

1. Company details

Name of entity:	SG Fleet Group Limited
ABN:	40 167 554 574
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	0.5% to	249,979
Profit from ordinary activities after tax attributable to the owners of SG Fleet Group Limited	down	16.6% to	24,513
Profit for the half-year attributable to the owners of SG Fleet Group Limited	down	16.6% to	24,513

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2019, declared on 21 August 2019. The final dividend was paid on 10 October 2019 to shareholders registered on 19 September 2019.	9.520	9.520
Interim dividend for the year ending 30 June 2020, declared on 17 February 2020. The interim dividend will be paid on 16 April 2020 to shareholders registered on 26 March 2020.	6.943	6.943

Comments

The profit for the Group after providing for income tax amounted to \$24,513,000 (31 December 2018: \$29,382,000).

For a Review of Operations for the half-year ended 31 December 2019, please refer to the ASX announcement accompanying this Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(50.27)</u>	<u>(50.81)</u>

4. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP') available to it pursuant to which any shareholder may elect that their dividends be reinvested, in whole or in part, in shares of the Company at a price to be determined by the Board of Directors from time to time at its absolute discretion. The DRP will not be activated in respect of the 2020 interim dividend.

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

6. Attachments

Details of attachments (if any):

The Interim Report of SG Fleet Group Limited for the half-year ended 31 December 2019 is attached.

7. Signed



Signed _____

Date: 17 February 2020

Andrew Reitzer
Chairman
Sydney

SG Fleet Group Limited

ABN 40 167 554 574

Interim Report - 31 December 2019

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SG Fleet Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Reitzer (Chairman)
Robert (Robbie) Blau
Cheryl Bart AO
Graham Maloney
Peter Mountford
Edwin Jankelowitz
Kevin Wundram
Colin Brown (alternate for Peter Mountford)

Principal activities

During the financial half-year, the principal continuing activities of the Group consisted of motor vehicle fleet management, vehicle leasing, short-term hire, consumer vehicle finance and salary packaging services.

Review of operations

The profit for the Group after providing for income tax amounted to \$24,513,000 (31 December 2018: \$29,382,000).

For a Review of Operations for the half year ended 31 December 2019, please refer to the ASX announcement accompanying this Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Reitzer
Chairman

17 February 2020
Sydney



Robbie Blau
Chief Executive Officer



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of SG Fleet Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of SG Fleet Group Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

John Wigglesworth

Partner

Sydney

17 February 2020

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Revenue	4	249,206	247,943
Other income		250	-
Interest revenue calculated using the effective interest method		773	729
Total revenue and other income		<u>250,229</u>	<u>248,672</u>
Expenses			
Fleet management costs		(41,599)	(43,104)
End of lease cost of sale		(103,749)	(94,763)
Employee benefits expense		(39,846)	(37,432)
Occupancy costs		(1,146)	(1,309)
Depreciation and amortisation		(15,164)	(16,230)
Technology costs		(4,991)	(4,043)
Other expenses		(4,614)	(4,612)
Finance costs		(3,834)	(5,151)
Total expenses		<u>(214,943)</u>	<u>(206,644)</u>
Profit before income tax expense		35,286	42,028
Income tax expense		<u>(10,773)</u>	<u>(12,646)</u>
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited		<u><u>24,513</u></u>	<u><u>29,382</u></u>
		Cents	Cents
Basic earnings per share	18	9.35	11.33
Diluted earnings per share	18	9.34	11.32

The above statement of profit or loss should be read in conjunction with the accompanying notes

SG Fleet Group Limited
Statement of other comprehensive income
For the half-year ended 31 December 2019

SG Fleet Group

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited	24,513	29,382
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation difference for foreign operations	1,692	635
Effective portion of changes in fair value of cash flow hedges, net of tax	224	(230)
	<hr/>	<hr/>
Other comprehensive income for the half-year, net of tax	1,916	405
	<hr/>	<hr/>
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited	<u>26,429</u>	<u>29,787</u>

The above statement of other comprehensive income should be read in conjunction with the accompanying notes

