

25 September 2020

ASX Market Announcements
Australian Securities Exchange
Level 14, Exchange Centre
20 Bridge Street
Sydney NSW 2000

2020 Annual Report, Notice of Annual General Meeting and Proxy Form

In accordance with the Listing Rules, SG Fleet Group Limited (ASX: SGF) advises that the 2020 Annual Report, Notice of Annual General Meeting and Proxy Form will be sent to shareholders today. Copies of the documents to be mailed are attached.

The Annual General Meeting will be held on Tuesday, 27 October 2020 at the SCG Meeting Room, SG Fleet Group Limited, Level 2, Building 3, 20 Bridge Street, Pymble, NSW, commencing at 3.00pm AEDT.

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SG Fleet Group Limited

ABN 40 167 554 574
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SG Fleet Group

Integrated Mobility



2020

Annual Report

SG Fleet Group Limited
ABN 40 167 554 574



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SG Fleet Group Limited is a leading provider of integrated mobility solutions, including fleet management, vehicle leasing and salary packaging services.

SG Fleet has a presence across Australia, as well as in the United Kingdom and New Zealand.

The company employs approximately 700 staff and has over 143,000 vehicles under management. SG Fleet listed on the Australian Securities Exchange in March 2014.

The company has a unique position in the marketplace, built on the experience and product expertise of its team.

SG Fleet prides itself on the strength of its relationships with blue chip corporate and government customers. These long-term relationships have been built around a customer-centric approach to service delivery and the development of bespoke but scalable solutions to meet the needs of each customer.

An innovative mindset is core to everything SG Fleet does.

The company actively contributes to the global discussion about the future of transport and is shaping the new mobility landscape in cooperation with all levels of government, as well as leading corporates. SG Fleet continuously evolves its highly advanced fleet management capabilities and flexible mobility solutions, and selectively invests in new technologies and business models that are changing the way we move. During the 2020 financial year, these investments included a strategic stake in Collaborate, which offers the Carly car subscription service.



SG Fleet's approach to long-term value creation for all of its stakeholders is driven by the principle that social, environmental and ethical behaviours must be integrated into daily business practices.

Our purpose is to make a positive contribution to the wellbeing of employees, customers, shareholders and the wider communities in which we operate by providing transport and mobility solutions in a socially, environmentally and ethically responsible manner. These services aim to optimise the efficiency and safety of transport and, in doing so, manage its impact on the environment and the community.

Environment

In addition to helping our customers reduce the impact of their transport activities on the environment, we also ensure our own day-to-day operations minimise resource consumption, waste and emissions. SG Fleet's Environmental Impact and Performance Policy sets a CO₂ emission minimisation target by reducing travel and the use of consumables such as paper, and by promoting the introduction of energy-efficient lighting and other electrically powered devices. We are also proactively increasing the proportion of low or zero-emission vehicles in our own fleet.

Our people

We pride ourselves on the diversity of our workforce. SG Fleet's people are its greatest strength and we continuously look to improve job satisfaction and foster professional development. In addition to regular internal online training modules, we offer our people opportunities to further their expertise externally through various education initiatives. We also look to provide flexible work arrangements wherever appropriate. Importantly, SG Fleet's efforts to advance the representation of women in leadership positions and at Board level are enshrined in our Corporate Governance Statement.

Our customers

The quality of our products and our service has always been a key differentiator for SG Fleet. We understand we must go above and beyond for our customers and we always look for opportunities to improve how we add value. Innovation plays a key role in this effort. We continuously explore new approaches to product development and service delivery and lead our industry with cutting-edge transport and mobility applications.



Community

SG Fleet considers its ability to operate successfully as a privilege, obtained by creating value for our customers and shareholders, and by making a positive impact in the wider community. Our multi-faceted philanthropic and giving programme is supported by frequent volunteering initiatives from our people. We are a significant local employer and, as a customer of many businesses, we have established a policy that favours local sourcing. In Australia, SG Fleet is a proud member of Supply Nation, which aims to promote and support procurement through indigenous organisations and create a more inclusive economy.



Our business partners

At SG Fleet, we have always believed in the power of partnerships. We offer our customers our unique expertise and services just as we rely on the specific skill sets of our business partners. We share with them the desire to operate in a responsible and ethical fashion. It is for this reason that we request, and commit ourselves to applicable principles of conduct, such as fair sourcing, as well as strict adherence to various human rights policies.

Our principles of conduct

As an organisation, we assume responsibility for our actions, together and as individuals. SG Fleet adheres to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (3rd Edition). In addition to our general Code of Conduct, we have established policies across a range of areas, such as modern slavery, anti-bribery and corruption, and whistleblowing. We are also voluntarily adopting ISO standards relating to information security, procurement and process improvement. To further support our efforts in these areas, our people receive regular online training to ensure they are aware of and compliant with all policies and standards in place, including those governing discrimination, privacy and cybersecurity.



Visit the [Governance](#) section of our [Investor Centre](#) to read our [Corporate Governance Statement](#).

Chairman's report



Dear Shareholder

I have the pleasure of presenting you with the SG Fleet Group Limited Annual Report for the year ended 30 June 2020.

The majority of the 2020 financial year saw your Company make good progress on a number of fronts. However, this reporting period is of course dominated by the impact of events that continue to play out as I present this report. COVID-19 has impacted all of our lives in numerous ways, including by creating an exceptionally challenging environment for businesses across the globe. A number of your Company's revenue streams were significantly affected by the pandemic in the fourth quarter of the financial year. As we are currently unsure how long this impact will last, we have taken the precaution of temporarily reducing our full year dividend pay-out ratio by five percent. Accordingly, your Board has declared a fully franked final dividend of 3.053 cents per share. In combination with the first half amount, this brings the total dividend for the 2020 financial year to 9.996 cents per share.

The 2020 financial year has been a period where service and value-add have come to the fore more than ever, and particularly after the emergence of the COVID-19 crisis. Our first priority at the time was of course to ensure the wellbeing of our staff and our customers, as well as maintain service delivery at the highest standards. To achieve this, your Company quickly implemented a number of initiatives to minimise any disruption to business operations, including the setting up of remote working facilities for our people. To help manage the financial impact of the crisis, the Directors of the Board, senior executives and staff across the Group also voluntarily reduced their remuneration.

The 2020 financial year has been a period where service and value-add have come to the fore more than ever, and particularly after the emergence of the COVID-19 crisis.

It was heartening to see how our staff pulled together to be there for our customers at such a crucial time. Without missing a beat, we were there to make sure that our customers could focus on what was most important for their business. The Company launched a campaign aimed at addressing their most pressing challenges and our customers responded very positively to our offer of help. It is this sort of commitment that builds long-term loyalty and we have undoubtedly strengthened our position and our longer-term outlook in the process.

But the 2020 financial year was not all about the pandemic crisis and it is important to recognise the many achievements of the businesses in the reported period.

During the year, we had several important new product launches. We are constantly increasing the number of potential product touchpoints by growing our offering, be it through evolution of existing products, creation of new products through our in-house innovation capability, or by investing in leading ventures in their respective markets, such as DingGo and Collaborate. In fact, we are working towards providing a convenient and on-demand service to cater for whatever specific mobility requirement our customers may have at any given point in time. Evidence that we are meeting real needs with real value-add is demonstrated by the fact that the majority of our large customers now take up three or more of our products and this number continues to increase as we bring more solutions to market.

We are working towards providing a convenient and on-demand service to cater for whatever specific mobility requirement our customers may have at any given point in time.

Product and service quality are at the core of building lasting relationships with customers and attracting new business. Your Company has the unique ability to tailor services to the customer's specific needs, bespoke solutions that cannot be sourced elsewhere. We then continue to introduce new products as we innovate, creating more value at every step. It is therefore not surprising to see that amongst our largest customers, the average length of relationship is 13 years. In summary, the combination of a quality, growing customer base with a diversifying and increasingly penetrating offering has established a secure growth path for your Company.

Firstly, I thank the team at SG Fleet for the way they have stood up to the task of managing the many challenges faced. I would also like to acknowledge the important contributions of the Directors of the Board in supporting the Company's efforts. My thanks go to our majority shareholder, Super Group, for their endorsement of our strategic ambitions. Most importantly, I thank you, our Shareholders, for your continued support as we look forward to a better year ahead.

Andrew Reitzer

Chairman
17 August 2020
Sydney

Chief Executive Officer's report



Dear Shareholder

I am pleased to report on the financial performance of SG Fleet Group Limited for the year ended 30 June 2020.

My review of this financial year will refer for comparison to the financial figures for the year ended 30 June 2019. Detailed financial data can be found in the full annual report.

A year of unprecedented challenges

The 2020 financial year has undoubtedly been one of the most challenging periods the Company has ever faced. We started the year managing the impact of a number of pressures, including from the financial services environment and poor motor vehicle sales. Then, in March of this year, the COVID-19 pandemic made itself felt in all of the countries in which we operate. In order to provide you with an accurate account of our performance over the full year and explain the impact of the pandemic, I will review our individual businesses over two periods: July 2019 to March 2020, and then April to June 2020, when COVID-19 had its biggest impact.

The 2020 financial year has undoubtedly been one of the most challenging periods the Company has ever faced.

At a Group level, total revenue for the full financial year was \$452.9 million, a decline of 11.1% relative to the 2019 financial year. While in the first half, we saw some growth in revenue, this was reversed in the final quarter, when the COVID-19 impact resulted in significantly reduced revenues. Despite this disruption, we were able to grow our total fleet size by 2.4% over the previous financial year. Net profit after tax, of \$36.8 million, compared to \$60.5 million in the 2019 financial year, reflected the impact of COVID-19 on deliveries and end of lease disposals, as well as the changes to our add-on insurance portfolio, flagged at the start of the year.

Management and maintenance income, at \$86.8 million, reflected the reduction in the average funded fleet and the number of fully-maintained vehicles. In line with the planned changes to the insurance product portfolio and lower deliveries in the fourth quarter, additional products and services revenue declined by 17.0% to \$88.9 million. Funding commissions totalled \$39.6 million, compared to \$50.6 million in the previous financial year. This decline

reflects the soft vehicle sales in Australia, as well as the increase in extensions and decline in funded deliveries and margins during the pandemic period. While end of lease income was resilient earlier in the year, COVID-19 also impacted that revenue line by disrupting deliveries and disposal processes. Total net end of lease income was \$14.1 million, versus \$17.6 million in the 2019 financial year. Net Rental income declined by 4.5% to \$10.1 million as a result of lower short-term rental volumes in the UK market.

Opportunities abound for Corporate business while poor sentiment affects Consumer operations

In the first nine months of the financial year, the Corporate business continued to see a strong pipeline of opportunities from both existing outsourcers and from companies and organisations that still manage their fleets internally. We see this as strong evidence of a continued structural shift towards outsourced fleets, accelerated by the increasingly complex and high-tech nature of fleet management. Once again, we signed a number of major contracts that were renewed without going to tender, a strong endorsement of our product and service quality and evidence of the stickiness of our customer base. Wins achieved during the period were across a wide range of industries and segments, including large corporate, educational institutions and local government.

Once again, we signed a number of major contracts that were renewed without going to tender, a strong endorsement of our product and service quality and evidence of the stickiness of our customer base.

Negative consumer sentiment drove further weakness in private new car sales, resulting in lower novated deliveries for our Consumer business. Slow credit decisioning by banks continued to affect our ability to close deals and in addition, we witnessed elevated credit rejection levels. The business was also not immune to the insurance product margin pressure experienced across the industry. We exited some smaller add-on insurance products and introduced new annuity style products. The signing up of customers was a clear positive during the period, with a significant number of very sizeable wins in the private sector, where we traditionally dominate, but also increasingly in government. While driver conversion remained challenging, we take some comfort from the fact that our existing drivers are highly complimentary of the services we provide.

Chief Executive Officer's report continued

Certainty returns to the UK while New Zealand registers marquee wins

The UK experienced an eventful first six months of the financial year and the initial uncertainty surrounding the elections continued to flatten confidence. After the elections, we saw some settling of the economy and business felt more positive, with a significant level of new opportunities emerging. Fully maintained contract hire wins were achieved for sizeable fleets in a number of industries and significant orders for vehicles were received from some of our largest customers. In terms of penetration within existing customers, cross-selling of our UK telematics solution was very strong. The love affair with hybrid and electric vehicles continued in the UK. Our business received the Innovation in Green Travel Award for the eStart product, so SG Fleet is very much seen as a key player in this space.

Business confidence in New Zealand was somewhat muted at the start of the period but that did not stop companies from issuing numerous tenders. We pursued these opportunities selectively to avoid excessive price competition where possible. Late in the first half, our local business won the largest tender in the market in 2019 and one of the largest fleets in the country, energy company Northpower. The contract successfully went live in the third quarter and will provide us with further growth opportunities in the future. The Northpower win really made an impression on our industry there, and we saw several new opportunities on the back of this. In summary, the New Zealand business continued to punch well above its weight.

COVID-19 fundamentally changes environment

In March, concern about the emergence of COVID-19 escalated quickly and by the end of that month, lockdowns were enforced in all of our geographies. We immediately activated our business continuity plan and, thanks to this rapid response, we were able to maintain service levels throughout. While we took all necessary precautions and adopted a very careful approach to costs, sourcing, expenditure and workload management, we did not face cashflow pressure at any stage. Obviously, the fact that the majority of our net revenue is earned over the life of the asset contributed greatly to that.

Not surprisingly given the uncertain economic environment, lease extensions increased significantly, by 31%. This was driven by corporate and novated customers opting not to enter into a new lease as yet, our own efforts to properly manage the volume of returning vehicles in a difficult residual value environment, as well as our restricted ability to deliver new vehicles. Our in-house online disposal set-up avoided the main issues associated with using external auction houses, which stopped operating for some time. In the early days of the fourth quarter, disposals in Australia continued at a lower frequency and for a reduced number of vehicles. In New Zealand and the UK, disposals were

temporarily halted altogether. In response, we employed some innovative methods to make good use of returned vehicles, for example by offering them packaged as mini-leases. Overall, disposal volumes were down by about 35% for the full fourth quarter period, but by June, volumes were actually up slightly on the same month last year. Inevitably, average disposal profits were significantly lower for the quarter, but again, there was an improving trend as the quarter progressed.

We employed some innovative methods to make good use of returned vehicles, for example by offering them packaged as mini-leases.

Corporate businesses weather the storm, but Consumer inevitably impacted

The fourth quarter has been a real revelation for our Corporate business in terms of the appreciation shown by our customers for the value we add for them. While the COVID-19 crisis dominated headlines, activity in this business was largely maintained, helped by our exposure to sectors that continued to operate as normal, such as government, utilities and transport. The opportunities pipeline remained very healthy, and we again won a significant share of new business. We also started our 'We are here to help' campaign, which sought to assist organisations during the COVID-19 crisis, particularly in terms of cashflow management. We offered re-financing, sale and leasebacks, shorter-term leases, fleet optimisation tools and of course, for those who had not outsourced, the option to outsource the management of their vehicles to us. Overall, funded tool-of-trade deliveries, including extensions, during the fourth quarter were up 9.2% over the previous corresponding period.

The fourth quarter has been a real revelation for our Corporate business in terms of the appreciation shown by our customers for the value we add for them.

Not surprisingly, the experience in our novated business was different altogether. Enquiry levels started to slow by mid-March and this decline accelerated once the country went into lockdown. Signs of recovery were seen during May, when enquiry numbers doubled on the previous month, albeit off a low base. Consumer confidence remained patchy depending on which sector people were employed in, with some unfortunately losing their employment. We were impacted primarily via our exposure to the airline industry, and the requirement for some employers to stand down a large part of their workforce or place them on leave without pay. Our immediate focus in March was to support those customers in hardship and we worked with our funding partners to arrange alternatives or payment holidays where possible. While driver interest was impacted by the

COVID-19 environment, companies continued to tender their business. The new business pipeline was healthy, and our win rate was very strong. Overall, fourth quarter novated deliveries, including extensions, were down 33.6% on the previous corresponding period. This decline was also the result of an inability to deliver stock at times during the period.

The effect of the COVID-19 pandemic started to manifest itself in the UK by mid-March and a lockdown was announced later that month. Our business moved to a full work-from-home environment and again, our immediate focus was on helping our customers, while ensuring the safety of our staff. As was the case in Australia, we were seeing and encouraging more extensions as disposals had to be temporarily halted because of the lockdown. By April, second-hand vehicle sales had come to a standstill. Volume and prices started to recover in early June and by the end of that month, we were seeing a particularly strong used vehicle market. New opportunities continued to materialise and we took full advantage, effectively winning our largest ever fleet management contract during this lockdown period. We also received a large vehicle order from a leading European parcel carrier, reflecting the surge in online shopping. The business closed the half year period with its strongest order bank since January 2019.

In New Zealand, the lockdown came in the last week of March and new registrations virtually came to a halt by mid-April. Our business continuity plan was activated, and we temporarily halted disposals. Despite all the turmoil, our activity levels remained very stable, helped by our strong presence in the public sector, which was less affected by the lockdown. Tender activity remained very strong throughout the period.

