

1. Company details

Name of entity:	SG Fleet Group Limited
ABN:	40 167 554 574
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	43.1% to	133,589
Profit from ordinary activities after tax attributable to the owners of SG Fleet Group Limited	up	35.2% to	26,594
Profit for the half-year attributable to the owners of SG Fleet Group Limited	up	35.2% to	26,594

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2016, declared on 15 August 2016. The final dividend was paid on 20 October 2016 to shareholders registered on 29 September 2016.	7.630	7.630
Interim dividend for the year ending 30 June 2017, declared on 13 February 2017. The interim dividend will be paid on 20 April 2017 to shareholders registered on 30 March 2017.	7.536	7.536

Comments

The profit for the Group after providing for income tax amounted to \$26,594,000 (31 December 2015: \$19,670,000).

For a Review of Operations for the half-year ended 31 December 2016, 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>(83.04)</u>	<u>(69.81)</u>

4. Control gained over entities

On 4 August 2016, the Group acquired 100% of the ordinary shares of UK based Fleet Hire Holdings Limited and its subsidiaries.

On 30 November 2016, the Group acquired 100% of the ordinary shares of UK based Motiva Group Limited and its subsidiaries.

Refer to note 16 to the financial report for further details.

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Board of Directors has established a Dividend Reinvestment Plan (under which any shareholder may elect that the dividends payable by SG Fleet Group Limited be reinvested in whole or in part by a subscription for shares at a price to be determined by the Board from time to time, in its absolute discretion). No Dividend Reinvestment Plan was activated during the period.

6. 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.

7. Attachments

Details of attachments (if any):

The Interim Report of SG Fleet Group Limited for the half-year ended 31 December 2016 is attached.

8. Signed



Signed _____

Date: 13 February 2017

Andrew Reitzer
Chairman
Sydney



SG Fleet Group Limited

ABN 40 167 554 574

Interim Report - 31 December 2016

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 2016.

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)
Peter Mountford
Robbie Blau
Cheryl Bart AO
Graham Maloney
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 \$26,594,000 (31 December 2015: \$19,670,000).

For a Review of Operations for the half year ended 31 December 2016, please refer to the ASX announcement accompanying this Report.

Significant changes in the state of affairs

On 4 August 2016, the Group acquired 100% of the ordinary shares of UK based Fleet Hire Holdings Limited and its subsidiaries for a total consideration of \$34,413,000.

On 30 November 2016, the Group acquired 100% of the ordinary shares of UK based Motiva Group Limited and its subsidiaries for a total consideration of \$23,929,000.

There were no other 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



Robbie Blau
Chief Executive Officer

13 February 2017
Sydney



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 for the interim period ended 31 December 2016 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

Michael O Connell
Partner

Sydney
13 February 2017

Statement of profit or loss and other comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Directors' declaration	19
Independent auditor's review report to the members of SG Fleet Group Limited	20

SG Fleet Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$'000	\$'000
Revenue	4	133,589	93,326
Expenses			
Fleet management costs		(34,241)	(23,862)
Employee benefits expense		(34,931)	(23,357)
Occupancy costs		(2,958)	(2,193)
Depreciation, amortisation and impairment		(8,681)	(4,245)
Technology costs		(2,393)	(1,653)
Other expenses	5	(6,734)	(6,724)
Finance costs		(4,408)	(2,208)
Profit before income tax expense		39,243	29,084
Income tax expense		(12,649)	(9,414)
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited		26,594	19,670
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference for foreign operations		(1,540)	158
Effective portion of changes in fair value of cash flow hedges, net of tax		585	(24)
Other comprehensive income for the half-year, net of tax		(955)	134
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited		<u>25,639</u>	<u>19,804</u>
		Cents	Cents
Basic earnings per share	17	10.53	8.05
Diluted earnings per share	17	10.37	7.96