SG Fleet Group Limited
Statement of financial position
As at 31 December 2019

SG Fleet Group

		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$'000	\$'000
Assets			
Cash and cash equivalents	5	95,303	100,492
Finance, trade and other receivables		71,657	72,945
Inventories		12,216	10,120
Prepayments		10,279	9,918
Investments in financial assets at fair value through profit or loss	6	2,785	240
Leased motor vehicle assets	7	61,746	57,258
Property, plant and equipment		3,650	4,092
Intangibles	8	413,076	412,242
Right-of-use assets	9	11,740	13,586
		<hr/>	<hr/>
Total assets		682,452	680,893
Liabilities			
Trade and other payables	10	101,601	108,656
Derivative financial instruments		2,884	3,157
Income tax		2,486	5,659
Deferred tax		1,859	1,645
Employee benefits		9,096	8,768
Residual risk provision		10,561	10,528
Lease portfolio borrowings	11	44,865	46,178
Borrowings	12	126,390	125,320
Lease liabilities - right-of-use assets	13	12,194	13,931
Vehicle maintenance funds		54,869	42,273
Contract liabilities		34,371	35,608
		<hr/>	<hr/>
Total liabilities		401,176	401,723
		<hr/>	<hr/>
Net assets		281,276	279,170
Equity			
Issued capital	14	291,370	290,592
Reserves		(118,523)	(120,296)
Retained profits		108,429	108,874
		<hr/>	<hr/>
Total equity		281,276	279,170
		<hr/> <hr/>	<hr/> <hr/>

The above statement of financial position should be read in conjunction with the accompanying notes

SG Fleet Group Limited
Statement of changes in equity
For the half-year ended 31 December 2019

SG Fleet Group

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2018	273,999	(119,125)	96,396	251,270
Adjustment for restatement of comparatives for AASB 15	-	-	(802)	(802)
Adjustment for adoption of AASB 9 and AASB 16	-	-	(194)	(194)
Balance at 1 July 2018 - restated	273,999	(119,125)	95,400	250,274
Profit after income tax expense for the half-year	-	-	29,382	29,382
Other comprehensive income for the half-year, net of tax	-	405	-	405
Total comprehensive income for the half-year	-	405	29,382	29,787
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	16,273	-	-	16,273
Transfer on exercise of options	320	(320)	-	-
Share-based payments	-	508	47	555
Dividends paid (note 15)	-	-	(25,640)	(25,640)
Balance at 31 December 2018	<u>290,592</u>	<u>(118,532)</u>	<u>99,189</u>	<u>271,249</u>
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2019	290,592	(120,296)	108,874	279,170
Profit after income tax expense for the half-year	-	-	24,513	24,513
Other comprehensive income for the half-year, net of tax	-	1,916	-	1,916
Total comprehensive income for the half-year	-	1,916	24,513	26,429
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	635	-	635
Transfer on exercise of options	778	(778)	-	-
Dividends paid (note 15)	-	-	(24,958)	(24,958)
Balance at 31 December 2019	<u>291,370</u>	<u>(118,523)</u>	<u>108,429</u>	<u>281,276</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated	Consolidated
		31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		279,699	284,093
Payments to suppliers and employees (inclusive of GST)		(222,423)	(235,838)
Interest received		773	729
Interest and other finance costs paid		(3,883)	(6,287)
Income taxes paid		(13,859)	(12,463)
		<u>40,307</u>	<u>30,234</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for investments		(2,295)	(240)
Acquisition of lease portfolio assets	7	(23,716)	(17,135)
Proceeds from disposal of lease portfolio assets	7	13,942	11,089
Payments for property, plant and equipment		(428)	(949)
Proceeds from disposal of property, plant and equipment		-	70
Payments for intangibles	8	(3,103)	(3,254)
		<u>(15,600)</u>	<u>(10,419)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		25,943	148,319
Repayment of borrowings		(28,635)	(161,686)
Repayment of lease liabilities - right-of-use assets		(2,318)	(2,438)
Dividends paid	15	(24,958)	(9,367)
		<u>(29,968)</u>	<u>(25,172)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents		(5,261)	(5,357)
Cash and cash equivalents at the beginning of the financial half-year		100,492	103,275
Effects of exchange rate changes on cash and cash equivalents		72	106
		<u>95,303</u>	<u>98,024</u>
Cash and cash equivalents at the end of the financial half-year			

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover SG Fleet Group Limited as a Group consisting of SG Fleet Group Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (the 'Group'). The financial statements are presented in Australian dollars, which is SG Fleet Group Limited's functional and presentation currency.

