, until those Shares are allotted or the Application Monies are refunded to Applicants, be held on trust for Applicants in a bank account established and kept by McMillan Shakespeare for the purpose of depositing Application Monies. Application Monies will be kept in escrow and will not be transferred from this bank account to McMillan Shakespeare until the Shares have been allotted to Applicants. Interest earned on Application Monies will be for the benefit of McMillan Shakespeare and will be retained by McMillan Shakespeare whether or not allotment takes place.

2.6 ALLOCATION POLICY

An Application may be accepted by McMillan Shakespeare, in consultation with the Underwriter, with respect to the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. McMillan Shakespeare and the Underwriter are entitled to nominate the allottees of the Shares. Where no allotment is made or where the number of Shares allotted is less than the number applied for, the entire funds (in the first case), and the surplus application funds (in the second case) will be refunded to the Applicant without interest.

2.7 ALLOTMENT

Allotment of the Shares will only be made once Application Monies have been received and the ASX has granted permission for the Shares to be given official quotation. It is expected that allotment will take place on 10 March 2004 and trading of the Shares on the ASX will commence on 15 March 2004.

2.8 UNDERWRITING SUMMARY

The General Offer has been fully underwritten by Lodge Partners Pty Limited, a member corporation of the ASX. Details of the Underwriting Agreement, including the Underwriter's fees and the circumstances under which the Underwriter is able to terminate its obligation, are set out in Section 9.1.

2.9 DETAILS OF APPLICATION FOR ASX LISTING

McMillan Shakespeare will apply to the ASX not later than 7 days after the date of this Prospectus for admission to the official list of the ASX and for the Shares (including the Employee Shares – see Section 2.13) offered under this Prospectus to be quoted.

The ASX takes no responsibility for the contents of this Prospectus or the investment to which it relates. Admission to the official list of the ASX and Quotation should not be taken as an endorsement by the ASX of McMillan Shakespeare.

If McMillan Shakespeare does not make an application for admission to the official list of the ASX and for Quotation within 7 days after the date of this Prospectus or if McMillan Shakespeare is not admitted and the Shares quoted within 3 months after the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

2.10 DETAILS REGARDING CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM ("CHESS")

McMillan Shakespeare will apply to participate in the Clearing House Electronic Sub-Register System, known as CHESS, in accordance with the ASX Listing Rules and the SCH Business Rules.

In addition to a CHESS sub-register, McMillan Shakespeare will operate an electronic issuer sponsored sub-register. The two registers will make up the register of Shareholders.

No Share certificates will be issued to successful Applicants. Following allotment, Applicants on the issuer-sponsored sub-register will receive a statement (similar to a bank account statement) that sets out the number of Shares allotted and the Security Holder Reference Number (SRN) allocated. Successful Applicants on the CHESS sub-register will be issued a notice stating their Holder Identification Number (HIN) and number of Shares allotted.

Statements will be issued at the end of each subsequent month to all holders where a transaction has been applied to their holding during the month. End of month statements are issued to CHESS holders by the SCH and to issuer sponsored holders by the share registry of McMillan Shakespeare.

2.11 ESCROW

Certain Shares are subject to voluntary escrow restrictions, and the Employee Shares are also subject to restrictions. Details of these restrictions are set out in Sections 2.13 and 10.5.

In addition, the ASX may impose escrow restrictions of up to two years from Quotation under the ASX Listing Rules on the Shares held by the Founding Shareholders and the second round of private equity investors referred to in Section 10.4.

2.12 INVESTOR ENQUIRIES

If, after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, lawyer or other professional adviser for assistance.

Further information and additional copies of this Prospectus can be obtained online at www.lodgepartners.com.au or by contacting:

Lodge Partners Pty Limited
Level 3, 405 Collins Street
Melbourne Victoria 3000
Tel: (03) 9618 7000
Fax: (03) 9618 7077

2.13 EMPLOYEE OFFER

McMillan Shakespeare will make available up to 1,081,081 Employee Shares for allocation to Employees under the Employee Offer, with a total subscription of up to $500,000. If Employees do not apply for these Employee Shares in full, the remaining Employee Shares will not be available under the General Offer. The Employee Shares are an additional offering to the General Offer Shares, and the offer of the Employee Shares is not underwritten. There is no minimum subscription for the Employee Offer.

The Employee Offer is conditional upon the successful completion of the General Offer in accordance with the terms set out in this Prospectus and Quotation. If this condition is not met, Application Monies provided under the Employee Offer will be refunded without interest.

Employee Applicants may apply for Employee Shares at $0.4625 per share (the Employee Application Price), which represents a 7.5% discount to the Offer Price under the General Offer.

Applications under the Employee Offer will only be accepted on the Employee Application Form. Employees may apply for Employee Shares in their own name or in the name of a relation or related company. The Employee Application Form must be completed in accordance with the instructions set out on the form.

McMillan Shakespeare reserves the right to allocate to any Employee Applicant a lesser number of Employee Shares than applied for. If the total number of Employee Shares applied for in the Employee Offer is greater than the number of Employee Shares available, scale-back arrangements will apply. The method of scale-back will be determined by the Board, in its absolute discretion. If an Application under the Employee Offer is not accepted, or is accepted in part only, the excess Application Monies will be refunded without interest.

Completed Employee Application Forms must be mailed or delivered to either Wayne Dobson, Manager, People Services, Level 4, 321 Exhibition Street, Melbourne 3000 or to Computershare Investor Services Pty Limited at the address set out in the Employee Application Form, and must be accompanied by a cheque or cheques equal to the number of Shares applied for by the Employee Applicant at the Employee Application Price. All cheques must be in Australian dollars and drawn on an Australian branch of an Australian bank. Cheques from Employee Applicants under the Employee Offer must be made payable to “McMillan Shakespeare Limited Employee Share Offer” and crossed “Not Negotiable”.

Applications under the Employee Offer must be for a minimum of 5,000 Employee Shares (representing $2,312.50) and in multiples of 1,000 Employee Shares thereafter (representing $462.50). The maximum number of Employee Shares that may be applied for by each Employee Applicant under the Employee Offer is 50,000.

The funds raised under the Employee Offer will be applied towards working capital.

The key dates for the Employee Offer are the same as for the General Offer (see page 4 of this Prospectus). Please note that all dates are indicative only and McMillan Shakespeare may, without notice, change such dates at its discretion.

The Employee Offer is subject to the terms of the ESP (see Section 10.3). The Board has determined that Employees participating in the Employee Offer will not in any way be able to Dispose of the Shares obtained under the Employee Offer for a period of 6 months from the date of Quotation. A holding lock will be placed on the Employee Shares by McMillan Shakespeare’s share registry during this time.

Employee Applicants should review Section 10.3, which discusses the taxation implications of accepting the Employee Offer.

Except as set out above in this Section 2.13, the terms set out in the remaining parts of Section 2 that apply to the General Offer will also apply to the Employee Offer.

Assuming the Employee Offer is fully subscribed, the market capitalisation of McMillan Shakespeare will increase by $540,540.50 at the Offer Price and its cash balance will increase by $500,000.

2.14 TAXATION

Generally, the Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is an obligation of potential investors to make their own enquiries concerning the taxation consequences of an investment in McMillan Shakespeare. If you are in doubt as to the course that you should follow, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

Employee Applicants should carefully read Section 10.3 to determine the taxation ramifications of an acceptance of the Employee Offer.

2.15 CAPITAL STRUCTURE OF McMILLAN SHAKESPEARE

The ownership structure of McMillan Shakespeare at completion of the General Offer is shown in the table below:

Name	Shares#	%
Meddiscope Pty Limited	15,101,819	23.60
Private Equity Financiers (various)	10,276,843	16.06
Chessari Holdings Pty Limited	8,590,792	13.42
Asia Pac Technology Pty Limited	7,730,546	12.08
Lodge Partners Pty Limited (or nominee)	1,300,000	2.03
Shareholders pursuant to the Offer	21,000,000	32.81
Total	64,000,000	100%

excludes Shares issued pursuant to Employee Offer

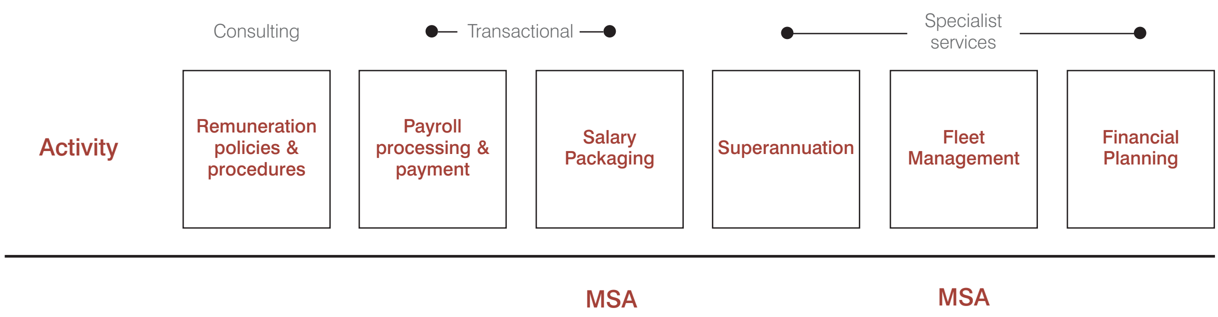
Voluntary escrow arrangements apply to Shares issued prior to the Offer. Details of these arrangements appear in Section 10.5.

Under the Option Plan, up to 1,500,000 options to acquire Shares in McMillan Shakespeare will be issued to senior management contingent upon the listing of McMillan Shakespeare on the ASX. These options have a four year term and an exercise price of $0.50 per option. 50% of the options are exercisable in equal proportions over the first three years from issue. The remaining 50% of the options are also exercisable in equal proportions over the first three years from issue, but subject to designated performance hurdles being achieved.

3 INDUSTRY OVERVIEW

3.1 INTRODUCTION

MSA operates in the salary packaging administration industry and the fleet management industry in Australia. These services form part of the 'remuneration distribution services spectrum' depicted below:



Remuneration Distribution Services Spectrum

The remuneration distribution services spectrum comprises the following segments:

- Consulting – including advice on executive remuneration, human capital strategy, benchmarking, career effectiveness, performance measurement and retirement benefits;
- Transactional – including the performance of an organisation's entire payroll function; and
- Specialist services – including the provision of superannuation funds administration, fleet management and financial planning advice and referral services.

Some providers operate wholly within one segment, while others provide services across a number of segments with no one segment being mutually exclusive from another segment.

3.2 THE SALARY PACKAGING ADMINISTRATION INDUSTRY

Overview

The market for salary packaging administration consists of the following 4 sectors:

- PBIs – charities;
- PBIs – public hospitals;
- FBT rebateable organisations; and
- full FBT organisations.

Employees of employers within the first three categories obtain salary packaging benefits as a result of the status of their employers.

By contrast, the benefits of salary packaging administration to employees of full FBT organisations are derived not from their employment status, but rather from their ability to package certain individual items such as motor vehicles, superannuation, laptops and mobile phones.

Driven by reforms of the labour market, during the 1990s, governments in Australia (federal, state and territory), reviewed salary-based remuneration arrangements with their employees to ensure public sector remuneration arrangements were comparable to those of the private sector. In doing so, they added fringe benefit items (including motor vehicles), that were previously unavailable and in many instances, outsourced the administration of these benefits to appropriately qualified private sector administration businesses. MSA was a major beneficiary of this outsourcing trend.

Similarly, reviews of remuneration policy were also undertaken by the not-for-profit sector to the benefit of MSA.

Market size

The target market for the salary packaging administration industry is the employee base receiving salaries or wages. It is estimated that there are approximately 9.5 million people employed in the Australian workforce. Of these, approximately 8.5% are employed by PBIs or FBT rebateable or educational organisations, 9.4% are other public sector employees, with the remaining 82% being employed by full FBT organisations (other than federal, state and territory governments).

McMillan Shakespeare estimates that independent salary packaging administration service providers currently service less than 2.5% of Australian employees. On this basis, the Directors believe that there is potential for significant growth in the salary packaging administration market in Australia.

Trend to Outsourcing

Traditionally, salary packaging administration has been undertaken by employers in-house. There has, however, been a trend in recent times towards the outsourcing of this administrative function. MSA's market position, scale of operations and relationship network has enabled it to benefit from this outsourcing trend.

Regulatory Environment

McMillan Shakespeare is not aware of any impending potential changes in government policy or legislation that may adversely impact upon the provision of remuneration and employment-based benefits.

Competitors and Barriers to Entry

Barriers to entry to the salary packaging administration market include the capital cost of establishing an operating system and the need for a proven track record in an industry in which it is imperative to assist clients to comply with legislative requirements.

3.3 FLEET MANAGEMENT INDUSTRY

Overview

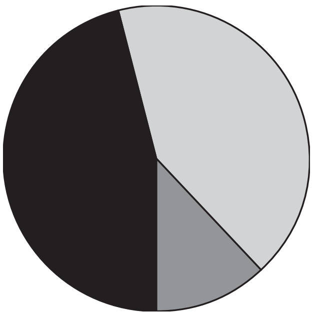
Outsourcing of fleet management functions provides employers with an opportunity to reduce their non-core administrative activities. The increasing trend towards novated leasing in Australia has expanded the fleet management market and the popularity of salary packaging a vehicle in Australia.

Market Size

There are estimated to be approximately 1.2 million fleet vehicles on Australia's roads, representing around 10% of the 11.5 million vehicles registered in Australia. This estimated fleet market is administered by a combination of in-house and outsourced fleet management service providers.

In 2001, business and government fleet sales totalled approximately 415,000, which equated to 54% of total vehicle sales for the year.

Australian Motor Vehicle Sales 2001



- Private sales 46%
- Business fleet 42%
- Government fleet 12%

Market Characteristics

There are a number of competing participants in the fleet management industry. Participants in the industry compete on several bases including:

- price;
- reliability of service;
- ability to handle high transaction volumes;
- provision of complementary services; and
- management of client FBT and GST reporting requirements.

4 DESCRIPTION OF THE BUSINESS

4.1 OVERVIEW OF THE BUSINESS

MSA is a business solutions provider, specialising in the salary packaging administration and fleet management services segments of the remuneration distribution services spectrum (see Section 3.1).

MSA's primary service offerings include:

- Salary Packaging Administration – the provision of salary packaging administration services, including remuneration policy design, salary packaging benefit administration and processing, motor vehicle lease management, taxation recording and related services; and
- Fleet Solutions – the provision of motor vehicle fleet management and consulting services including procurement of motor vehicles, finance and insurance and fuel card and service maintenance programs.

4.2 SALARY PACKAGING ADMINISTRATION

Overview

MSA offers an outsourced salary packaging administration service to its clients with the aim of minimising the administration and compliance activities for its Employer Clients and providing a prompt and confidential service to its Employee Clients. It also provides complementary services, such as Fleet Solutions and the meal entertainment program, being a program offered to Employee Clients of PBIs providing automated payment of meal entertainment expenses, free from FBT. MSA aims at becoming a 'one-stop-shop' for Employer Clients and their participating employees.