Many positives build strength for the future

At the start of the year, we restructured our insurance product portfolio and started the process of introducing a greater degree of on-balance sheet funding. These initiatives will put us in a much stronger position for the future and will reduce our sensitivity to external factors and create a more stable revenue profile. Across the Group, we made further progress in terms of tender win rates and product penetration, helped by the continued diversification of our products and services offering. We again stepped up the rate of new tech-driven product launches during the period and our investments in the DingGo repairer portal and the Carly vehicle subscription offerings both delivered record performances towards the end of the period.

Across the Group, we made further progress in terms of tender win rates and product penetration, helped by the continued diversification of our products and services offering.

When COVID-19 struck, we responded positively to the increased demand for assistance from existing and new customers. This environment again confirmed the benefit of being a leader in both the corporate and consumer space. The good showing of our Corporate business stabilised our overall performance and kept us on a strong footing throughout the events of this year. It is strong evidence of the resilience of the Company and its business model.

This environment again confirmed the benefit of being a leader in both the corporate and consumer space.

I believe that being present for our customers and being able to help and demonstrate value-add in a challenging environment has further enhanced our standing in all of our markets. Our objective remains to build sustainable growth on what is a very strong customer base by maintaining our above-market share win rates and by achieving greater penetration for a widening high value-add products and services range. The base has now been reset and we see a very positive long-term scenario for the Company.

I give my appreciation and sincere thanks to my Executive team and indeed all of my colleagues across the Group. Once again, we have responded strongly as a team to what have been unprecedented challenges. I thank you, our Shareholders, for your continued support as we look forward to a brighter, stronger future for your Company.



Robbie Blau
Chief Executive Officer
17 August 2020
Sydney

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Directors' report

30 June 2020

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 year ended 30 June 2020.

Directors

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

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

Details of the Directors are set out in the section 'Information on Directors' below.

Principal activities

During the financial 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.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Final dividend for the year ended 30 June 2019 of 9.520 cents per ordinary share paid on 10 October 2019 (2019: 9.958 cents)	24,958	25,640
Interim dividend for the year ended 30 June 2020 of 6.943 cents per share paid on 16 April 2020 (2019: 8.169 cents)	18,201	21,395
	43,159	47,035

On 17 August 2020, the Directors declared a fully franked final dividend for the year ended 30 June 2020 of 3.053 cents per ordinary share, to be paid on 6 October 2020 to eligible shareholders on the register as at 15 September 2020. This equates to a total estimated distribution of \$8,004,000, based on the number of ordinary shares on issue as at 30 June 2020. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2020 financial statements and will be recognised in subsequent financial reports.

Review of operations

The profit for the Group after providing for income tax amounted to \$36,735,000 (30 June 2019: \$60,462,000).

The fleet size of the Group as at 30 June 2020 was 143,278 (30 June 2019: 139,945).

Refer to Chairman's report and Chief Executive Officer's report for further commentary on the review of operations.

Directors' report

30 June 2020

Significant changes in the state of affairs

Except for the impact of COVID-19, as detailed in Chairman's report and Chief Executive Officer's report, there were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing. The pandemic and associated restrictions had the following adverse impact on the Group up to 30 June 2020:

- a reduction in the demand for new leased vehicles;
- growth in the number of extensions of existing leased vehicles;
- a reduction in the number of auctions held for the disposal of end of lease vehicles;
- a reduction in demand for short-term hire vehicles;
- the requirement to increase the levels of the residual value and inventory impairment provisions; and
- the requirement to increase the level of the expected credit loss provision.

The Group is not entitled to the Australian Government's JobKeeper wage subsidy program based on current regulations. The Group will continue to engage with the ATO and Treasury to establish whether discretion can be applied in order to accommodate the Group in the program. The Group received a \$223,000 grant from the UK Government in relation to furloughed employees.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. As such, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations are contained in the Chairman's report and Chief Executive Officer's report.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Andrew Reitzer

Independent Non-Executive Director and Chairman

Qualifications:

Bachelor of Commerce and a Master of Business Leadership from the University of South Africa

Experience and expertise:

Andrew has over 40 years of global experience in both the retail and wholesale industry. He has served as the Chief Executive Officer ('CEO') of Metcash Limited between 1998 and 2013. Prior to his appointment as CEO of Metcash, Andrew held various management roles at Metro Cash & Carry Limited and was appointed to lead the establishment of Metro's operations in Israel and Russia and served as the Group Operations Director.

Other current directorships:

Non-executive Chairman of Amaysim Australia Limited (ASX: AYS) and Non-executive Chairman of Webcentral Group Limited (previously ARQ Group Limited) (ASX: WCG).

Former directorships (last 3 years):

None

Special responsibilities:

Chairman of the Nomination and Remuneration Committee and Chairman of the Innovation and Technology Committee

Interests in shares:

83,269 ordinary shares in the Company

Robert (Robbie) Blau

Executive Director and Chief Executive Officer ('CEO')

Qualifications:

Bachelor of Commerce (Accounting and Law), Bachelor of Laws (Cum Laude) from the University of the Witwatersrand, Higher Diploma in Tax Law from Johannesburg University

Experience and expertise:

Robbie was appointed CEO of SG Fleet in July 2006 and has significant experience in the fleet management and leasing industry. Robbie has overall responsibility for the strategic development of the Group and manages its relationships with financial services partners. Previously, Robbie was Managing Director of Nucleus Corporate Finance in South Africa, which he founded in 1999. During his time at Nucleus Corporate Finance, Robbie advised South African listed entity Super Group Limited on corporate advisory and strategic projects. He also spent a year working with the Operations Director of South African Breweries Limited and practised as a commercial attorney for five years at Werksmans Attorneys in South Africa.

Other current directorships:

Collaborate Corporation Ltd (ASX: CL8)

Former directorships (last 3 years):

None

Special responsibilities:

Member of the Innovation and Technology Committee

Interests in shares:

6,910,184 ordinary shares in the Company

Interests in options:

None

Interests in rights:

None

Cheryl Bart AO

Independent Non-Executive Director

Qualifications:

Bachelor of Commerce and Bachelor of Laws from the University of New South Wales, Fellow of the Australian Institute of Company Directors

Experience and expertise:

Cheryl is a qualified lawyer and company director with experience across industries including financial services, utilities, energy, television and film. Cheryl previously worked as a lawyer specialising in Banking and Finance at Mallesons Stephen Jaques (now King & Wood Mallesons). Cheryl is currently a director of ME Bank, Shaw Australia Pty Ltd, Chairman of Powering Australian Renewables Fund and Chairman of TEDxSydney. Cheryl is immediate past Chairman of ANZ Trustees Ltd, the Environment Protection Authority of South Australia, the South Australian Film Corporation, Adelaide Film Festival and the Foundation for Alcohol Research and Education ('FARE'). She is the 31st person in the world to complete The Explorer's Grand Slam, and is a Patron of SportsConnect. Cheryl has also previously been a director of Football Federation Australia, The Prince's Trust Australia, Australian Himalayan Foundation and Invictus Games Sydney 2018.

Other current directorships:

Audio Pixels Holdings Limited (ASX: AKP)

Former directorships (last 3 years):

Spark Infrastructure Ltd (ASX:SKI)

Special responsibilities:

Member of the Audit, Risk and Compliance Committee, member of the Nomination and Remuneration Committee and member of the Innovation and Technology Committee

Interests in shares:

27,032 ordinary shares in the Company

Graham Maloney

Independent Non-Executive Director

Qualifications:

Bachelor of Arts from the University of Sydney, Associate of the Institute of Actuaries of Australia, Fellow of the Australian Institute of Company Directors

Experience and expertise:

Graham has over 40 years of experience in financial services, including superannuation, life insurance, commercial banking, investment banking and stockbroking. He is the CEO of Stratagm, which he established in 2009 to provide strategic and financial advisory services to both businesses and individuals. He is also the Chair of Connective Group, a leading mortgage aggregation business and Chair of Connective Group Australia. Graham's experience includes roles as Division Director at Macquarie Capital and as Group Treasurer at National Australia Bank and director at Spitfire Corporation Limited and Circus Australia Ltd.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Chairman of the Audit, Risk and Compliance Committee

Interests in shares:

27,756 ordinary shares in the Company

Peter Mountford

Non-Executive Director

Qualifications:

Bachelor of Commerce and Bachelor of Accountancy from the University of the Witwatersrand, Chartered Accountant, Higher Diploma in Taxation from the University of Witwatersrand and MBA (With Distinction) from Warwick University

Experience and expertise:

Peter is the nominee for Super Group Limited, has over 25 years of senior management experience and since 2009 has served as the CEO of Super Group Limited. Prior to becoming the CEO of Super Group Limited, he served as the Managing Director of Super Group's Logistics and Transport division and later its Supply Chain division. Peter's experience also includes six years as the CEO of Imperial Holdings Limited's Consumer Logistics division and as Managing Director of South African Breweries Limited's Diversified Beverages. He is currently a Director of The Road Freight Association in South Africa and Bluefin Investments Limited (Mauritius).

Directors' report

30 June 2020

Other current directorships:

Super Group Limited (JSE: SPG)

Former directorships (last 3 years):

None

Special responsibilities:

Member of the Audit, Risk and Compliance Committee and member of the Nomination and Remuneration Committee

Interests in shares:

540,540 ordinary shares in the Company

Edwin Jankelowitz

Non-Executive Director

Qualifications:

Chartered Accountant from South Africa

Experience and expertise:

Edwin has spent over 40 years in corporate offices and has been Chairman of a number of listed companies. He was a member of the Income Tax Special Court in South Africa for 20 years. Prior to joining the Group, Edwin was Finance Director of Metcash Trading Limited and Metcash Limited from May 1998 to January 2011, and a Non-Executive Director of the company until August 2015. Edwin held the positions of Finance Director, Managing Director and then Chairman at Caxton Limited from 1983 to 1997. Edwin was a consultant in business management and tax between 1980 and 1983. Edwin was with Adcock Ingram Ltd from 1967 to 1979 in the Head Office and was promoted over time to Group Company Secretary and then Finance Director.

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

Member of the Audit, Risk and Compliance Committee

Interests in shares:

20,000 ordinary shares in the Company

Kevin Wundram

Executive Director and Chief Financial Officer ('CFO')

Qualifications:

Bachelor of Commerce from the University of the Witwatersrand, Honours Bachelor of Accounting Science degree from the University of South Africa, Chartered Accountant

Experience and expertise:

Kevin has been CFO of SG Fleet Group since July 2006 and has significant experience in the fleet management and leasing industry. He is responsible for the effective management of the finance, treasury, risk and corporate governance functions across the Group. Prior to joining the Group, Kevin was responsible for special projects at Super Group Limited, including the execution of acquisitions, disposals and due diligence. Kevin was also a member of the management committees of the Automotive Parts, Commercial Dealerships and Supply Chain Divisions. Prior to joining Super Group, Kevin worked in the audit and corporate finance divisions of KPMG South Africa for six years.

Other current directorships:

Alternative Director for Robbie Blau at Collaborate Corporation Ltd (ASX: CL8)

Former directorships (last 3 years):

None

Special responsibilities:

Member of the Innovation and Technology Committee

Interests in shares:

697,132 ordinary shares in the Company

Interests in options:

None

Interests in rights:

None

Colin Brown

Alternate Director for Peter Mountford

Qualifications:

Bachelor of Accounting Science degree from the University of South Africa ('UNISA'), Honours Bachelor of Accounting Science degree from UNISA, Certificate in the Theory of Accounting from UNISA, Chartered Accountant (South Africa), Master in Business Leadership degree from the UNISA School of Business Leadership

Experience and expertise:

Colin provided support services to Super Group Limited's treasury activities in Johannesburg from June 2009 to February 2010, and was appointed to the Super Group Limited's board as CFO in February 2010. Prior to that, Colin was CFO and a member of the board of Celcom Group Limited, a business in the mobile phone industry and previously listed on the Alternative Exchange ('AltX') of the Johannesburg Stock Exchange ('JSE'). Colin has also held the Financial Director position at Electronic Data Systems ('EDS') Africa Limited and Fujitsu Services South Africa, both multi-national companies in the information technology services industry and Bluefin Investments Limited (Mauritius).

Other current directorships:

Super Group Limited (JSE: SPG)

Former directorships (last 3 years):

None

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Board of Directors		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Reitzer	9	9	–	–	5	5
Robbie Blau	9	9	–	–	–	–
Cheryl Bart AO	9	9	4	4	5	5
Graham Maloney	8	9	4	4	–	–
Peter Mountford	9	9	4	4	4	5
Edwin Jankelowitz	9	9	4	4	–	–
Kevin Wundram	9	9	–	–	–	–

Special responsibilities:

Alternative director and member of the Audit, Risk and Compliance Committee for Peter Mountford

Interests in shares:

108,108 ordinary shares in the Company

'Other current directorships' set out above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Company secretary

Tawanda Mutengwa (Bachelor of Laws (with distinction), University of Witwatersrand, Master of Laws, UNSW, AGIA) was appointed as company secretary on 10 December 2019. Tawanda first practised law at Bowman Gilfillan in South Africa before taking on legal, governance and secretariat roles at Macquarie Bank, Chubb Insurance, Elanor Investors and most recently at PwC Australia.

The previous company secretary was Edelvine Rigato (appointed 11 September 2017 and resigned on 26 November 2019). Kevin Wundram fulfilled the role as interim company secretary (appointed on 26 November 2019 and resigned from the role on 10 December 2019).

Directors' report

30 June 2020

	Innovations and Technology Committee	
	Attended	Held
Andrew Reitzer	2	2
Robbie Blau	2	2
Cheryl Bart AO	2	2
Kevin Wundram	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee. Colin Brown did not attend any meetings in his capacity as an Alternate Director during the financial year.

Remuneration report (audited)

The remuneration report, which has been audited, details the Key Management Personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The main role of the Nomination and Remuneration Committee ('NRC') is to assist the Board in fulfilling its corporate governance responsibilities and to review and make recommendations in relation to the remuneration arrangements for its Directors and executives. The NRC comprises two independent Non-Executive Directors and one Non-Executive Director and meets regularly throughout the financial year. The CEO and CFO attend certain committee meetings by invitation, where management input is required. The CEO and CFO are not present during any discussions related to their own remuneration arrangements.

The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performing, quality executives.

The remuneration framework has been structured to be market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a key component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for the achievement of strategic objectives and contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remunerations are separate.

Non-Executive Directors' remuneration

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, these Directors. Non-Executive Directors' fees and payments are reviewed annually by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive Directors do not receive retirement benefits, share options or other cash incentives.

The remuneration of Non-Executive Directors consists of Directors' fees and committee fees. The Chairman of the Board attends all committee meetings but does not receive committee fees in respect of his role as Chairman or member of any committee.

ASX listing rules require the aggregate Non-Executive Directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 12 February 2014, where the shareholders approved the aggregate remuneration be fixed at a maximum of \$1,000,000 per annum.

Non-Executive Director fees (Directors' fees and committee fees) (inclusive of superannuation) are summarised as follows:

Name – Position	Fees per annum
Andrew Reitzer – Independent Non-Executive Chairman	\$200,004
Cheryl Bart AO – Independent Non-Executive Director	\$117,502
Graham Maloney – Independent Non-Executive Director	\$120,000
Peter Mountford – Non-Executive Director	\$117,502
Edwin Jankelowitz – Independent Non-Executive Director	\$110,002

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base salary and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration, such as superannuation and long service leave.

The combination of these comprise the executive's total remuneration.

Total Fixed Remuneration ('TFR') consisting of base salary, annual leave, superannuation and non-monetary benefits, is reviewed annually by the NRC, based on individual performance and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term incentives

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. The STI program has a non-financial component and a financial component.

Non-financial component of STI

The non-financial component currently comprises 10% of the STI and the financial component 90%. The non-financial component will increase to 20% of the STI for the financial year ending 30 June 2021 onwards.

An individual performance gateway applies in relation to the award of the STI. For an executive to receive payment under the STI program, their performance must be assessed as being fully satisfactory. This includes their individual contribution to the Group's organisational culture and demonstrating and upholding the shared values that underpin the Group's purpose and ambition.

Upon successfully passing through the performance gateway, in order to earn the non-financial component of their STI, the Executive is appraised according to the achievement of key performance indicators (KPI's) as well as the achievement of key strategic initiatives. KPI's include productivity and product profitability measures. Key Strategic Initiatives are defined annually as part of the Group's strategic planning and each year an assessment is made of the achievements against the initiatives set twelve months before. Strategic Initiatives include for example, new product development, significant technology and business systems development, innovation, customer wins and internal efficiency initiatives.

Group performance and link to remuneration – Financial component of STI

At the beginning of each year the NRC sets the growth target for the business units and for the Group as a whole for the purpose of the STI. A minimum profit growth gateway of 60% of the target growth rate applies in order for an executive to be entitled to the financial component of the STI.