SG Fleet Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, Building 3
20 Bridge Street
Pymble NSW 2073

During the financial half-year, the principal continuing activities of the Group consisted of motor vehicle fleet management, vehicle leasing, short-term hire, consumer vehicle finance and salary packaging services.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 February 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2019 and are not expected to have any significant impact for the full financial year ending 30 June 2020.

With the exception of AASB 16 'Leases' early adopted in the previous financial year with effect from 1 July 2018, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Significant accounting policies (continued)

Comparatives

Comparatives in the financial report have been realigned to the current period presentation. For clearer presentation the Group has changed the disclosure of an expense of \$813,000 within other expenses and realigned it to technology costs within the statement of profit or loss. There has been no effect on the comparative year profit, net assets or equity.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into geographic operating segments: Australia, New Zealand, United Kingdom and Corporate. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated - 31 Dec 2019	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Revenue					
Revenue from contracts with customers	187,251	4,423	37,661	-	229,335
Rental income	3,968	1,873	14,030	-	19,871
Total sales revenue	191,219	6,296	51,691	-	249,206
Interest income	765	2	6	-	773
Total revenue	191,984	6,298	51,697	-	249,979
EBITDA					
Other income	43,622	2,193	8,820	(601)	54,034
Depreciation and amortisation	250	-	-	-	250
Finance costs	(7,555)	(1,510)	(6,099)	-	(15,164)
Profit/(loss) before income tax expense	(2,628)	(193)	(1,013)	-	(3,834)
Income tax expense	33,689	490	1,708	(601)	35,286
Profit after income tax expense					(10,773)
					24,513
Assets					
Segment assets	532,137	17,966	132,349	-	682,452
Total assets					682,452
Liabilities					
Segment liabilities	296,555	13,334	91,287	-	401,176
Total liabilities					401,176

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2018	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Revenue					
Revenue from contracts with customers	184,370	5,065	37,298	-	226,733
Rental income	4,048	1,918	15,244	-	21,210
Total sales revenue	188,418	6,983	52,542	-	247,943
Interest income	721	4	4	-	729
Total revenue	189,139	6,987	52,546	-	248,672
EBITDA					
Depreciation and amortisation	51,632	2,087	10,236	(546)	63,409
Finance costs	(7,763)	(1,567)	(6,900)	-	(16,230)
Income tax expense	(3,493)	(289)	(1,369)	-	(5,151)
Profit/(loss) before income tax expense	40,376	231	1,967	(546)	42,028
Income tax expense					(12,646)
Profit after income tax expense					29,382
Consolidated - 30 Jun 2019					
Assets					
Segment assets	537,564	18,355	124,974	-	680,893
Total assets					680,893
Liabilities					
Segment liabilities	301,658	14,110	85,955	-	401,723
Total liabilities					401,723

Note 4. Revenue

	Consolidated	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
<i>Revenue from contracts with customers</i>		
Management and maintenance income	44,537	46,217
Additional products and services	48,087	50,480
Funding commissions	22,975	25,057
End of lease income	113,119	103,827
Other income	617	1,152
	<u>229,335</u>	<u>226,733</u>
<i>Other revenue</i>		
Rental income	19,871	21,210
Revenue	<u>249,206</u>	<u>247,943</u>

Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
<i>Timing of revenue recognition</i>		
Revenue transferred at a point in time - upfront	42,444	47,886
Revenue transferred over time	70,470	71,890
Revenue transferred at a point in time - end of life	116,421	106,957
	<u>229,335</u>	<u>226,733</u>

Revenue from external customers by geographic regions is set out in note 3 operating segments.

Note 5. Cash and cash equivalents

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Cash at bank	64,030	71,718
Secured deposits	31,273	28,774
	<u>95,303</u>	<u>100,492</u>

Secured deposits represent cash held by the Group as required under certain funding and insurance arrangements between the Group, the financiers under its lease portfolio facilities and its insurance providers. The secured deposits are not available as free cash for the purpose of operations of the Group.

Note 6. Investments in financial assets at fair value through profit or loss

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Investments in listed equity securities	2,455	-
Investments in other companies	330	240
	<u>2,785</u>	<u>240</u>

Refer to note 16 for further information on fair value measurement.