The major salary packaging administration functions that MSA undertakes are:

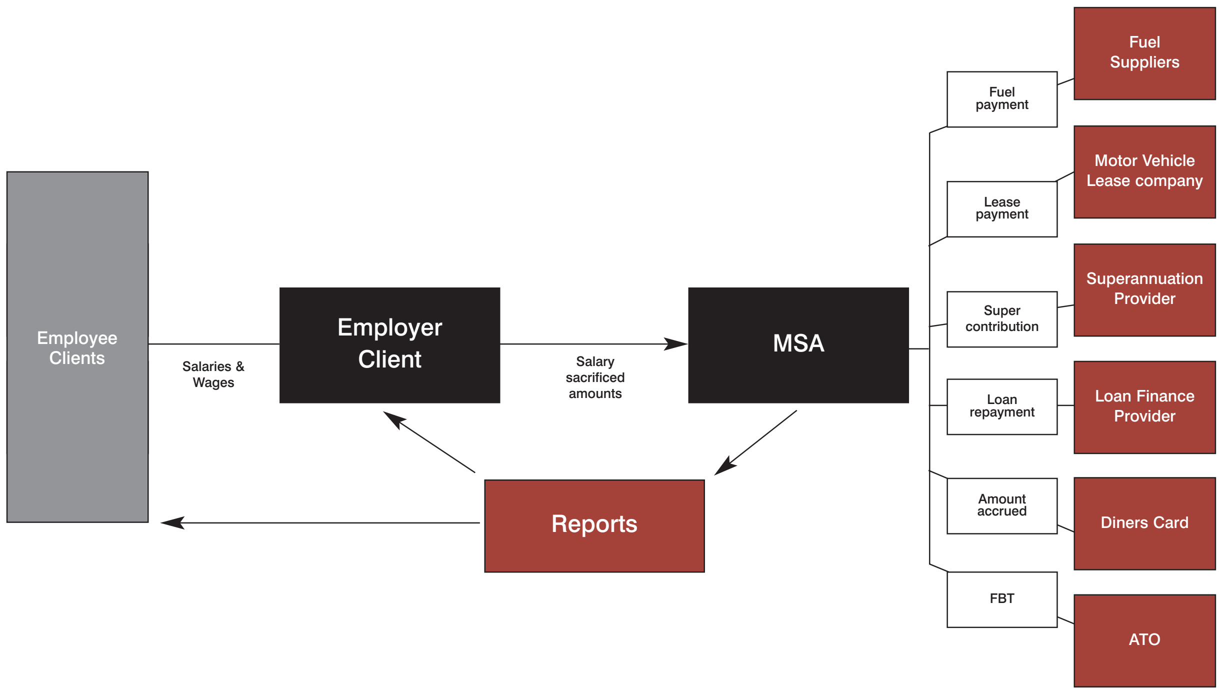
- establishing individual salary packages for Employee Clients;
- electronic notification of payroll deductions to Employer Clients;
- paying salary package benefits on behalf of Employee Clients;
- electronic and hard copy salary packaging reporting to Employee Clients and Employer Clients in relation to their FBT, GST and BAS obligations;
- monitoring and storage of all information for FBT and GST compliance and audit purposes on behalf of Employer Clients;
- communicating directly with Employee Clients in relation to the establishment, implementation and on-going administration of their salary packages through a number of means including the Internet and an in-house call centre;
- keeping Employer Clients informed of changes to legislation and regulations; and
- undertaking a full reconciliation of each individual salary package.

MSA provides a number of value-added services that augment its outsourcing salary packaging administration offering. These include:

- msa-online, which allows Employee Clients 24-hour access to view their salary packaging statements online;
- an in-house call centre service for clients wishing to speak directly to an MSA consultant;
- a salary packaging payment card which allows Employee Clients of PBIs and not-for-profit organisations to salary package everyday living expenses through a Diners Club card administered by MSA and Diners Club on behalf of the Employee Client;
- a meal entertainment card for Employee Clients of PBIs who are eligible for salary packaging meal entertainment expenses;
- an independent financial advice referral services for Employee Clients; and
- a dedicated Employer Client support program encompassing FBT and GST administration compliance, human resources and industrial relations issues.

Process

An overview of MSA's salary packaging process is shown below:



The Employer Client transfers the amounts to be withheld for salary packaging payments to the control of MSA and pays the residual of the Employee Client's wages and salaries directly to the Employee Client. As required, MSA pays the salary packaged disbursements on behalf of Employee Clients by forwarding payment to the appropriate third parties.

Benefits for the Employer

Salary packaging administration enables employers to offer more tax effective remuneration arrangements to their employees with the aim of increasing staff retention. Salary packaging administration is also designed to assist public sector and not-for-profit organisations to compete more effectively with salaries offered by private sector organisations and attract better quality personnel.

MSA's salary packaging administration service provides Employer Clients with a number of benefits including:

- the ability to reduce salary packaging administrative costs;
- the ability to offer a range of salary packaged benefits without the internal requirements for specific systems, skills and knowledge;
- the ability to compete with private sector salary levels;
- complete FBT management from collection to remittance and statutory reporting;
- access to banking payment processes without the need to purchase software or infrastructure;
- a simple flat fee structure regardless of the value of packaged benefits paid by participating employees through their package account;
- access to preselected and accredited panels of financial planners (at no cost to the Employer Client) trained specifically on the Employer Client's salary packaging policy details;
- financial management of the salary packaging administration program;
- FBT compliance and accounting on all aspects of salary packaging administration, including reporting to assist FBT and payment summary reports for financial year-end payroll management; and
- GST and income tax credit accounting, including monthly reporting to meet BAS requirements.

Benefits for the Employee

MSA's salary packaging administration service provides Employee Clients with a number of benefits including:

- the ability to obtain remuneration benefits with tax advantages;
- regular reporting of the status of their salary packaging account;
- the ability to benefit from MSA's purchasing power;
- direct payment from payroll through to third party benefit providers without the need to seek reimbursement from their employer;
- access, where appropriate, to a salary packaging payment card enabling electronic funds transfers directly from their salary packaging account;
- access to account information by telephone or the Internet;
- access to an Internet based salary packaging calculator providing scenario analysis of different salary packaging options;
- access to a wide selection of accredited independent financial advisers with specific knowledge on salary packaging administration programs;
- simple flat fee structure; and
- the ability to access online transactional details updated daily on MSA's website.

Customers

MSA has in excess of 70,000 Employee Clients sourced from over 700 Employer Clients.

MSA's clients are predominantly government departments, large public authorities and other large employers. In general, Employer Clients enter into contracts for MSA's services, providing MSA with the opportunity to market to, and secure the business of, their numerous employees.

MSA's clients are principally located in Victoria, Western Australia, South Australia and New South Wales with a smaller presence in the remaining states of Australia and the Australian Capital Territory.

Competitive Advantage

The Directors believe that MSA has a competitive advantage in the independent salary packaging administration market in Australia due to its:

- range of complementary value added services and products;
- first mover advantage and considerable experience in the Australian salary packaging administration market;
- conduct of business in all states of Australia and the Australian Capital Territory;
- scale of operations;
- relationship network;
- track record with government departments and large public authorities; and
- purpose-built information technology platform that provides processing and administration efficiencies.

Growth Opportunities

As one of the market leaders in the Australian salary packaging administration market, MSA is positioned to take advantage of the growth opportunities expected to emerge in the short to medium term. These opportunities include:

- Industry Organic Growth – driven by an increased awareness of the benefits of salary packaging, the salary packaging administration industry has grown significantly in recent years;

- New Business – McMillan Shakespeare will continue to identify and aggressively pursue new business opportunities, particularly with government departments and large public authorities. MSA has consolidated and strengthened its sales team and systems infrastructure to accommodate growth in both its Employer Client base and Employee Client base;

- Increased Participation – driven by an increased awareness of the benefits of salary packaging, the Directors anticipate growth through increased participation by employees of existing Employer Clients and increased participation by Employee Clients of the Fleet Solutions business for MSA's salary packaging administration services;

- New Services – McMillan Shakespeare intends to grow its market share through the regular introduction of innovative new services. Demand for MSA's value-added services, such as the salary packaging payment card and the meal entertainment program (see above), has shown growth. Building on its experience, McMillan Shakespeare will continue to evaluate opportunities to introduce new value-added services;

- Increasing National Presence – whilst MSA has a substantial market position in Victoria, New South Wales, Western Australia and South Australia, MSA has not marketed its services as extensively, and does not have the same presence, in the other states and territories of Australia. McMillan Shakespeare is currently exploring opportunities for growth in those states and territories; and

- Acquisition – having achieved scale across its current operations, the opportunity exists for McMillan Shakespeare to increase its presence in the remuneration distribution services industry (see Section 3.1) through the acquisition of other like or complementary businesses.

4.3 FLEET SOLUTIONS

Overview

MSA's Fleet Solutions business was established in 1999 as an extension to MSA's salary packaging administration service due to customer demand, the complementary nature of the systems and processes required and the attractiveness of the fleet services management market. The Fleet Solutions business both increases revenues from existing clients and diversifies MSA's client base within the wider private sector market.

As at the date of this Prospectus, MSA manages approximately 5,750 vehicles under its Fleet Solutions business. In addition, MSA has approximately 10,500 vehicles under management as part of its salary packaging administration business.

The motor vehicle management service provided under MSA's salary packaging administration business is generally limited to payment of lease commitments, FBT reporting and the provision of a fuel card. By contrast, Fleet Solutions provides a wide range of fleet management services including:

- the procurement of operating or finance lease funding;
- maintenance programs including comprehensive fleet management and administrative services;
- monitoring of kilometres travelled for FBT liability purposes through a Interactive Voice Response (IVR) service;
- the provision of fuel cards;
- arranging comprehensive vehicle insurance;
- registration and compulsory third party vehicle insurance;
- accident claim handling;
- acquisition and disposal services; and
- roadside assistance programs.

Provision of the Fleet Solution services can be undertaken together with or separate from MSA's salary packaging administration services.

Benefits for the Employer

The Fleet Solutions business provides the Employer Client with a number of benefits, including:

- a fleet management service, utilising novated leasing and financing, enabling Employer Clients to outsource all administration tasks required to manage a motor vehicle fleet, including procurement, maintenance and disposal;
- transfer of the responsibility for vehicle maintenance to the Employee Clients;
- removal of the need to manage an acquisition and disposal program for fleet vehicles;
- removal of exposure for any residual liability between market value and written down value;
- FBT accounting and reporting for FBT and group certificate purposes; and
- GST and input tax credit accounting, including monthly reporting to meet BAS requirements.

Benefits for the Employee

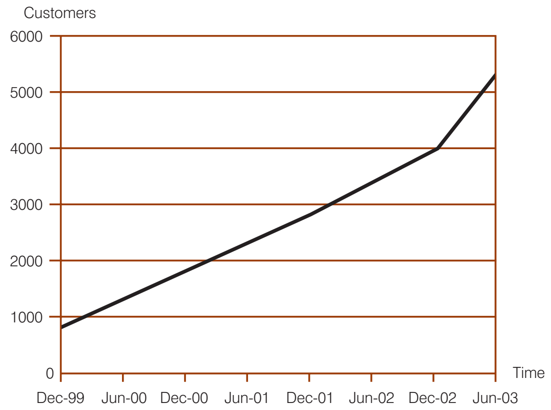
The Fleet Solutions business provides Employee Clients with a number of benefits, including:

- an ability to purchase a motor vehicle at a more tax effective price;
- access to MSA's concessional pricing on fuel, insurance, finance and vehicle purchasing;
- comprehensive reporting, including FBT and vehicle expenditure summaries;
- an end-to-end solution enhanced by the Employee Client's ability to communicate with only one consultant from inquiry through to delivery of the vehicle; and
- an ability to access online transactional details updated daily on MSA's website.

Customers

The Employer Clients of MSA's Fleet Solutions business include large private organisations, government departments and large public authorities.

Growth in the customer base of the Fleet Solutions business is depicted in the chart below:



MSA benefits from the trend by government departments, large public authorities and other large employers to outsource non-core activities, such as FBT and GST reporting for fleet management and effective fleet management services, to specialised and affordable service providers.

Leveraging off its long-term client relationships, information technology systems and administration processes utilised in its salary packaging administration services, MSA is able to enhance its offering to clients by including salary packaging and FBT administration and reporting services to complement the range of services offered in its Fleet Solutions business.

Growth Strategy

Fleet management represents a growing part of the Business.

Despite not having aggressively marketed its Fleet Solutions business, MSA has experienced growth and market acceptance in its products and services. McMillan Shakespeare's focus is to offer the more comprehensive Fleet Solutions product to MSA's 10,500 existing Employee Client customer base currently utilising the service offered under the basic fleet management component of the salary packaging administration service.

Despite the growth achieved by MSA in the Australian fleet management market, MSA has only a small overall market share. The opportunity exists for MSA to continue to leverage its position in the independent salary packaging administration market, to continue the growth in its Fleet Solutions business. In this regard, MSA has budgeted for increased marketing expenditure in its Fleet Solutions business to further accelerate the capture of new market share.

4.4 SALES AND MARKETING

Overview

MSA employs 29 people in its sales and marketing division. This division is responsible for establishing new business with prospective clients, and securing on-going relationships between MSA and its Employer Clients and Employee Clients.

New Business

The majority of MSA's business is secured through tenders conducted by existing or prospective Employer Clients.

Once appointed, a number of different approaches are deployed by MSA to maximise participation rates at Employer Client workplaces including:

- communication programs conducted by MSA representatives with the assistance of the Employer Client;
- a regular in-house presence by MSA representatives at many Employer Client premises (and, in some cases, through site offices established by MSA at Employer Client premises) to enable existing and prospective Employee Clients to consult MSA representatives; and
- in-house salary packaging administration and product seminars conducted by MSA representatives.

Employer Client Relationship

Each Employer Client account is managed through formal joint management committees between the Employer Client and MSA. Through regular meetings with the Employer Client, strategies are developed for improving participation rates and preparing and implementing communications plans for existing and prospective Employee Clients. This approach ensures a close relationship with Employer Clients and a joint focus on the success of the appointment.

MSA also offers its Employer Clients a call centre facility designed specifically to address employer specific needs.

Employee Client Relationship

Enquiries from MSA's existing and prospective Employee Clients are managed through a call centre facility designed specifically to address employee specific issues.

Through msa-online, Employee Clients also have Internet access to their personal account details (including transactional and balance information), vehicle details (where relevant), information on their employer's salary packaging policies and rules and general information on packaging and vehicle leasing.

4.5 TECHNOLOGY

Technology is a key component of the provision of superior customer service and cost competitiveness in both the salary packaging administration and fleet management services industries.

MSA has invested over $5,000,000 over the past three years in its new information technology system, COMET. COMET is purpose built by MSA, specifically designed to manage high volume transactions on behalf of clients, in an efficient and effective manner.

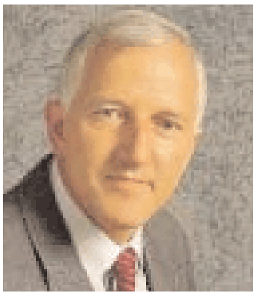
COMET is a new system for the administration of MSA's growing customer base, producing improved processing and administrative efficiencies and customer care tracking within MSA for the benefit of both MSA and its clients.

COMET is integrated with key systems, such as a work-flow management system and msa-online, enabling full "track & trace" management of client servicing from the mailroom to delivery through the Internet. The track and trace facility also assists management to prioritise work allocation on a just-in-time basis, a key ingredient for customer service delivery in a high volume transaction environment that revolves around periodical times such as payroll close off times and statutory reporting dates. The just-in-time approach ensures that work is ordered to meet key deadlines and the work-flow system allows management to identify when particular customer transactions will fall due.

Full client migration to COMET is currently being undertaken and is expected to be completed by mid 2004.

5 DIRECTORS AND MANAGEMENT

5.1 BOARD OF DIRECTORS



Ronald Pitcher
Non Executive Chairman
FCA, FCPA, ACAA

Mr Ronald Pitcher is a chartered accountant and business consultant with over 45 years experience in the accounting profession and in the provision of business advisory services.

Mr Pitcher formed Pitcher Partners in 1991, which is now the largest second tier accounting firm in Melbourne and one of the largest in Australia.

Mr Pitcher is also the Chairman of Cellestis Limited and a director of National Can Industries Limited, Reece Australia Limited and Capral Aluminium Limited.

Anthony Podesta
Managing Director and Chief Executive Officer
BEd (Bus), MTMA, FTIA, MAICD

Mr Anthony Podesta founded the Business in 1989.

Mr Podesta is the Managing Director and Chief Executive Officer of McMillan Shakespeare. Since founding the Business, Mr Podesta has been instrumental in its growth and development of the outsourced salary packaging administration industry in Australia.

Mr Podesta graduated from Melbourne University in 1979 with a Bachelor of Education (Business) majoring in economics and legal studies. Apart from numerous other professional memberships, he is a registered taxation agent, a member of the Taxation Institute of Australia and holds a public practice certificate with the Association of Taxation and Management Accountants. He is also a member of the Institute of Company Directors.

