SG Fleet Group Limited
Appendix 4D
Half-year report

SG Fleet Group

1. Company details

Name of entity:	SG Fleet Group Limited
ABN:	40 167 554 574
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments', AASB 15 'Revenue from Contracts with Customers' and AASB 16 'Leases' during the half-year ended 31 December 2018. AASB 9 and AASB 16 were adopted using the modified retrospective approach and as such comparatives have not been restated. However, AASB 15 was adopted using the full retrospective approach with comparatives being restated. Refer to note 2 and note 3 for further information.

				$'000
Revenues from ordinary activities	down	1.9%	to	248,672
Profit from ordinary activities after tax attributable to the owners of SG Fleet Group Limited	down	6.7%	to	29,382
Profit for the half-year attributable to the owners of SG Fleet Group Limited	down	6.7%	to	29,382

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018, declared on 13 August 2018. The final dividend was paid on 16 October 2018 to shareholders registered on 25 September 2018.	9.958	9.958
Interim dividend for the year ending 30 June 2019, declared on 18 February 2019. The interim dividend will be paid on 18 April 2019 to shareholders registered on 28 March 2019.	8.169	8.169

Comments
The profit for the Group after providing for income tax amounted to $29,382,000 (31 December 2017: $31,485,000).

For a Review of Operations for the half-year ended 31 December 2018, 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	(56.80)	(66.19)

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 2019 interim dividend.

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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.

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6. Attachments

Details of attachments (if any):

The Interim Report of SG Fleet Group Limited for the half-year ended 31 December 2018 is attached.

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7. Signed

Signed ____________________________ Date: 18 February 2019

Andrew Reitzer
Chairman
Sydney

SG Fleet Group Limited

ABN 40 167 554 574

Interim Report - 31 December 2018

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 2018.

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
Graham Maloney
Cheryl Bart AO
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 $29,382,000 (31 December 2017: $31,485,000).

For a Review of Operations for the half year ended 31 December 2018, 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

Robbie Blau
Chief Executive Officer

18 February 2019
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 of SG Fleet Group Limited for the half-year ended 31 December 2018 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

18 February 2019

SG Fleet Group Limited
Statement of profit or loss
For the half-year ended 31 December 2018

SG Fleet Group

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000 (Restated)*
Revenue	5	247,943	252,783
Interest revenue calculated using the effective interest method		729	692
Total revenue		248,672	253,475
Expenses			
Fleet management costs		(43,104)	(41,218)
End of lease cost of sale		(94,763)	(99,446)
Employee benefits expense		(37,432)	(39,021)
Occupancy costs		(1,309)	(3,049)
Depreciation, amortisation and impairment		(16,230)	(14,079)
Technology costs		(3,230)	(2,593)
Other expenses		(5,425)	(5,035)
Finance costs		(5,151)	(4,728)
Total expenses		(206,644)	(209,169)
Profit before income tax expense		42,028	44,306
Income tax expense		(12,646)	(12,821)
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited		29,382	31,485
		Cents	**Cents**
Basic earnings per share	18	11.33	12.31
Diluted earnings per share	18	11.32	12.30

*The Group has initially adopted AASB 9, AASB 15 and AASB 16 at 1 July 2018. Under the transition method chosen, comparative information has been restated for implementation of AASB 15. Refer to note 3 for detailed information.

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)*
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited	29,382	31,485
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation difference for foreign operations	635	536
Effective portion of changes in fair value of cash flow hedges, net of tax	(230)	128
Other comprehensive income for the half-year, net of tax	405	664
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited	29,787	32,149

*The Group has initially adopted AASB 9, AASB 15 and AASB 16 at 1 July 2018. Under the transition method chosen, comparative information has been restated for implementation of AASB 15. Refer to note 3 for detailed information