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

		Consolidated	
	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Assets			
Cash and cash equivalents	6	87,011	81,693
Finance, trade and other receivables		75,779	48,777
Inventories		11,621	5,226
Income tax refund due		-	160
Leased motor vehicle assets	7	70,138	16,130
Property, plant and equipment		4,515	2,828
Intangibles	8	422,684	364,155
Total assets		<u>671,748</u>	<u>518,969</u>
Liabilities			
Trade and other payables	9	87,309	63,460
Derivative financial instruments		2,747	3,889
Income tax		3,063	-
Employee benefits		7,718	7,114
Deferred tax		4,298	1,256
Residual risk provision		10,827	10,213
Lease portfolio borrowings	10	63,545	11,855
Borrowings	11	171,260	134,750
Vehicle maintenance funds		67,976	58,687
Deferred income		40,439	26,522
Total liabilities		<u>459,182</u>	<u>317,746</u>
Net assets		<u>212,566</u>	<u>201,223</u>
Equity			
Issued capital	12	272,008	267,348
Reserves		(120,674)	(120,032)
Retained profits		61,232	53,907
Total equity		<u>212,566</u>	<u>201,223</u>

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 2016



Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2015	232,768	(118,313)	34,927	149,382
Profit after income tax expense for the half-year	-	-	19,670	19,670
Other comprehensive income for the half-year, net of tax	-	134	-	134
Total comprehensive income for the half-year	-	134	19,670	19,804
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	34,580	-	-	34,580
Share-based payments	-	476	-	476
Dividends paid (note 13)	-	-	(14,845)	(14,845)
Balance at 31 December 2015	267,348	(117,703)	39,752	189,397
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	267,348	(120,032)	53,907	201,223
Profit after income tax expense for the half-year	-	-	26,594	26,594
Other comprehensive income for the half-year, net of tax	-	(955)	-	(955)
Total comprehensive income for the half-year	-	(955)	26,594	25,639
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	4,660	-	-	4,660
Share-based payments	-	313	-	313
Dividends paid (note 13)	-	-	(19,269)	(19,269)
Balance at 31 December 2016	272,008	(120,674)	61,232	212,566

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

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		134,915	101,103
Payments to suppliers and employees (inclusive of GST)		(78,388)	(61,351)
Interest received		711	1,029
Interest and other finance costs paid		(4,742)	(2,208)
Income taxes paid		(9,685)	(13,400)
		<u>42,811</u>	<u>25,173</u>
Net cash from operating activities			
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	16	(46,681)	(127,781)
Acquisition of lease portfolio assets	7	(8,770)	(14,542)
Proceeds from disposal of lease portfolio assets	7	5,372	10,819
Payments for property, plant and equipment		(1,813)	(353)
Proceeds from disposal of property, plant and equipment		76	33
Payments for intangibles	8	(1,086)	(1,001)
		<u>(52,902)</u>	<u>(132,825)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		56,555	151,650
Repayment of borrowings		(21,156)	(40,219)
Dividends paid	13	(19,269)	(14,845)
		<u>16,130</u>	<u>96,586</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		6,039	(11,066)
Cash and cash equivalents at the beginning of the financial half-year		81,693	89,143
Effects of exchange rate changes on cash and cash equivalents		(721)	4
		<u>87,011</u>	<u>78,081</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

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 February 2017. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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, unless otherwise stated.

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 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Comparatives

Comparatives in the statement of profit or loss and other comprehensive income and the statement of financial position have been realigned to current period presentation. There has been no effect on the profit for the period.

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.

Note 3. Operating segments (continued)

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 2016	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	114,937	2,966	15,189	-	(214)	132,878
Interest income	693	4	14	-	-	711
Total revenue	115,630	2,970	15,203	-	(214)	133,589
EBITDA						
Depreciation and amortisation	49,662	1,440	4,010	(2,775)	(5)	52,332
Finance costs	(4,590)	(959)	(3,132)	-	-	(8,681)
	(270)	(178)	(426)	(3,539)	5	(4,408)
Profit/(loss) before income tax expense	44,802	303	452	(6,314)	-	39,243
Income tax expense						(12,649)
Profit after income tax expense						26,594
Assets						
Segment assets	571,411	15,641	84,696	-	-	671,748
Total assets						671,748
Liabilities						
Segment liabilities	193,826	11,884	79,504	173,968	-	459,182
Total liabilities						459,182