The performance condition for the financial component of the STI is based on the compound annual growth rate ('CAGR') of the Group's earnings per share ('EPS'). EPS is determined by dividing the Company's NPAT ('net profit after tax') by the weighted average number of ordinary shares on issue during the financial year. The growth achieved for the year, and the achievement against the performance conditions for the purpose of the STI is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant. To determine EPS for the purposes of the STI, the Board typically exercises its discretion to adjust the NPAT for the impact of non-recurring or significant transactions.

The STI is subject to a 12 month payment deferral in equity in respect of 25% of amount determined as payable.

Long-term incentives

Long-term incentives ('LTI') are typically granted annually to KMP ('Participants') in order to align remuneration with the creation of shareholder value over the long term. LTI include long service leave and share-based payments.

LTI awards to Participants are made under the Equity Incentive Plan ('EIP') and are currently delivered in the form of share options and performance rights ('LTI Instruments'). The number of LTI Instruments granted is based on a fixed percentage of the relevant Participant's TFR and is issued to the Participant at no cost.

LTI Instruments currently granted to KMP typically vest over a three year period although from time to time the Board may approve a two year vesting period when deemed appropriate (the 'Performance Period').

The 2018 LTI was assessed in two tranches. Tranche 1 was assessed over the two-year Performance Period of 1 July 2017 to 30 June 2019. Since the performance condition was not met, Tranche 1 did not vest. Tranche 2 was assessed over the three-year Performance Period of 1 July 2017 to 30 June 2020. Since the performance condition was not met, Tranche 2 did not vest.

No LTI was issued in 2019.

The 2020 LTI offer will be assessed over a Performance Period of 1 July 2020 to 30 June 2022 with vesting to occur in August 2022 if the performance conditions are met.

The 2021 LTI offer will be assessed over a Performance Period of 1 July 2020 to 30 June 2023 with vesting to occur in August 2023 if the performance conditions are met.

Granting of the 2020 LTI and 2021 LTI to the Executive Directors will be subject to shareholder approval at the Annual General Meeting to be held on 27 October 2020. The 2020 LTI was granted to KMP's other than the Executive Directors on 25 November 2019.

Group performance and link to remuneration – LTI

The performance conditions for the LTI Instruments are based on the compound annual growth rate ('CAGR') of the Group's earnings per share ('EPS'). EPS was selected as the performance condition for the LTI since it is a measure of economic profit and is a key driver of the share price which is a key component in delivering sustained growth in shareholder wealth.

EPS is determined by dividing the Company's NPAT ('net profit after tax') by the weighted average number of ordinary shares on issue during the financial year. The CAGR, and the achievement against the performance conditions for the purpose of the LTI is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant. To determine the EPS CAGR for the purposes of the LTI, the Board typically exercises its discretion to adjust the NPAT for the impact of non-recurring or significant transactions.

The Performance Period and applicable performance conditions for any future LTI opportunities will be determined by the Board and specified in the relevant offer document.

For the current LTI offers, the percentage of options that vest and become exercisable, if any, is determined by reference to the vesting schedule, summarised as follows:

CAGR of EPS over the Performance Period	% of options that become exercisable
Less than 3%	Nil
3% (Threshold performance)	60%
Between 3% and 7%	Straight-line pro-rata vesting between 60% and 100%
7% or above (Stretch performance)	100%

Any LTI Instruments that remain unvested at the end of the Performance Period will lapse immediately. The Participant is entitled to receive one share for each right that vests. The Participant is entitled to receive one share for each option that vests and is exercised. The Participant must exercise any vested options within 3 years of vesting. After 3 years, any unexercised options will lapse. The Board may make an equivalent cash payment in lieu of providing shares to the participant. Any cash payment is at the Group's discretion only. The Board may determine to implement a cashless exercise arrangement under which, in lieu of paying cash, the Board may permit a participant to pay the exercise price by forfeiting some of the vested options or forgoing some of the shares that would otherwise be allocated to the participant on exercise.

The LTI Instruments do not carry dividends or voting rights prior to vesting and exercise. Participants must not sell, transfer, encumber, hedge or otherwise deal with the options.

The EIP provides the Board with broad 'clawback' powers if, amongst other things, the Participant has: acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought the Group into disrepute; or there is a material financial misstatement; or the Group is required or entitled under law or Company policy to reclaim remuneration from the Participant; or the Participant's entitlements vest as a result of fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.

If the Participant ceases employment for cause, the unvested LTI Instruments automatically lapse unless the Board determines otherwise. In other circumstances, the LTI Instruments will remain on issue with a broad discretion for the Board to vest or lapse some or all of the LTI Instruments. The Board will ordinarily lapse LTI Instruments in the case of resignation.

Where there may be a change of control event, the Board has the discretion to accelerate vesting of some or all of the LTI Instruments and the Board will notify the Participant of the date on which any vested but unexercised options will expire. Where only some of the LTI Instruments are vested on a change of control event, the remainder of the LTI Instruments will immediately lapse.

The EIP also provides flexibility for the Group to grant, subject to the terms of individual offers, restricted shares.

Use of remuneration consultants

During the financial year ended 30 June 2020, the Group did not engage any remuneration consultants, but implemented certain of the recommendations made by the remuneration consultants engaged during the year ended 30 June 2019.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, the shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2019. The feedback the Company received in the lead up to the AGM regarding its remuneration practices has been reflected in this remuneration report.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the Directors of SG Fleet Group Limited and the following persons:

- Andy Mulcaster – Managing Director, Australia
- Geoff Tipene – Managing Director, New Zealand
- Peter Davenport – Managing Director, United Kingdom

Directors' report

30 June 2020

2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total	
	Cash salary and fees	Deferred bonus from previous year	Current year bonus	Non-monetary	Super-annuation	Leave benefits		Equity-settled
	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Andrew Reitzer (Chairman)	168,954	–	–	–	16,051	–	–	185,005
Cheryl Bart AO	99,260	–	–	–	9,430	–	–	108,690
Graham Maloney	111,000	–	–	–	–	–	–	111,000
Peter Mountford	108,690	–	–	–	–	–	–	108,690
Edwin Jankelowitz	92,925	–	–	–	8,828	–	–	101,753
Executive Directors:								
Robbie Blau (CEO)	984,677	50,519	–	–	21,003	36,526	(365,379)	727,346
Kevin Wundram (CFO)	482,402	27,556	–	–	21,003	16,901	(130,493)	417,369
Other KMP:								
Andy Mulcaster	400,965	18,420	–	–	21,003	19,923	(39,311)	421,000
Geoff Tipene*	257,248	10,114	–	26,608	7,717	–	(21,515)	280,172
Peter Davenport*	291,030	(928)	–	12,513	–	1,719	29,149	333,483
	2,997,151	105,681	–	39,121	105,035	75,069	(527,549)	2,794,508

* Total remuneration in local currency paid to Geoff Tipene amounts to NZ\$293,917. Total remuneration in local currency paid to Peter Davenport amounts to £176,488.

The remuneration of the Non-Executive Directors, Executive Directors and other KMP was reduced for the period April to June 2020 in line with the Group's response to the adverse financial impact of COVID-19.

As a result of the non-vesting of Tranche 2 of the 2018 LTI, the share-based payment accrual in respect of Equity-settled remuneration has been reversed.

Colin Brown (Alternate Director) received no remuneration during the year ended 30 June 2020.

2019	Cash salary and fees \$	Short-term benefits		Non-monetary \$	Post-employment benefits	Long-term benefits	Share-based payments	Total \$
		Deferred bonus from previous year \$	Current year bonus \$		Super-annuation \$	Leave benefits \$	Equity-settled \$	
Non-Executive Directors:								
Andrew Reitzer (Chairman)	182,652	–	–	–	17,352	–	–	200,004
Cheryl Bart AO	107,308	–	–	–	10,194	–	–	117,502
Graham Maloney	120,000	–	–	–	–	–	–	120,000
Peter Mountford	117,502	–	–	–	–	–	–	117,502
Edwin Jankelowitz	100,459	–	–	–	9,543	–	–	110,002
Executive Directors:								
Robbie Blau (CEO)	1,019,869	68,750	206,250	–	20,531	45,674	101,501	1,462,575
Kevin Wundram (CFO)	499,669	37,500	112,500	–	20,531	20,877	36,250	727,327
Other KMP:								
Andy Mulcaster	390,968	33,770	95,250	–	20,531	13,577	22,940	577,036
Geoff Tipene*	248,686	25,677	53,235	25,211	7,461	–	13,337	373,607
Graham Hale*	119,362	–	–	–	1,581	–	–	120,943
Peter Davenport* **	156,158	22,660	79,766	–	6,042	9,742	32,809	307,177
	3,062,633	188,357	547,001	25,211	113,766	89,870	206,837	4,233,675

* Total remuneration in local currency paid to Geoff Tipene amounts to NZ\$398,237. Total remuneration in local currency paid to Peter Davenport amounts to £169,789. Total remuneration in local currency paid to Graham Hale was £66,850 for the period 1 July 2018 until 7 December 2018 when he ceased to be a KMP.

** Represents remuneration from date of appointment as KMP for Peter Davenport on 7 December 2018.

Colin Brown (Alternate Director) received no remuneration during the year ended 30 June 2019.

Non-Executive Directors' salaries are 100% fixed. The fixed proportion and the proportion of remuneration linked to performance of Executive Directors and KMP are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2020	2019	2020	2019	2020	2019
Executive Directors:						
Robbie Blau	95%	74%	5%	19%	–	7%
Kevin Wundram	95%	74%	5%	21%	–	5%
Other KMP:						
Andy Mulcaster	96%	74%	4%	22%	–	4%
Geoff Tipene	97%	75%	3%	21%	–	4%
Graham Hale	–	100%	–	–	–	–
Peter Davenport	92%	56%	–	33%	8%	11%

Directors' report

30 June 2020

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
Executive Directors:				
Robbie Blau	7%	27%	93%	73%
Kevin Wundram	10%	41%	90%	59%
Other KMP:				
Andy Mulcaster	13%	56%	87%	44%
Geoff Tipene	12%	55%	88%	45%
Peter Davenport	14%	58%	86%	42%

Service agreements

KMPs are employed under individual employment agreements. The agreements are continuous (i.e. not of a fixed duration) unless otherwise stated. These agreements provide for a total compensation including a base salary, superannuation contribution and incentive arrangements; variable notice and termination provisions; provisions for redundancy.

Details of these agreements are provided below:

Robbie Blau – CEO

- Total fixed remuneration ('TFR') of \$1,061,208 per annum, which includes base salary, statutory superannuation contributions and any salary sacrifice arrangements
- Participate in the STI with a maximum STI opportunity of 98% of TFR
- Participate in the LTI with a maximum LTI opportunity of 60% of TFR

Kevin Wundram – CFO

- TFR of \$530,604 per annum, which includes base salary, statutory superannuation contributions and any salary sacrifice arrangements
- Participate in the STI with a maximum STI opportunity of 70% of TFR
- Participate in the LTI with a maximum LTI opportunity of 45% of TFR

Other KMP

- Other KMP have employment agreements setting out the terms and conditions of their employment. The agreements are not of a fixed duration.
- Total compensation inclusive of a base salary and statutory superannuation contributions and any salary sacrifice arrangements
- Eligibility to participate in the STI with a maximum STI Opportunity of 56% of TFR
- Eligibility to participate in the LTI with a maximum LTI Opportunity of 30% of TFR

Terms of STI payments:

STI payments are granted to Executive Directors based on specific financial targets and an appraisal of the executive's performance and KPI's. As a result of the non-achievement of financial targets, no STI payments were made in respect of the financial year ended 30 June 2020.

The growth achieved for the year, and the achievement against the performance conditions for the purpose of the STI is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant. To determine EPS for the purposes of the STI, the Board typically exercises its discretion to adjust the NPAT for the impact of non-recurring or significant transactions.

The STI determined annually for each of the above KMP is subject to a 12 month payment deferral in equity in respect of 25% of the amount determined as payable.

Terms of termination:

In general the contract is terminated by providing 4 weeks' notice by the Company and 3 months' notice by the KMP. The KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other KMP during the year ended 30 June 2020 as a result of the exercise of options as part of compensation (2019: Nil).

Option holding

The number of options over ordinary shares in the Company held during the financial year and at the date of this report by each Director, members of the KMP and other employees of the Group, including their personally related parties, is set out below:

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year	Expired/forfeited after 30/06/2020	Vesting after 30/06/2020	Balance at the Directors' report date
Robbie Blau	781,756	–	–	(268,825)	512,931	(512,931)	–	–
Kevin Wundram	279,199	–	–	(96,009)	183,190	(183,190)	–	–
Andy Mulcaster	176,686	191,038	–	(60,758)	306,966	(115,928)	–	191,038
Geoff Tipene	102,724	116,984	–	(35,324)	184,384	(67,400)	–	116,984
Peter Davenport	–	126,657	–	–	126,657	–	–	126,657
Total Directors and other KMP	1,340,365	434,679	–	(460,916)	1,314,128	(879,449)	–	434,679
Non-KMP	395,233	526,301	–	(135,910)	785,624	(259,323)	–	526,301
Total options	1,735,598	960,980	–	(596,826)	2,099,752	(1,138,772)	–	960,980

Options:

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors, KMP and other employees in this financial year or future reporting years are as follows:

Grant date	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year	Expired/forfeited after 30/06/2020	Vesting after 30/06/2020	Balance at the Directors' report date
25/10/2017 (a)	596,826	–	–	(596,826)	–	–	–	–
25/10/2017 (b)	1,138,772	–	–	–	1,138,772	(1,138,772)	–	–
25/11/2019 (c)	–	960,980	–	–	960,980	–	–	960,980
	1,735,598	960,980	–	(596,826)	2,099,752	(1,138,772)	–	960,980

Grant date of options	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
25/10/2017 (a)	22/08/2019	21/08/2022	\$3.66	\$1.05
25/10/2017 (b)	18/08/2020	17/08/2023	\$3.66	\$1.08
25/11/2019 (c)	21/08/2022	20/08/2025	\$2.35	\$0.70

Options granted carry no dividend or voting rights and can be exercised only once the vesting conditions have been met until their expiry date. The share option plan is subject to a service condition and a performance condition. The performance condition is based on the compound annual growth rate ('CAGR') of the Group's earnings per share.

Directors' report

30 June 2020

Performance rights holding:

The number of performance rights over ordinary shares in the Company held during the financial year and at the date of this report by each Director, members of the KMP and other employees of the Group, including their personally related parties, is set out below:

Performance rights over ordinary shares (LTI)	Balance at the start of the year	Granted	Vested	Expired/forfeited/other	Balance at the end of the year	Expired/forfeited after 30/06/2020	Vesting after 30/06/2020	Balance at the Directors' report date
Robbie Blau	67,980	–	–	(22,070)	45,910	(45,910)	–	–
Kevin Wundram	24,279	–	–	(7,882)	16,397	(16,397)	–	–
Andy Mulcaster	15,364	15,995	–	(4,988)	26,371	(10,376)	–	15,995
Geoff Tipene	8,933	9,795	–	(2,900)	15,828	(6,033)	–	9,795
Peter Davenport	22,633	10,605	(13,863)	(8,770)	10,605	–	–	10,605
Total Directors and other KMP	139,189	36,395	(13,863)	(46,610)	115,111	(78,716)	–	36,395
Non-KMP	241,221	554,521	(117,445)	(100,565)	577,732	(23,211)	–	554,521
Total rights (LTI)	380,410	590,916	(131,308)	(147,175)	692,843	(101,927)	–	590,916

Performance rights over ordinary shares (STI)	Balance at the start of the year	Granted	Vested	Expired/forfeited/other	Balance at the end of the year	Expired/forfeited after 30/06/2020	Vesting after 30/06/2020	Balance at the Directors' report date
Robbie Blau	17,939	20,817	(17,939)	–	20,817	–	(20,817)	–
Kevin Wundram	9,785	11,355	(9,785)	–	11,355	–	(11,355)	–
Andy Mulcaster	8,812	9,595	(8,812)	–	9,595	–	(9,595)	–
Geoff Tipene	6,943	5,824	(6,943)	–	5,824	–	(5,824)	–
Peter Davenport	6,075	7,418	(6,075)	–	7,418	–	(7,418)	–
Total Directors and other KMP	49,554	55,009	(49,554)	–	55,009	–	(55,009)	–
Non-KMP	110,493	102,417	(110,493)	(3,853)	98,564	(9,191)	(89,373)	–
Total rights (STI)	160,047	157,426	(160,047)	(3,853)	153,573	(9,191)	(144,382)	–

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors, KMP and other employees in this financial year or future reporting years are as follows:

Grant date	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year	Expired/ forfeited after 30/06/2020	Vesting after 30/06/2020	Balance at the Director' report date
LTI								
25/10/2017 (d)	48,998	–	–	(48,998)	–	–	–	–
25/10/2017 (e)	101,927	–	–	–	101,927	(101,927)	–	–
20/03/2017 (f)	229,485	–	(131,308)	(98,117)	–	–	–	–
25/11/2019 (g)	–	590,916	–	–	590,916	–	–	590,916
Total rights (LTI)	380,410	590,916	(131,308)	(147,115)	692,843	(101,927)	–	590,916
STI								
30/08/2018 (h)	160,047	–	(160,047)	–	–	–	–	–
19/09/2019 (i)	–	157,426	–	(3,853)	153,573	(9,191)	(144,382)	–
Total rights (STI)	160,047	157,426	(160,047)	(3,853)	153,573	(9,191)	(144,382)	–

Grant date of rights	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per right at grant date
25/10/2017 (d)	22/08/2019	N/A	\$0.00	\$3.88
25/10/2017 (e)	18/08/2020	N/A	\$0.00	\$3.70
20/03/2017 (f)	22/08/2019	N/A	\$0.00	\$3.00
25/11/2019 (g)	21/08/2022	N/A	\$0.00	\$2.46
30/08/2018 (h)	01/07/2019	N/A	\$0.00	\$3.50
19/09/2019 (i)	01/07/2020	N/A	\$0.00	\$3.02

Performance rights granted carry no dividend or voting rights and will vest when the performance conditions have been met. The performance rights are subject to a service condition and a performance condition. The performance condition is based on the compound annual growth rate of the Group's earnings per share.