Note 7. Leased motor vehicle assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Lease portfolio assets - at cost	88,395	85,311
Less: Accumulated depreciation	(26,472)	(27,879)
Less: Impairment	(177)	(174)
	<u>61,746</u>	<u>57,258</u>

Note 7. Leased motor vehicle assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leased assets \$'000
Balance at 1 July 2019	57,258
Additions	23,716
Disposals	(13,942)
Revaluation increments	3
Exchange differences	1,696
Depreciation expense	(6,985)
Balance at 31 December 2019	<u>61,746</u>

Note 8. Intangibles

	Consolidated 31 Dec 2019 \$'000	30 Jun 2019 \$'000
Goodwill - at cost	358,986	356,829
Brand name - at cost	7,800	7,800
Less: Accumulated amortisation	(2,015)	(2,015)
Less: Impairment	(5,785)	(5,785)
	<u>-</u>	<u>-</u>
Customer contracts - at cost	60,323	59,716
Less: Accumulated amortisation	(23,852)	(20,754)
	<u>36,471</u>	<u>38,962</u>
Software - at cost	27,556	26,735
Less: Accumulated amortisation	(9,937)	(10,284)
	<u>17,619</u>	<u>16,451</u>
	<u>413,076</u>	<u>412,242</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Balance at 1 July 2019	356,829	38,962	16,451	412,242
Additions	-	-	3,103	3,103
Exchange differences	2,157	422	12	2,591
Amortisation expense	-	(2,913)	(1,947)	(4,860)
Balance at 31 December 2019	<u>358,986</u>	<u>36,471</u>	<u>17,619</u>	<u>413,076</u>

Note 9. Right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Right-of-use assets - at cost	18,796	18,196
Less: Accumulated amortisation	<u>(7,056)</u>	<u>(4,610)</u>
	<u><u>11,740</u></u>	<u><u>13,586</u></u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current financial half-year are set out below:

	Office premises	Motor vehicles	Others	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	12,402	929	255	13,586
Additions	6	400	-	406
Disposals	-	(6)	-	(6)
Exchange differences	163	7	-	170
Depreciation expense	<u>(1,937)</u>	<u>(405)</u>	<u>(74)</u>	<u>(2,416)</u>
Balance at 31 December 2019	<u><u>10,634</u></u>	<u><u>925</u></u>	<u><u>181</u></u>	<u><u>11,740</u></u>

Note 10. Trade and other payables

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Trade payables	93,037	100,090
Accrued expenses	<u>8,564</u>	<u>8,566</u>
	<u><u>101,601</u></u>	<u><u>108,656</u></u>

Trade payables include residual values payable to financiers, which are secured by the underlying operating lease asset, cash lock-up of \$31,347,000 (30 June 2019: \$28,866,000) and bank guarantees.

Note 11. Lease portfolio borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Lease portfolio borrowings	<u><u>44,865</u></u>	<u><u>46,178</u></u>

Refer to note 12 for further information on assets pledged as security and financing arrangements.

The lease portfolio borrowings are secured by the underlying funded assets and lease agreements, together with an irrevocable letter of credit, cash lock-ups and guarantees. These facilities are interest bearing and are repaid monthly in accordance with the amortisation schedule of the underlying assets.

Note 12. Borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Bank loans	126,390	125,320

The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Bank loans	126,390	125,320
Lease portfolio borrowings (note 11)	44,865	46,178
	<u>171,255</u>	<u>171,498</u>

Assets pledged as security

Assets pledged as security for borrowings are:

Corporate borrowings

The corporate borrowings comprise of bank loans and ancillary facilities which are secured by guarantees and indemnities as well as fixed and floating charges or composite guarantees issued by the Group. The facilities are repayable in full on the maturity date being 14 December 2022.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Total facilities		
Corporate borrowings	181,188	180,497
Lease portfolio borrowings (note 11)	83,862	87,438
	<u>265,050</u>	<u>267,935</u>
Used at the reporting date		
Corporate borrowings	133,372	138,674
Lease portfolio borrowings (note 11)	44,865	46,178
	<u>178,237</u>	<u>184,852</u>
Unused at the reporting date		
Corporate borrowings	47,816	41,823
Lease portfolio borrowings (note 11)	38,997	41,260
	<u>86,813</u>	<u>83,083</u>

Note 13. Lease liabilities - right-of-use assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Lease liabilities - right-of-use assets	<u>12,194</u>	<u>13,931</u>

Note 13. Lease liabilities - right-of-use assets (continued)