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2015	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	87,847	1,905	2,744	-	(199)	92,297
Interest income	1,015	9	5	-	-	1,029
Total revenue	<u>88,862</u>	<u>1,914</u>	<u>2,749</u>	<u>-</u>	<u>(199)</u>	<u>93,326</u>
EBITDA						
Depreciation and amortisation	38,032	619	416	(3,534)	4	35,537
Finance costs	(2,636)	(541)	(1,068)	-	-	(4,245)
	(268)	(122)	(145)	(1,669)	(4)	(2,208)
Profit/(loss) before income tax expense	<u>35,128</u>	<u>(44)</u>	<u>(797)</u>	<u>(5,203)</u>	<u>-</u>	<u>29,084</u>
Income tax expense						(9,414)
Profit after income tax expense						<u>19,670</u>
Consolidated - 30 Jun 2016						
Assets						
Segment assets	466,071	12,402	40,496	-	-	518,969
Total assets						<u>518,969</u>
Liabilities						
Segment liabilities	163,877	9,029	6,306	138,534	-	317,746
Total liabilities						<u>317,746</u>

Note 4. Revenue

	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
<i>Sales revenue</i>		
Management and maintenance income	42,326	34,418
Additional products and services	42,175	28,147
Funding commissions	27,516	15,890
End of lease income	5,261	5,867
Rental income	14,018	5,930
Other income	1,582	2,045
	<u>132,878</u>	<u>92,297</u>
<i>Other revenue</i>		
Interest	711	1,029
Revenue	<u><u>133,589</u></u>	<u><u>93,326</u></u>

Note 5. Other expenses

Other expenses includes the following specific expenses:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Acquisition costs	2,396	3,218
Other expenses	4,338	3,506
	<u>6,734</u>	<u>6,724</u>

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Cash at bank	56,031	64,089
Secured deposits	30,980	17,604
	<u>87,011</u>	<u>81,693</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 7. Leased motor vehicle assets

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Lease portfolio assets - at cost	96,950	23,589
Less: Accumulated amortisation	(26,492)	(7,125)
Less: Impairment	(320)	(334)
	<u>70,138</u>	<u>16,130</u>

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	Total \$'000
Balance at 1 July 2016	16,130	16,130
Additions	8,770	8,770
Additions through business combinations (note 16)	54,728	54,728
Disposals	(5,372)	(5,372)
Exchange differences	50	50
Amortisation expense	(4,168)	(4,168)
	<u>70,138</u>	<u>70,138</u>
Balance at 31 December 2016	<u>70,138</u>	<u>70,138</u>

Note 8. Intangibles

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Goodwill - at cost	354,822	305,771
Brand name - at cost	7,800	7,800
Less: Accumulated amortisation	(845)	(455)
	<u>6,955</u>	<u>7,345</u>
Customer contracts - at cost	57,385	45,328
Less: Accumulated amortisation	(5,077)	(2,543)
Less: Impairment	(1,079)	(1,079)
	<u>51,229</u>	<u>41,706</u>
Software - at cost	13,569	12,015
Less: Accumulated amortisation	(3,891)	(2,682)
	<u>9,678</u>	<u>9,333</u>
	<u><u>422,684</u></u>	<u><u>364,155</u></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	Brand name	Customer contracts	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	305,771	7,345	41,706	9,333	364,155
Additions	-	-	-	1,086	1,086
Additions through business combinations (note 16)	49,492	-	12,167	199	61,858
Exchange differences	(441)	-	(110)	2	(549)
Amortisation expense	-	(390)	(2,534)	(942)	(3,866)
Balance at 31 December 2016	<u><u>354,822</u></u>	<u><u>6,955</u></u>	<u><u>51,229</u></u>	<u><u>9,678</u></u>	<u><u>422,684</u></u>

Note 9. Trade and other payables

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Trade payables	81,438	56,486
Accrued expenses	5,871	6,974
	<u>87,309</u>	<u>63,460</u>

Trade payables include accruals for residual values payable to financiers for operating lease vehicles that have been terminated and or held for sale.

Note 10. Lease portfolio borrowings

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Lease portfolio borrowings	<u>63,545</u>	<u>11,855</u>

Lease portfolio borrowings

The lease portfolio borrowings are secured by the underlying funded assets and lease agreements, together with irrevocable letters 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. The residual values of vehicles under operating lease arrangements are secured by the underlying operating lease asset, a cash lock-up of \$24,639,000 (30 June 2016: \$11,265,000) and bank guarantees.

Note 11. Borrowings

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Bank loans	<u>171,260</u>	<u>134,750</u>

Assets pledged as security

Australian Corporate borrowings

The corporate borrowings comprise bank loans 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 instalments of \$5,000,000 every quarter for the next four years and a bullet payment of \$83,050,000 on maturity being 29 November 2019.