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000 (Restated)*
Assets			
Cash and cash equivalents	6	98,024	103,275
Finance, trade and other receivables		71,646	76,675
Inventories		13,129	9,413
Prepayments		10,034	9,698
Other financial assets		240	-
Leased motor vehicle assets	7	63,194	63,861
Property, plant and equipment		3,857	3,970
Intangibles	8	420,009	420,816
Right-of-use assets	9	9,270	-
Total assets		689,403	687,708
Liabilities			
Trade and other payables	10	115,675	139,155
Derivative financial instruments		441	1,419
Income tax		2,899	2,674
Deferred tax		4,615	4,814
Employee benefits		8,453	8,058
Residual risk provision		10,469	10,510
Lease portfolio borrowings	11	52,219	55,289
Borrowings	12	125,308	134,329
Vehicle maintenance funds		51,458	44,716
Lease liabilities - right-of-use assets	13	9,462	-
Contract liabilities		37,155	36,276
Total liabilities		418,154	437,240
Net assets		271,249	250,468
Equity			
Issued capital	14	290,592	273,999
Reserves		(118,532)	(119,125)
Retained profits		99,189	95,594
Total equity		271,249	250,468

*The Group has initially adopted AASB 9, AASB 15 and AASB 16 at 1 July 2018. Under the transition method chosen, comparative information has been restated for implementation of AASB 15. Refer to note 3 for detailed information

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2017	272,008	(120,382)	75,161	226,787
Adjustment for restatement of comparatives for AASB 15 (note 3)	-	-	(582)	(582)
Balance at 1 July 2017 - restated	272,008	(120,382)	74,579	226,205
Profit after income tax expense for the half-year	-	-	31,485	31,485
Other comprehensive income for the half-year, net of tax	-	664	-	664
Total comprehensive income for the half-year	-	664	31,485	32,149
Transactions with owners in their capacity as owners:				
Transfer on exercise of options	1,991	(1,991)	-	-
Share-based payments	-	396	-	396
Dividends paid (note 15)	-	-	(23,844)	(23,844)
Balance at 31 December 2017	273,999	(121,313)	82,220	234,906

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 (note 3)	-	-	(802)	(802)
Balance at 1 July 2018 - restated	273,999	(119,125)	95,594	250,468
Adjustment for adoption of AASB 9 and AASB 16 (note 2)	-	-	(194)	(194)
Balance at 1 July 2018 after adoption of new accounting standards	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
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 14)	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	290,592	(118,532)	99,189	271,249

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

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000 (Restated)*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		284,093	284,383
Payments to suppliers and employees (inclusive of GST)		(235,838)	(219,396)
Interest received		729	692
Interest and other finance costs paid		(6,287)	(5,070)
Income taxes paid		(12,463)	(15,722)
Net cash from operating activities		30,234	44,887
Cash flows from investing activities			
Payments for investments		(240)	-
Acquisition of lease portfolio assets	7	(17,135)	(15,690)
Proceeds from disposal of lease portfolio assets	7	11,089	8,997
Payments for property, plant and equipment		(949)	(594)
Proceeds from disposal of property, plant and equipment		70	32
Payments for intangibles	8	(3,254)	(2,626)
Net cash used in investing activities		(10,419)	(9,881)
Cash flows from financing activities			
Proceeds from borrowings		148,319	21,902
Repayment of borrowings		(161,686)	(40,126)
Repayment of lease liabilities - right-of-use assets	13	(2,438)	-
Dividends paid	15	(9,367)	(23,844)
Net cash used in financing activities		(25,172)	(42,068)
Net decrease in cash and cash equivalents		(5,357)	(7,062)
Cash and cash equivalents at the beginning of the financial half-year		103,275	83,923
Effects of exchange rate changes on cash and cash equivalents		106	69
Cash and cash equivalents at the end of the financial half-year		98,024	76,930

*The Group has initially adopted AASB 9, AASB 15 and AASB 16 at 1 July 2018. Under the transition method chosen, comparative information has been restated for implementation of AASB 15. Refer to note 3 for detailed information

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 18 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 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.

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.