On 21 August 2019, the Board resolved to lapse Tranche 1 (1/3rd) of the share options granted to the Participants in terms of the 2018 LTI as a result of vesting conditions not being met.

On 17 August 2020, the Board resolved to lapse 1,138,772 Tranche 2 (2/3rd) of the share options granted to the Participants in terms of the 2018 LTI as a result of vesting conditions not being met.

Directors' report

30 June 2020

Additional information

The earnings of the Group for the five years to 30 June 2020 are summarised below:

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Revenue	452,896	509,722	515,207	293,225	211,971
Profit after income tax	36,735	60,462	67,455	59,592	46,977
Dividends paid	43,159	47,035	46,440	38,338	27,997

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	1.60	2.95	3.70	3.80	3.64
Basic earnings per share (cents per share)	14.01	23.20	26.30	23.58	18.94

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Andrew Reitzer	83,269	–	–	–	83,269
Cheryl Bart AO	27,032	–	–	–	27,032
Graham Maloney	27,756	–	–	–	27,756
Peter Mountford	540,540	–	–	–	540,540
Edwin Jankelowitz	20,000	–	–	–	20,000
Colin Brown	108,108	–	–	–	108,108
Robbie Blau	6,892,245	–	17,939	–	6,910,184
Kevin Wundram	687,347	–	9,785	–	697,132
Andy Mulcaster	526,034	–	8,812	–	534,846
Geoff Tipene	26,701	–	6,943	(32,943)	701
Peter Davenport	332,718	–	19,938	–	352,656
	9,271,750	–	63,417	(32,943)	9,302,224

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of SG Fleet Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
25/11/2019	20/08/2025	\$2.35	960,980

Shares under performance rights

Unissued ordinary shares of SG Fleet Group Limited under performance rights at the date of this report are as follows:

Grant date	Vesting date	Number under rights
25/11/2019	21/08/2022	590,916

Shares issued on the exercise of options

There were no ordinary shares of SG Fleet Group Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights

The following ordinary shares of SG Fleet Group Limited were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise date	Exercise price	Number of shares issued
18/08/2020	01/07/2019	\$0.00	132,323
30/08/2018	21/08/2019	\$0.00	131,308
			263,631

Indemnity and insurance of officers

The Company has indemnified the Directors, executives and employees of the Company for costs incurred, in their capacity as a director, executive or employee, for which they may be held personally liable, except where there is a lack of good faith.

The Company's subsidiary, SG Fleet Australia Pty Limited on behalf of the Company paid a premium in respect of a contract to insure the Directors and executives of the Company and of any related bodies corporates defined in the insurance policy, against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. The Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' report

30 June 2020

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of KPMG

There are no officers of the Company who are former partners of KPMG.

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 immediately follows this Directors' report.

Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Reitzer
Chairman

17 August 2020
Sydney



Robbie Blau
Chief Executive Officer

Auditor's independence declaration

30 June 2020



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 audit of SG Fleet Group Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

A handwritten signature in black ink, appearing to be 'John Wigglesworth'.

John Wigglesworth
Partner

Sydney
17 August 2020

Statement of profit or loss

For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Revenue	5	451,616	508,089
Interest revenue calculated using the effective interest method		1,280	1,633
Total revenue		452,896	509,722
Expenses			
Fleet management costs		(80,234)	(86,637)
End of lease cost of sale		(182,522)	(195,770)
Employee benefits expense		(73,523)	(75,106)
Occupancy costs		(2,256)	(2,593)
Depreciation and amortisation	6	(32,279)	(31,593)
Impairment of intangible assets	6	(70)	(5,785)
Technology costs		(11,192)	(7,872)
Other expenses		(10,333)	(9,010)
Finance costs	6	(8,130)	(9,571)
Total expenses		(400,539)	(423,937)
Profit before income tax expense		52,357	85,785
Income tax expense	7	(15,622)	(25,323)
Profit after income tax expense for the year attributable to the owners of SG Fleet Group Limited		36,735	60,462
		Cents	Cents
Basic earnings per share	40	14.01	23.20
Diluted earnings per share	40	14.00	23.16

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

Statement of other comprehensive income

For the year ended 30 June 2020

	Consolidated	
	2020 \$'000	2019 \$'000
Profit after income tax expense for the year attributable to the owners of SG Fleet Group Limited	36,735	60,462
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation difference for foreign operations	(433)	713
Effective portion of changes in fair value of cash flow hedges, net of tax	(649)	(2,040)
Other comprehensive income for the year, net of tax	(1,082)	(1,327)
Total comprehensive income for the year attributable to the owners of SG Fleet Group Limited	35,653	59,135

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

Statement of financial position

As at 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	8	111,115	100,492
Finance, trade and other receivables	9	54,746	72,945
Inventories	10	16,341	10,120
Prepayments	11	9,163	9,918
Investments in financial assets at fair value through profit or loss	12	1,742	240
Leased motor vehicle assets	13	64,115	57,258
Deferred tax	7	1,435	–
Property, plant and equipment	14	3,167	4,092
Intangibles	15	406,815	412,242
Right-of-use assets	16	12,119	13,586
Total assets		680,758	680,893
Liabilities			
Trade and other payables	17	80,665	108,656
Derivative financial instruments	18	4,085	3,157
Income tax	7	390	5,659
Deferred tax	7	-	1,645
Employee benefits	19	9,566	8,768
Provisions	20	12,568	10,528
Lease portfolio borrowings	21	57,854	46,178
Borrowings	22	125,140	125,320
Lease liabilities – right-of-use assets	23	12,039	13,931
Vehicle maintenance funds	24	69,313	42,273
Contract liabilities	25	37,905	35,608
Total liabilities		409,525	401,723
Net assets		271,233	279,170
Equity			
Issued capital	26	291,370	290,592
Reserves	27	(122,587)	(120,296)
Retained profits		102,450	108,874
Total equity		271,233	279,170

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

Statement of changes in equity

For the year ended 30 June 2020

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2018	273,999	(119,125)	95,400	250,274
Profit after income tax expense for the year	–	–	60,462	60,462
Other comprehensive income for the year, net of tax	–	(1,327)	–	(1,327)
Total comprehensive income for the year	–	(1,327)	60,462	59,135
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 26)	16,273	–	–	16,273
Share-based payments (note 41)	–	476	47	523
Transfer on vesting of performance rights	320	(320)	–	–
Dividends paid (note 28)	–	–	(47,035)	(47,035)
Balance at 30 June 2019	290,592	(120,296)	108,874	279,170
Consolidated				
Balance at 1 July 2019	290,592	(120,296)	108,874	279,170
Profit after income tax expense for the year	–	–	36,735	36,735
Other comprehensive income for the year, net of tax	–	(1,082)	–	(1,082)
Total comprehensive income for the year	–	(1,082)	36,735	35,653
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 41)	–	(178)	–	(178)
Transfer on vesting of performance rights	778	(778)	–	–
Other changes	–	(253)	–	(253)
Dividends paid (note 28)	–	–	(43,159)	(43,159)
Balance at 30 June 2020	291,370	(122,587)	102,450	271,233

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

Statement of cash flows

For the year ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		527,548	573,068
Payments to suppliers and employees (inclusive of GST)		(418,455)	(472,298)
Interest received		1,280	1,633
Interest and other finance costs paid		(8,121)	(10,699)
Income taxes paid		(23,695)	(24,658)
Net cash from operating activities	39	78,557	67,046
Cash flows from investing activities			
Payment for investments		(2,295)	(240)
Proceeds from disposal of lease portfolio assets	13	29,642	27,935
Acquisition of lease portfolio assets	13	(53,178)	(35,139)
Payments for property, plant and equipment	14	(824)	(2,181)
Payments for intangibles	15	(4,607)	(5,704)
Proceeds from disposal of property, plant and equipment		44	163
Net cash used in investing activities		(31,218)	(15,166)
Cash flows from financing activities			
Proceeds from borrowings		71,857	175,370
Repayment of borrowings		(58,756)	(194,906)
Repayment of lease liabilities – right-of-use assets		(5,809)	(4,558)
Other payments		(253)	–
Dividends paid	28	(43,159)	(30,762)
Net cash used in financing activities		(36,120)	(54,856)
Net increase/(decrease) in cash and cash equivalents		11,219	(2,976)
Cash and cash equivalents at the beginning of the financial year		100,492	103,275
Effects of exchange rate changes on cash and cash equivalents		(596)	193
Cash and cash equivalents at the end of the financial year	8	111,115	100,492

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

Notes to the financial statements

30 June 2020

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 subsidiaries it controlled at the end of, or during, the 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 year the principal continuing activities of the Group consisted of motor vehicle fleet management, vehicle leasing, short term hire, consumer vehicle finance and salary packaging services.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 August 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

Except as noted below, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 16 Leases

AASB 16 'Leases' was early adopted in the previous financial year with effect from 1 July 2018.

AASB 2020-4 Amendment to Australian Accounting Standards – COVID-19-Related Rent Concessions

The Group has early adopted the amendment to AASB 16 during the year. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions

that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The Group has applied the practical expedient to all rent concessions that meet the above mentioned criteria. The impact of the adoption on the Group's financial statements is not material.

Going concern

The Group prepares and reviews cash flow forecasts quarterly and in recent months due to the impact of COVID-19 has been doing so monthly. These forecasts demonstrate that the Group has sufficient cash, other liquid resources and undrawn credit facilities to enable the Group to meet its obligations as they fall due. As such the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial report.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Notes to the financial statements

30 June 2020

Note 2. Significant accounting policies continued

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 36.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SG Fleet Group Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control at the end of, or during the year. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of common control subsidiaries is accounted for using the common control method. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian Dollars, which is SG Fleet Group Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian Dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian Dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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 a contract 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, due to the continuous service received by customers over the term of lease.

Maintenance income is recognised for each performance obligation at a point in time when the service is provided and obligation fulfilled. 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 levied to customer to establish the contract for the services to be provided for the term of the contract, 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, being the sale of vehicle, transferring the risk and reward to the end buyer, 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 value of the vehicle at the end of the lease period payable to the financier, is recognised as 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.

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.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Notes to the financial statements

30 June 2020

Note 2. Significant accounting policies continued

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

SG Fleet Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Finance, trade and other receivables

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 the 'Leases – Group as lessor' accounting policy.

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

Inventories

End-of-term operating lease assets are stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the lower of (i) estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and (ii) cost less residual value provision.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The Group has elected to adopt the general hedge accounting model in AASB 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Where derivative instruments do not qualify for hedge accounting, changes in the fair value are recognised immediately in profit or loss.

Cash flow hedges

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the hedging reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were classified in equity are immediately reclassified to profit or loss.

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	five years
Computer hardware and office equipment	three to eight years
Motor vehicles	four years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

For leased motor vehicles see the 'Leases – Group as lessor – leased motor vehicles assets' accounting policy.

Leases

Group as 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, and the Group obtains substantially all the economic benefits of the use of the assets.

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 at cost which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of lease incentives received, any initial direct costs incurred, and an estimate of costs required for dismantling and removing the underlying asset, site restoral and asset restoral. Right-of-use assets are subsequently measured applying a cost model such that the asset is depreciated and impaired as required or adjusted for any remeasurement of the lease liability.

Where the lease transfers ownership of the asset to the lessee by the end of the lease term, or if the cost of the asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset to the end of the asset's useful life, otherwise, the assets are depreciated to the earlier of the end of their useful lives 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 represents the non-cancellable period of the lease and includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms shall only be revised if there is a change in the non-cancellable period or there is a reassessment upon a significant event or a change in circumstances that is both within the control of the lessee and affects whether or not the lessee is reasonably certain to exercise an option. Lease terms range from 1 to 14 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.

Lease payments comprise fixed lease payments less incentives receivable, variable lease payments, residual value guarantees payable, exercise price of purchase options where exercise is reasonably certain, and any anticipated termination penalties made over the expected term of the lease which includes optional periods where option exercise is considered reasonably certain. Variable lease payments include those dependent upon an index, interest rate or market but are included only using the index or rate existing at commencement date.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the Coronavirus (COVID-19) pandemic and which relate to payments originally due on or before 30 June 2021.

Notes to the financial statements

30 June 2020

Note 2. Significant accounting policies continued

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 there is a change in lease term such as 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 to the profit or loss to the extent that the carrying amount has been reduced to zero. Interest on the lease liability and variable lease payments not included in the measurement of the lease liability are recognised in profit or loss.

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 are recognised as an expense on a straight-line basis over the lease term.

Group as lessor

A lease is classified as a finance lease if it transfers all the risks and rewards incidental to ownership of the assets. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

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 payments 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 vehicle 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 two to five 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.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method of amortisation and the useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Where an entity or operation is acquired in a business combination, that is not a common control transaction, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

The customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of ten years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between two and eight years.

Brand name

The brand name acquired in a business combination is amortised on a straight-line basis over the period of its expected benefit, being a finite useful life of ten years. Brand name has been fully impaired in the previous financial year.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

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.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Maintenance deferred income liability

Maintenance income is recognised for each performance obligation at the point in time when the service is provided and the obligation is completed. Maintenance costs are expensed when incurred.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Residual values

The Group has entered into various agreements with its financiers that govern the transfer of the residual value risk inherent in operating lease assets from the financier to the Group at the end of the underlying lease agreement. These agreements include put/call options, sale direction deeds and guaranteed buyback arrangements. The residual value provision is created on an onerous pool basis to cover future shortfalls on the disposal of these vehicles. Assets are grouped into homogenous groups which are then analysed further into maturity pools. A provision is raised for a maturity pool if the forecast loss on disposal of the assets in the pool exceeds the future fee income that the pool will generate between the reporting date and the maturity date. Maturity pools in a net profit position are not offset against maturity pools in a net loss position.

Employee benefits

Short-term employee benefits

Employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date based on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Notes to the financial statements

30 June 2020

Note 2. Significant accounting policies continued

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Vehicle maintenance funds

Vehicle maintenance funds represents amounts collected from customers for vehicles under management, with such amounts subsequently used for payments for ongoing vehicle maintenance expenses such as fuel, service cost, registration and other charges. Any unused amounts at the end of the lease period are refunded to the customers.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and are no longer at the discretion of the Company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of SG Fleet Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Notes to the financial statements

30 June 2020

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

The Group has applied significant critical judgements in the preparation of the financial statements, incorporating the Board's best estimates of the foreseeable impact of COVID-19 on the Group's statement of profit or loss and other comprehensive income and statement of financial position. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates.

Revenue from maintenance income

As discussed in note 2, the Group estimates the maintenance income to be recognised for each performance obligation according to a point in time when the service is provided and obligation fulfilled. These calculations require the use of assumptions, including an estimation of the profit margin to be achieved over the life of the contract for each performance obligation.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units, to which these assets belong, have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Residual values

As discussed in note 2, the Group has entered into various agreements with its financiers relating to residual value risk inherent in operating lease assets being transferred to the Group at the end of the underlying lease agreement. A provision is raised where the forecast loss on disposal of the assets in the pool exceeds the expected future fee income that the pool will generate. The expected future income is estimated based on past experience and likely market conditions at the time of disposal of the assets.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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 underlying EBITDA (earnings before interest, tax, depreciation, amortisation, impairment and other non-recurring or significant transactions). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information regarding products and services are detailed in note 5.

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.

Major customers

There are no major customers that contributed more than 10% of revenue to the Group.