UK corporate borrowings

UK corporate borrowings comprise facilities totalling £19,400,000. The facilities are repayable in instalments of £625,000 per quarter followed by a bullet payment of £12,150,000 on maturity being 17 November 2019.

Financing arrangements

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

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Total facilities		
Corporate borrowings	183,996	160,344
Lease portfolio borrowings (note 10)	133,212	40,484
	<u>317,208</u>	<u>200,828</u>
Used at the reporting date		
Corporate borrowings	174,300	152,147
Lease portfolio borrowings (note 10)	63,545	11,855
	<u>237,845</u>	<u>164,002</u>
Unused at the reporting date		
Corporate borrowings	9,696	8,197
Lease portfolio borrowings (note 10)	69,667	28,629
	<u>79,363</u>	<u>36,826</u>

Note 12. Issued capital

	31 Dec 2016 Shares	Consolidated 30 Jun 2016 Shares	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Ordinary shares - fully paid	253,030,869	251,791,826	272,008	267,348

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2016	251,791,826		267,348
Shares issued on acquisition of Fleet Hire Holdings Limited, UK (note 16)	4 August 2016	756,142	\$4.100	3,100
Shares issued on acquisition of Motiva Group Limited, UK (note 16)	30 November 2016	482,901	\$3.230	1,560
Balance	31 December 2016	253,030,869		272,008

Note 13. Dividends

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

	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
Final dividend for the year ended 30 June 2016 of 7.63 cents per ordinary share paid on 20 October 2016 (2015: 6.117 cents)	19,269	14,845

On 13 February 2017, the Directors declared a fully franked interim dividend for the year ending 30 June 2017 of 7.536 cents per ordinary shares, to be paid on 20 April 2017 to eligible shareholders on the register on 30 March 2017. This equates to a total estimated distribution of \$19,068,000, based on the number of ordinary shares on issue as at 31 December 2016.

Note 14. 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 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Derivative financial instruments - Interest rate swap contracts	-	2,747	-	2,747
Total liabilities	-	2,747	-	2,747

Consolidated - 30 Jun 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Derivative financial instruments - Interest rate swap contracts	-	3,889	-	3,889
Total liabilities	-	3,889	-	3,889

Note 14. Fair value measurement (continued)

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 are assumed to 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 quoted 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 15. 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, letters of credit and a cash lock up of \$24,639,000 have been issued to lease portfolio financiers as security for these obligations.

An amount of \$10,827,000 (30 June 2016: \$10,213,000) has been recognised as a residual value provision, 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 16. Business combinations

Fleet Hire Holdings Limited

On 4 August 2016, the Group acquired 100% of the ordinary shares of UK based Fleet Hire Holdings Limited and its subsidiaries ('Fleet Hire') for a total consideration of \$34,413,000. Fleet Hire is a business that offers contract hire, salary sacrifice, short-term rental and fleet management services. The goodwill of \$31,303,000 is attributable to the expected synergies and cross-selling opportunities that will arise from the acquisition, the future growth prospects of new products and initiatives together with the skills base and operating processes within the acquired entity.

In the five months to 31 December 2016, Fleet Hire contributed revenue of \$10,853,000 to the Group results. Had the acquisition occurred on 1 July 2016, management estimates that Fleet Hire would have contributed revenue of \$12,538,000 to the Group results. Due to the significant integration activities it is not practical to derive a meaningful profit contribution. The values identified in relation to the acquisition are provisional at 31 December 2016.

The fair value of 756,142 ordinary shares issued to settle part of the consideration was based on the listed share price of the Company at 4 August 2016 of \$4.10 per share.

Note 16. Business combinations (continued)

Motiva Group Limited

On 30 November 2016, the Group acquired 100% of the ordinary shares of UK based Motiva Group Limited and its subsidiaries ('Motiva') for a total consideration of \$23,929,000. Motiva is a business that offers contract hire, short-term rental and fleet management services. The goodwill of \$18,189,000 is attributable to the expected synergies and cross-selling opportunities that will arise from the acquisition, the future growth prospects of new products and initiatives together with the skills base and operating processes within the acquired entity.