Details of adoption of new Accounting Standards are provided below:

The Group has:

- adopted AASB 15 'Revenue from Contracts with Customers' using the full retrospective approach. The impact on the financial performance and position of the Group from the adoption of this Accounting Standard is detailed below and in note 3;
- adopted AASB 9 'Financial Instruments' using the modified retrospective approach and as such comparatives have not been restated. Refer below for further details; and
- early adopted AASB 16 'Leases' using the modified retrospective approach and as such comparatives have not been restated. Refer below for further details.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 15 Revenue from Contracts with Customers (full retrospective approach)

The Group has adopted AASB 15 retrospectively from 1 July 2017. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price.

Note 2. Significant accounting policies (continued)

Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The significant impact for the Group is the requirement to gross up the end of lease income as revenue and show the corresponding expense as end of lease cost of sale.

AASB 9 Financial Instruments (modified retrospective approach)
The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 16 'Leases' (early adopted using the modified retrospective approach)
The Group has early adopted AASB 16 from 1 July 2018. The standard replaced AASB 117 'Leases' and for lessees has eliminated the classifications of operating leases and finance leases. Subject to certain exceptions, a 'right-of-use' asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition has been replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard has not substantially changed how a lessor accounts for leases.

Impact of adoption
AASB 9 and AASB 16 were adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2018 was as follows:

	1 July 2018 $'000
Allowance for expected credit losses (AASB 9)	247
Tax effect on the above adjustment	(53)
Impact on opening retained profits as at 1 July 2018	194

Note 2. Significant accounting policies (continued)

On initial application of AASB 16, using the transitional rules available, the Group elected to record right-of-use assets based on the corresponding lease liability adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position before the date of initial application. Right-of-use assets of $11,078,000 and lease obligations of $11,217,000 were recorded as of 1 July 2018. The Group de-recognised opening balance of accrued lease provisions amounting to $139,000 which was provided under the previous accounting standards. As a result, there was no net impact on retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2018, being the weighted-average rate of 4.52% being applied.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Management and maintenance income

Fleet management income and management fees are brought to account over time on a straight-line basis over the term of the lease.

Maintenance income is recognised over time as the services are rendered based on fixed profit margins. Maintenance costs are expensed as and when incurred.

Additional products and services

Revenue from the sale of additional products and services is recognised when it is received or when the right to receive payment is established and the performance obligation has been satisfied. Specifically, upfront establishment fees are recognised over the term of the contract. Revenue related to the waiver of the lessee's wear and tear obligations is recognised at the point in time, being at the end of the lease term.

Funding commissions

Introductory commissions earned are recognised in profit or loss in full at a point in time, being in the month in which the finance is introduced to the relevant financier. Trailing commissions earned for the collection and distribution of ongoing customer rentals to the financier are recognised over time.

End of lease income

Income earned after the expiry of the lease is recognised when it is received or when the performance obligation has been satisfied and the right to receive payment is established. The gross selling price of the vehicle is recognised as End of Lease income and the cost price of the vehicle is recognised and End of Lease cost of sale.

Rental income

Rental income from operating leases is recognised in profit or loss over time, on a straight-line basis over the lease term.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Note 2. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Finance, trade and other receivables (from 1 July 2018)
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

For finance lease and contract purchase agreements see 'Leases – Group as lessor' accounting policy.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Leases (from 1 July 2018)
Group as a lessee
At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

Right-of-use assets
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from one to ten years. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities - right-of-use assets
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

Note 2. Significant accounting policies (continued)

Group as lessor
Amounts due from customers under finance leases and contract purchase agreements are recorded as receivables. Finance and contract purchase receivables are initially recognised at an amount equal to the present value of the minimum instalment payment receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the contract term. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the contracts.

Group as lessor - leased motor vehicles assets
Full maintenance lease assets are stated at historical cost less accumulated depreciation. The cost of full maintenance lease assets includes the purchase cost including non-refundable purchase taxes and other expenditure that is directly attributable to the acquisition of the assets to bring the assets held-for-use in the lease asset portfolio to working condition for the intended use.