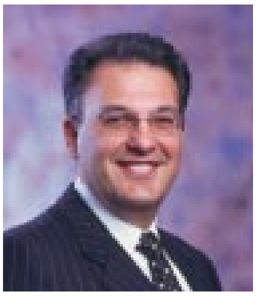
Mr Podesta has also held an executive position with Zurich Financial Services Australia Limited, providing strategic advice on workplace financial services.

John Bennetts
Non-Executive Director
Bec, LLB

Mr John Bennetts is a principal of Asia Pac Consulting Pty Limited which provides corporate advisory services to Australian and multi-national corporations in the Asia Pacific region. He is also a director and founder of the investment company, Mooroolbark Technology Pty Limited.

Prior to establishing Asia Pac Consulting Pty Limited, he was Group Legal Counsel and Company Secretary of Datacraft Limited. Before joining Datacraft Limited, he practiced as a solicitor with a number of firms including Freehill Hollingdale and Page.

Mr Bennetts is a director and founder of a number of companies including Cellestis Limited and was previously a director of Oxley Managed Investments Limited and a number of companies within the Datacraft Group.



Ross Chessari
Non-Executive Director
LLB, MTax

Mr Ross Chessari is a co-founder and director of the fund manager, SciVentures Investments Pty Limited, the holder of a fund manager's licence issued by the Commonwealth Government.

Prior to the founding SciVentures, Mr Chessari was the managing director of ANZ Asset Management and the general manager of ANZ Trustees, which together had in excess of $15 billion of funds under management. Under Mr Chessari's management, these businesses were profitable and ANZ was rated one of the top performing fund managers by several independent rating agencies.

Mr Chessari has academic qualifications in both law and tax, holding a Bachelor of Laws and a Masters of Taxation from the University of Melbourne.

David Carter
Company Secretary
BEc.LLB (Hons), LLM, BCL (Oxon)

David Carter is a consultant to the global law firm Baker & McKenzie having recently stepped down as a partner.

David has broad experience in corporate, commercial and business law and has for many years been a strategic adviser to both listed and unlisted companies. David is widely experienced in the Corporations Act, ASX Listing Rules, corporate governance and board proceedings.

David has acted as director and company secretary for a number of companies as well as being a key adviser to boards of listed public companies.

5.2 SENIOR MANAGEMENT

George Tsiamis
Chief Financial Officer
As Chief Financial Officer, Mr Tsiamis is responsible for the management and direction of all financial functions of McMillan Shakespeare.

Prior to joining McMillan Shakespeare, Mr Tsiamis was the operations manager and financial analyst for fund manager, Sciventures Investments Pty Limited, a director and the head of operations at Allianz Equity Management and the head of investment operations at ANZ Asset Management.

Mr Tsiamis graduated from Chisholm Institute of Technology (now Monash University) in 1995 with a Bachelor of Business.

Peter Lang
Head of Operations
Mr Lang joined MSA in April 2000 and is responsible for the operational functions of MSA's salary packaging administration business, including call centre service and direct sales, administration and support services. Mr Lang has also implemented a range of new customer service initiatives, including the salary packaging card program and msa-online.

Mr Lang commenced his career at Colonial Limited where he managed a customer service group and a call centre migration program.

Geoff Kruyt
National Sales, Marketing Distribution Manager
As national sales, marketing and distribution manager from early 2001, Mr Kruyt has re-engineered MSA's sales management approach resulting in significant gains in revenue growth.

Mr Kruyt is also responsible for the management of supplier relationships.

With over 17 years experience within the insurance and finance industry, Mr Kruyt has held senior positions from sales management to general management in major financial corporations such as NZI Insurance, Rentworks Limited and Cendant Australasia.

Having undertaken tertiary studies in business management and human resources management, Mr Kruyt has a broad skill set in product development, marketing and distribution.

Ron Beard
Strategy and Major Projects Manager
Mr Beard joined McMillan Shakespeare in April 2000 as Manager Business Services. As a member of the senior executive team, Mr Beard currently manages a number of key projects and strategic initiatives including technology projects concentrating on the consolidation and growth of McMillan Shakespeare's market position through business improvement, change management and corporate governance.

Prior to his appointment, Mr Beard worked for a number of financial institutions including MLC Limited, Colonial Limited (now part of Commonwealth Bank Limited), Industry Fund Services (then Jacques Martin Industry), Australian Eagle Life Limited and Zurich Financial Services Australia Limited.

Mr Beard has a Bachelor of Business with an insurance major, was awarded the Life Insurance Federation of Australia prize for the top graduate and is a Fellow of the Australian and New Zealand Institute of Insurance and Finance.

6 INVESTMENT CONSIDERATIONS AND RISK FACTORS

6.1 IMPORTANT NOTICE

In addition to the general risks attaching to any investment in shares, there are a number of sector specific and wider market risks that may affect the future operating and financial performance of McMillan Shakespeare and the value of an investment in McMillan Shakespeare. Although MSA has significant experience in salary packaging administration and fleet management services and has in place risk minimisation procedures, there can be no guarantee that McMillan Shakespeare will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

This Section 6 describes certain specific, but not all, risks associated with an investment in McMillan Shakespeare.

Before any decision is made to subscribe for Shares, investors evaluating an investment or prospective investment in McMillan Shakespeare must carefully consider the following information in this section, as well as all other matters described in this Prospectus.

An investment in McMillan Shakespeare should be regarded as speculative and the Shares allotted under this Prospectus carry no guarantee with respect to payment of dividends, return of capital or market value.

An investment in Shares should generally not be considered a short-term investment. If you are in doubt about investing in Shares, you should consult your stockbroker, lawyer, accountant or other professional adviser prior to making any decision to invest.

6.2 GENERAL RISKS

Share Market Investments

It is important to understand that once the Shares are quoted on the ASX, the price of the Shares might rise or fall and the Shares might trade at prices below or above the Offer Price.

Factors affecting the price Shares are traded on the ASX could include domestic and international economic and geopolitical conditions and outlook, acts or threatened acts of terrorism, changes in government, monetary and regulatory policies, changes in interest rates and the rate of inflation, the announcement of new technologies and variations in market conditions.

General Economic Conditions

McMillan Shakespeare's performance is influenced by a variety of economic and business conditions, including inflation rates, interest rates, exchange rates and government, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including a decrease in consumer and business demand, could be expected to have a corresponding adverse impact on McMillan Shakespeare's operating and financial performance.

Competition

Increased competition could result in price reductions, under-utilisation of personnel, reduced operating margins and loss of market share.

Any of these occurrences could adversely affect McMillan Shakespeare's operating and financial performance.

6.3 SPECIFIC RISKS

Management of Growth

MSA has experienced growth that has resulted in an increased level of responsibility for both existing and new management personnel. To manage this growth effectively, McMillan Shakespeare, as the owner of MSA, will need to maintain efficient control and supervision of its operating and financial systems and continue to expand, train and manage its employee and contractor base. Failure to do this effectively could detrimentally impair McMillan Shakespeare's share price.

Information Technology Risk

MSA has invested significantly in the development of information systems, including COMET (see Section 4.5), relating to its salary packaging administration services. While McMillan Shakespeare will make every effort to ensure that these systems are maintained and improved to best meet the demands of the market, system failures or obsolescence may negatively impact on McMillan Shakespeare's performance.

Reliance on Key Personnel

McMillan Shakespeare currently employs a number of key personnel. The future success of McMillan Shakespeare is largely dependent on its ability to both retain and attract highly qualified personnel. McMillan Shakespeare has established an Employee Option Plan (see Section 10.2) to provide significant incentives for key personnel to both join and remain at McMillan Shakespeare. There is, however, no assurance that McMillan Shakespeare will be successful in attracting and retaining key personnel. Failure to do so may adversely affect the performance of the Business.

Regulatory Changes

The laws governing the Business and MSA's clients, including taxation laws, change from time to time. Adverse changes in laws could render parts of the Business redundant, which could have a materially adverse effect on McMillan Shakespeare's share price.

Insurance Risk

In order to mitigate a number of specific risks, McMillan Shakespeare has taken or will take out appropriate insurance policies. The effectiveness of this mitigation will depend on whether such insurance remains available on commercially reasonable terms.

Employer Client Contracts

Many of MSA's contracts are with governments and large public authorities. These Employer Clients usually require the right to terminate the contract without cause on 30 days notice. The Business would be adversely affected if a significant number of Employer Clients elected to exercise such a right of termination within a short period of time.

MSA has not received any indication that any Employer Client wishes to exercise its unilateral right to terminate its relevant contract.

These contracts also contain an indemnity whereby MSA is responsible for all liabilities incurred by Employer Clients as a result of, among other things, MSA's negligence or breach of contract. As such, it is important that MSA complies with all of its obligations under the contracts in a competent manner. The main exposure in this regard is in connection with possible penalties payable to taxation authorities as a result of a failure by MSA to comply with its agreed reporting and expenditure tracking obligations for Employer Clients.

Assignment of Contracts

Some of the contracts MSA has with its customers and suppliers contain clauses that say that the other party must approve any change in control of MSA. A change in control of MSA will occur upon completion of the MSA Acquisition. As at the date of this Prospectus, MSA had not obtained the consent of some contracting parties to the proposed change in control of MSA arising as a result of completion of the MSA Acquisition. MSA will endeavour to obtain as many consents as it can prior to completion of the MSA Acquisition. Although MSA has no reason to believe that such consents will not be given, if such consents are not obtained, in relation to any material contracts with customers or suppliers or a material number of such persons, the earnings of MSA could be materially adversely affected as a result.

7 FINANCIAL INFORMATION

Introduction and Basis of Preparation

All information presented in this Section should be read in conjunction with the Directors' best-estimate forecast assumptions set out in this Section, the risk factors outlined in Section 6 and the Independent Accountant's Reports set out in Section 8 of this Prospectus.

This section outlines the basis of preparation of the historical financial information and forecasts included in the Prospectus.

MSA's financial year-end is 31 December and McMillan Shakespeare's financial year-end is 30 June. The full year pro forma consolidated forecast and historical statements of financial performance have been prepared for the years ending 31 December. The statutory result and half-year forecasts have been prepared based on McMillan Shakespeare's financial year ending on 30 June.

Historical Financial Information

The historical financial information is comprised of:

- Pro forma historical consolidated statements of financial performance for the 12-month periods ending 31 December 2001, 2002 and 2003.

  For the purpose of preparing the pro forma historical consolidated statements of financial performance, it has been assumed that McMillan Shakespeare has owned MSA since 1 January 2001. This historical financial information has been based on the audited financial statements of MSA for the years ended 31 December 2001 and 2002 and the unaudited financial statements for the year ended 31 December 2003.

However, in determining the consolidated pro forma financial earnings, the actual reported earnings in these historical financial statements has been adjusted to remove the impact of unusual and non-recurring items and to include the costs of operating as a listed public company. The nature and quantum of adjustments made is explained in this Section.

The pro forma historical results have not been reported below the EBITA line as MSA operated under a substantially different asset, gearing and tax structure to that which it is expected to operate under during the forecast period. Accordingly, tax expense, interest expense and amortisation of goodwill have not been included in the pro forma historical consolidated statements of financial performance as this information is not considered by the Directors to be meaningful to a potential investor in McMillan Shakespeare.

The pro forma historical consolidated statements of financial performance do not purport to represent what the actual results of operations would have been had MSA been owned by McMillan Shakespeare throughout those periods. However, for the purpose of comparing past and future performance, the Directors of McMillan Shakespeare believe that the pro forma historical consolidated statements of financial performance provide a meaningful presentation of the underlying financial performance of MSA, reflecting the intended structure and operations of the Group from listing on the ASX.

- **The historical statement of financial position of McMillan Shakespeare as at 31 December 2003.**

  The historical statement of financial position of McMillan Shakespeare as at 31 December 2003 has been extracted from the financial statements of McMillan Shakespeare which have been reviewed by William Buck (Vic) Pty Limited.

- **The pro forma consolidated statement of financial position of McMillan Shakespeare as at 31 December 2003.**

  The pro forma consolidated statement of financial position of McMillan Shakespeare as at 31 December 2003 has been prepared based on the historical statement of financial position of McMillan Shakespeare at 31 December 2003 adjusted as if the General Offer and certain other transactions, including the proposed acquisition of MSA, occurred on 31 December 2003. These adjustments are referred to collectively as the "pro forma transactions".

The pro forma transactions include:

- the MSA Acquisition for consideration of $32,500,000;
- the allotment of ordinary shares prior to the Offer;
- the issue and conversion of A class shares into ordinary shares;
- a draw down under the Facility of $15,750,000; and
- in accordance with the Offer, the Company will issue 21,000,000 fully paid ordinary shares at $0.50 each to raise a total of $10,500,000.

Further details of these pro forma transactions and the pro forma consolidated financial position of McMillan Shakespeare at 31 December 2003 are included in the Independent Accountant's Report in Section 8 of this Prospectus.

Forecasts

The forecasts are comprised of:

- **Pro forma forecast statements of financial performance and cash flows for the 12 months ended 31 December 2004.**

  As the MSA Acquisition will take place part way through the 2004 financial year and because MSA has historically operated on a calendar year end reporting period, the Directors have prepared a pro forma financial forecast for the full calendar year on the assumption that the corporate and capital structure at the time of listing applies for the entire calendar year.

- **Statutory result and half year statements of forecast financial performance for the period 1 December 2003 (date of incorporation of McMillan Shakespeare) to 30 June 2004 and the 6 months to 31 December 2004.**

  The profits of MSA are included in these forecasts from the expected acquisition date of 15 March 2004.

The Directors do not believe that there are reasonable grounds to support forecasts for the Group beyond 31 December 2004.

Limitations of Forecasts

The Directors' financial forecasts are based on the Directors' assessment of the present economic and operating conditions and on a number of assumptions regarding future events and actions, which, at the date upon which the forecasts were adopted, the Directors reasonably expect to take place. These events or actions may or may not take place.

The forecasts are, by their very nature, subject to uncertainties and unexpected events, many of which are outside the control of McMillan Shakespeare and its Directors. Events and circumstances often do not occur as anticipated and, therefore, actual results are likely to differ from the forecasts and these differences may or may not be material. Accordingly, the Directors cannot and do not guarantee that the forecasts will be achieved. These forecasts should be read in conjunction with the risks described at Section 6 and the Independent Accountant's Report on the forecasts provided in Section 8 of this Prospectus.

Summarised Group Earnings Information

Statement of Financial Performance	Note	Pro forma Forecast Year ended 31 December 2004 ($'000)	Pro forma Historical Year ended 31 December 2003 ($'000)	Pro forma Historical Year ended 31 December 2002 ($'000)	Pro forma Historical Year ended 31 December 2001 ($'000)
Operating revenue		26,183	25,540	21,176	14,825
Employment costs		13,096	11,751	10,028	10,222
Computer costs		350	2,749	464	108
Other overhead costs		4,605	4,128	3,976	3,802
EBITDA	1	**8,132**	**6,912**	**6,708**	**693**
Depreciation and amortisation of software		1,825	2,252	873	618
EBITA	1	**6,307**	**4,660**	**5,835**	**75**
Goodwill amortisation		1,584			
EBIT	1	**4,723**			
Net interest expense		838			
Profit before tax		**3,885**			
Income tax expense	2	1,582			
Net profit after tax		**2,303**			

Statutory Result and Half Year Forecasts

Statement of Financial Performance	Note	Forecast period 1 December 2003 to 30 June 2004 ($'000)	Forecast period 1 July 2004 to 31 December 2004 ($'000)
Operating revenue		7,254	13,490
Employment costs		3,845	6,502
Computer costs		102	175
Other overhead costs		1,358	2,267
EBITDA	1	**1,949**	**4,546**
Depreciation and amortisation of software		448	918
EBITA	1	**1,501**	**3,628**
Goodwill amortisation		459	796
EBIT	1	**1,042**	**2,832**
Net interest expense		252	398
Profit before tax		**790**	**2,434**
Income tax expense	2	380	979
Net profit after tax		**410**	**1,455**

Note 1: EBITDA, EBITA and EBIT are defined in the glossary in Section 11.