Operating segment information

	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Consolidated – 2020					
Revenue					
Revenue from contracts with customers	337,401	8,284	67,158	–	412,843
Rental income	6,305	3,635	28,833	–	38,773
Total sales revenue	343,706	11,919	95,991	–	451,616
Interest income	1,268	3	9	–	1,280
Total revenue	344,974	11,922	96,000	–	452,896
Underlying EBITDA					
Depreciation and amortisation	(15,210)	(2,989)	(14,080)	(1,026)	92,836
Impairment of assets	(70)	–	–	–	(70)
Finance costs	(5,555)	(377)	(2,198)	–	(8,130)
Profit/(loss) before income tax expense	49,903	1,002	2,478	(1,026)	52,357
Income tax expense					(15,622)
Profit after income tax expense					36,735
Assets					
Segment assets	522,171	18,945	139,642	–	680,758
Total assets					680,758
Liabilities					
Segment liabilities	295,255	14,109	100,161	–	409,525
Total liabilities					409,525

Notes to the financial statements

30 June 2020

Note 4. Operating segments continued

Consolidated – 2019	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Revenue					
Revenue from contracts with customers	380,039	12,105	75,491	–	467,635
Rental income	7,263	3,914	29,277	–	40,454
Total sales revenue	387,302	16,019	104,768	–	508,089
Interest income	1,615	8	10	–	1,633
Total revenue	388,917	16,027	104,778	–	509,722
Underlying EBITDA					
Depreciation and amortisation	(14,978)	(3,191)	(13,424)	–	(31,593)
Impairment of assets	(5,785)	–	–	–	(5,785)
Finance costs	(6,564)	(564)	(2,443)	–	(9,571)
Profit/(loss) before income tax expense	81,210	929	4,767	(1,121)	85,785
Income tax expense					(25,323)
Profit after income tax expense					60,462
Assets					
Segment assets	537,564	18,355	124,974	–	680,893
Total assets					680,893
Liabilities					
Segment liabilities	301,658	14,110	85,955	–	401,723
Total liabilities					401,723

Note 5. Revenue

	Consolidated	
	2020	2019
	\$'000	\$'000
Revenue from contracts with customers		
Management and maintenance income	86,803	94,487
Additional products and services	88,903	107,119
Funding commissions	39,612	50,633
End of lease income	196,580	213,364
Other income	945	2,032
	412,843	467,635
Other revenue		
Rental income	38,773	40,454
Revenue	451,616	508,089

Disaggregation of revenue

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

	Consolidated	
	2020	2019
	\$'000	\$'000
Timing of revenue recognition		
Revenue transferred at a point in time – upfront	71,763	100,063
Revenue transferred over time	137,744	148,107
Revenue transferred at a point in time – end of life	203,336	219,465
	412,843	467,635

Revenue from external customers by geographic regions is set out in note 4 operating segments.

Notes to the financial statements

30 June 2020

Note 6. Expenses

	Consolidated	
	2020	2019
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	60	39
Computer hardware and office equipment	1,496	1,766
Motor vehicles	164	159
Leased motor vehicle assets	15,579	15,487
Right-of-use assets	5,383	4,741
Total depreciation	22,682	22,192
Amortisation		
Customer contracts	5,864	5,799
Software	3,733	3,602
Total amortisation	9,597	9,401
Total depreciation and amortisation	32,279	31,593
Impairment		
Intangibles – customer contracts	70	–
Intangibles – brand name	–	5,785
Total impairment	70	5,785
Finance costs		
External borrowing costs for corporate debt	5,298	7,421
External borrowing costs for lease portfolio	2,291	2,795
Net foreign exchange losses (gains)	(7)	27
Net movement in fair value of derivatives	(21)	(1,133)
Interest on lease liabilities – right-of-use assets	532	461
Interest on lease make good	37	–
Total finance costs	8,130	9,571
Net fair value loss		
Net fair value loss on investments	793	–
Leases		
Minimum lease payments	–	145
Superannuation expense		
Defined contribution superannuation expense	5,132	5,145

Employee benefits expenses is net of the receipt of a UK Government grant for fuloughed employees support of \$223,000. The Group is not entitled to the Australian Government's JobKeeper wage subsidy program based on the current regulations.

Note 7. Income tax

	Consolidated	
	2020 \$'000	2019 \$'000
Income tax expense		
Current tax	18,391	27,626
Deferred tax – origination and reversal of temporary differences	(2,769)	(2,303)
Aggregate income tax expense	15,622	25,323
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(2,769)	(2,303)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	52,357	85,785
Tax at the statutory tax rate of 30%	15,707	25,736
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	92	54
Non-deductible expenses	(92)	156
	15,707	25,946
Difference in overseas tax rates	(292)	(543)
Adjustment recognised for prior periods	301	(80)
Assessed loss	(94)	–
Income tax expense	15,622	25,323

	Consolidated	
	2020 \$'000	2019 \$'000
Amounts credited directly to equity		
Deferred tax assets	(310)	(826)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	13,178	13,682
Potential tax benefit at statutory tax rates	2,504	2,326

The above potential tax benefit for tax losses and temporary differences, relating to United Kingdom, has not been recognised in the statement of financial position.

Notes to the financial statements

30 June 2020

Note 7. Income tax continued

	Consolidated	
	2020 \$'000	2019 \$'000
Deferred tax asset/(liability)		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	386	77
Contract liabilities	4,367	3,988
Employee benefits	2,866	2,627
Accrued expenses	1,640	1,397
Provisions	3,753	3,001
Derivative financial instruments	1,384	923
Assessed loss	(2)	321
Property, plant and equipment	(2,280)	(1,759)
Prepayments	(1,903)	(2,037)
Intangibles	(8,776)	(10,183)
Deferred tax asset/(liability)	1,435	(1,645)
Amount expected to be settled after more than 12 months	1,435	(1,645)
Movements:		
Opening balance	(1,645)	(4,814)
Credited to profit or loss	2,769	2,303
Credited to equity	310	826
Exchange differences	1	(13)
Adjustment to opening retained earnings (on adoption on AASB 9)	–	53
Closing balance	1,435	(1,645)

	Consolidated	
	2020 \$'000	2019 \$'000
Provision for income tax		
Provision for income tax	390	5,659
Amount expected to be settled within 12 months	390	5,659

Note 8. Cash and cash equivalents

	Consolidated	
	2020 \$'000	2019 \$'000
Cash at bank	82,999	71,718
Secured deposits	28,116	28,774
	111,115	100,492
Amount expected to be recovered within 12 months	111,115	100,492

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 9. Finance, trade and other receivables

	Consolidated	
	2020 \$'000	2019 \$'000
Trade receivables	55,584	73,377
Less: Allowance for expected credit losses	(838)	(480)
	54,746	72,897
Finance lease receivables	–	48
	54,746	72,945
Amount expected to be recovered within 12 months	54,746	72,945

Allowance for expected credit losses

The Group has recognised a loss of \$366,000 (2019: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses using the simplified method is provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not overdue	–	–	46,844	60,101	–	–
0 to 30 days overdue	–	–	6,041	9,827	–	–
30 to 60 days overdue	29.13%	13.90%	1,363	1,420	397	197
60 to 90 days overdue	30.77%	14.60%	947	688	291	100
90 to 120 days overdue	40.18%	12.90%	351	129	141	17
Over 120 days overdue	23.68%	13.20%	38	1,260	9	166
			55,584	73,425	838	480

The calculation of expected credit loss has been updated to include the future economic impact of COVID-19, reflected in the loss rates which have increased in each category of aged receivables.

Notes to the financial statements

30 June 2020

Note 9. Finance, trade and other receivables continued

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Opening balance	480	244
Adjustment to opening retained earnings (on adoption on AASB 9)	–	247
Additional provisions recognised	366	–
Exchange difference in foreign subsidiary	(8)	1
Receivables written off during the year as uncollectable	–	(12)
Closing balance	838	480

Note 10. Inventories

	Consolidated	
	2020 \$'000	2019 \$'000
End-of-term operating lease assets held for disposal	18,129	10,120
Less: Provision for impairment	(1,788)	–
	16,341	10,120
Amount expected to be recovered within 12 months	16,341	10,120

Due to COVID-19, the Group has experienced lower demand for end-of-lease vehicles. In addition, there has been a reduction in the number of auctions held. These factors have had an adverse impact on the prices of end of lease vehicles held for disposal. This has been reflected in the impairment of inventory.

Note 11. Prepayments

	Consolidated	
	2020 \$'000	2019 \$'000
Prepayments	9,163	9,918
Amount expected to be recovered within 12 months	9,163	9,918

Note 12. Investments in financial assets at fair value through profit or loss

	Consolidated	
	2020 \$'000	2019 \$'000
Investments in listed equity securities	1,412	–
Investment in other companies	330	240
	1,742	240
Amount expected to be recovered after more than 12 months	1,742	240

Refer to note 30 for further information on fair value measurement.

Note 13. Leased motor vehicle assets

	Consolidated	
	2020 \$'000	2019 \$'000
Leased motor vehicle assets – at cost	90,262	85,311
Less: Accumulated depreciation	(25,942)	(27,879)
Less: Impairment	(205)	(174)
	64,115	57,258
Amount expected to be recovered within 12 months	5,204	5,929
Amount expected to be recovered after more than 12 months	58,911	51,329
	64,115	57,258

Reconciliations

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

Consolidated	Leased assets \$'000
Balance at 1 July 2018	63,861
Additions	35,139
Disposals	(27,935)
Revaluation increments	399
Exchange differences	1,281
Depreciation expense	(15,487)
Balance at 30 June 2019	57,258
Additions	53,178
Disposals	(29,642)
Revaluation decrements	(34)
Exchange differences	(1,066)
Depreciation expense	(15,579)
Balance at 30 June 2020	64,115

Notes to the financial statements

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Note 14. Property, plant and equipment

	Consolidated	
	2020 \$'000	2019 \$'000
Leasehold improvements – at cost	1,083	933
Less: Accumulated depreciation	(675)	(619)
	408	314
Computer hardware and office equipment – at cost	8,401	8,758
Less: Accumulated depreciation	(6,070)	(5,411)
	2,331	3,347
Motor vehicles – at cost	733	640
Less: Accumulated depreciation	(305)	(209)
	428	431
	3,167	4,092
Amount expected to be recovered after more than 12 months	3,167	4,092

Reconciliations

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

	Leasehold improvements \$'000	Computer hardware and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Consolidated				
Balance at 1 July 2018	43	3,637	290	3,970
Additions	309	1,473	399	2,181
Disposals	–	–	(108)	(108)
Exchange differences	1	3	9	13
Depreciation expense	(39)	(1,766)	(159)	(1,964)
Balance at 30 June 2019	314	3,347	431	4,092
Additions	159	481	184	824
Disposals	–	–	(20)	(20)
Exchange differences	(5)	(1)	(3)	(9)
Depreciation expense	(60)	(1,496)	(164)	(1,720)
Balance at 30 June 2020	408	2,331	428	3,167

Note 15. Intangibles

	Consolidated	
	2020 \$'000	2019 \$'000
Goodwill – at cost	356,465	356,829
Brand name – at cost	7,800	7,800
Less: Accumulated amortisation	(2,015)	(2,015)
Less: Impairment	(5,785)	(5,785)
	–	–
Customer contracts – at cost	59,613	59,716
Less: Accumulated amortisation	(26,514)	(20,754)
Less: Impairment	(70)	–
	33,029	38,962
Software – at cost	29,037	26,735
Less: Accumulated amortisation	(11,716)	(10,284)
	17,321	16,451
	406,815	412,242
Amount expected to be recovered after more than 12 months	406,815	412,242

Reconciliations

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

	Goodwill \$'000	Brand name \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Consolidated					
Balance at 1 July 2018	356,096	5,785	44,590	14,345	420,816
Additions	–	–	–	5,704	5,704
Exchange differences	733	–	171	4	908
Impairment of assets	–	(5,785)	–	–	(5,785)
Amortisation expense	–	–	(5,799)	(3,602)	(9,401)
Balance at 30 June 2019	356,829	–	38,962	16,451	412,242
Additions	–	–	–	4,607	4,607
Exchange differences	(364)	–	1	(4)	(367)
Impairment of assets	–	–	(70)	–	(70)
Amortisation expense	–	–	(5,864)	(3,733)	(9,597)
Balance at 30 June 2020	356,465	–	33,029	17,321	406,815

Notes to the financial statements

30 June 2020

Note 15. Intangibles continued

Goodwill acquired through business combinations have been allocated to the following cash-generating units ('CGUs'):

	Consolidated	
	2020 \$'000	2019 \$'000
Australian CGU	305,771	305,771
United Kingdom CGU	50,694	51,058
Total	356,465	356,829

Impairment testing for goodwill

The impairment test was based on a value-in-use approach. The recoverable amount was determined to be higher than the carrying amount and therefore no impairment loss was recognised. Value-in-use was determined by discounting the future cash flows based on the following key assumptions:

- Cash flows were projected based on actual operating results and the four-year business plan. Cash flow beyond Year 5 was projected at a growth rate of 0% (2019: 0%) for both CGUs;
- Revenue growth was projected at 4.8% (2019: 3.9%) per annum for the Australian CGU and 6.5% (2019: 7.4%) per annum for the United Kingdom CGU;
- Direct costs were forecast based on the margins historically achieved by the business;
- Overheads were forecast based on current levels adjusted for inflationary increases; and
- The Company's pre-tax weighted average cost of capital was applied in determining the recoverable amount. The discount rate of 8.64% (2019: 9.93%) was used for the Australian CGU and 6.74% (2019: 7.12%) for the United Kingdom CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal data sources. Projected cash flows represent management's best estimate of the foreseeable impact of the uncertainties on the business operations in the short-term due to COVID-19.

Sensitivity analysis

Management estimates that any reasonable changes in the key assumptions would not have a significant impact on the value-in-use of intangible assets and goodwill that would require the assets to be impaired.

Note 16. Right-of-use assets

	Consolidated	
	2020 \$'000	2019 \$'000
Right-of-use assets – at cost	22,062	18,196
Less: Accumulated depreciation	(9,943)	(4,610)
	12,119	13,586
Amount expected to be recovered after more than 12 months	12,119	13,586

Reconciliation

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

Consolidated	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	6,411	920	19	7,350
Disposals	(83)	(19)	–	(102)
Exchange differences	1	–	–	1
Depreciation expense	(3,855)	(743)	(143)	(4,741)
Balance at 30 June 2019	12,402	929	255	13,586
Additions	3,318	602	26	3,946
Disposals	–	(9)	–	(9)
Exchange differences	(25)	4	–	(21)
Depreciation expense	(4,406)	(833)	(144)	(5,383)
Balance at 30 June 2020	11,289	693	137	12,119

Note 17. Trade and other payables

	Consolidated	
	2020 \$'000	2019 \$'000
Trade payables	70,049	100,090
Accrued expenses	10,616	8,566
	80,665	108,656
Amount expected to be settled within 12 months	80,665	108,656

Refer to note 29 for further information on financial instruments.

Trade payables include residual values payable to financiers, which are secured by the underlying operating lease asset, cash lock-up of \$28,134,000 (2019: \$28,866,000) and bank guarantees.

Notes to the financial statements

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Note 18. Derivative financial instruments

	Consolidated	
	2020 \$'000	2019 \$'000
Interest rate swap contracts	4,085	3,157
Amount expected to be settled after more than 12 months	4,085	3,157

Refer to note 29 for further information on financial instruments.

Refer to note 30 for further information on fair value measurement.

Note 19. Employee benefits

	Consolidated	
	2020 \$'000	2019 \$'000
Annual leave	4,429	4,044
Long service leave	5,137	4,724
	9,566	8,768
Amount expected to be settled within 12 months	8,731	7,918
Amount expected to be settled after more than 12 months	835	850
	9,566	8,768

Note 20. Provisions

	Consolidated	
	2020 \$'000	2019 \$'000
Lease make good	1,056	–
Residual risk	10,704	10,528
Other provisions	808	–
	12,568	10,528
Amount expected to be settled within 12 months	5,880	5,488
Amount expected to be settled after more than 12 months	6,688	5,040
	12,568	10,528

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Residual risk provision

The provision is to recognise the future liability relating to residual value exposures as described in note 2 and note 3. Due to COVID-19, the Group has experienced lower demand for end-of-lease vehicles. In addition, there has been a reduction in the number of auctions held. These factors have had an impact on the prices of end-of-lease vehicles held for disposal, which were taken into consideration in the residual value provision.

Other provisions

The provision represents the potential loss arising from overdrawn vehicle running cost accounts in relation to novated leases.

Movements in provisions

Movements in the provision during the current financial period is set out below:

	Lease make good \$'000	Residual risk \$'000	Other provision \$'000
Consolidated – 2020			
Carrying amount at the start of the year	–	10,528	–
Additional provisions recognised	1,062	180	808
Provision utilised	–	3	–
Exchange differences	(6)	(7)	–
Carrying amount at the end of the year	1,056	10,704	808

Note 21. Lease portfolio borrowings

	Consolidated	
	2020 \$'000	2019 \$'000
Lease portfolio borrowings	57,854	46,178
Amount expected to be settled within 12 months	26,843	27,902
Amount expected to be settled after more than 12 months	31,011	18,276
	57,854	46,178

Refer to note 29 for further information on financial instruments.

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.

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Note 22. Borrowings

	Consolidated	
	2020 \$'000	2019 \$'000
Bank loans	125,140	125,320
Amount expected to be settled after more than 12 months	125,140	125,320

Refer to note 29 for further information on financial instruments.