Reconciliation

Reconciliation of lease liabilities at the beginning and end of financial half-year are set out below:

	Consolidated 31 Dec 2019 \$'000
Balance at 1 July 2019	13,931
Additions	406
Disposals	(6)
Interest and other adjustments	283
Repayment of lease liabilities	(2,601)
Exchange differences	181
	<hr/>
Balance at 31 December 2019	<u>12,194</u>

Note 14. Issued capital

	31 Dec 2019 Shares	Consolidated 30 Jun 2019 Shares	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Ordinary shares - fully paid	<u>262,159,900</u>	<u>261,896,269</u>	<u>291,370</u>	<u>290,592</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	261,896,269		290,592
Shares issued on vesting of performance rights	1 July 2019	132,323	\$0.000	-
Shares issued on vesting of performance rights	21 August 2019	131,308	\$0.000	-
Transfer from share-based payment reserve on exercise of performance rights		-	\$0.000	778
		<hr/>		<hr/>
Balance	31 December 2019	<u>262,159,900</u>		<u>291,370</u>

Note 15. Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated 31 Dec 2019 \$'000	31 Dec 2018 \$'000
Final dividend for the year ended 30 June 2019 of 9.520 cents per ordinary share paid on 10 October 2019 (31 December 2018: 9.958 cents)	<u>24,958</u>	<u>25,640</u>

On 17 February 2020, the Directors declared a fully franked interim dividend for the year ending 30 June 2020 of 6.943 cents per ordinary share, to be paid on 16 April 2020 to eligible shareholders on the register as at 26 March 2020. This equates to a total estimated distribution of \$18,202,000, based on the number of ordinary shares on issue as at 31 December 2019.

Note 16. Fair value measurement

The following tables detail the Group's liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investments in listed equity securities	2,455	-	-	2,455
Investment in other companies	-	-	330	330
Total assets	2,455	-	330	2,785

<i>Liabilities</i>				
Derivative financial instruments - Interest rate swap contracts	-	2,884	-	2,884
Total liabilities	-	2,884	-	2,884

Consolidated - 30 Jun 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investment in other companies	-	-	240	240
Total assets	-	-	240	240
<i>Liabilities</i>				
Derivative financial instruments - Interest rate swap contracts	-	3,157	-	3,157
Total liabilities	-	3,157	-	3,157

There were no transfers between levels during the financial half-year.

Unless otherwise stated, the carrying amounts of financial instruments reflects their fair value. The carrying amounts of trade receivables and trade payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using observable market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 17. Contingent liabilities

The Group has entered into agreements with its lease portfolio financiers under which the residual value risk inherent in operating leases is transferred from the financier of the asset to the Group at the end of the lease. Under these agreements, at the end of the contractual lease term for each vehicle, the Group is obliged to pay the guaranteed residual value amount to the financier. The Group then sells the vehicles and realises a profit or loss on sale. Bank guarantees and letters of credit have been issued to lease portfolio financiers as security for these obligations.

An amount of \$10,561,000 (30 June 2019: \$10,528,000) has been recognised as a residual value provision and an amount of \$177,000 (30 June 2019: \$174,000) has been recognised as an impairment provision respectively, calculated on an onerous pool basis, to cover potential shortfalls on the disposal of these vehicles.

The Group has executed certain guarantees and indemnities, as well as fixed and floating charges over the assets of the Group in favour of funders as security for banking and lease portfolio facilities provided to the Group.

Note 18. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Profit after income tax attributable to the owners of SG Fleet Group Limited	<u>24,513</u>	<u>29,382</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	262,123,505	259,301,158
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	<u>204,641</u>	<u>342,794</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>262,328,146</u>	<u>259,643,952</u>
	Cents	Cents
Basic earnings per share	9.35	11.33
Diluted earnings per share	9.34	11.32

Note 19. Events after the reporting period

Apart from the dividend declared as disclosed in note 15, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Andrew Reitzer
Chairman

17 February 2020
Sydney



Robbie Blau
Chief Executive Officer



Independent Auditor's Review Report

To the shareholders of SG Fleet Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of SG Fleet Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of SG Fleet Group Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the interim period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- statement of financial position as at 31 December 2019;
- statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the interim period ended on that date;
- notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The **Group** comprises SG Fleet Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2019.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the interim financial report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of SG Fleet Group Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



John Wigglesworth
Partner

Sydney
17 February 2020