Note 2: The pro forma income tax expense for the full year to 31 December 2004 will differ from the prima facie tax expense assuming a rate of 30% due to the following permanent differences:
- Non-deductible amortisation of goodwill.
- The costs of the Offer which will be offset against issued capital but will be available as a tax deduction over a period of 5 years.

Normalisation of Earnings

The table below explains the nature and quantum of the adjustments made in determining the normalised EBITDA costs for the 3 years ending 31 December 2001, 2002 and 2003.

Statement of Financial Performance	Note	Year ended 31 December 2003 Pro forma ($'000)	Year ended 31 December 2002 Pro forma ($'000)	Year ended 31 December 2001 Pro forma ($'000)
Reported EBITDA		7,050	5,971	379
MBS costs expensed (computer cost)	1	762	1,869	–
Tax reform costs (other overhead cost)	2	–	–	450
BAD tax (other overhead cost)	3	–	–	435
Net litigation costs/(settlement) (revenue)	4	–	(342)	174
Professional fees (other overhead cost)	5	–	110	–
Software licence fees (computer cost)	6	–	–	155
Public company costs (other overhead cost)	7	(400)	(400)	(400)
Insurance costs (other overhead cost)	8	(500)	(500)	(500)
Normalisation adjustments		(138)	737	314
Normalised EBITDA		6,912	6,708	693

Note 1: Costs expensed in 2002 and 2003 relating to the development of a software product, MyBusiness Solutions ("MBS"). The Directors consider these costs to be of a non-recurring nature as the commercialisation plans for this non-core product have been abandoned. This product generates no revenue.

Note 2: Changes in FBT legislation in 2001 resulted in significant additional administration and communication costs.

Note 3: Bank account deposit tax ("BAD") was abolished in New South Wales ("NSW") on 1 January 2002. MSA is domiciled in NSW for banking purposes and therefore no longer attracts BAD tax.

Note 4: MSA incurred litigation costs in 2002. This case settled in 2002 resulting in non-recurring settlement income.

Note 5: The professional fees relate to costs charged by Zurich in relation to a strategic review of its shareholding in MSA.

Note 6: Once-off software licence fees were incurred in 2001 in relation to a back dated charge for licence fees for the previous four years.

Note 7: Adjustments have been made to the consolidated pro forma statements of EBITDA for the financial years ended 31 December 2001, 2002 and 2003 for the estimated costs that would have been incurred had MSA operated as a publicly listed company during these financial years.

Note 8: MSA was insured under Zurich's group insurance cover. An adjustment has been made to effect the expected replacement cost of this service.

Analysis of Historical and Forecast Financial Information

Revenue

MSA derives its income from the following sources:

- salary packaging fees and income earned from funds set aside by Employer Clients for the payment of Employee Client expenses;
- Fleet Solutions services;
- commissions; and
- miscellaneous card fee and fuel rebate income.

MSA's revenue sources are largely driven by the number of salary packaging Employee Clients, fleet vehicles managed and cards on issue under the meal entertainment program. The following table shows the percentage growth in units under management and revenue derived from these areas of the Business for the years 2001 to 2003 as well as forecast unit growth rates and revenue for the year ended 31 December 2004:

	Forecast 2004	Actual 2003	Actual 2002	Actual 2001
Growth in the number of:				
Salary packaging Employee Clients	3%	7%	29%	11%
Fleet vehicles managed	41%	18%	97%	55%
Meal entertainment program cards on issue	40%	187%	–	–
Revenue from:	($'000)	($'000)	($'000)	($'000)
Salary packaging fees and income from funds	17,886	18,516	17,584	12,677
Fleet vehicle management and commission income	7,754	6,688	3,344	2,048
Meal entertainment program card fee income	496	250	101	–
Other operating revenue	47	86	147	100

Salary Packaging Clients

MSA has achieved growth in revenues from its salary packaging business since 2001. This growth has been attained by MSA capitalising on the public sector's increasing awareness of the benefits of salary packaging and the increased trend to outsourcing of non-core activities by large employers.

The growth in the number of Employee Clients utilising salary packaging services forecast for 2004 is lower than actual growth rates achieved in prior years, due to the expected non-renewal of a customer contract expiring in April 2004. The impact of the expected non-renewal on forecast growth is disclosed in the forecast assumptions. The forecast growth rates for 2004 do not include any allowance for new Employer Client contracts in the 2004 calendar year.

Fleet Management Services and Associated Commissions

The significant growth in income from fleet vehicle management services is a direct result of MSA focusing on the expansion of this section of the Business. The considerable growth in vehicles under management has also resulted in the growth in commission revenue. The forecast growth in the fleet management business is expected to continue to deliver growth in commission income.

Card Fee Income

During 2002, a meal entertainment card program (see Section 4.2) was introduced. This program contributed approximately 1% of total revenue in 2003.

Operating Costs

MSA's major operating costs include:

- employment costs;
- computer costs; and
- other overhead costs.

Employment Costs

Employment costs in 2001 were high relative to revenue (69% of revenue) due to the use of contractors and temporary labour and because MSA increased staff numbers to respond to anticipated forecast revenue growth. Increased costs were also incurred as a result of work flow inefficiencies caused by MSA's existing client administration system, 'Paris'. Salary costs in 2002 and 2003 fell to 47% and 46% of revenue respectively due to some contractors and temporary labour being replaced by full time employees at lower average costs and employment costs increasing at a lower rate than revenue growth. Employment costs for 2004 are forecast to increase to 50% of revenue due to a forecast increase due to planned sales, marketing and customer service initiatives.

Computer Costs

Normalised historical computer costs primarily relate to the development of the COMET system (see Section 4.5) and costs incurred on the Paris system. In 2003, the $2,479,000 expenses included $700,000 of costs incurred in relation to the Paris system. The remaining expenses in 2001, 2002 and 2003 relate to general computer expenses, licensing expenses and the COMET system.

MSA commenced development of the COMET system during 2001. McMillan Shakespeare's accounting policy with respect to COMET expenditure is disclosed in Note 1 to Appendix B to the Independent Accountant's Report at Section 8 of this Prospectus.

The impact of expenditure on COMET on the pro forma consolidated historical and forecast statements of financial performance for the years ending 31 December 2001, 2002, 2003 and 2004 is as disclosed in the table below:

Total expenditure on COMET	Forecast 2004 $'000	Actual 2003 $'000	Actual 2002 $'000	Actual 2001 $'000
Amounts expensed as incurred	–	1,700	437	–
Amounts capitalised	750	–	1,177	1,839
Total incurred (expensed and capitalised)	750	1,700	1,614	1,839
Amortisation of capitalised software	738	1,000	209	–
Total amount expensed and amortised in relation to COMET	738	2,700	646	–

As disclosed in Section 4.5, the COMET system is expected to become fully operational by mid 2004.

Other Overhead Costs

Normalised overhead costs in 2001 were 26% of revenue. Normalised overhead costs decreased to 19% and 16% of revenue in 2002 and 2003 respectively, with costs remaining relatively constant as revenues grew.

Other overhead costs are forecast to increase to 18% of revenue in 2004 as a result of increases in occupancy costs and other general overhead costs which are forecast to rise above their 2003 levels.

Forecast Best Estimate Assumptions

The Directors' best estimate assumptions (both general and specific) on which the forecast financial performance and forecast cash flow summaries have been prepared are provided below. This information is intended to assist investors in assessing the likelihood of the assumptions occurring and hence the reasonableness of the forecast financial information. There is, however, no representation that the events or assumptions provided will occur.

General Assumptions

The financial forecasts have been prepared based on the Directors' best estimates. The forecasts generally assume:

- **Capital Raising:** the General Offer pursuant to this Prospectus is fully subscribed and all proceeds of the General Offer are received prior to 15 March 2004;
- **MSA Acquisition:** the MSA Acquisition for $32,500,000 is completed on 15 March 2004;
- **Tax legislation:** no significant adverse change in tax legislation, in particular no changes which have the effect of restricting or removing prevailing FBT exemptions and concessions;
- **Economic:** no significant change in the prevailing Australian economic, political or industrial conditions or the competitive environment of the salary packaging industry in which the Group operates, that would have an adverse impact on the Business;
- **Regulatory:** no material adverse change in the statutory, legal and regulatory environments in which McMillan Shakespeare operates that would have an adverse impact on the Business; and
- **Litigation:** no litigation arises that may significantly affect the financial performance of McMillan Shakespeare.

Specific Assumptions

Specific assumptions underlying the preparation of the financial forecasts are as follows:

- Units under Management: forecast growth rates for units under management during the 2004 calendar year are:

	2004
Salary packaging Employee Clients (1)	3%
Fleet vehicles managed	41%
Meals entertainment program cards on issue	40%

Note 1: Excluding the impact of the known contract non-renewal, the growth rate would be 18%, which compares to 2003 growth excluding contract non-renewal of 20%.

Growth is forecast to be obtained from increased Employee Client participation within existing Employer Client contracts;

- Retention of Existing Salary Packaging Clients: revenue forecasts assume no material loss of existing salary packaging clients during 2004, with the exception of the known contract non-renewal. The assumptions do not include any allowance for new contracts in the 2004 calendar year;
- Salary Packaging Fees: revenue forecasts assume no change in the average revenue received from individual Employee Clients. Income earned from funds set aside by Employer Clients for the payment of Employee Client expenses is based on forecast fund levels consistent with 2003 after allowing for changes in forecast units under management at an earnings rate of 4.75% of funds set aside;
- Commission/Fleet Solutions Income: forecast commissions and fleet management income is based on the procurement of 3,000 new fleet management vehicles. This compares to 2,660 procured in 2003. After allowing for contract expiration, the fleet management pool is forecast to increase from 5,750 to 8,138;
- Change of Control Consents: all material consents to the change of control of MSA are obtained (see Section 6.3);
- Staff Costs: staff numbers are based on the forecast number of Employee Clients in the 2004 calendar year and an allowance for additional staff costs as a result of the listed public company structure and new initiatives. Forecast salary costs are based on current rates of pay;
- COMET Costs: COMET development costs are forecast to be $750,000, which are capitalised as an asset in accordance with McMillan Shakespeare's accounting policy disclosed in Section 8;
- Property Costs: property costs are forecast to increase by 5% in the 2004 calendar year from the prior year;
- Interest Expense: interest expense on debt funding is calculated based on an annual interest rate of 7.79%;
- Overhead Costs: overhead costs are based on historical levels, adjusted for forecast levels of revenue growth, with the provision for the establishment of a listed public company head office function;
- Depreciation and Amortisation: depreciation and amortisation rates are consistent with historical periods;
- Income Tax: income tax expense is calculated on the basis of existing income tax legislation. Income tax expense has been assumed at current tax rates on the accounting profit adjusted for permanent differences;
- Debt Funding: debt funding to complete the MSA Acquisition is obtained from Bank West for a total of $15,750,000. The anticipated draw down date is 15 March 2004;
- Debt Repayments: assumed and scheduled repayments during the 2004 calendar year total $3,500,000 comprising the repayment of $2,000,000 on 15 April 2004 and the payment of $500,000 on 15 June 2004, 15 September 2004 and 15 December 2004;
- Capital Expenditure: capital expenditure is expected to total $1,750,000 during the 2004 calendar year of which COMET expenditure is $750,000, with the balance comprising expenditure on computer, office equipment and customer service infrastructure;
- Terms of Trade: MSA expects to continue to trade on historical terms of trade; and
- Accounting Standards: there are no changes to current Australian Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act that would have a material effect on McMillan Shakespeare's financial results in the forecast period.

Sensitivity Analysis

The forecast information is based on certain assumptions about future events and actions, as detailed above. Investors should be aware that future events cannot be predicted with certainty and, as a result, deviations from the forecasts provided in the Prospectus are to be expected.

In order to illustrate the sensitivity of the forecasts to variations in key assumptions made, the following table sets out the change in EBITA and net profit after tax on the pro forma financial forecast for the year ending 31 December 2004 and the statutory result forecast for the period of 1 December 2003 to 30 June 2004 and the half year forecast from 1 July 2004 to 31 December 2004 as a result of a variation in certain key assumptions that may occur.

The changes in key variables set out in the sensitivity analysis are not intended to be indicative of the entire range of variables that may be experienced. Care should be taken in interpreting these sensitivities. The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown.

The analysis assumes no management response and also assumes no offsetting or compounding changes in other variables. In practice, management would respond, to the extent possible, to any adverse changes in one variable by taking action to minimise the net effect on McMillan Shakespeare's earnings. In addition, changes in key assumptions can be interdependent and, therefore, care should be taken when interpreting these sensitivities on an isolated basis.

The key driver of the Business is the number of units under management. Therefore, separate sensitivity analysis is shown for the impact of:

- a 5% change to the existing salary packaging Employee Clients; and
- a 10% change in forecast unit growth rates for all client categories (i.e. salary packaging Employee Clients, fleet vehicles under management and meal entertainment cards on issue).

This sensitivity analysis is detailed in the table, together with an assessment of changes in employment costs, overhead expenses and interest rates.

Sensitivity Analysis	Pro forma Year ended 31 December 2004 ($'000)	Statutory period from 1 December to 30 June 2004[1] ($'000)	Half Year period from 1 July to 31 December 2004 ($'000)
Base Earnings			
EBITA	6,307	1,501	3,628
NPAT	2,303	410	1,455
Adjusted NPAT	3,887	869	2,251
Salary Packaging Revenue – existing customer base increase/decrease number by 5%			
EBITA increase/decrease	841	245	420
NPAT and Adjusted NPAT increase/decrease	589	171	294
Total Revenue – growth in units increase/decrease by 10%			
EBITA increase/decrease	689	184	417
NPAT and Adjusted NPAT increase/decrease	483	129	292
Employment Expenses – costs increase/decrease by 10%			
EBITA decrease/increase	1,310	384	650
NPAT and Adjusted NPAT decrease/increase	917	269	455
Overhead Expenses – costs increase/decrease by 10%			
EBITA decrease/increase	549	183	253
NPAT and Adjusted NPAT decrease/increase	384	128	177
Interest Rates – rates increase/decrease by 25 bps[2] (an increase has a positive impact on EBITA and NPAT)			
EBITA increase/decrease	101	28	51
NPAT and Adjusted NPAT increase/decrease	56	15	29

1. The statutory results forecasts for the period 1 December 2003 to 30 June 2004 include MSA profits from the expected completion of the MSA Acquisition of 15 March 2004. Adjusted NPAT is net profit after tax before goodwill amortisation.
2. Base percentage points.

Proforma Company and Consolidated Statements of Financial Position

	Company 31 December 2003 ($'000)	Pro Forma Consolidated 31 December 2003 ($'000)
Current assets		
Cash assets	364	6,583
Receivables	40	973
Other	–	300
Total current assets	404	7,856
Non-current assets		
Other financial assets	3,500	–
Plant and equipment	–	1,608
Intangible assets	–	23,755
Other	234	3,514
Total non-current assets	3,734	28,877
Total assets	4,138	36,733
Current liabilities		
Payables	204	743
Interest bearing liabilities	–	3,500
Current tax liabilities	1	2,125
Provisions	–	545
Total current liabilities	205	6,913
Non-current liabilities		
Interest bearing liabilities	–	12,250
Provisions	–	45
Total non-current liabilities	–	12,295
Total liabilities	205	19,208
Net assets	3,933	17,525
Equity		
Contributed equity	3,930	17,523
Retained earnings	3	2
Total equity	3,933	17,525

Pro Forma Forecast Cash Flow Summary for Calendar Year Ended 31 December 2004

	Pro forma Forecast Year ended 31 December 2004 $'000
Cash flows from operating activities	
Cash receipts from operations	26,256
Cash payments in the course of operations	(17,969)
Taxes paid	(2,072)
Net cash provided by operating activities	6,215
Cash flows from investing activities	
Capital expenditure	(1,750)
Net cash provided by investing activities	(1,750)
Cash flows from financing activities	
Debt repayments	(3,500)
Net interest paid	(598)
Net proceeds from borrowing	15,655
Balance of acquisition costs – (MSA)	(29,000)
New equity raised	14,440
Cost of the offer	(977)
Net cash provided by financing activities	(4,020)
Net increase in cash held	445
Cash at the beginning of the year	6,030
Cash at the end of the year	6,475

International Financial Reporting Standards

The Financial Reporting Council has announced that Australia will adopt International Financial Reporting Standards ("IFRS") as the reporting and accounting framework from 1 January 2005. The operative date of IFRS for McMillan Shakespeare is expected to be the financial year beginning 1 July 2005. Based on existing differences between Australian Accounting Standards and IFRS, McMillan Shakespeare expects that the introduction of IFRS will have a material impact on the Group's financial statements for the year ending 30 June 2006 and beyond. McMillan Shakespeare expects that the most significant impact will be on goodwill, which will no longer be amortised but will be subject to rigorous impairment testing. The Group's financial statements may also be impacted by other changes to accounting standards.