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Bank loans	125,140	125,320
Lease portfolio borrowings (note 21)	57,854	46,178
	182,994	171,498

Corporate borrowings

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

Financing arrangements

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

	Consolidated	
	2020 \$'000	2019 \$'000
Total facilities		
Corporate borrowings	177,234	180,497
Lease portfolio borrowings (note 21)	79,938	87,438
	257,172	267,935
Used at the reporting date		
Corporate borrowings	129,654	138,674
Lease portfolio borrowings (note 21)	57,854	46,178
	187,508	184,852
Unused at the reporting date		
Corporate borrowings	47,580	41,823
Lease portfolio borrowings (note 21)	22,084	41,260
	69,664	83,083

Note 23. Lease liabilities – right-of-use assets

	Consolidated	
	2020 \$'000	2019 \$'000
Lease liabilities – right-of-use assets	12,039	13,931
Amount expected to be settled within 12 months	4,276	4,869
Amount expected to be settled after more than 12 months	7,763	9,062
	12,039	13,931

Note 24. Vehicle maintenance funds

	Consolidated	
	2020 \$'000	2019 \$'000
Vehicle maintenance funds	69,313	42,273
Amount expected to be settled within 12 months	21,913	15,146
Amount expected to be settled after more than 12 months	47,400	27,127
	69,313	42,273

Note 25. Contract liabilities

	Consolidated	
	2020 \$'000	2019 \$'000
Contract liabilities	37,905	35,608
Amount expected to be settled within 12 months	20,863	21,454
Amount expected to be settled after more than 12 months	17,042	14,154
	37,905	35,608

Reconciliation

Reconciliation at the beginning and end of the current and previous financial year are set out below:

Opening balance	35,608	36,276
Transfer to revenue – included in the opening balance	(18,917)	(18,022)
Increase in cash received excluding amounts recognised as revenue during the year	21,214	17,354
Closing balance	37,905	35,608

Notes to the financial statements

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Note 26. Issued capital

	2020	2019	Consolidated	2019
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	262,159,900	261,896,269	291,370	290,592

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	30 August 2018	128,235	\$0.00	–
Shares issued under dividend reinvestment plan	16 October 2018	4,409,888	\$3.69	16,273
Transfer from share based payment reserve on vesting of performance rights		–	\$0.00	320
Balance	30 June 2019	261,896,269		290,592
Shares issued on vesting of performance rights	1 July 2019	132,323	\$0.00	–
Shares issued on vesting of performance rights	21 August 2019	131,308	\$0.00	–
Transfer from share based payment reserve on vesting of performance rights		–	\$0.00	778
Balance	30 June 2020	262,159,900		291,370

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The Group monitors capital on the basis of its gearing ratio. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group is subject to certain financing arrangements covenants and meeting these are given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

Note 27. Reserves

	Consolidated	
	2020 \$'000	2019 \$'000
Foreign currency reserve	(1,021)	(588)
Hedging reserve – cash flow hedges	(2,767)	(2,118)
Share-based payments reserve	359	1,568
Capital reserve	(119,158)	(119,158)
	(122,587)	(120,296)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian Dollars.

Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Capital reserve

The reserve is used to recognise contributions from or to SG Fleet Group Limited and its controlled subsidiaries by shareholders.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency \$'000	Cash flow hedge \$'000	Share-based payments \$'000	Capital \$'000	Total \$'000
Consolidated					
Balance at 1 July 2018	(1,301)	(78)	1,412	(119,158)	(119,125)
Foreign currency translation	713	–	–	–	713
Share-based payments	–	–	476	–	476
Movement in hedges – gross	–	(2,866)	–	–	(2,866)
Deferred tax	–	826	–	–	826
Transfer to share capital	–	–	(320)	–	(320)
Balance at 30 June 2019	(588)	(2,118)	1,568	(119,158)	(120,296)
Foreign currency translation	(433)	–	–	–	(433)
Share-based payments	–	–	(178)	–	(178)
Movement in hedges – gross	–	(960)	–	–	(960)
Deferred tax	–	311	–	–	311
Transfer to share capital	–	–	(778)	–	(778)
Other changes	–	–	(253)	–	(253)
Balance at 30 June 2020	(1,021)	(2,767)	359	(119,158)	(122,587)

Notes to the financial statements

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Note 28. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Final dividend for the year ended 30 June 2019 of 9.520 cents per ordinary share paid on 10 October 2019 (2019: 9.958 cents)	24,958	25,640
Interim dividend for the year ended 30 June 2020 of 6.943 cents per share paid on 16 April 2020 (2019: 8.169 cents)	18,201	21,395
	43,159	47,035

On 17 August 2020, the Directors declared a fully franked final dividend for the year ended 30 June 2020 of 3.053 cents per ordinary share, to be paid on 6 October 2020 to eligible shareholders on the register as at 15 September 2020. This equates to a total estimated distribution of \$8,004,000, based on the number of ordinary shares on issue as at 30 June 2020. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2020 financial statements and will be recognised in subsequent financial reports.

Franking credits

	Consolidated	
	2020 \$'000	2019 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	53,107	50,275

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

The franking credits above excludes exempting credits.

Note 29. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Audit, Risk and Compliance Committee, a sub-committee of the Board, has responsibility for managing risk. The Committee reports to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk, except for translation of financial assets and liabilities of foreign subsidiaries into the presentation currency.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from its borrowings and cash at bank. Borrowings and cash at bank issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value risk. The policy is to ensure that at least 60% of its exposure to changes in interest rates on general borrowings, unless approved by the Board, other than lease portfolio borrowings, is on a fixed rate basis. Lease portfolio borrowings are entered into on a fixed interest rate basis, except for lease portfolio borrowings utilised to fund lease portfolio assets in inertia which are entered into on a variable rate basis.

As at the reporting date, the Group had the following variable rate bank accounts and other facilities after impact of hedging instruments:

	2020 Balance \$'000	2019 Balance \$'000
Consolidated		
Bank loans	(25,028)	(25,064)
Lease portfolio facilities	(356)	(6,939)
Cash at bank	82,999	71,718
Secured deposits	28,116	28,774
Net exposure to cash flow interest rate risk	85,731	68,489

An official increase/decrease in interest rates of 50 (2019: 50) basis points would have a favourable/adverse effect on profit before tax and equity of \$429,000 (2019: \$342,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

Notes to the financial statements

30 June 2020

Note 29. Financial instruments continued

Derivatives interest rate swap

The Group has entered into interest rate swap contracts with notional/principal value as at 30 June 2020 of \$109,059,000 (2019: \$109,703,000). The interest rate swap contract hedges the Group's risk against an increase in variable interest rate. The contract is over a three year period maturing in December 2022. Weighted average fixed rate is 1.93% (2019: 1.99%).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. Typically, the Group ensures that it has sufficient cash or facilities on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2020 \$'000	2019 \$'000
Corporate borrowings	47,580	41,823
Lease portfolio borrowings (note 21)	22,084	41,260
	69,664	83,083

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated – 2020					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	70,049	–	–	–	70,049
<i>Interest-bearing – variable</i>					
Bank loans	450	450	25,253	–	26,153
Lease portfolio liabilities	361	–	–	–	361
<i>Interest-bearing – fixed rate</i>					
Bank loans	1,800	1,800	101,012	–	104,612
Lease portfolio facilities	27,920	11,543	20,896	–	60,359
Lease liabilities – right-of-use assets	4,674	2,813	3,823	1,550	12,860
Total non-derivatives	105,254	16,606	150,984	1,550	274,394
Derivatives					
Interest rate swaps inflow	–	4,085	–	–	4,085
Total derivatives	–	4,085	–	–	4,085

	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated – 2019					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	100,090	–	–	–	100,090
<i>Interest-bearing – variable</i>					
Bank loans	704	704	26,119	–	27,527
Lease portfolio liabilities	7,081	–	–	–	7,081
<i>Interest-bearing – fixed rate</i>					
Bank loans	3,605	3,605	105,664	–	112,874
Lease portfolio facilities	21,661	12,305	6,578	–	40,544
Lease liabilities – right-of-use assets	4,560	3,624	2,723	2,418	13,325
Total non-derivatives	137,701	20,238	141,084	2,418	301,441
Derivatives					
Interest rate swaps inflow	–	–	3,517	–	3,517
Total derivatives	–	–	3,517	–	3,517

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Notes to the financial statements

30 June 2020

Note 30. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2020				
Assets				
Investments in listed equity securities	1,412	–	–	1,412
Investment in other companies	–	–	330	330
Total assets	1,412	–	330	1,742
Liabilities				
Derivative financial instruments – Interest rate swap contracts	–	4,085	–	4,085
Total liabilities	–	4,085	–	4,085
Consolidated – 2019				
Assets				
Investment in other companies	–	–	240	240
Total assets	–	–	240	240
Liabilities				
Derivative financial instruments – Interest rate swap contracts	–	3,157	–	3,157
Total liabilities	–	3,157	–	3,157

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect 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 31. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	3,141,955	3,823,202
Post-employment benefits	105,033	113,766
Long-term benefits	75,069	89,870
Share-based payments	(527,549)	206,837
	2,794,508	4,233,675

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	Consolidated	
	2020	2019
	\$	\$
Audit services – KPMG		
Audit or review of the financial statements	492,676	576,141
Other services – KPMG		
Tax services	119,384	98,253
Corporate advisory	26,392	25,850
	145,776	124,103
	638,452	700,244

Note 33. Commitments – operating lease receivable

	Consolidated	
	2020	2019
	\$'000	\$'000
Committed at the reporting date, receivable:		
Within one year	12,880	11,859
One to two years	8,771	5,503
Two to three years	5,174	2,575
Three to four years	3,181	965
Four to five years	1,141	320
	31,147	21,222

Future minimum rentals receivable includes contracted amounts for motor vehicles under non-cancellable operating leases between one and five years.

Notes to the financial statements

30 June 2020

Note 34. 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 cash lock-ups have been issued to lease portfolio financiers as security for these obligations.

An amount of \$10,704,000 (2019: \$10,528,000) has been recognised as a residual value provision and an amount of \$205,000 (2019: \$174,000) has been recognised as an impairment provision respectively, calculated on an onerous pool basis, to cover potential shortfalls on the disposal of these vehicles.

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

Note 35. Related party transactions

Parent entities

SG Fleet Group Limited is the parent entity. The ultimate parent entity is Super Group Limited, incorporated in South Africa and listed on the Johannesburg Stock Exchange.

Subsidiaries

Interests in subsidiaries are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the Directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 36. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020 \$'000	2019 \$'000
Loss after income tax	(718)	(786)
Total comprehensive income	(718)	(786)

Statement of financial position

	Parent	
	2020 \$'000	2019 \$'000
Total current assets	–	–
Total assets	534,963	523,091
Total current liabilities	(40)	4,388
Total liabilities	268,083	213,112
Equity		
Issued capital	501,758	500,980
Accumulated losses	(234,878)	(191,001)
Total equity	266,880	309,979

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 38 for further details.

The parent entity has also provided guarantees and indemnities for bank facilities. Refer to note 22 for further details.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- dividends received from subsidiaries are recognised as other income by the parent entity.

Notes to the financial statements

30 June 2020

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
SG Fleet Solutions Pty Limited	Australia	100%	100%
SG Fleet Holdings Pty Limited	Australia	100%	100%
SG Fleet Finance Pty Limited	Australia	100%	100%
SG Fleet Investments Pty Ltd	Australia	100%	100%
SG Fleet Management Pty Limited	Australia	100%	100%
SG Fleet Australia Pty Limited	Australia	100%	100%
Fleet Care Services Pty Limited	Australia	100%	100%
SG Fleet Salary Packaging Pty Limited	Australia	100%	100%
Beta Dimensions Pty Limited	Australia	100%	100%
SMB Car Sales Pty Limited	Australia	100%	100%
NLC Pty Limited	Australia	100%	100%
NLC Finance Pty Ltd	Australia	100%	100%
NLC Insurance Pty Ltd	Australia	100%	100%
Vehicle Insurance Underwriters Pty Ltd	Australia	100%	100%
NLC Administration Pty Limited	Australia	100%	100%
Kerr Reinehr Group Pty Limited	Australia	100%	100%
NLC Services Pty Limited	Australia	100%	100%
SG Fleet NZ Limited	New Zealand	100%	100%
SG Fleet UK Limited	United Kingdom	100%	100%
SG Fleet UK Holdings Limited	United Kingdom	100%	100%
Fleet Hire Holdings Limited	United Kingdom	100%	100%
SG Fleet Solutions UK Limited	United Kingdom	100%	100%
Fleet Hire Limited	United Kingdom	100%	100%
Car Salary Exchange Limited	United Kingdom	100%	100%
Motiva Group Limited	United Kingdom	100%	100%
Motiva Vehicle Contracts Limited	United Kingdom	100%	100%
Mway Vehicle Rentals Limited	United Kingdom	100%	100%
Motiva Direct Limited	United Kingdom	100%	100%
Motrak Limited	United Kingdom	100%	100%

Note 38. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

SG Fleet Group Limited (holding entity)	
SG Fleet Solutions Pty Limited *	Kerr Reinehr Group Pty Limited*
SG Fleet Holdings Pty Limited *	NLC Services Pty Limited*
SG Fleet Finance Pty Limited *	SG Fleet NZ Limited
SG Fleet Investments Pty Ltd *	SG Fleet UK Limited
SG Fleet Management Pty Limited *	SG Fleet UK Holdings Limited
SG Fleet Australia Pty Limited *	Fleet Hire Holdings Limited
Fleet Care Services Pty Limited *	SG Fleet Solutions UK Limited
SG Fleet Salary Packaging Pty Limited *	Fleet Hire Limited
Beta Dimensions Pty Limited *	Car Salary Exchange Limited
SMB Car Sales Pty Limited *	Motiva Group Limited
NLC Pty Limited*	Motiva Vehicle Contracts Limited
NLC Finance Pty Ltd	Mway Vehicle Rentals Limited
NLC Insurance Pty Ltd	Motiva Direct Limited
Vehicle Insurance Underwriters Pty Ltd	Motrak Limited
NLC Administration Pty Limited*	

By entering into the deed, the entities (denoted above by an asterisk (*)) have opted to obtain relief from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by SG Fleet Group Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss, statement of other comprehensive income and statement of financial position for the Closed Group are the same as the Group and therefore have not been separately disclosed.

Notes to the financial statements

30 June 2020

Note 39. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2020 \$'000	2019 \$'000
Profit after income tax expense for the year	36,735	60,462
Adjustments for:		
Depreciation and amortisation	32,279	31,593
Impairment of intangibles	70	5,785
Net fair value loss on investments	793	–
Finance costs – non-cash	9	–
Net gain on sale of non-current assets	(24)	(55)
Share-based payments	(178)	523
Leased motor vehicles – fair value decrements/(increments)	34	(399)
Net movement in fair value of derivatives	300	(1,128)
Change in operating assets and liabilities:		
Decrease in finance, trade and other receivables	18,199	3,483
Increase in inventories	(6,221)	(707)
Increase in deferred tax assets	(1,435)	–
Decrease/(increase) in prepayments	755	(220)
Decrease in trade and other payables	(943)	(33,046)
Increase/(decrease) in contract liabilities	2,297	(668)
Increase/(decrease) in provision for income tax	(5,269)	2,985
Decrease in deferred tax liabilities	(1,645)	(2,290)
Increase in employee benefits	798	710
Increase in other provisions	2,003	18
Net cash from operating activities	78,557	67,046

Non-cash investing and financing activities

	Consolidated	
	2020 \$'000	2019 \$'000
Shares issued under employee share plan	778	320
Shares issued under dividend reinvestment plan	–	16,273
Additions and disposals of right-of-use assets	3,937	7,248
	4,715	23,841

Changes in liabilities arising from financing activities

Consolidated	Lease portfolio borrowings \$'000	Bank loans \$'000	Lease liabilities – right-of-use assets \$'000	Total \$'000
Balance at 1 July 2018	55,289	134,329	–	189,618
Net cash used in financing activities	(10,129)	(9,407)	(4,558)	(24,094)
Recognised on adoption of AASB 16	–	–	11,217	11,217
Non-cash additions and disposals	–	–	7,248	7,248
Exchange differences	1,018	398	24	1,440
Balance at 30 June 2019	46,178	125,320	13,931	185,429
Net cash (used in)/from financing activities	13,101	–	(5,809)	7,292
Non-cash additions and disposals	–	–	3,937	3,937
Exchange differences	(1,425)	(180)	(20)	(1,625)
Balance at 30 June 2020	57,854	125,140	12,039	195,033

Note 40. Earnings per share

	Consolidated	
	2020 \$'000	2019 \$'000
Profit after income tax attributable to the owners of SG Fleet Group Limited	36,735	60,462
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	262,141,603	260,582,428
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	303,520	535,838
Weighted average number of ordinary shares used in calculating diluted earnings per share	262,445,123	261,118,266
	Cents	Cents
Basic earnings per share	14.01	23.20
Diluted earnings per share	14.00	23.16

Notes to the financial statements

30 June 2020

Note 41. Share-based payments

The Group has a share option plan and performance rights to incentivise certain employees and Key Management Personnel. The share-based payment expense for the year was a credit of \$178,000 (2019: expense of \$476,000).