The depreciable amount of the asset is depreciated over its estimated useful life of seven years on a straight-line basis.

Lease rentals receivable and payable on operating leases are recognised in profit or loss in periodic amounts over the effective lease term on a straight line basis.

Contract liabilities (from 1 July 2017)
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 3. Restatement of comparatives

Change in accounting policy
AASB 15 'Revenue from Contracts with Customers
As detailed in note 2, the Group has adopted AASB 15 by adopting the full retrospective approach with effect from 1 July 2017. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has been restated.

The impact of adoption of AASB 15 on various revenue streams are as follows:
- Management and maintenance income: No significant impact;
- Additional products and services: There is no significant impact on the majority of this revenue stream. However: (i) upfront establishment fees previously recognised as revenue when lease contracts were executed, has been recognised at the performance obligation being over the term of the contract; and (ii) revenue related to the waiver of the lessee’s wear and tear obligations previously recognised over the term of the contract, has been recognised at the performance obligation, being at the end of the lease term.

  Impact of change is as follows:
  - The opening retained earnings as at 1 July 2017 decreased by $582,000 as a result of the recognition of contract liabilities of $832,000 and a decrease in deferred tax liability of $250,000;
  - The opening retained earnings as at 1 July 2018 decreased by $802,000 as a result of the recognition of contract liabilities of $1,146,000 and a decrease in deferred tax liability of $344,000; and
  - The net operating results for the half-year ended 31 December 2017 reduced by $104,000 due to a decrease in revenue by $149,000 and a decrease in income tax expense of $45,000.

- Funding commissions: No significant impact;
- End of lease income: The Group is required to gross up the end of lease income as revenue and show the corresponding expense for the related end of lease cost of sale. There is no overall impact on profit or loss nor retained earnings. However, the end of lease income for the half-year period ended 31 December 2017 has increased by $99,446,000 with a corresponding increase in end of lease cost of sale;
- Rental income: No significant impact; and
- Other income: No significant impact.

In addition to the above, interest revenue of $692,000 for the half-year ended 31 December 2017 is now shown separately on the face of profit or loss.

Note 3. Restatement of comparatives (continued)

Reclassification
30 June 2018 comparatives in the statement of financial position have been realigned to the current period presentation. As a result, prepayments have reduced by $2,400,000 with a corresponding impact on contract liabilities.

The impact of adoption of AASB 15 is summarised below:

Statement of profit or loss and other comprehensive income

		Consolidated	
Extract	**31 Dec 2017 $'000 Reported**	**$'000 Adjustment**	**31 Dec 2017 $'000 Restated**
Revenue	154,178	98,605	252,783
Interest revenue calculated using the effective interest method	-	692	692
Expenses			
End of lease cost of sale	-	(99,446)	(99,446)
Profit before income tax expense	44,455	(149)	44,306
Income tax expense	(12,866)	45	(12,821)
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited	31,589	(104)	31,485
Other comprehensive income for the half-year, net of tax	664	-	664
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited	32,253	(104)	32,149

	Cents Reported	**Cents Adjustment**	**Cents Restated**
Basic earnings per share	12.35	(0.04)	12.31
Diluted earnings per share	12.34	(0.04)	12.30

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

Extract	30 Jun 2018 $'000 Reported	Consolidated $'000 Adjustment	30 Jun 2018 $'000 Restated
Assets			
Prepayments	12,098	(2,400)	9,698
Total assets	690,108	(2,400)	687,708
Liabilities			
Deferred tax	5,158	(344)	4,814
Contract liabilities	37,530	(1,254)	36,276
Total liabilities	438,838	(1,598)	437,240
Net assets	251,270	(802)	250,468
Equity			
Retained profits	96,396	(802)	95,594
Total equity	251,270	(802)	250,468

Statement of cash flows:
In accordance with above, comparatives in the statement of cash flows have been restated to reflect changes to 'End of lease revenue' and 'End of lease costs'. Accordingly, receipts from customers have increased by $109,391,000 with corresponding increase in payments to suppliers and employees. There is no change to net cash from operating activities.