The potential impact of these proposed accounting changes has not been quantified, as the actual impact will depend on the particular circumstances prevailing at the time IFRS comes into operation.

Dividend Policy

McMillan Shakespeare does not intend to pay a dividend during the period to 31 December 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 and then ongoing for the medium term on a half-yearly basis of an aggregate amount not less than 50% per annum of reported net profit after tax. This is indicative only and subject to revision at any time as the Directors deem appropriate. The declaration of a dividend, if any, for any future period by McMillan Shakespeare, and the extent to which franking credits are attached to such dividends, will be the subject of a number of factors, including the financial results of McMillan Shakespeare, the general business environment, ongoing capital expenditure, future cash requirements, the taxation position of McMillan Shakespeare and any other factors that the Directors may consider relevant.

The Directors can give no assurance regarding the payments of dividends, the levels of franking of such dividends or the extent of future payout ratios.

Financing Facilities

Bank West has agreed to provide McMillan Shakespeare with the following facilities in addition to the debt funding detailed in the assumptions above:

- Overdraft facility of $1,000,000 (as at 31 December 2003 the balance of this facility was nil); and
- Bank guarantees of $2,000,000.

The banking facilities provided will be secured by the Charges.

8 INDEPENDENT ACCOUNTANTS' REPORTS

8.1 INDEPENDENT ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

4 February 2004

The Directors
McMillan Shakespeare Limited
Level 4
321 Exhibition Street
Melbourne VIC 3000

William Buck
Business Advisors
Chartered Accountants

Dear Directors,

INDEPENDENT ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

1. INTRODUCTION

The Directors of McMillan Shakespeare Limited ("McMillan Shakespeare" or "the Company") have requested William Buck (Vic) Pty Limited ("William Buck Vic") to prepare an Independent Accountant's Report ("Report") on the following:

- The pro forma historical consolidated statements of earnings before interest, income tax and amortisation of goodwill ("EBITA") of McMillan Shakespeare for the financial years ended 31 December 2001, 2002 and 2003;
- The historical statement of financial position of McMillan Shakespeare as at 31 December 2003; and
- The pro forma consolidated statement of financial position of McMillan Shakespeare as at 31 December 2003;

referred to collectively as the "Historical Financial Information".

This Report on the Historical Financial Information has been prepared for inclusion in a prospectus dated on or about 4 February 2004 ("the Prospectus") relating to the issue of 21 million shares in McMillan Shakespeare at $0.50 per share ("the Offer"). The Offer is fully underwritten by Lodge Partners Pty Limited on the terms set out in Section 10 of the Prospectus.

Expressions defined in the Prospectus have the same meaning as in this Report.

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2. BACKGROUND TO HISTORICAL FINANCIAL INFORMATION

McMillan Shakespeare was incorporated on 1 December 2003 to acquire all of the share capital of McMillan Shakespeare Australia Pty Limited ("MSA"). The acquisition of MSA will be completed when funds raised pursuant to the Offer become available for use. The effective date of acquisition of MSA is expected to be 15 March 2004.

As McMillan Shakespeare was incorporated solely to acquire MSA, the pro forma consolidated historical statements of EBITA of McMillan Shakespeare for the financial years ended 31 December 2001, 2002 and 2003 have been derived from the accounts of MSA as if McMillan Shakespeare had owned MSA during these historical periods, although adjustments have been made to remove the impact of unusual and non-recurring items and to include the costs of operating as a listed public company. The nature and quantum of adjustments made is explained in Section 7 of the Prospectus. The financial statements of MSA for the years ended 31 December 2001 and 2002 were audited by PricewaterhouseCoopers and the financial statements for the year ended 31 December 2003 were reviewed by William Buck Vic.

The historical statement of financial position of McMillan Shakespeare has been extracted from the accounts of McMillan Shakespeare at 31 December 2003.

The pro forma consolidated statement of financial position of McMillan Shakespeare as at 31 December 2003 has been prepared based on the historical statement of financial position of McMillan Shakespeare as at 31 December 2003 adjusted as if the capital raising that is the subject of the Prospectus and certain other transactions, including the proposed acquisition of MSA, occur on 31 December 2003. These adjustments are referred to collectively as the "pro forma transactions".

The pro forma transactions are as follows:

- The acquisition of MSA for consideration of $32,500,000. The projected net asset position of MSA at the date of acquisition has been determined based on the unaudited statement of financial position of MSA as at 31 December 2003, adjusted for forecast profits of MSA during the period between 1 January 2004 and the expected acquisition settlement date (15 March 2004). Refer Note 9 of Appendix B of this Report for details of the forecast net asset position of MSA at acquisition

- The allotment of (or conversion to) ordinary shares as follows:

  - 10,129,870 ordinary shares at $0.385 per share to raise $3,900,000 through a mezzanine capital raising prior to the Offer;
  - The issue and conversion of 10 A Class shares into 31,170,120 ordinary shares prior to the Offer;
  - The issue of 400,000 ordinary shares to a Director related entity (Mr. A Podesta);
  - The issue of 1,300,000 ordinary shares at $0.385 to satisfy amounts owing in respect of underwriting fees payable; and
  - In accordance with the public offer detailed in the Prospectus, the Company will issue 21,000,000 fully paid ordinary shares at $0.50 each to raise a total of $10,500,000. The cash cost of the Offer for the share subscription is estimated at $977,113.

- The draw down of a bank loan of $15,750,000 from Bank West and the incurring of bank facility set up costs of $295,425.

3. SCOPE OF THE REPORT

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which it relates for any purpose other than for which it was prepared.

4. REVIEW OF HISTORICAL FINANCIAL INFORMATION

The Directors of McMillan Shakespeare are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Historical Financial Information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- Analytical procedures on the Historical Financial Information of MSA for the relevant historical periods;
- A review of work papers, accounting records and other documents;
- A review of the basis of preparation and adjustments used to compile the Historical Financial Information;
- A review of the adjustments made to the pro forma consolidated statement of financial position of McMillan Shakespeare and MSA ("the Group") as at 31 December 2003;
- A comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by McMillan Shakespeare disclosed in Appendix B to this Report; and
- Enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

5. CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that:

- The basis of preparation of the Historical Financial Information, including adjustments is unreasonable;
- The Historical Financial Information has not been properly prepared using this basis; and
- The Historical Financial Information, as set out in Section 7 of the Prospectus and Appendices A and B to this Report, does not present fairly:

  o The pro forma historical consolidated statements of EBITA of McMillan Shakespeare for the financial years ended 31 December 2001, 2002 and 2003;
  o The historical statement of financial position of McMillan Shakespeare as at 31 December 2003; and
  o The pro forma consolidated statement of financial position of the Group as at 31 December 2003, prepared on the basis of the pro forma transactions;

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by McMillan Shakespeare and disclosed in Appendix B to this Report.

6. SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to the information referred to in our Report, or that would cause such information to be misleading or deceptive.

7. INDEPENDENCE OR DISCLOSURE OF INTEREST

William Buck Vic does not have any interest in the outcome of the Offer other than in the preparation of the Investigating Accountant's Reports, participation in due diligence procedures and the provision of tax advice relating to the Offer for which normal professional fees will be received.

Yours faithfully,
WILLIAM BUCK (VIC) PTY LIMITED
ACN 054 150 051

Brad. Taylor

BRAD TAYLOR
DIRECTOR

APPENDIX A

MCMILLAN SHAKESPEARE LIMITED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2003 AND PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2003

	Note	Unaudited Company 31 December 2003 $	Unaudited Pro forma Consolidated 31 December 2003 $
Current assets			
Cash assets	3	363,570	6,583,302
Receivables	4	40,000	972,629
Other	5	-	300,000
Total current assets		403,570	7,855,931
Non-current assets			
Other financial assets	6	3,500,000	-
Plant and equipment	7	-	1,608,270
Deferred tax assets	8	-	1,425,236
Intangible assets	9	-	23,755,586
Other	10	233,925	2,088,611
Total non-current assets		3,733,925	28,877,703
Total assets		4,137,495	36,733,634
Current liabilities			
Payables	11	203,875	742,589
Interest bearing liabilities	12	-	3,500,000
Current tax liabilities	13	1,068	2,125,019
Provisions	14	-	545,411
Total current liabilities		204,943	6,913,019
Non-current liabilities			
Provisions	14	-	45,226
Interest bearing liabilities	12	-	12,250,000
Total non-current liabilities		-	12,295,226
Total liabilities		204,943	19,208,245
Net assets		3,932,552	17,525,389
Equity			
Contributed equity	15	3,930,060	17,522,897
Retained earnings	16	2,492	2,492
Total equity		3,932,552	17,525,389

The McMillan Shakespeare Limited historical and pro forma consolidated statements of financial position have been prepared in accordance with, and should be read in conjunction with, the accounting policies set out in the Notes to the Financial Information in Appendix B to this Report and the pro forma transactions. The historical and pro forma consolidated statements of financial position are presented in an abbreviated form insofar as they do not include all the disclosures by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

APPENDIX B
NOTES TO THE FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The McMillan Shakespeare Limited ("McMillan Shakespeare" or "the Company") pro forma historical consolidated statements of financial performance for the financial years ended 31 December 2001, 2002 and 2003, historical statement of financial position at 31 December 2003 and the unaudited pro forma consolidated statement of financial position at 31 December 2003 have been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, except that certain disclosures have been omitted. In the view of McMillan Shakespeare, these disclosures are not considered relevant to a potential investor in McMillan Shakespeare.

The financial information has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by McMillan Shakespeare in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated, and are consistent between the historical statement of financial position at 31 December 2003 and the pro forma consolidated statement of financial position at 31 December 2003.

Principles of Consolidation

The pro forma consolidated statement of financial position of McMillan Shakespeare is comprised of the financial positions of both McMillan Shakespeare and McMillan Shakespeare Australia Pty Limited ("MSA").

All inter-company balances and transactions (including unrealised profits and losses) have been eliminated on consolidation.

Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of any goods and services tax ("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 the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less any provision for uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

When the carrying amount of a non-current asset is greater than the recoverable amount, the asset is written down to the recoverable amount. Where the 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 carrying amount is recognised as an expense in net profit or loss in the reported period in which the write-down occurs. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted.

Plant and Equipment

Plant and equipment is carried at cost, less where applicable any accumulated depreciation.

Leasehold improvements

The costs of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at 31 December 2003 are being amortised over 2.5 years.

Depreciation

Depreciation is calculated on a straight-line basis to write-off the net cost or revalued amount of plant and equipment over its expected useful life to the consolidated entity.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is amortised on a straight-line basis over a period of 15 years. The balance of goodwill is reviewed annually and any amount representing future benefits for which the realisation is considered to be no longer probable is written off.

Software Development Costs

In the historical financial statements of MSA, to the extent that software development costs were considered to be recoverable, they are capitalised and brought to account as a non-current asset and amortised on a straight-line basis for a period no longer than 3 years. To the extent that software development costs were not considered to be recoverable, they are recognised as an expense when incurred.

The unamortised balance of software costs separately recognised as an asset in the statement of financial position of MSA at acquisition date are recognised as an asset in the pro forma consolidated statement of financial position. These capitalised software development costs will be amortised on a straight-line basis for a period of no more than 3 years.

Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings, including trade creditors and finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Otherwise, borrowing costs are expensed as incurred.

Leased Assets

Leases under which McMillan Shakespeare or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

APPENDIX B
NOTES TO THE FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Operating leases
Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Trade and Other Creditors
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Employee Benefits
Provision is made for McMillan Shakespeare'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 entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the 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.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Interest Bearing Liabilities
Loans are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

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. The amount of transaction costs recognised in equity are costs incurred of $1,477,113.

	Pro forma Historical Year ended 31 December 2003 $	Pro forma Historical Year ended 31 December 2002 $	Pro forma Historical Year ended 31 December 2001 $
2. REVENUE			
Revenue from operating activities:			
Services	18,410,075	16,766,354	11,976,810
Income derived from employer funds	2,078,262	1,851,993	1,644,616
Commission	5,022,054	2,478,679	1,199,948
Other	30,195	78,491	3,846
Total revenue from operating activities	25,540,586	21,175,517	14,825,220
Revenue from outside the operating activities:			
Interest	122,670	18,880	72,188
Sale of non-current assets	-	442	-
	122,670	19,322	72,188
Total Revenue	25,663,256	21,194,839	14,897,408

	Company 31 December 2003 $	Pro forma Consolidated 31 December 2003 $
3. CASH		
The pro forma consolidated cash position has been calculated as follows:		
Cash position of McMillan Shakespeare at 31 December 2003		363,570
Outflow of cash to acquire MSA, net of cash acquired		(22,896,662)
Mezzanine capital raising prior to public offer		3,900,000
Receivables collected		40,000
Proceeds from the public offer		10,500,000
Costs incurred in connection with the public offer		(977,113)
Proceeds from bank loan		15,750,000
Loan establishment fees		(95,425)
Taxation		(1,068)
Pro forma consolidated cash position at 31 December 2003		6,583,302
4. RECEIVABLES		
Trade debtors	-	317,083
Other debtors	40,000	655,546
Total receivables	40,000	972,629
5. OTHER CURRENT ASSETS		
Prepayments	-	300,000
6. OTHER FINANCIAL ASSETS		
Deposit paid on investment in MSA	3,500,000	-
7. PLANT AND EQUIPMENT		
At cost	-	5,068,447
Less: accumulated depreciation	-	(3,460,177)
Total plant and equipment	-	1,608,270
8. DEFERRED TAX ASSETS		
Future income tax benefit	-	1,425,236

APPENDIX B
NOTES TO THE FINANCIAL INFORMATION

	Company 31 December 2003 $	Pro forma Consolidated 31 December 2003 $
9. INTANGIBLE ASSETS		
Goodwill	-	23,755,586

Goodwill has been determined as follows:

Consideration (refer Note 1 below)		
Cash		32,500,000
Total consideration		32,500,000

Fair value of net assets of MSA at date of acquisition:

Assets		
Cash		6,103,338
Receivables		972,629
Other current assets		300,000
Plant and equipment		1,608,270
Deferred tax assets		1,425,236
Other		1,793,186
Total Assets		12,202,659
Liabilities		
Payables		742,589
Current tax liabilities		2,125,019
Provisions		590,637
Total Liabilities		3,458,245
Net assets acquired		8,744,414
Consideration (refer Note 1 below)		32,500,000
Pro forma goodwill on consolidation		23,755,586

Note 1: Consideration

The purchase consideration of $32.5 million for MSA (used to calculate the amount of goodwill acquired in the pro forma consolidated statement of financial position of the Group at 31 December 2003) assumes that the acquisition of MSA is completed on 15 March 2004. However, if the acquisition is completed after 15 March 2004, the purchase consideration is to increase to $32,750,000. If this higher purchase consideration were to apply, this would have the effect of decreasing cash and increasing goodwill by $250,000.