Share option plan

The share option plan is subject to a service condition and a performance condition. The performance condition is based on the compound annual growth rate ('CAGR') of the Group's earnings per share.

Set out below are summaries of options granted under the plan:

2020							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
25/10/2017	21/08/2022	\$3.66	596,826	–	–	(596,826)	–
25/10/2017	17/08/2023	\$3.66	1,138,772	–	–	–	1,138,772
25/11/2019	20/08/2025	\$2.35	–	960,980	–	–	960,980
			1,735,598	960,980	–	(596,826)	2,099,752
2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
04/03/2014	13/08/2018	\$1.85	187,005	–	–	(187,005)	–
25/10/2017	21/08/2022	\$3.66	638,913	–	–	(42,087)	596,826
25/10/2017	17/08/2023	\$3.66	1,219,077	–	–	(80,305)	1,138,772
			2,044,995	–	–	(309,397)	1,735,598

Outstanding options exercisable as at 30 June 2020 was Nil (2019: Nil). The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.8 years (2019: 2.5 years).

Performance rights

The performance rights are subject to a service condition and a performance condition. The performance condition is based on the compound annual growth rate of the Group's earnings per share. Rights do not carry a right to receive any dividends. If rights vest and are exercised to receive shares, these shares will be eligible to receive dividends.

Set out below are summaries of performance rights granted under the plan:

2020							
Grant date	Vesting date	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year	
20/03/2017	22/08/2019	229,485	–	(131,308)	(98,177)	–	
25/10/2017	22/08/2019	48,998	–	–	(48,998)	–	
25/10/2017	18/08/2020	101,927	–	–	–	101,927	
30/08/2018	01/07/2019	160,047	–	(160,047)	–	–	
19/09/2019	01/07/2020	–	157,426	–	(3,853)	153,573	
25/11/2019	21/08/2022	–	590,916	–	–	590,916	
		540,457	748,342	(291,355)	(151,028)	846,416	

2019		Balance at the start of the year		Expired/ forfeited/ other	Balance at the end of the year
Grant date	Vesting date		Granted	Exercised	
20/03/2017	14/08/2018	142,967	–	(128,235)	–
20/03/2017	22/08/2019	285,993	–	–	229,485
25/10/2017	22/08/2019	52,453	–	–	48,998
25/10/2017	18/08/2020	109,115	–	–	101,927
30/08/2018	01/07/2019	–	172,258	–	160,047
		590,528	172,258	(128,235)	540,457

Performance rights exercisable as at 30 June 2020 was Nil (2019: Nil). The weighted average remaining contractual life of performance rights outstanding at the end of the financial period was 29 months (2019: 17 months).

For the options granted during the current financial period, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Estimated volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/11/2019	21/08/2022	\$2.73	\$2.35	36.00%	7.01%	0.74%	\$0.700

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Dividend yield	Fair value at grant date
19/09/2019	01/07/2020	\$2.50	\$0.00	5.46%	\$3.016
25/11/2019	21/08/2022	\$2.73	\$0.00	6.69%	\$2.460

Note 42. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing. The pandemic and associated restrictions had the following adverse impact on the Group up to 30 June 2020:

- a reduction in the demand for new leased vehicles;
- growth in the number of extensions of existing leased vehicles;
- a reduction in the number of auctions held for the disposal of end of lease vehicles;
- a reduction in demand for short-term hire vehicles;
- the requirement to increase the levels of the residual value and inventory impairment provisions; and
- the requirement to increase the level of the expected credit loss provision.

The Group is not entitled to the Australian Government's JobKeeper wage subsidy program based on current regulations. The Group will continue to engage with the ATO and Treasury to establish whether discretion can be applied in order to accommodate the Group in the program. The Group received a \$223,000 grant from the UK Government in relation to furloughed employees.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. As such, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Apart from the dividend declared as disclosed in note 28, no other matter or circumstance has arisen since 30 June 2020 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.

Directors' declaration

30 June 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Reitzer
Chairman



Robbie Blau
Chief Executive Officer

17 August 2020
Sydney

Independent auditor's report

to the shareholders of SG Fleet Group Limited



Independent Auditor's Report

To the shareholders of SG Fleet Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of SG Fleet Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- consolidated statement of financial position as at 30 June 2020;
- consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Independent auditor's report

to the members of SG Fleet Group Limited



Key Audit Matters

The **Key Audit Matters** we identified are:

- valuation of goodwill;
- recognition of residual risk provision; and
- measurement of deferred maintenance income.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill (AUD \$356.5m)	
Refer to Note 15 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Valuation of goodwill is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> • the size of the balance (being 52% of total assets); and • the high level of judgement involved by us in assessing the inputs to the Group's annual assessment of impairment model, and the significantly higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. <p>We focused on the significant forward-looking assumptions the Group applied in its value in use model, including:</p> <ul style="list-style-type: none"> • forecast cash flows, including the impact of COVID-19 on market conditions and underlying growth rates, which can vary based on the rate of economic recovery from the COVID-19 pandemic, which can vary based on a number of factors such as the number and fleet size of new customer wins, residual values, industry growth projections and inflation expectations. The Group operates across different geographies with varying market pressures, which increases the risk of inaccurate forecasts; and • the discount rates, which are complicated in nature and may vary according to the conditions and environment the specific cash generating units (CGUs) are subject to 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • assessing the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards; • assessing the integrity of the value in use model, including the accuracy of the underlying calculation formulas; • assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. We considered factors such as the number and fleet size of new customer wins, residual values, industry growth, inflation experienced and historical trends where varying market pressures existed across different geographies and how they impacted the business, for use in further testing; • working with our valuation specialists in assessing the Group's discount rates against publicly available data for a group of comparable entities and independently developing a discount rate range considered comparable using this data. We adjusted this range by risk factors specific to the Group and the industry it operates in;



<p>from time to time.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<ul style="list-style-type: none"> • meeting with management/those charged with governance to understand changes in the Group's plans resulting from COVID-19, and potential future impacts to the Group; • challenging the Group's cash flow forecast and growth assumptions in light of the expected continuation of unprecedented uncertainty of business disruption and impacts of the COVID-19 global pandemic, including those related to fleet size and growth assumptions across different geographies, using our knowledge of the Group and its industry. This included comparing the Group's growth assumptions to external data, such as industry growth projections and inflation expectations across different geographies; • considering the sensitivity of the model by varying key assumptions, such as discount rates and forecast growth rates, within a reasonably possible range. This allowed us to identify assumptions with a higher risk of bias or inconsistency in application, and to assess the presence of indicators of impairment; and • assessing the disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.
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Recognition of residual risk provision (AUD \$10.7m)	
Refer to Note 20 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The recognition of the residual risk provision is considered to be a Key Audit Matter. This is owing to the significant audit effort required and the high degree of judgment applied by us in assessing the Group's residual risk provision. We focused on gathering evidence on the completeness of the residual value calculation and other key inputs used by the Group to</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • assessing the accounting treatment of the Group's residual risk provision methodology to the relevant accounting standards; • testing the key control for the Group's residual risk provision process being the quarterly evaluation and authorisation of the residual

Independent auditor's report

to the members of SG Fleet Group Limited



<p>determine the residual risk provision.</p> <p>The Group has entered into agreements with financiers which requires the transfer of the asset ownership and the associated residual risk inherent in operating lease assets from the financier to the Group at the end of the operating leases.</p> <p>The determination of the probable residual risk provision is based on the Group's judgment in determining shortfalls on the disposal of these assets once ownership is transferred to the Group. It also takes into account market conditions and macroeconomic factors, such as inherent volatility of the asset's disposal value due to changes in market conditions between the balance date and future date at which the assets will be disposed. Our testing focused on the deteriorating macroeconomic conditions caused by COVID-19 and the impact on the determination of estimated shortfalls in vehicle disposals.</p> <p>It is the Group's policy to recognise a provision if the forecast sale proceeds of the asset is less than the residual value payable to the financier. This requires us to use our judgment when considering the Group's assessment, as the ultimate sale proceeds are subject to the condition of the asset and market conditions at the end of the lease. Residual value estimates are also a key input into the Group's depreciation and impairment calculations for motor vehicles.</p>	<p>value calculation by senior management;</p> <ul style="list-style-type: none"> comparing the market conditions and macroeconomic factors underpinning the Group's determination of the probable residual values against published market reports and statistical economic information (i.e. ABS-published data), a key determinant in the residual risk provision, for use in further testing. Our procedures included comparing the impact of COVID-19 on used car sales prices against publicly available industry studies and authoritative and credible sources; assessing the Group's ability to accurately estimate residual values at the end of the lease term. This is performed by comparing the historical residual valuation of a sample of vehicles to the actual sale proceeds received from previous disposals from comparable vehicle classes; and comparing a sample of the current residual valuation of the motor vehicles against the current market value of these motor vehicles using recent external auction prices achieved for comparable assets.
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Measurement of deferred maintenance income (AUD \$37.9m)	
Refer to Note 25 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>It is the Group's policy that periodic payments received from customers for maintenance services are initially recognised on the balance sheet as deferred maintenance income. Revenue is subsequently recognised when maintenance work is completed and supplier costs incurred. The amount released from deferred maintenance income and recognised as revenue is determined based on the stand-</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> assessing the Group's revenue recognition policy against AASB 15 requirements; assessing the historical accuracy of the Group's estimates of life of contract costs by comparing past estimates to actual costs incurred;



<p>alone selling price of the maintenance service provided.</p> <p>The measurement of deferred maintenance income is a Key Audit Matter. This is due to the audit effort and judgment involved in assessing the Group's estimations, which includes consideration of key inputs to the Group's internal pricing cost and margin calculations, and supplier costs.</p>	<ul style="list-style-type: none"> • analysing vehicle maintenance costs and developing expectations of maintenance expense which is a key input to the stand alone selling price of maintenance services. We used our knowledge of the Group, the composition of the Group's fleet (e.g. vehicle makes, types and condition), and other key metrics such as number of vehicles in the fleet. We compared this to the maintenance expenses recorded by the Group; • Developing expectations of the deferred maintenance income per vehicle against actual experience as obtained from our testing above. We compared this to the deferred maintenance income recorded by the Group; and • assessing the additions to deferred maintenance income by comparing a sample of entries to the underlying maintenance services billed to customers and against the amount specified in the lease.
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Other Information

Other Information is financial and non-financial information in SG Fleet Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the

Independent auditor's report

to the members of SG Fleet Group Limited



use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of SG Fleet Group Limited for the year ended 30 June 2020, complies with Section 300A of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 11 to 21 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

John Wigglesworth
Partner

Sydney
17 August 2020

Shareholder information

The shareholder information set out below was applicable as at 31 July 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares	Number of holders of performance rights over ordinary shares
1 to 1,000	477	–	–
1,001 to 5,000	697	–	27
5,001 to 10,000	340	–	15
10,001 to 100,000	433	2	26
100,001 and over	40	8	–
	1,987	10	68
Holding less than a marketable parcel	204	–	–

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Bluefin Investments Limited	157,639,989	60.13
HSBC Custody Nominees (Australia) Limited	23,162,981	8.84
Citicorp Nominees Pty Limited	13,413,085	5.12
BNP Paribas Noms Pty Ltd (DRP)	12,989,695	4.95
J P Morgan Nominees Australia Pty Limited	11,432,948	4.36
Netwealth Investments Limited (Wrap Services A/C)	6,021,331	2.30
Robert Pinkas Blau	5,234,364	2.00
National Nominees Limited	5,042,072	1.92
Misamada Nominees Pty Limited (Misamada A/C)	1,675,820	0.64
MDJZ Fernandes Pty Ltd (MDJZ Fernandes A/C)	1,173,162	0.45
Shevin Pty Limited (The Shevin A/C)	687,347	0.26
Peter Mountford	540,540	0.21
Mulcaster Super Fund Pty Ltd (Mulcaster Super Fund A/C)	500,000	0.19
BNP Paribas Nominees Pty Ltd (IOOF Invmt Mngt Ltd DRP)	500,000	0.19
Macdonald Gilbert Bell	465,960	0.18
Tynong Pastoral Co Pty Ltd (Tynong Pastoral A/C)	410,000	0.16
Insync Investments Pty Ltd (Weekley Super Fund No 1 A/C)	400,000	0.15
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	390,905	0.15
Tark Family Holdings Pty Ltd (Tark Family A/C)	348,965	0.13
NCH Pty Ltd	347,199	0.13
	242,376,363	92.46

Shareholder information

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	2,099,752	10
Performance rights over ordinary shares	725,015	68

The following person holds 20% or more of unquoted equity securities:

Name	Class	Number held
Robbie Blau	Options over ordinary shares	512,931

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Bluefin Investments Limited	157,639,989	60.13

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy, attorney or corporate representative shall have one vote and upon a poll each share shall have one vote.

Restricted securities

As at 30 June 2020, there are no restricted securities.

Share buy-back

There is no current on-market share buy-back.

Corporate directory

Directors

Andrew Reitzer – Independent Non-Executive Chairman
Robbie Blau – Chief Executive Officer
Cheryl Bart AO – Independent Non-Executive Director
Graham Maloney – Independent Non-Executive Director
Peter Mountford – Non-Executive Director
Kevin Wundram – Chief Financial Officer
Edwin Jankelowitz – Independent Non-Executive Director
Colin Brown – Alternate Director for Peter Mountford

Company secretary

Tawanda Mutengwa

Notice of annual general meeting

The details of the annual general meeting of SG Fleet Group Limited are:

SG Fleet Group Limited,
SCG Meeting Room
Level 2, Building 3, 20 Bridge Street,
Pymble, NSW
3:00 PM on Tuesday 27 October 2020

Registered office and Principal place of business

Level 2, Building 3
20 Bridge Street
Pymble NSW 2073
Telephone: +61 2 9494 1000 Facsimile: +61 2 9391 5656
E-mail: globalenquiries@sgfleet.com

Share register

The Registrar
Boardroom Pty Ltd
Level 12, 225 George Street, Sydney, NSW 2000
Telephone: 1300 737 760
E-mail: enquiries@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Auditor

KPMG
International Tower 3
300 Barangaroo Avenue
Sydney NSW 2000

Stock exchange listing

SG Fleet Group Limited shares are listed on the Australian Securities Exchange (ASX code: SGF)

Website

www.sgfleet.com

Corporate Governance Statement

The Directors and management are committed to conducting the business of SG Fleet Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. SG Fleet Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found on the company's website at <http://investors.sgfleet.com/Investors/?page=Corporate-Governance-Statement>

Enquiries

investorenquiries@sgfleet.com

Notes



25 September 2020

Dear Shareholder

SG Fleet Group Limited Notice of Annual General Meeting

We write to advise that the SG Fleet Group Limited Annual General Meeting will be held on Tuesday, 27 October 2020 at SG Fleet Group Limited, Level 2, Building 3, 20 Bridge Street, Pymble, NSW, commencing at 3.00pm AEDT.

In accordance with section 5(f) of the Corporations (Coronavirus Economic Response Determination (No.1) 2020, our Notice of Annual General Meeting will be made available for viewing or downloading electronically on **Friday, 25 September 2020 at 11.00am AEDT** on the below URL, replacing the sending of a Notice of Annual General Meeting by mail.

<http://investors.sgfleet.com/investors/>

You will have to type the above URL into your browser to view or download a copy of our Notice of Annual General Meeting.

We have sent you a physical letter because you have elected to receive all correspondence by mail to your elected address. Should you wish to consider the convenience of receiving electronic communication going forward, please contact our registry service, BoardRoom as per the details below.

Boardroom Pty Limited
Email: enquiries@boardroomlimited.com.au
Tel: 1300 737 760 (within Australia)
Tel: +61 2 9290 9600 (outside Australia)

Yours sincerely

Tawanda Mutengwa
Company Secretary
SG Fleet Group Limited

SG Fleet Australia
Level 2, Building 3,
20 Bridge Street
Pymble, NSW 2073
Ph: + 61 2 9494 1000
Fax: +61 2 9391 5600

SG Fleet NZ
Level 2, The Ferry Building,
99 Quay Street
Auckland, 1010 New Zealand
Ph: +64 9 363 2993
Fax: +64 363 2994

SG Fleet UK
Station Court
Old Station Rd
Hampton in Arden
Solihull B92 0HA
Ph: +44 845 154 0721

SG Fleet Group Limited

ABN 40 167 554 574
www.sgfleet.com

Notice is given that the Annual General Meeting of SG Fleet Group Limited (the Company) will be held on Tuesday, 27 October 2020 at the SCG Meeting Room, SG Fleet Group Limited, Level 2, Building 3, 20 Bridge Street, Pymble, NSW commencing at 3.00 pm AEDT.

Business of the Meeting

1. Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June 2020.

2. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the financial year ended 30 June 2020 be adopted".

Note: A voting exclusion statement applies to this resolution. The vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Re-election of Graham Maloney

To consider and, if thought fit, to pass the following resolution as an ordinary resolution.

"That Graham Maloney, who retires by rotation and being eligible, be re-elected as a Director of the Company".