Note 4. 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.

SG Fleet Group

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2018	Australia $'000	New Zealand $'000	United Kingdom $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	188,417	6,983	52,543	-	247,943
Interest income	721	4	4	-	729
Total revenue	189,138	6,987	52,547	-	248,672
EBITDA	51,632	2,087	10,236	(546)	63,409
Depreciation and amortisation	(7,763)	(1,567)	(6,900)	-	(16,230)
Finance costs	(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
Assets					
Segment assets	538,968	19,022	131,413	-	689,403
Total assets					689,403
Liabilities					
Segment liabilities	309,538	14,839	93,777	-	418,154
Total liabilities					418,154

Consolidated - 31 Dec 2017	Australia $'000	New Zealand $'000	United Kingdom $'000	Corporate $'000	Total $'000 **(Restated)***
Revenue					
Sales to external customers	200,441	5,580	46,762	-	252,783
Interest income	688	1	3	-	692
Total revenue	201,129	5,581	46,765	-	253,475
EBITDA	51,593	1,831	10,195	(506)	63,113
Depreciation and amortisation	(5,221)	(1,260)	(7,598)	-	(14,079)
Finance costs	(3,248)	(191)	(1,289)	-	(4,728)
Profit/(loss) before income tax expense	43,124	380	1,308	(506)	44,306
Income tax expense					(12,821)
Profit after income tax expense					31,485
Consolidated - 30 Jun 2018					
Assets					
Segment assets	536,012	19,782	131,914	-	687,708
Total assets					687,708
Liabilities					
Segment liabilities	325,605	15,949	95,686	-	437,240
Total liabilities					437,240

SG Fleet Group

Note 5. Revenue

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)*
Revenue from contracts with customers		
Management and maintenance income	46,217	46,615
Additional products and services	50,480	50,082
Funding commissions	25,057	27,243
End of lease income	103,827	105,606
Other income	1,152	1,370
	226,733	230,916
Other revenue		
Rental income	21,210	21,867
Revenue	247,943	252,783

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)*
Timing of revenue recognition		
Revenue transferred at a point in time - upfront	47,886	49,028
Revenue transferred over time	71,890	72,026
Revenue transferred at a point in time - end of life	106,957	109,862
	226,733	230,916

Refer note 4 operating segments for revenue from external customers by geographic regions.

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Cash at bank	66,215	72,475
Secured deposits	31,809	30,800
	98,024	103,275

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 2018 $'000	Consolidated 30 Jun 2018 $'000
Lease portfolio assets - at cost	95,275	94,559
Less: Accumulated depreciation	(31,622)	(30,134)
Less: Impairment	(459)	(564)
	63,194	63,861

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 2018	63,861
Additions	17,135
Disposals	(11,089)
Revaluation increments	113
Exchange differences	1,152
Depreciation expense	(7,978)
Balance at 31 December 2018	63,194

Note 8. Intangibles

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Goodwill - at cost	356,804	356,096
Brand name - at cost	7,800	7,800
Less: Accumulated amortisation	(2,405)	(2,015)
	5,395	5,785
Customer contracts - at cost	59,708	59,509
Less: Accumulated amortisation	(17,853)	(14,919)
	41,855	44,590
Software - at cost	24,780	21,517
Less: Accumulated amortisation	(8,825)	(7,172)
	15,955	14,345
	420,009	420,816

Note 8. Intangibles (continued)

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	Brand name $'000	Customer contracts $'000	Software $'000	Total $'000
Balance at 1 July 2018	356,096	5,785	44,590	14,345	420,816
Additions	-	-	-	3,254	3,254
Exchange differences	708	-	157	4	869
Amortisation expense	-	(390)	(2,892)	(1,648)	(4,930)
Balance at 31 December 2018	356,804	5,395	41,855	15,955	420,009

Note 9. Right-of-use assets

	Consolidated 31 Dec 2018 $'000
Right-of-use assets - at cost	11,593
Less: Accumulated amortisation	(2,323)
	9,270