In the month of December 2016, Motiva contributed revenue of \$2,318,000 and profit before tax of \$175,000 to the Group results, before acquisition related expenses. Had the acquisition occurred on 1 July 2016, management estimates that the Motiva would have contributed revenue of \$14,414,000 and profit before tax of \$620,000 to the Group results, before acquisition related expenses. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2016. The values identified in relation to the acquisition are provisional at 31 December 2016.

The fair value of 482,901 ordinary shares issued to settle part of the consideration was based on the listed share price of the Company at 30 November 2016 of \$3.23 per share.

Acquisition related expenses

The Group incurred acquisition related costs of \$2,396,000 on transaction advisory, legal fees and due diligence costs relating to the Fleet Hire and Motiva acquisitions. These costs have been included in other expenses in the Group's statement of profit or loss.

Note 16. Business combinations (continued)

Details of the acquisition are as follows:

	Fleet Hire	Motiva	Total
	Fair value \$'000	Fair value \$'000	Fair value \$'000
Cash and cash equivalents	1,822	5,179	7,001
Finance, trade and other receivables	6,814	2,639	9,453
Income tax refund due	29	-	29
Inventories	906	874	1,780
Prepayments	612	3,457	4,069
Lease motor vehicle assets	11,695	43,033	54,728
Property, plant and equipment	454	112	566
Intangible assets	7,753	4,613	12,366
Trade and other payables	(7,061)	(3,730)	(10,791)
Provision for income tax	-	(434)	(434)
Deferred tax liability	(1,260)	(1,422)	(2,682)
Residual risk provision	(312)	(152)	(464)
Lease portfolio borrowings	(11,630)	(40,875)	(52,505)
Deferred income	(6,712)	(7,554)	(14,266)
Net assets acquired	3,110	5,740	8,850
Goodwill	31,303	18,189	49,492
Acquisition-date fair value of the total consideration transferred	<u>34,413</u>	<u>23,929</u>	<u>58,342</u>
Representing:			
Cash paid or payable to vendor	31,313	22,369	53,682
SG Fleet Group Limited shares issued to vendor (note 12)	3,100	1,560	4,660
	<u>34,413</u>	<u>23,929</u>	<u>58,342</u>
Cash used to acquire business, net of cash acquired:			
Cash paid to vendor	31,313	22,369	53,682
Less: cash and cash equivalents	(1,822)	(5,179)	(7,001)
Net cash used	<u>29,491</u>	<u>17,190</u>	<u>46,681</u>

None of the goodwill recognised is expected to be deductible for income tax purpose. All trade receivables are expected to be collectable at the acquisition date.

Comparative period business combinations

On 30 November 2015, the Group acquired 100% of the ordinary shares of nlc Pty Limited and its subsidiaries ('nlc') for the total consideration transferred of \$211,335,000. nlc is a specialist manager and provider of novated lease, consumer vehicle finance and vehicle sourcing services.

Details of the consideration transferred are as follows:

	Fair value \$'000
Representing:	
Cash paid or payable to vendor	176,755
SG Fleet Group Limited shares issued to vendor	34,580
	<u>211,335</u>

Note 16. Business combinations (continued)

The fair value of 9,100,000 ordinary shares issued to settle part of the consideration was based on the listed share price of the Company at 30 November 2015 of \$3.80 per share.

At 30 June 2016 the acquisition accounting balances were finalised.

Note 17. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Profit after income tax attributable to the owners of SG Fleet Group Limited	26,594	19,670
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	252,492,229	244,274,435
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	3,990,141	2,988,021
Weighted average number of ordinary shares used in calculating diluted earnings per share	256,482,370	247,262,456
	Cents	Cents
Basic earnings per share	10.53	8.05
Diluted earnings per share	10.37	7.96

Note 18. Events after the reporting period

Apart from the dividend declared as disclosed in note 13, no other matter or circumstance has arisen since 31 December 2016 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 2016 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

13 February 2017
Sydney



Robbie Blau
Chief Executive Officer



Independent auditor's review report to the members of SG Fleet Group Limited

Report on the financial report

We have reviewed the accompanying interim financial report of SG Fleet Group Limited ('the Company'), which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 18 comprising of summary of significant accounting policies and other explanatory information and the director's declaration of the Group comprising the Company and the entities it controlled at half-year's end or from time to time during the interim period.

Responsibility 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 for 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 2016 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.

Independence

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



Conclusion

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:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Michael O Connell'.

Michael O Connell
Partner

Sydney
13 February 2017