	Company 31 December 2003 $	Pro forma Consolidated 31 December 2003 $
10. OTHER NON-CURRENT ASSETS		
Borrowing costs	233,925	295,425
Software development costs	-	4,535,116
Less: accumulated amortisation	-	(2,741,930)
Total software development costs	-	1,793,186
Total other non-current assets	233,925	2,088,611
11. PAYABLES		
Trade creditors and accruals	203,875	541,412
GST liabilities	-	201,177
Total payables	203,875	742,589
12. INTEREST BEARING LIABILITIES		
Current		
Bank West loan	-	3,500,000
Non-Current		
Bank West loan	-	12,250,000
Total interest bearing liabilities	-	15,750,000

The bank loans of the Group are secured by a fixed and floating charge over the assets of the Group.

13. CURRENT TAX LIABILITIES		
Income tax	1,068	2,125,019
14. PROVISIONS		
Current		
Employee benefits	-	545,411
Non-Current		
Employee benefits	-	45,226
Aggregate employee entitlements	-	590,637

APPENDIX B
NOTES TO THE FINANCIAL INFORMATION

15. CONTRIBUTED EQUITY

The movement in the contributed equity of McMillan Shakespeare from 31 December 2003 to the pro forma consolidated statement of financial position as at 31 December 2003 is detailed below:

Subscription Shares	Description	Pro forma Consolidated 31 December 2003 $
10 ordinary shares	Balance of contributed equity on 31 December 2003	10
-	Contributed equity at 31 December 2003 relating to contribution of equity for the issue of 10 A Class shares	4,100,000
-	Initial share raising costs	(169,950)
Issue and conversion of 10 A Class shares into 31,170,120 ordinary shares	Issue of 10 A Class shares relating to equity contributed prior to 1 January 2004 and conversion of these shares into ordinary shares	-
400,000 ordinary shares	Shares issued to Director at nil consideration	-
10,129,870 ordinary shares	Issue of Mezzanine shares at $0.385 each	3,900,000
21,000,000 ordinary shares	Issue of ordinary shares to the public under the Prospectus at $0.50 each	10,500,000
1,300,000 ordinary shares	Shares issued at $0.385 each to satisfy amounts owing in respect of underwriting fees payable	500,500
-	Transaction cost relating to share issue offset against equity	(500,500)
-	Other equity raising transaction costs relating to the Offer	(807,163)
64,000,000 ordinary shares	Total contributed equity	17,522,897

16. RETAINED EARNINGS

Retained earnings represents interest income for December 2003, net of taxation.

17. EMPLOYEE SHARE OFFERS

McMillan Shakespeare has made available up to 1,081,081 shares pursuant to an Employee Share Offer to employees. The issue price of these shares is $0.4625 per share. The pro forma consolidated statement of financial position of the Group at 31 December 2003 does not include the potential issue of these shares to employees. If these shares are issued to employees, the differences in the pro forma consolidated statement of financial position would be as set out below:

	Pro forma Consolidated 31 December 2003 Disclosed in the Prospectus $	Pro forma Consolidated 31 December 2003 Including Employee Share Offer $
Cash	6,583,302	7,083,302
Issued capital	17,522,897	18,022,897
Net assets	**17,525,389**	**18,025,389**

18. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities are set out below. The Directors are not aware of any circumstance or information which would lead them to believe that the contingent liability will crystallise and consequently no provision is included in the financial statements.

- MSA provides performance guarantees to a number of its customers. These performance guarantees aggregated $1,500,000 at 31 December 2003. These performance guarantees may give rise to liabilities to the Group if MSA does not meet its obligations under the terms of the customer contracts, which are subject to the guarantees.

19. SHARE OPTIONS

McMillan Shakespeare has an ownership-based remuneration scheme for employees and executives. 1,500,000 options have been approved for issue on the successful completion of the Offer, each with an exercise price of $0.50. The options expire four years from the grant date. 50% of the options are exercisable in equal proportions over the first three years from issue. The remaining 50% of the options are also exercisable in equal proportions over the first three years from issue, but subject to designated performance hurdles being achieved.

20. RELATED PARTY DISCLOSURES

The Directors of McMillan Shakespeare and their interests in McMillan Shakespeare are listed at Section 10 of the Prospectus.

8.2 INDEPENDENT ACCOUNTANT'S REPORT ON FORECAST FINANCIAL INFORMATION

4 February 2004

The Directors
McMillan Shakespeare Limited
Level 4
321 Exhibition Street
Melbourne VIC 3000

William Buck
Financial Services
AFSL 234500

Dear Directors,

INDEPENDENT ACCOUNTANT'S REPORT ON FORECAST FINANCIAL INFORMATION

1. INTRODUCTION

The Directors of McMillan Shakespeare Limited ("McMillan Shakespeare" or "the Company") have requested William Buck Financial Services (Vic) Pty Limited ("William Buck Financial Services") to prepare an Independent Accountant's Report ("Report") on the following:

- The pro forma consolidated forecast statement of financial performance of McMillan Shakespeare and McMillan Shakespeare Australia Pty Limited ("MSA") ("the Group") for the 12 months ending 31 December 2004;
- The consolidated statutory forecast statement of financial performance of the Group for the seven month period commencing 1 December 2003 and ending 30 June 2004 and for the six months ending 31 December 2004; and
- The pro forma consolidated forecast statement of cash flows for the 12 months ending 31 December 2004;

referred to collectively as the "Forecasts".

This Report on the Forecasts has been prepared for inclusion in a prospectus dated on or about 4 February 2004 ("the Prospectus") relating to the issue of 21 million shares in the Company at $0.50 per share ("the Offer"). The Offer is fully underwritten by Lodge Partners Pty Limited on the terms set out in Section 10 of the Prospectus. This Report is prepared in accordance with AUS 804 "The Audit of Prospective Financial Information" and ASIC Policy Statement 170 "Prospective Financial Information".

William Buck Financial Services holds the appropriate Financial Services Licence required by the Corporations Act 2001 for the issue of this Report.

Expressions defined in the Prospectus have the same meaning as in this Report.

2. BACKGROUND TO FORECAST FINANCIAL INFORMATION

McMillan Shakespeare was incorporated on 1 December 2003 to acquire all of the share capital of MSA. The acquisition of MSA will be completed when funds raised pursuant to the Offer become available for use. The effective date of acquisition of MSA is expected to be 15 March 2004.

The 2004 pro forma forecast represents the forecast statement of financial performance of the Group for the 12 months ended 31 December 2004. For the purposes of preparing the pro forma forecast, it is assumed that MSA is owned by McMillan Shakespeare for the full 12-month period ended 31 December 2004, to provide investors with an indication of the forecast consolidated financial performance of the Group, had MSA been owned by McMillan Shakespeare for the full 12-month period.

The statutory forecasts represent the forecast for the Group based on the assumed acquisition date of MSA of 15 March 2004. McMillan Shakespeare is expected to have a 30 June statutory year-end and therefore the statutory forecast financial performance of the Group for the periods between 1 December 2003 (date of incorporation of McMillan Shakespeare) and 30 June 2004 and 1 July 2004 and 31 December 2004 are disclosed separately.

3. SCOPE OF THE REPORT

The Directors of McMillan Shakespeare are responsible for the preparation and presentation of the Forecasts, including the best-estimate assumptions, which include the pro forma transactions, on which they are based. The Forecasts have been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which it relates for any purposes other than for which it was prepared.

Our review of the best-estimate assumptions underlying the Directors' Forecasts was conducted in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of McMillan Shakespeare and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best-estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of McMillan Shakespeare disclosed in Section 8 of the Prospectus so as to present a view of the Group which is consistent with our understanding of the Group's past, current and future operations.

The Forecasts have been prepared by the Directors of McMillan Shakespeare to provide investors with a guide to the Group's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgment involved in the preparation of forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks and sensitivities set out in Section 6 of the Prospectus.

Our review of the Forecasts is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Prospectus.

4. REVIEW STATEMENT ON THE FORECASTS

Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions and the pro forma transactions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

(a) The Directors' best-estimate assumptions set out in Section 7 of the Prospectus do not provide reasonable grounds for the preparation of the Forecasts;

(b) The Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by McMillan Shakespeare and disclosed in Section 8 of the Prospectus; and

(c) That the Forecasts themselves are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of McMillan Shakespeare. If events do not occur as assumed, actual results achieved by McMillan Shakespeare may vary significantly from the Forecasts and such variation may be material. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

5. INDEPENDENCE OR DISCLOSURE OF INTEREST

William Buck Financial Services does not have any interest in the outcome of the Offer other than in the preparation of the Investigating Accountant's Reports, participation in due diligence procedures and the provision of tax advice relating to the Offer for which normal professional fees will be received.

Yours faithfully,
WILLIAM BUCK FINANCIAL SERVICES (VIC) PTY LIMITED
ACN 007 073 305

Paul McCluskey

PAUL McCLUSKEY
DIRECTOR

9 MATERIAL CONTRACTS

9.1 UNDERWRITING AGREEMENT

McMillan Shakespeare has entered into an Underwriting Agreement with Lodge Partners Pty Limited, the Underwriter, under which the Underwriter has agreed to fully underwrite the General Offer.

In the Underwriting Agreement, McMillan Shakespeare has provided certain representations and warranties to the Underwriter in relation to this Prospectus, McMillan Shakespeare and the General Offer.

As soon as practicable after Quotation has occurred, and in any event within 5 business days after Quotation has occurred, and conditional upon the Underwriter not exercising its rights to terminate the Underwriting Agreement, McMillan Shakespeare will pay the Underwriter an underwriting fee of $899,000.

McMillan Shakespeare has agreed with the Underwriter that, upon allotment of the Shares under the General Offer, and conditional upon the Underwriter not exercising its rights to terminate the Underwriting Agreement, McMillan Shakespeare must issue to the Underwriter or its nominee 1,300,000 Shares at 38.5 cents per Share as part payment of the underwriting fee, with the balance of $398,500 to be provided by way of cash.

The Shares issued to the Underwriter will be subject to voluntary escrow restrictions as follows:

- during the six month period following Quotation, no such Shares can be Disposed of; and
- during the period commencing six months after Quotation and ending 12 months after Quotation, only 50% of these Shares can be Disposed of.

McMillan Shakespeare must pay the Underwriter all reasonable costs it incurs in association with the marketing and promotion of the Issue up to a maximum aggregate amount of $10,000.

The Underwriting Agreement imposes obligations on the Underwriter in circumstances where there is a shortfall (as defined in the Underwriting Agreement) in the Issue. In the case of a shortfall, McMillan Shakespeare must give the Underwriter a notice specifying the amount of the shortfall within 3 business days of the closing date (as defined in the Underwriting Agreement) and the Underwriter must within 3 business days of being given notice of the shortfall lodge applications for the number of Shares stated in the notice.

Under clause 8.1 of the Underwriting Agreement, the occurrences of any of the terminating events set out below entitle the Underwriter to terminate the Underwriting Agreement provided that the Underwriter is restricted from terminating the Underwriting Agreement with respect to the events set out in paragraphs (c) and (d) below unless such events would have a material adverse effect on the financial position or prospects of McMillan Shakespeare or the success of the Issue:

(a) McMillan Shakespeare fails to lodge this Prospectus, or any necessary supplementary or replacement prospectus with the ASIC;

(b) the ASX refuses or withdraws approval for Quotation;

(c) a Prescribed Occurrence (being an event referred to in sections 652C(1) or (2) of the Corporations Act) occurs in relation to McMillan Shakespeare other than in relation to the issue of Shares under this Prospectus;

(d) McMillan Shakespeare commits any material breach of the Underwriting Agreement and does not remedy such breach within 5 business days of being given notice of any such breach by the Underwriter;

(e) the All Ordinaries Index of the ASX is, at the close of trading of 5 consecutive business days, at a level which is 10% or more below the level at close of trading on the ASX on the day before the date of the Underwriting Agreement;

(f) any law or regulation is introduced into the Parliament of the Commonwealth of Australia or any legislature of any state or territory of Australia (other than a law or regulation that was officially announced before the date of this Agreement), which would have a material adverse effect on the financial position or prospects of McMillan Shakespeare or the success of the Issue;

(g) there is a statement in this Prospectus which is false or misleading in a materially adverse manner or there is a material omission from this Prospectus and McMillan Shakespeare fails to lodge a supplementary or replacement Prospectus with the ASIC in a form and content, and in a time frame, approved by the Underwriter, which approval must not be unreasonably withheld;

(h) a stop order or notice of intention to hold a hearing is issued by the ASIC in relation to this Prospectus or any supplementary or replacement prospectus relating to the Prospectus, in accordance with section 739 of the Corporations Act and is not dismissed or withdrawn by the Closing Date;

(i) an application is made by the ASIC for any order under section 1324B of the Act in relation to the Prospectus and that application has not been dismissed or withdrawn by the Closing Date;

(j) any person (except the Underwriter) who consented to the issue of this Prospectus withdraws that consent; or

(k) a material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of McMillan Shakespeare from that disclosed in this Prospectus, including:

(i) a material adverse change in the earnings, future prospects or forecasts of McMillan Shakespeare;

(ii) a material adverse change in the nature of the business conducted, or to be conducted, by McMillan Shakespeare; or

(iii) the insolvency or voluntary winding up of McMillan Shakespeare or the appointment of any receiver, receiver and manager, liquidator or other external administrator.

9.2 CHIEF EXECUTIVE OFFICER EMPLOYMENT AGREEMENT

Anthony Podesta has been employed by McMillan Shakespeare under an employment agreement dated 24 December 2003 as Managing Director and Chief Executive Officer.

The term of the agreement is 3 years from the settlement of the MSA Acquisition, however McMillan Shakespeare can terminate the agreement during the first year of the term upon giving 12 months' written notice and thereafter on 3 months' written notice. Mr Podesta will not be permitted to compete with the Business for a period of 12 months from the date of such termination.

McMillan Shakespeare also has the right to immediately terminate the agreement for cause, including if Mr Podesta breaches the agreement or engages in conduct that, in the reasonable opinion of the Directors, is likely to materially adversely affect the reputation, goodwill or business of McMillan Shakespeare or any related body corporate.

The salary payable under the agreement is $300,000 (including superannuation) per annum subject to a review upon the second anniversary of the commencement date of the agreement.

9.3 MSA ACQUISITION AGREEMENT

On 24 December 2003, McMillan Shakespeare entered into the MSA Acquisition Agreement under which it agreed to buy all of the shares in the capital of MSA from Zurich for a total consideration of $32,500,000, if completion occurs between 2 February 2004 and 15 March 2004 or $32,750,000, if completion occurs between 16 March 2004 and 31 March 2004. A deposit of $3,500,000 was paid to Zurich upon signing, which is being held by a stakeholder. On completion of the MSA Acquisition Agreement, the deposit will vest with Zurich unless the agreement is rightfully terminated by McMillan Shakespeare, in which case, the deposit will be returned to McMillan Shakespeare.

The MSA Acquisition Agreement is generally unconditional, however, the directors of MSA (other than Anthony Podesta) must not prior to completion cause MSA to:

- allot, issue or alter any share capital or any security convertible into any share capital;
- declare or pay any dividend, make any loan repayments or pay any management fees to Zurich (or any of its related bodies corporate), or make any other distribution of its assets or profits;

- enter into any transactions with any related body corporate not in the ordinary course of business;
- cause MSA's business to be conducted other than in the ordinary course;
- do anything which results in MSA incurring a liability other than in the usual course of MSA's business and which exceeds or may exceed $50,000;
- acquire or dispose of any asset other than in the usual course of business and which exceeds $50,000 in value; or
- amend the constitution of MSA (other than as provided for in the MSA Acquisition Agreement).

Zurich has warranted to McMillan Shakespeare that:
- Zurich is the sole legal and beneficial owner of the shares in MSA, free of any encumbrances;
- Zurich has full power to transfer the legal and beneficial ownership of the shares in MSA to McMillan Shakespeare; and
- the shares specified in the MSA Acquisition Agreement comprise all of the issued share capital in MSA.

9.4 FINANCE DOCUMENTS

Facility Agreement and Charges

Under the Facility Agreement, Bank West has agreed, subject to certain conditions, to make funds available to McMillan Shakespeare via facilities totalling $18,750,000.