4. Grant of Options and Performance Rights to the Chief Executive Officer

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval be given for all purposes, including ASX Listing Rule 10.14, to grant the Company's Chief Executive Officer, Robbie Blau, 1,326,510 Options and 107,555 Performance Rights as his long term incentive award for the financial year ended 30 June 2020 under the Company's Equity Incentive Plan, on the terms set out in the Explanatory Notes to this Notice of Meeting."

"That approval be given for all purposes, including ASX Listing Rule 10.14, to grant the Company's Chief Executive Officer, Robbie Blau, 1,326,510 Options and 115,349 Performance Rights as his long term incentive award for the financial year ending 30 June 2021 under the Company's Equity Incentive Plan, on the terms set out in the Explanatory Notes to this Notice of Meeting."

Note: A voting exclusion statement applies to this resolution.

5. Grant of Options and Performance Rights to the Chief Financial Officer

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval be given for all purposes, including ASX Listing Rule 10.14, to grant the Company's Chief Financial Officer, Kevin Wundram, 497,441 Options and 40,333 Performance Rights as his long term incentive award for the financial year ended 30 June 2020 under the Company's Equity Incentive Plan, on the terms set out in the Explanatory Notes to this Notice of Meeting."

"That approval be given for all purposes, including ASX Listing Rule 10.14, to grant the Company's Chief Financial Officer, Kevin Wundram, 497,441 Options and 43,256 Performance Rights as his long term incentive award for the financial year ending 30 June 2021 under the Company's Equity Incentive Plan, on the terms set out in the Explanatory Notes to this Notice of Meeting."

Note: A voting exclusion statement applies to this resolution.

Further information about each item of business is set out in the Explanatory Notes accompanying and forming part of this Notice of Meeting.

Voting Exclusions

Item 2 (Remuneration Report)

In accordance with the Corporations Act 2001 (Cth) (Corporations Act), the Company will disregard any votes cast on Item 2:

- (a) by or on behalf of a member of the Company's key management personnel (KMP) named in the Remuneration Report and their closely related parties (such as close family members or any controlled entities), regardless of the capacity in which the votes are cast; and
- (b) as a proxy by a person who is a member of the KMP on the date of the Annual General Meeting and their closely related parties.

However, the Company will not disregard any votes if they are cast as proxy for a person entitled to vote on Item 2:

- (a) in accordance with a direction on the Proxy Form; or
- (b) by the Chairman of the Meeting pursuant to an express authorisation to vote as the proxy decides, even though Item 2 is connected with the remuneration of the Company's KMP.

Item 4 (Grant of Options and Performance Rights to the Chief Executive Officer)

In accordance with the ASX Listing Rules and the Corporations Act, the Company will disregard any votes cast:

- (a) in any capacity on Item 4 by or on behalf of Robbie Blau or any of his associates; and
- (b) as a proxy on Item 4 by a person who is a member of the KMP on the date of the Annual General Meeting and their closely related parties.

However, the Company will not disregard any votes if they are cast as proxy for a person entitled to vote on Item 4:

- (a) in accordance with a direction on the Proxy Form; or
- (b) by the Chairman of the Meeting pursuant to an express authorisation to vote as the proxy decides, even though the relevant Item is connected with the remuneration of the Company's KMP.

Item 5 (Grant of Options and Performance Rights Options to the Chief Financial Officer)

In accordance with the ASX Listing Rules and the Corporations Act, the Company will disregard any votes cast:

- (a) in any capacity on Item 5 by or on behalf of Mr Kevin Wundram or any of his associates; and
- (b) as a proxy on Item 5 by a person who is a member of the KMP on the date of the Annual General Meeting and their closely related parties.

However, the Company will not disregard any votes if they are cast as proxy for a person entitled to vote on Item 5:

- (a) in accordance with a direction on the Proxy Form; or
- (b) by the Chairman of the Meeting pursuant to an express authorisation to vote as the proxy decides, even though the relevant Item is connected with the remuneration of the Company's KMP.

Dated 17 August 2020

By order of the Board

Tawanda Mutengwa

Company Secretary

Notes on Voting

Voting Entitlement

The Board has determined that persons who are registered as holding shares in the Company at 7.00 pm (AEDT) on Sunday, 25 October 2020 will be entitled to attend and vote at the Meeting. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote.

Voting at the Meeting

It is intended that voting on each of the proposed resolutions at this meeting will be conducted by poll, rather than a show of hands. On a poll, each shareholder present in person or by proxy has one vote for each fully paid ordinary share in the Company they hold.

Voting by proxy

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder, and may be an individual or a body corporate.

A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. Otherwise, each proxy will be entitled to exercise half of the shareholder's votes.

If you wish to appoint a proxy, please complete and submit the Proxy Form accompanying this Notice of Annual General Meeting, by following the instructions contained in the Proxy Form.

Shareholders can direct their proxy how to vote by following the instructions on the Proxy Form, and are encouraged to do so.

Appointing a member of the KMP to act as your proxy

If a shareholder appoints a member of the Company's KMP (which includes Directors) or one of the KMP's closely related parties (such as close family members or any controlled entities) as proxy, they will not be able to cast the shareholder's votes on Item 2, unless they are directed how to vote on the relevant Item(s) or the Chairman of the Meeting is appointed as proxy.

If the Chairman of the Meeting is appointed as a shareholder's proxy or becomes their proxy by default, and the shareholder does not mark a voting box for Item 2, then by completing and submitting the Proxy Form, the shareholder will be expressly authorising the Chairman of the Meeting to exercise the proxy in respect of the relevant Item(s) as the Chairman decides, even though the Item is connected with the remuneration of the Company's KMP.

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

Notes on Voting

How to lodge a Proxy Form

Proxy Forms may be lodged with the Company's Share Registry in one of the following ways:

Online: www.votingonline.com.au/sgfagm2020

Mail: Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

Hand delivery: Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Australia

Fax: +61 2 9290 9655

To be effective, your Proxy Form (and any Power of Attorney or other authority under which it is signed or a certified copy), must be received no later than 48 hours prior to the Annual General Meeting (i.e. no later than 3.00pm (AEDT) on Sunday, 25 October 2020).

Attorneys

Where a shareholder appoints an attorney to act on their behalf at the Meeting, this appointment must be made by a duly executed power of attorney. The power of attorney must be provided prior to admission to the Meeting.

Corporations

If a body corporate is a shareholder or a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with Section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

Evidence of the appointment of a corporate representative must be received prior to admission to the Meeting.

Explanatory Notes

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the 2020 Annual General Meeting.

Item 1 – Financial Report, Directors’ Report and Auditor’s Report

As required by the Corporations Act, the Financial Report, Directors’ Report and Auditor’s Report of the Company for the financial year ended 30 June 2020 will be laid before the Annual General Meeting. There is no requirement for shareholders to vote on this Item.

Shareholders will be provided with the opportunity to ask questions or raise comments about the Reports or the management of the Company. Also, a reasonable opportunity will be given to shareholders to ask the Company’s auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor’s Report, the accounting policies adopted by the Company in relation to the preparation of the Financial Report and the independence of the auditor in relation to the conduct of the audit.

Item 2 – Remuneration Report

Under the Corporations Act, the Company is required to submit its Remuneration Report for adoption by shareholders at the Annual General Meeting.

The Company’s Remuneration Report for the financial period ended 30 June 2020 is set out in the Directors’ Report which forms part of the Company’s 2020 Annual Report, a copy of which was provided to shareholders with this Notice of Annual General Meeting.

The Remuneration Report discusses matters including the remuneration policy of the Company, the remuneration paid to Directors and executives who are members of the Company’s KMP, and the relationship between remuneration of those Directors and executives and performance.

The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

Board recommendation for Item 2

The Directors recommend that shareholders vote in favour of the resolution to adopt the Remuneration Report.

Item 3 – Re-election of Mr Graham Maloney

Rule 8.1(d) of the Company’s Constitution provides that a Director of the Company must not hold office (without re-election) past the third annual general meeting following the Director’s last election or re-election.

As this is the third Annual General Meeting of the Company since Mr Maloney was re-elected, he retires, and being eligible, offers himself for re-election.

The experience, qualifications and other information about Mr Maloney are set out below.

Mr Maloney was originally appointed to the Board on 15 January 2014 and was re-elected at the Annual General Meeting of the Company held on 20 November 2014, and further re-elected at the Annual General Meeting of the Company held on 24 October 2017. Mr Maloney is an Independent Non-Executive Director and is Chairman of the Audit and Risk Committee.

Mr Maloney has over 40 years of experience in financial services, including superannuation, life insurance, commercial banking, investment banking and stock broking. He is the CEO of Stratagm, which he established in 2009 to provide strategic and financial advisory services to both businesses and individuals. Mr Maloney’s experience includes roles as a Division Director at Macquarie Capital and as Group Treasurer at National Australia Bank.

Mr Maloney’s qualifications are a Bachelor of Arts from the University of Sydney, Associate of the Institute of Actuaries of Australia, Fellow of the Australian Institute of Company Directors.

Explanatory Notes

Board recommendation for Item 3

The Directors (Mr Maloney abstaining) recommend that shareholders vote in favour of the re-election of Mr Maloney as a Director.

Items 4 and 5 – Grant of Options and Performance Rights as FY2020 LTI and FY2021 award to Chief Executive Officer and Chief Financial Officer

ASX Listing Rule 10.14 requires the Company to obtain shareholder approval for the issue of securities to a director under an employee incentive scheme. The Company is seeking shareholder approval for the grant of Options and Rights to Mr Robbie Blau, Chief Executive Officer (CEO), and to Mr Kevin Wundram, Chief Financial Officer (CFO), as their Long Term Incentive (LTI) awards for FY2020 and FY2021 under the Company's Equity Incentive Plan (Plan).

The Board approved the grant of the FY2020 LTI in October 2019, but this approval was not granted in time for this item to be included in the 2019 AGM Notice of Meeting.

These LTI awards are designed to align the interests of the CEO and CFO with the interests of shareholders by providing the opportunity to receive an equity interest in the Company by granting Options and Rights.

75% of the LTI Opportunity for each of Mr Blau and Mr Wundram will be granted by way of Options and 25% of the LTI Opportunity will be granted by way of Performance Rights, as set out in the table below.

	FY2020 LTI	FY2021 LTI
Number of Performance Rights and Options	Mr Blau <ul style="list-style-type: none">• 1,326,510 Options• 107,555 Performance Rights Mr Wundram <ul style="list-style-type: none">• 497,441 Options• 40,333 Performance Rights	Mr Blau <ul style="list-style-type: none">• 1,326,510 Options• 115,349 Performance Rights Mr Wundram <ul style="list-style-type: none">• 497,441 Options• 43,256 Performance Rights
Performance period	two-year performance period commencing on 1 July 2020 and ending of 30 June 2022	three-year performance period commencing on 1 July 2020 and ending of 30 June 2023
Vesting period	vesting will occur on the date the results for the financial year ended 30 June 2022, and subject to approval of the Board	vesting will occur on the date the results for the financial year ended 30 June 2023, and subject to approval of the Board

As the Options and Rights will form part of Mr Blau's and Mr Wundram's remuneration, they will be granted at no cost to Mr Blau and Mr Wundram.

The number of Options to be granted to each executive has been determined by dividing the relevant LTI opportunity (60% of Mr Blau's total fixed remuneration and 45% of Mr Wundram's total fixed remuneration) that will be awarded as Options (75%) by the value of the Options (which has been determined by a valuation prepared by an independent expert).

Similarly, the number of Performance Rights to be granted to each executive has been determined by dividing the relevant LTI opportunity that will be awarded as Performance Rights (25%) by the value of the Performance Rights (which has been determined by a valuation prepared by an independent expert).

Performance condition

The LTI awards to Mr Blau and Mr Wundram will be subject to an Underlying Earnings Per Share (EPS) performance condition. The Underlying EPS performance condition will be tested based on the compound annual growth rate (CAGR) of the Company's Underlying EPS over the relevant performance period adjusted for the impact of securitisation. The impact of securitisation has been excluded because the Board has set the implementation of securitization as a strategic imperative for the business, however securitization will adversely impact the profitability of the Group in the short-term due to the transition from up-front income to annuity income on that portion of the lease portfolio.

Calculation of the CAGR of the Underlying EPS and achievement against the performance condition will be determined by the Nomination and Remuneration Committee in its absolute discretion, having regard to any matters that it considers relevant.

The percentage of Options and Rights in each component that vest (and become exercisable, in the case of the Options), if any, will be determined by reference to the following vesting schedule, subject to any adjustments for abnormal or unusual profit items that the Nomination and Remuneration Committee, in its discretion, considers appropriate:

Company's CAGR of Underlying EPS over the Performance Period that applies to the relevant component	% of Options or Rights in a component that vest (and become exercisable, in the case of Options)
Less than 3% CAGR	Nil
3% CAGR (threshold performance)	60%
Between 3% and 7% CAGR	60% to 100%
7% CAGR or above (stretch performance)	100%

Testing of each component is expected to occur shortly after the end of the relevant performance period. Any Options or Rights that do not vest on the relevant test date will lapse and there is no retesting of the award.

Vesting and exercise of Rights and Options

Each Share Option and each Share Right entitles Mr Blau and Mr Wundram to one ordinary share in the Company on vesting (and exercise, in the case of Options), although the Board retains the discretion to pay a cash-equivalent payment instead where it considers it appropriate (for example, where a Share Option or Share Right vests or is exercised after cessation of employment).

Options may be exercised up to the third anniversary of the vesting date and if they are not exercised by this time, they will lapse. An exercise price of \$1.68 per Share Option is payable to exercise the Options in cleared funds or under a cashless exercise mechanism approved by the Board.

Dividend and voting rights

Prior to vesting and exercise, Options and Rights do not entitle Mr Blau or Mr Wundram to any dividends or voting rights.

Cessation of employment

Where the employment of Mr Blau or Mr Wundram is terminated for cause, all unvested Options and Performance Rights and vested but unexercised Options will automatically lapse. In all other circumstances of cessation of employment, unvested Options and Performance Rights will remain on foot and subject to the original terms and vested but unexercised Options will be exercisable for 3 months from the date of cessation. However, the Board retains a discretion to lapse some or all of the unvested Options and Performance Rights in certain circumstances.

Explanatory Notes

Change of control

Where there is a takeover bid or the Board considers there is likely to be a change of control or an event that should otherwise be treated in accordance with the change of control rule in the Plan Rules (for example, a delisting), the Board has the discretion to accelerate vesting of some or all of the Options and Performance Rights. Where only some of the Options and Performance Rights are vested on a change of control, the remainder of the Options and Performance Rights will immediately lapse. If a change of control occurs before the Board exercises its discretion:

- a pro rata portion of unvested Options and Performance Rights will vest immediately and the Board retains a discretion to determine whether the remainder vest or lapse; and
- vested but unexercised Options will remain exercisable for a period notified by the Board.

Preventing inappropriate or unfair benefits

The Options and Rights are subject to forfeiture or “clawback” provisions that the Board may apply in certain circumstances to ensure that neither Mr Blau or Mr Wundram do not obtain an inappropriate or unfair benefit, for example, if there is a material misstatement in a Group company’s accounts.

Timing of awards of Options and Rights

Subject to shareholder approval, the Options and Performance Rights are expected to be granted under the Plan immediately after the Annual General Meeting in October 2020 and in any event within 12 months of the Meeting.

Additional information provided in accordance with ASX Listing Rule 10.15

- Mr Blau and Mr Wundram are the only Directors (or associates of a Director) that are entitled to participate in the Equity Incentive Plan, and both fall under Rule 10.14.1.
- No loan will be made by the Company in relation to the acquisition of Options and Performance Rights by Mr Blau or Mr Wundram.
- If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Options and Performance Rights granted to Mr Blau and Mr Wundram and any shares issued pursuant to this approval will not use up any or part of the 15% available under ASX Listing Rule 7.1.
- Details of any securities issued under the scheme will be published in the annual report of the entity relating to the period in which they were issued, along with a statement that approval for the issue was obtained under listing rule 10.14.
- Any additional persons covered by listing rule 10.14 who become entitled to participate in an issue of securities under the scheme after the resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

Board recommendation for Items 4 and 5

The Non-Executive Directors recommend that shareholders vote in favour of Items 4 and 5.

All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 3:00pm AEDT on Sunday 25 October 2020.**

🖥 TO VOTE ONLINE

STEP 1: VISIT <https://www.votingonline.com.au/sgfagm2020>

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **3:00pm AEDT on Sunday, 25 October 2020**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

🖥 **Online** <https://www.votingonline.com.au/sgfagm2020>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **SG Fleet Group Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **SCG Meeting Room, SG Fleet Group Limited, Level 2, Building 3, 20 Bridge Street, Pymble NSW 2073 on Tuesday, 27 October 2020 at 3:00pm AEDT** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Items 2, 4 & 5, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Items 2, 4 & 5 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Items 2, 4 & 5). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS
 * If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Item 2	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Mr Graham Maloney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Grant of Options and Performance Rights to Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Grant of Options and Performance Rights to Chief Financial Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS
 This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2020