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

	Office premises $'000	Motor vehicles $'000	Others $'000	Total $'000
Adoption of AASB 16 on 1 July 2018	9,928	771	379	11,078
Additions	-	489	-	489
Disposals	-	(3)	-	(3)
Exchange differences	20	3	-	23
Depreciation expense	(1,901)	(345)	(71)	(2,317)
Balance at 31 December 2018	8,047	915	308	9,270

Note 10. Trade and other payables

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Trade payables	108,408	129,079
Accrued expenses	7,267	10,076
	115,675	139,155

Trade payables include residual values payable to financiers, which are secured by the underlying operating lease asset, cash lock-up of $25,999,000 (30 June 2018: $25,317,000) and bank guarantees.

Note 11. Lease portfolio borrowings

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Lease portfolio borrowings	52,219	55,289

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 2018 $'000	30 Jun 2018 $'000
Bank loans	125,308	134,329

Assets pledged as security

Corporate borrowings
The Group renegotiated the corporate borrowings in December 2018. 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. The previous facility balance was fully repaid during the current half-year.

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Total facilities		
Corporate borrowings	168,824	181,582
Lease portfolio borrowings (note 11)	120,375	120,960
	289,199	302,542
Used at the reporting date		
Corporate borrowings	131,562	151,867
Lease portfolio borrowings (note 11)	52,219	55,289
	183,781	207,156
Unused at the reporting date		
Corporate borrowings	37,262	29,715
Lease portfolio borrowings (note 11)	68,156	65,671
	105,418	95,386

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Lease liabilities - right-of-use assets	9,462	-

Reconciliation

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

	Consolidated 31 Dec 2018 $'000
Adoption of AASB 16 on 1 July 2018	11,217
Additions	489
Interest and other adjustments	171
Repayment of lease liabilities	(2,438)
Exchange differences	23
Balance at 31 December 2018	9,462

Note 14. Issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares - fully paid	261,896,269	257,358,146	290,592	273,999

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	257,358,146		273,999
Shares issued on vesting of performance rights	14 August 2018	128,235		-
Shares issued under dividend reinvestment plan	16 October 2018	4,409,888	$3.690	16,273
Transfer from share-based payment reserve on exercise of options/rights		-		320
Balance	31 December 2018	261,896,269		290,592

Note 15. Dividends

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018 of 9.958 cents per ordinary share paid on 16 October 2018 (31 December 2017: 9.265 cents)	25,640	23,844

On 18 February 2019, the Directors declared a fully franked interim dividend for the year ending 30 June 2019 of 8.169 cents per ordinary shares, to be paid on 18 April 2019 to eligible shareholders on the register as at 28 March 2019. This equates to a total estimated distribution of $21,394,000, based on the number of ordinary shares on issue as at 31 December 2018.

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 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative financial instruments - Interest rate swap contracts	-	441	-	441
Total liabilities	-	441	-	441

Consolidated - 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative financial instruments - Interest rate swap contracts	-	1,419	-	1,419
Total liabilities	-	1,419	-	1,419

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 $10,469,000 (30 June 2018: $10,510,000) has been recognised as a residual value provision and an amount of $459,000 (30 June 2018: $564,000) 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 2018 $'000	31 Dec 2017 $'000 (Restated)*
Profit after income tax attributable to the owners of SG Fleet Group Limited	29,382	31,485
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	259,301,158	255,685,555
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	100,109
Performance rights over ordinary shares	342,794	260,969
Weighted average number of ordinary shares used in calculating diluted earnings per share	259,643,952	256,046,633
	Cents	Cents
Basic earnings per share	11.33	12.31
Diluted earnings per share	11.32	12.30

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 2018 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 2018 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	Robbie Blau
Chairman	Chief Executive Officer

18 February 2019
Sydney

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 2018 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 2018
- 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
- 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 2018.

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 2018 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

KPMG

Michael O Connell
Partner

Sydney
18 February 2019