McMillan Shakespeare's obligations under the Facility Agreement will be secured by the Charges.

Events of Default

If an event of default occurs, the outstanding principal amount of each drawing under the Facility Agreement together with interest on those amounts and all other amounts owing may at the option of Bank West become payable on demand or immediately due and payable. In addition, a default interest rate applicable to any outstanding principal amount on any drawings will apply and is calculated as the relevant bank bill rate for that default interest period plus 4 per cent.

The Facility Agreement and the Charges incorporate a number of events of default, including where:
- McMillan Shakespeare fails to pay any amount that is due under any transaction document when it is due, other than when such failure results from technical difficulties in the transfer of funds and where this failure is not remedied within 2 business days of the due date;
- McMillan Shakespeare or MSA fails to comply with any of their obligations under any transaction document and Bank West considers that the failure cannot be remedied or Bank West considers that the failure can be remedied and the failure is not remedied within 10 business days from the earlier of the date on which McMillan Shakespeare became aware of the failure, or ought reasonably to have become aware of the failure and the date McMillan Shakespeare received a notice from Bank West requiring it to remedy the failure;
- an insolvency event occurs in respect of McMillan Shakespeare or any of its subsidiaries;
- an event or a change occurs which could, in the opinion of Bank West, have a material adverse affect on the Group; and
- in Bank West's reasonable opinion, there is a change in the identity of any of the persons who are able to control the Board or more than half of the voting rights attached to all of the Shares.

Undertakings

The undertakings contained in the Facility Agreement and the Charges include that:
- McMillan Shakespeare and MSA pay the secured money under the Charges when it becomes payable;
- McMillan Shakespeare maintain keyman insurance in respect of Anthony Podesta in an amount of at least $2,000,000; and
- McMillan Shakespeare not, without Bank West's prior approval, declare or pay any dividend:
  - prior to the first anniversary of the first drawdown; or
  - at any time, if the aggregate amount of dividends paid or payable will exceed 50 per cent of net profit after tax in the relevant year.

10 ADDITIONAL INFORMATION

10.1 RIGHTS ATTACHING TO SHARES

The rights attaching to the Shares are set out in the Constitution of McMillan Shakespeare, a copy of which is available for inspection at the registered office of McMillan Shakespeare during ordinary business hours by prior appointment.

The following is a summary of the principal rights of Shareholders.

Issue of Securities

The power to issue Shares and other securities in the capital of McMillan Shakespeare lies with the Board, subject to the restrictions contained otherwise in the Constitution, the ASX Listing Rules and the Corporations Act.

Voting

Every Shareholder present in person or by proxy at a meeting of Shareholders has one vote on a vote taken by a show of hands, and on a poll every Shareholder who is present in person or by proxy has one vote for every fully paid Share held.

A poll may be demanded at a meeting in the manner permitted by the Corporations Act.

Dividends

Dividends are payable upon the determination of the Directors, who may fix the amount, time for payment and method of payment of dividends. The Directors may amend or revoke a resolution to pay a dividend before the date that is 9 business days before the record date notified to the ASX for determining entitlements to a dividend. McMillan Shakespeare will not pay interest on dividends.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with the electronic share registration and transfer system conducted in accordance with the CHESS Rules and approved by the Directors, or by an instrument in writing in a form approved by the Directors.

Where permitted or required by the ASX Listing Rules, the Directors may refuse to register any transfer of Shares, or request SCH or the share registry to apply a holding lock to prevent a proper SCH transfer of Shares.

Meetings and Notice

Each Shareholder is entitled to receive notice of, and to attend, general meetings of McMillan Shakespeare and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

A Director may call a meeting of members and members may also requisition or convene general meetings in accordance with the procedures for member-initiated meetings set out in the Corporations Act.

Members must be given at least 28 days written notice of any general meeting unless otherwise permitted by the Corporations Act.

Rights on Winding Up

All Shares rank equally in the event of liquidation, subject to any amount remaining unpaid on any Shares. Once all the liabilities of McMillan Shakespeare are met, the liquidator may, with the sanction of a special resolution of the members, divide amongst the members all or any of McMillan Shakespeare's assets and for that purpose determine how he/she will carry out the division between the different classes of members, but may not require a member to accept any Shares or other securities in respect of which there is any liability.

Variation of Rights

If the share capital is divided into different classes of shares, the rights attached to any class may be varied or cancelled by a special resolution passed at a general meeting of the holders of shares in that class or with the written consent of three quarters of the holders of shares in that class.

Shareholder Liability

To the extent permitted by the ASX Listing Rules, McMillan Shakespeare has a first and paramount lien on every partly paid Share and dividends declared, paid or made with respect to that Share from time to time for all unpaid calls in respect of that Share. This lien extends to reasonable interests and expenses incurred because the amount is not paid.

Unless the Directors determine otherwise, the registration of a transfer of Shares operates as a waiver of McMillan Shakespeare's lien on the Shares.

Unmarketable Parcels

If a Shareholder holds a number of Shares that is less than a marketable parcel (as defined in the ASX Listing Rules), McMillan Shakespeare has the power to sell or dispose of such Shares unless otherwise instructed by the Shareholder. The net proceeds from the sale will be paid to the Shareholder.

10.2 EMPLOYEE OPTION PLAN

McMillan Shakespeare has adopted the Option Plan, which is intended to provide Employees with an incentive to work towards improving the performance of McMillan Shakespeare and its Share price by allowing eligible persons to participate in the Option Plan. The terms and conditions of the Option Plan are summarised below. The summary is not a complete description of the terms of the Option Plan. A copy of the Option Plan may be inspected at the registered office of McMillan Shakespeare during normal business hours by prior appointment.

Eligibility

Under the Option Plan, the Board may offer options to full or part time employees, officers (including Directors) and, should the Board resolve, consultants and contractors, of McMillan Shakespeare (or any of its related bodies corporate).

Grant of Options

Options may be granted free of charge to eligible persons in accordance with the ASX Listing Rules. McMillan Shakespeare will not apply for Quotation of any options issued under the Option Plan.

Limit on Offers

An offer must not be made under the Option Plan if:

- the number of options on offer; plus
- the total number of Shares which would have been issued under all outstanding options which have not been terminated, exercised or expired; plus
- the total number of Shares issued during the previous 5 years pursuant to the Option Plan or any employee share plan; but
- disregarding offers made under a disclosure document, offers made outside Australia and offers that do not require disclosure,

would exceed 5% of the total number of Shares on issue at the time the offer was made.

Exercise Period

Subject to the satisfaction of any applicable exercise conditions before options can be exercised, options will be exercisable during the option exercise period specified by the Board at the time of issuing the options.

Exercise of Options

Options are exercisable by paying the exercise price for the options exercised. The exercise price is to be determined by the Board. Each option entitles the holder to subscribe for one Share. The Shares allotted upon exercise of the options will rank equally in all respects with all other Shares. McMillan Shakespeare will apply for official quotation on the ASX of those Shares after they are issued.

New Issues of Securities

An option holder will not be entitled to participate in new issues of Shares or other securities made by McMillan Shakespeare to holders of its Shares unless the options are exercised before the record date for determining entitlements to the issue.

Capital Reorganisations

If there is a reorganisation of the capital of McMillan Shakespeare, the number of options and/or the exercise price of the options will be correspondingly reorganised in a manner that is necessary to comply with the ASX Listing Rules in force at the relevant time.

Assignment

Options may only be assigned with the prior approval of the Board.

10.3 EMPLOYEE SHARE PLAN AND TAXATION CONSEQUENCES

McMillan Shakespeare has adopted the Share Plan. A copy of the plan may be inspected at the registered office of McMillan Shakespeare during normal business hours by prior appointment.

Eligibility

Under the Share Plan, McMillan Shakespeare is entitled to issue shares to Employees, and if the Board so resolves, contractors and consultants, subject to such restrictions as the Board identifies and at issue prices as the Board determines.

Types of Offer

McMillan Shakespeare has the power to issue shares under the Share Plan in lieu of the payment of bonuses or incentive payments, or in lieu of wages or salaries, or on any other basis whatsoever, to Employees. Shares issued under the Employee Offer are issued on this basis.

Offers under the Share Plan must be made in writing and identify any restrictions to which the Employee accepting the offer will be subject under the terms of the Share Plan.

Limit on Offers

An offer of Shares under the Share Plan must not be made if:

- the total number of shares subject to the offer; plus
- the total number of Shares which are the subject of any outstanding offers; plus
- the total number of shares issued during the previous 5 years pursuant to the Share Plan or any other employee share plan; plus
- the total number of shares which will be issued under all outstanding options issued under any employee option plan but not exercised, terminated or expired; but
- disregarding any offer or issue of shares that did not require disclosure, offers made under a disclosure document or offers made outside Australia,

would exceed 5% of the total number of shares on issue at the time of the offer.

Ranking

Plan Shares will be issued fully paid and rank equally for dividends with other Shares on or after the date of allotment. Quotation will occur after the date of the allotment of the Plan Shares.

Restrictions

Plan Shares that are subject to restrictions on Disposal cannot be dealt with in any way until the restrictions have expired. If a takeover bid is, however, made to acquire the whole or any number of the Shares, or a scheme of arrangement, selective capital reduction or other similar transaction is initiated that has a similar effect to a full takeover bid for all of the Shares, then the Board may in its absolute discretion lift the restrictions.

Attorney
In consideration of the issue of the Plan Shares, each participant irrevocably appoints McMillan Shakespeare's company secretary as his or her attorney to do all acts and things and to complete or execute any documents including share transfers in his or her name and on his or her behalf that may be convenient or necessary to give effect to the provisions of the rules of the Share Plan.

Administration
The Board will administer the Share Plan and have an absolute discretion to:
- implement procedures for the administration of the Share Plan;
- resolve all questions of fact or interpretation arising in respect of the Share Plan;
- delegate to one or more persons any powers in respect of the Share Plan;
- formulate special terms and conditions (subject to the ASX Listing Rules) that apply to participants in countries outside of Australia; and
- amend the rules of the Share Plan, provided that such amendments do not unduly prejudice the rights of existing participants.

The Share Plan may be suspended, terminated or amended at any time by the Board, subject to any resolution of the Shareholders as required by the ASX Listing Rules.

Fees
No brokers fees or commissions are payable by employees for the issue of Shares under the Share Plan.

General
Participants issued Plan Shares are bound by the rules of the Share Plan and by the Constitution of McMillan Shakespeare (see Section 10.1).

A copy of the rules of the Share Plan will be made available to all Employees, free of charge, upon request to McMillan Shakespeare's company secretary.

Taxation Consequences – Employee Offer
The Employee Offer

The following taxation summary addresses the general tax implications to Employees who are Australian residents for Australian tax purposes and who will hold Employee Shares acquired through the Employee Offer on capital account. It reflects the applicable legislation and announced amendments as at 1 February 2004.

This taxation summary is not intended to be a complete statement of the law applicable. As the precise tax consequences of an Employee's participation in the Employee Offer will be affected by that Employee's personal circumstances, each Employee should obtain independent professional taxation advice before investing.

Discount to Acquisition Price

Employees participating in the Employee Offer will receive a discount of 7.5% to the Offer Price on the acquisition of Employee Shares. Any discount received (being the difference between the market value of the Employee Shares received and any consideration paid to acquire the Employee Shares) will be assessable income. Unless an election is made to recognise assessable income when the Employee Shares are issued, the assessable income will arise when a "cessation time" occurs based on the share value at that time. Broadly, the cessation time will be the earliest of the following:
- when shares are sold;
- when sale restrictions cease to have effect (6 months);
- when employment ceases; or
- the expiry of ten years.

If the employee shares are held for a period of less than 30 days after the cessation time, the assessable amount will be the amount received on disposal less the cost of acquisition.

If the above election is made assessable income will arise at the time of the share issue, based on the market value at that time.

Employees should note that Employee Shares acquired under the Employee Offer must be held for a minimum of 6 months (see Section 2.13). The market value of the Employee Shares is defined for tax purposes and employees should seek professional tax advice in calculating their assessable income.

Capital Gains Tax

Australia's income tax legislation incorporates a CGT regime.

Acquiring Shares

For CGT purposes, an Employee acquires Employee Shares under the Employee Offer on the date the Employee Shares are allotted. There is no CGT event at the time the Employee acquires the Employee Shares. The cost base of any Employee Share acquired is the market value of the Employee Share, plus associated costs (if any) incurred. The market value is measured when the shares are acquired if the election is made (refer above) or otherwise at the cessation time.

Disposal of Shares

Employees will make a capital gain if the capital proceeds received when Employee Shares are disposed of exceed the cost base of those Employee Shares. If the capital proceeds received when an Employee disposes of Employee Shares are less than the reduced cost base, the Employee makes a capital loss.

Capital gains made are included in an Employee's assessable income. Capital losses made in the same or prior years can be used to offset capital gains.

If an Employee makes a capital gain on the disposal of Employee Shares and has held the Employee Shares as a CGT asset for 12 months or more, the discount CGT provisions will apply. Broadly, these provisions reduce the amount of the capital gains subject to tax by 50%.

Capital losses must be applied to reduce the capital gains before applying the discount CGT provisions.

If employees shares are sold within 30 days of the cessation time, any gain is recognised as ordinary income as discussed above. CGT will not apply.

Shares acquired by Contractors and Associates of Employees

Where Employee Shares are issued to contractors to McMillan Shakespeare and associates of Employees (such as spouses), the tax treatment of such Shares may differ from that described above. In such circumstances, specific professional tax advice should be sought.

10.4 PRIVATE FUNDING

In December 2003, McMillan Shakespeare raised private equity from the Founding Shareholders, by the issue of Shares, such funds being applied towards the deposit under the MSA Acquisition Agreement and the operating costs of McMillan Shakespeare.

In February 2004, McMillan Shakespeare raised further money from a second round of private equity investors, by the issue of Shares, such funds being applied towards the cost of acquiring MSA and the operating costs of McMillan Shakespeare.

A total of $8,000,000 was raised from the Founding Shareholders and the second round of private equity investors referred to above.

10.5 VOLUNTARY ESCROW ARRANGEMENTS

Each of the Founding Shareholders and certain other private equity investors have agreed to enter into a voluntary escrow agreement with McMillan Shakespeare whereby they will be restricted from dealing with their Shares on the following basis:

- during the first year following Quotation, none of the 31,570,120 Shares issued during the first private equity capital raising ("first round Shares") can be Disposed of; and
- during the second year following Quotation, only 25% of the first round Shares can be Disposed of, and then only if the Disposal occurs at or above the Offer Price.

In relation to the Underwriter and the second round of private equity investors referred to in Section 10.4, the following voluntary escrow restrictions will apply to the 11,429,870 Shares issued to those investors:

- during the 6 month period following Quotation, none of these Shares can be Disposed of;
- during the period commencing 6 months after Quotation and ending 12 months after Quotation, only 50% of these Shares can be Disposed of; and
- the restrictions set out above will not apply to second round private equity investors holding less than 64,936 Shares, which represents an investment of up to $25,000. This means that the restrictions do not apply to 870,130 of these Shares in total.

McMillan Shakespeare will waive the escrow restrictions in order to enable:

- the acceptance of an offer under a takeover bid made for all of the Shares on issue, which has been accepted by holders of at least half of all of those Shares; or
- the transfer or cancellation of the escrowed Shares as part of a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act.

10.6 REMUNERATION OF DIRECTORS

The Shareholders recently resolved that the non-executive Directors are each entitled to be paid Directors' fees, in aggregate up to a maximum of $250,000 in any financial year or such other amount as may be determined in general meeting.

For the financial year ending 30 June 2004, it is expected that the non-executive Directors' fees will not exceed $150,000 in aggregate.

The Constitution provides that Directors are entitled to such remuneration out of the funds of McMillan Shakespeare as the Directors determine. The remuneration cannot be by commission on, or a percentage of, profits or operating revenue. Directors may also be reimbursed for their expenses properly incurred as a Director in connection with the affairs of McMillan Shakespeare.

