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Eclipx Group Limited | ABN: 85 131 557 901

11 November 2020

ASX Release

Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

APPENDIX 4E AND FY20 FINANCIAL REPORT

Eclipx Group Limited provides its Appendix 4E and Financial Report for the financial year ended 30 September 2020.

ENDS

Authorised by: **The Board of Eclipx Group Limited**	**Investor enquiries** Damien Berrell Eclipx Group Damien.berrell@eclipx.com 0457357041 **Media enquiries** John Frey GRACosway jfrey@gracosway.com.au 0411361361

APPENDIX 4E
PRELIMINARY FINAL REPORT
ECLIPX GROUP LIMITED
ACN : 131 557 901

YEAR ENDED 30 SEPTEMBER 2020

1 Details of the reporting period and the previous corresponding period

Current period	1 October 2019 - 30 September 2020
Prior corresponding period	1 October 2018 - 30 September 2019

2 Results for announcement to the market

	Year Ended 30 Sep 2020	Year Ended 30 Sep 2019 *Represented	Change on Represented Previous Period	Change on Represented Previous Period
Financial Performance	**$'000**	**$'000**	**$'000**	**%**
Revenue from continuing operations	**674,248**	**709,401**	**(35,153)**	**(5.0%)**
Profit / (Loss) from continuing operations for the year after tax[1]	**30,230**	**(13,468)**	**43,698**	**(324.5%)**
(Loss) from discontinued operations for the year after tax[2]	(12,025)	(327,989)	315,964	(96.3%)
Net profit / (loss) attributable to members	18,205	(341,457)	359,662	(105.3%)
Cash NPATA[3] from Core operations	**47,488**	**46,527**	**961**	**2.1%**
Cash NPATA[3] from Non-core operations	(13,873)	(22,704)	8,831	(38.9%)
Cash NPATA[3]	33,615	23,823	9,792	41.1%
Earnings per share	**Cents**	**Cents**	**Cents**	**%**
Statutory earnings per share	5.76	(107.00)	112.77	(105.4%)
Diluted statutory earnings per share	5.61	(107.00)	112.61	(105.2%)
Cash NPATA per share from Core operations	14.86	14.56	0.30	2.1%
Cash NPATA per share from Non-core operations	(4.34)	(7.10)	2.76	(38.9%)
Cash NPATA per share	10.52	7.45	3.06	41.1%
Number of ordinary shares used in calculating	**Units**	**Units**	**Units**	**%**
Statutory earnings per share	315,854,276	319,111,693	(3,257,417)	(1.0%)
Diluted statutory earnings per share	324,673,926	319,111,693	5,562,233	1.7%
Cash earnings per share[4]	319,636,693	319,636,693	-	0.0%

** - The results for 2019 have been represented to reflect the accounting for discontinued operations which were previously disclosed as continuing operations consistent with the requirements of AASB5 Non-current Assets Held for Sale and Discontinued Operations.*

1. Profit / (Loss) from continuing operations for 2019 includes impairments of goodwill, software and acquired intangibles and costs associated with the terminated merger with McMillan Shakespeare and restructuring costs.

2 (Loss) from discontinued operations includes the trading results, impairments and write offs and loss on sale of Grays, Eclipx Commercial Finance , Right2Drive and CarLoans.

3. Cash NPATA is the earnings of the Group excluding significant costs deemed to be non-recurring due to the nature of the cost and the amortisation of all intangibles.

4. The number of ordinary shares used in calculating the cash earnings per share relates to all shares in issue (including loan shares) and new shares issued are weighted for the period under review based on the date of issue.

Dividends declared and paid
No dividends were declared or paid.

Commentary
Refer to the 2020 Financial Report accompanying this report for a more detailed commentary.

3 Dividend reinvestment plans

The company has no Dividend Reinvestment Plan (DRP) for the final dividend declared.

4 Net Tangible Assets Per Security

	Year Ended 30 Sep 2020 cents	**Year Ended 30 Sep 2019 cents**
Net Tangible Assets Per Ordinary Security	21.30	11.65

5 Auditor's report

The financial report has been audited and an unqualified opinion has been issued.

6 Attachments

The Annual Report of Eclipx Group Limited for the year ended 30 September 2020 is attached.

7 Signed

Kerry Roxburgh
Chairman
Sydney

Date: 10 November 2020

Financial Report 2020

For the year ended
30 September 2020

ECLIPX GROUP LIMITED
ACN 131 557 901

Eclipx Group Limited
ACN 131 557 901
Financial report for the year ended 30 September 2020

CONTENTS

Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as Group or Eclipx) consisting of Eclipx Group Limited (Company) and the entities it controlled at the end of, or during, the year ended 30 September 2020.