Subject to compliance with the Corporations Act, Directors may be paid fees or other amounts as the Board determines where a Director performs extra services which, in the opinion of the Board, are outside of the ordinary duties of a Director.

10.7 CORPORATE GOVERNANCE

The composition of the Board is subject to Shareholder approval from time to time in accordance with the Constitution, the Corporations Act and upon being admitted to the official list of the ASX, the ASX Listing Rules.

The Board is responsible for the direction and supervision of the Business on behalf of Shareholders. This includes ensuring that internal controls and reporting procedures are adequate and effective.

The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The primary functions of the Board include responsibility for:

- formulating and approving McMillan Shakespeare's objectives, business plans, annual budgets, and strategic direction, and to agree with management appropriate performance indicators and monitor performance against those indicators;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- selecting, appointing and regularly reviewing the performance of the Chief Executive Officer and reviewing the performance of senior operational management;
- putting in place clearly defined delegation of powers to the Chief Executive Officer to enable him to carry out his responsibilities;
- ensuring significant business risks are identified and appropriately managed;
- selecting external auditors, approving the scope of the external audit, ensuring that proper audit practices are in place and that McMillan Shakespeare's accounts comply with all appropriate standards;
- regularly reviewing its own performance, processes and composition;
- establishing and monitoring policies to ensure compliance with legal and regulatory regimes to which McMillan Shakespeare is subject; and
- openly and regularly reporting to Shareholders on performance.

To assist in the execution of its responsibilities, the Board has established a number of committees including an audit and risk management committee and a nomination and remuneration committee.

The Board will:

- agree the terms of reference for any Board committees; and
- ensure that committee members have access to appropriate external and professional advice.

The audit and risk management committee will monitor financial and operational risk management, the compliance with the relevant accounting standards and other requirements relating to the preparation and presentation of financial results, the appointment of auditors and the conduct of the Business.

The nomination and remuneration committee will review and provide recommendations on the remuneration of the Directors, the Chief Executive Officer and his or her direct reports, and advise on incentive schemes.

The Board as a whole will deal with all other functions of the Board. From time to time, however, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

10.8 TOTAL EXPENSES OF THE ISSUE

The expenses of the Offer (including MSA Acquisition costs) payable by McMillan Shakespeare, including commission and management fees payable to underwriters, accounting fees, legal fees, ASIC and ASX fees, printing fees, advertising fees and independent expert fees and other miscellaneous expenses are estimated to be approximately $1,477,000.

10.9 INTERESTS OF DIRECTORS AND EXPERTS

Other than as set out below, no expert or any firm of which that expert is a partner, or any Director holds or has held in the past two years any interest in the promotion or formation of McMillan Shakespeare, the MSA Acquisition or the Offer. All amounts paid or agreed to be paid to or claimed by that expert, firm or Director for services rendered in connection with the activities set out above are set out below. No form of payment of any kind will be made or agreed to be made to any such expert, adviser or firm other than in cash, unless this Prospectus otherwise provides.

Accountants

William Buck (Vic) Pty Limited has prepared the Independent Accountant's Report, performed financial and technology due diligence, and provided taxation advice in relation to the Employee Offer. McMillan Shakespeare has paid or agreed to pay $214,000 (exclusive of GST and disbursements) for these services to the date of this Prospectus.

William Buck Financial Services (Vic) Pty Limited has reviewed the Directors' forecasts contained in this Prospectus. McMillan Shakespeare has paid or agreed to pay $39,000 (exclusive of disbursements and GST) for these services to the date of this Prospectus.

Underwriter

Lodge Partners Pty Limited has acted as Underwriter and Broker to the Offer. McMillan Shakespeare will pay the Underwriter the fees and other consideration set out in Section 9.1.

Lawyers

Baker & McKenzie has acted as legal adviser in relation to the Offer and has been involved in due diligence in relation to legal matters. McMillan Shakespeare has agreed to pay or has paid $200,000 (exclusive of disbursements and GST) for these services to the date of this Prospectus.

Executive Directors

Anthony Podesta is the only executive Director. Mr Podesta is employed under the terms of the employment agreement described in Section 9.2 and has shareholdings in McMillan Shakespeare are set out below.

Non-Executive Directors

Two non-executive Directors, Ross Chessari and John Bennetts, hold Shares in McMillan Shakespeare via their associated companies as set out below. They, along with Ronald Pitcher, are also entitled to receive non-executive Directors' fees as identified in Section 10.6.

In addition, John Bennetts and Ross Chessari, through an associated company Asia Pac Consulting Pty Limited, have provided consulting services in relation to the Offer. McMillan Shakespeare has paid or agreed to pay $88,879 (inclusive of GST and disbursements) for these services.

Directors' Shareholdings

The Directors have the following interests in the equity of McMillan Shakespeare:

Name	Shares	Options
Ronald Pitcher	Nil	Nil
Anthony Podesta (via Meddiscope Pty Limited)	15,101.819	Nil
Ross Chessari (via Chessari Holdings Pty Limited)	8,590,792	Nil
John Bennetts (via Asia Pac Technology Pty Limited)	7,730,546	Nil

Deeds of Access, Indemnity and Insurance

McMillan Shakespeare has executed a deed of access, indemnity and insurance in favour of each Director. Under the deeds, McMillan Shakespeare indemnifies the Directors in respect of liabilities incurred in connection with holding office, to the extent permitted by the Corporations Act. McMillan Shakespeare is also obliged to arrange insurance cover for the Directors, which has been arranged, and provide the Directors with access to Board papers.

Indemnity under the Constitution

Under the Constitution, McMillan Shakespeare must, subject to certain exceptions, indemnify each of its Directors to the extent permitted by law against liability that did not arise out of a lack of good faith.

10.10 CONSENTS TO BE NAMED

The following parties have given, and have not before the date of this Prospectus withdrawn, their written consent to being named in this Prospectus and to the inclusion of the following information in the form and context in which is it included.

William Buck (Vic) Pty Limited has given, and at the time of lodging this Prospectus has not withdrawn, its consent to be named in this Prospectus as an Independent Accountant to McMillan Shakespeare in relation to the Offer and to the inclusion of the Independent Accountant's Report on Historical Financial Information in Section 8 and the discussion of taxation consequences in Section 10.3 in the form and context in which that report and discussion appear (and to the references to this report and discussion in this Prospectus) but does not otherwise make or purport to make any statement in this Prospectus, nor has it authorised or caused the issue of any other part of this Prospectus.

William Buck Financial Services (Vic) Pty Limited has given, and as at the time of lodging this Prospectus has not withdrawn, its consent to be named in this Prospectus as an Independent Accountant to McMillan Shakespeare in relation to the Offer and to the inclusion of the Independent Accountant's Report on Forecast Financial Information in Section 8 in the form and context in which that report appears, but does not otherwise make or purport to make any statement in this Prospectus, nor has it authorised or caused the issue of any other part of this Prospectus.

Baker & McKenzie has given, and at the time of lodging this Prospectus has not withdrawn, its consent to be named in this Prospectus as the legal adviser to McMillan Shakespeare in the form and context in which it is named. Other than the reference to its name, Baker & McKenzie does not make or purport to make any statement in this Prospectus, nor has it authorised or caused the issue of any other part of this Prospectus.

Lodge Partners Pty Limited has given, and at the time of lodging this Prospectus has not withdrawn, its consent to be named in this Prospectus as the Underwriter and Broker to the Offer in the form and context in which it is named. Other than the reference to its name, Lodge Partners Pty Limited does not make or purport to make any statement in this Prospectus, nor has it authorised or caused the issue of any other part of this Prospectus.

Zurich Financial Services Australia Limited and Zurich Australia Limited have given, and as at the time of lodging this Prospectus have not withdrawn, their consent to be named in this Prospectus in the form and context in which they are named. Zurich Financial Services Australia Limited and Zurich Australia Limited did not participate in the preparation of this Prospectus and are not responsible for its content. Neither Zurich Financial Services Australia Limited, Zurich Australia Limited nor any companies within the group of companies of which those entities form a part, nor their directors and officers make any representation (express or implied) as to the accuracy, adequacy or reasonableness of the content of this Prospectus. Zurich Financial Services Australia Limited, Zurich Australia Limited and the other companies within the group are not liable for any loss or damage suffered by any person acting in reliance on this Prospectus.

Computershare Investor Services Pty Limited has given, and at the time of lodging this Prospectus has not withdrawn, its consent to be named as share registry for McMillan Shakespeare in the form and context in which it is named. Computershare Investor Services Pty Limited takes no responsibility for any other part of this Prospectus, other than the reference to its name.

10.11 DISCLAIMER OF RESPONSIBILITY

Each of the persons named in this Prospectus:

- does not make, or purport to make, any statement in this Prospectus other than, in the case of a person referred to under the heading "Consent to be Named", a statement included in this Prospectus with the consent of the party; and

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than reference to its name and, a statement or report which has been included in this Prospectus with the consent of that party as specified in this section.

10.12 REGULATORY

As at the date of this Prospectus it is not anticipated that any waivers from compliance with the ASX Listing Rules by McMillan Shakespeare will be required.

10.13 PRIVACY

Investors will be providing personal information to McMillan Shakespeare as a result of applying for Shares. The Privacy Act governs the use of a person's personal information and sets out principles governing the ways in which organisations should treat personal information.

If McMillan Shakespeare is obliged to do so by law, investors' personal information will be passed on to other parties strictly in accordance with legal requirements. Once personal information is no longer needed, McMillan Shakespeare will destroy it or delete details of whom it refers to.

Under the Privacy Act, investors may request access to personal information held by McMillan Shakespeare and request an update or correction of the information by contacting the share registry, Computershare Investor Services Pty. Limited.

If an investor does not provide McMillan Shakespeare with the information requested on an Application Form, McMillan Shakespeare may at its sole and unfettered discretion refuse to process that form.

11 GLOSSARY

"**Adjusted NPAT**" means net profit after tax before goodwill amortisation;

"**Applicant**" means a person applying for Shares under this Prospectus;

"**Application**" means an application for Shares under this Prospectus accompanied by the required application money, and if accompanied by a cheque, in circumstances where that cheque clears within 3 business days of presentation;

"**Application Form**" means:
(a) for the purposes of the General Offer, the white forms of application for Shares attached to this Prospectus; and
(b) for the purposes of the Employee Offer, the blue form of application attached to this Prospectus;

"**Application Monies**" means monies provided by Applicants to apply for Shares under this Prospectus;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means Australian Stock Exchange Limited (ABN 98 008 624 691);

"**ASX Listing Rules**" means the listing rules of the ASX;

"**Bank West**" means Bank of Western Australia Limited (ABN 22 050 494 454);

"**BAS**" means a business activity statement;

"**Board**" means the board of directors of McMillan Shakespeare;

"**Business**" means the business of MSA described in Section 4 which is to be acquired by McMillan Shakespeare pursuant to the MSA Acquisition Agreement;

"**Charges**" means the two fixed and floating charges to be entered into between Bank West and each of McMillan Shakespeare and MSA;

"**Closing Date**" means 2 March 2004 or such other date as may be determined by McMillan Shakespeare and the Underwriter;

"**Constitution**" means the constitution of McMillan Shakespeare;

"**Corporations Act**" means the *Corporations Act* 2001 (Cth);

"**Director**" mean a director of McMillan Shakespeare from time to time;

"**Dispose**" means assign, transfer, sell, charge, encumber or any other action having a similar effect, and "**Disposed**" has a corresponding meaning;

"**EBIT**" means earnings before interest and income tax;

"**EBITA**" means earnings before interest, income tax and amortisation of goodwill;

"**EBITDA**" means earnings before interest, income tax, depreciation and amortisation

"**Employee**" means a person who is a full-time or permanent part-time employee or officer, or director of McMillan Shakespeare or any related body corporate of McMillan Shakespeare, other than any such person who has given a notice of resignation or who has been given a notice of termination of their employment, and if the Board so resolves, includes contractors and consultants of McMillan Shakespeare;

"**Employee Applicant**" means a person applying for Shares under the Employee Offer;

"**Employee Application Form**" means the Application Form to be used by the Employee Applicants to apply for Shares under the Employee Offer;

"**Employee Client**" means a person who is an employee of an Employer Client and who receives services from MSA in that employee capacity;

"**Employee Offer**" means the invitation to Employees to apply for Shares under this Prospectus on the terms described in Section 2.13;

"**Employee Offer Price**" means $0.4625 per Share;

"**Employee Shares**" means the up to 1,081,081 Shares the subject of the Employee Offer;

"**Employer Client**" means an person or entity that receives services from MSA in an employer capacity;

"Enterprise Value" means the market capitalisation of McMillan Shakespeare at the Offer Price, plus net debt at completion of the MSA Acquisition;

"EOP" or "Option Plan" means the Employee Option Plan described in Section 10.2;

"EPS" means earnings per Share;

"ESP" or "Share Plan" means the Employee Share Plan described in Section 10.3;

"Exposure Period" means the period of 7 days, which can be extended by ASIC to up to 14 days, following lodgement of this Prospectus with ASIC, during which McMillan Shakespeare cannot accept any Applications or issue any Shares;

"Facility" means a bank facility made available under the Facility Agreement;

"Facility Agreement" means the facility agreement dated 24 December 2003 between McMillan Shakespeare and Bank West;

"FBT" means Australian fringe benefits tax;

"Fleet Solutions" means that part of the Business providing motor vehicle fleet management services;

"Founding Shareholders" means Chessari Holdings Pty Limited (ACN 100 397 895), Meddiscope Pty Limited (ACN 082 340 476) and Asia Pac Technology Pty Limited (ACN 084 504 512);

"General Offer" means the invitation to apply for Shares under this Prospectus, other than under the Employee Offer;

"General Offer Shares" means the 21,000,000 Shares the subject of the General Offer;

"Group" means McMillan Shakespeare and MSA;

"GST" means Australian goods and services tax;

"Half Year Forecast" means the forecast for the period 1 July 2004 to 31 December 2004;

"Issue" means the issue of Shares under this Prospectus;

"IT" means information technology;

"McMillan Shakespeare" or "Company" means McMillan Shakespeare Limited (ABN 74 107 233 983);

"MSA" means McMillan Shakespeare Australia Pty Limited (ABN 39 082 449 036);

"MSA Acquisition" means the acquisition of all of the shares in the capital of MSA by McMillan Shakespeare from Zurich under the MSA Acquisition Agreement;

"MSA Acquisition Agreement" means the share sale agreement dated 24 December 2003 between McMillan Shakespeare, Zurich, ZFSA and MSA;

"NPAT" means net profit after tax;

"Offer" means the invitation to apply for Shares under this Prospectus, whether under the General Offer or the Employee Offer;

"Offer Price" means $0.50 per Share in respect of the General Offer;

"Opening Date" means 10 February 2004 or such other date as may be determined by McMillan Shakespeare and the Underwriter;

"PBI" means a public benevolent institution;

"Plan Shares" means Shares issued under the Share Plan;

"Privacy Act" means the *Privacy Act* 1988 (Cth);

"Quotation" means official quotation of the Shares by the ASX;

"SCH" means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532);

"SCH Business Rules" means the business rules of the SCH;

"Share" means a fully paid ordinary share in the capital of McMillan Shakespeare;

"Shareholder" means a holder of one or more Shares in McMillan Shakespeare;

"Statutory result forecast" means the forecast for the period from 1 December 2003 to 30 June 2004;

"Underwriter" means Lodge Partners Pty Limited (ABN 053 432 769);

"Underwriting Agreement" means the underwriting agreement dated on or around the date of this Prospectus between McMillan Shakespeare and the Underwriter;

"ZFSA" means Zurich Financial Services Australia Limited (ABN 11 008 423 372); and

"Zurich" means Zurich Australia Limited (ABN 92 000 010 195).

12 AUTHORITY OF DIRECTORS

The Directors have authorised the lodgement of this Prospectus with ASIC and the subsequent issue of this Prospectus.

Anthony Podesta
Director

McMILLAN SHAKESPEARE

McMillan Shakespeare Limited
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