1. Directors

The following persons were Directors of the Company during the financial year and up to the date of this report:

KERRY ROXBURGH BCOM, MBA, MeSAFAA

Chairman since 26 March 2015, Independent Non-Executive Director since 26 March 2015.

Kerry Roxburgh has over 50 years' experience in financial services. He is a Practitioner Member of the Stockbrokers and Financial Advisers Association.

He is Chairman of the Eclipx Group Ltd, the immediate past Chairman of Tyro Payments Ltd where he was a Non-Executive director from April 2008 retiring at their AGM in October, 2019. For 22 years until 2019, he served as the Lead Independent Non-Executive Director of Ramsay Health Care Ltd. For 17 years, he was also a Non-Executive Director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd, chairing their Group Investment Committee until 2020.

Kerry was previously the CEO of E*TRADE Australia and was subsequently Non-Executive Chairman until it was acquired by the ANZ Bank in 2007. Prior to his time at E*TRADE in Australia, Kerry was an Executive Director at the HSBC Bank Australia where, for 10 years he held various positions including Head of Corporate Finance and Executive Chairman of HSBC James Capel in Australia. Prior to HSBC, Kerry spent 20 years as a Chartered Accountant at HLB Mann Judd until 1986 and previously at Arthur Andersen. For 10 years until 2014, Kerry was the inaugural Chairman of the Charter Hall Group (ASX Code: CHC) and in 2015 he retired after 20 years as Chairman of the Board of Tasman Cargo Airlines (a member of the DHL International network) and he was previously a member of the Advisory Board of AON Risk Solutions in Australia.

In addition to Eclipx Group Ltd, Kerry also serves as a member of the Executive Advisory Board for Team Thrive Pty Ltd, and since July 2020 he is Chairing a bid under the Federal Cooperative Research Centre ("CRC") grant scheme for Australian research into "Blockchain & the Trust Economy".

GAIL PEMBERTON MA (UTS), FAICD, GCERT FIN (Griffith)

Independent Non-Executive Director since 26 March 2015.

Gail Pemberton's executive roles have included Chief Operating Officer UK at BNP Paribas Securities Services and CEO and Managing Director, BNP Paribas Securities Services, Australia and New Zealand. Gail joined BNP Paribas after a highly successful 20-year career at Macquarie Bank, where she worked for 20 years, holding the role of Group CIO for 12 years and subsequently as COO of the Financial Services Group in her last three years at Macquarie.

Gail's current Board roles include Non-Executive Director of Eclipx (ASX:ECX), the MNF Group (ASX: MNF), the Sydney Metro and Chair of Prospa (ASX:PGL). She previously served on the Boards of Arq Group (ASX:ARQ), OneVue (ASX:OVH), SIRCA and RoZetta Technology and Onthehouse (ASX:OTH) as independent Chair, as a Non-Executive Director for PayPal Australia, QIC and UXC (ASX:UXC) amongst others.

Gail was awarded the Order of Australia (AO) in the 2018 Australia Day Honours list for distinguished service to the finance and banking industry, to business through a range of roles, as an advocate for technology, and as a mentor to women.

1. Directors (continued)

TREVOR ALLEN BCOM (HONS), CA, FF, FAICD

Independent Non-Executive Director since 26 March 2015.

Trevor Allen has over 40 years' corporate and commercial experience, primarily as a corporate and financial adviser to Australian and international corporates.

He is a Non-Executive Director of Peet Ltd and Freedom Foods Group Ltd and a Non-Executive Director of Australian Fresh Milk Holdings Pty Ltd. He is also a Non-Executive Director of Topco Investments Pty Ltd, the holding company of Real Pet Food Company Limited.

Prior to undertaking non-executive roles in 2012, Trevor held senior executive positions as an Executive Director - Corporate Finance at SBC Warburg and its predecessors for eight years and as a Corporate Finance Partner at KPMG for nearly 12 years. At the time of his retirement from KPMG in 2011 he was the Lead Partner in its National Mergers and Acquisitions Group.

Trevor was Director - Business Development for Cellarmaster Wines from 1997 to 2000, having responsibility for the acquisition, integration and performance of a number of acquisitions made outside Australia in that period.

During the last three years Trevor has also served as a Director for the following companies: Yowie Group Ltd (resigned January 2018) and Brighte Capital Pty Ltd (resigned June 2018).

LINDA JENKINSON BBS, MBA

Independent Non-Executive Director since 4 January 2018.

Linda Jenkinson is a proven global entrepreneur who has started three multi-national companies, one of which listed on the NASDAQ.

Linda is currently a Chair of Guild Trustee Services, Gold Cross Products & Services as well as the Chair of Jaxsta Ltd (JXT-AX). In New Zealand Linda is a Director of Air New Zealand (AIR-NZ), a Director of Harbour Asset Management and the Chair of Unicef Aotearoa New Zealand. Linda also acts as an Advisory Board chair for Valocity Global. In the United States Linda is a Trustee and Secretary of the Massey Foundation.

Most recently she was the co-founder of John Paul, a global concierge services and digital solutions company that services some of the world's leading customer facing business. Previously she was a partner at A.T. Kearney in their Global Financial Services Practice and was a leader in A.T. Kearney's Global Sourcing Practice.

Linda holds a Master of Business Administration from The Wharton School, University of Pennsylvania and a Bachelor of Business Studies from Massey University.

RUSSELL SHIELDS FAICD

Independent Non-Executive Director since 26 March 2015.

Russell Shields has more than 35 years' experience in financial services, including six years as Chairman of ANZ Bank, Queensland and Northern Territory.

Prior to joining ANZ, Russell held senior executive roles with HSBC, including Managing Director Asia Pacific - Transport, Construction and Infrastructure and State Manager Queensland, HSBC Bank Australia. He was previously Chairman of Onyx Property Group Pty Ltd and Chairman of Maritime Capital Shipping Ltd, an unlisted Hong Kong dry bulk shipping company.

During the last three years Russell has also served as a Director for the following listed companies: Aquis Entertainment Ltd (appointed August 2015) and Retail Food Group Ltd (resigned October 2018).

2. Company Secretary

Mr Matt Sinnamon was appointed Company Secretary and Group General Counsel on 27 October 2014. He is admitted to the Supreme Court of New South Wales and the High Court of Australia. He is a member of the Governance Institute of Australia, a Chartered Secretary and is entered on the Roll of Public Notaries.

The Company Secretary function is responsible for ensuring the Company complies with its statutory duties and maintains proper documentation, registers and records. The role provides advice to the Directors and officers about corporate governance and legal matters.

3. Directors' Meetings

The table below sets out the numbers of meetings held during the 2020 financial year and the number of meetings attended by each Director. During the year a total of 14 Board meetings, six Audit and Risk Committee meetings and five People, Culture, Remuneration and Nomination Committee meetings were held.

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Kerry Roxburgh	14	14	7	7	5	5
Gail Pemberton	14	14	7	7	5	5
Trevor Allen	14	14	7	7	5	5
Linda Jenkinson	14	14	n/a	n/a	5	5
Russell Shields	14	13	7	6	n/a	n/a

4. Review of operations

Principal activities

We are one of Australia's leading providers of fleet management services and operate in Australia and New Zealand. Our products include a comprehensive range of motor vehicle fleet services from acquisitions, leasing, in-life fleet management and remarketing.

Simplification Plan

During the 2020 financial year, the Group completed, 12 months ahead of schedule, the Simplification Plan that was first outlined by the Board during the 2019 financial year. This includes accomplishing the following key objectives:

- Divesting all non-core businesses
- Reducing operating expenses, on a run-rate basis, by $15.0 million
- Strengthening the balance sheet by reducing holding company debt to $155.0 million which is $20.0 million below the $175.0 million Simplification Plan target

The Group is now focused on developing the core fleet business and its strategy.

5. Impact of coronavirus (COVID-19)

The COVID-19 pandemic and the measures undertaken to contain it have had significant social, medical and economic impacts in Australian and New Zealand that continue to unfold with the ultimate extent of the impacts still unknown.

This socio-economic crisis required a multifaceted response by the Group. The response includes but is not limited to ensuring the health and safely of employees, working closely with customers and suppliers in their support, increasing the rigor around liquidity and risk management and enacting appropriate mitigation actions across all other aspects of the Group's operations.

The effects on the fleet management sector will be dependent on the severity and duration of the pandemic. The main impacts on the Group during the 2020 financial year, are summarized below:

Australia and New Zealand Commercial

New business writings (NBW) between March 2020 to September 2020 fell to 79% of pre COVID-19 levels defined by the period of October 2019 to February 2020. This was driven by a number of COVID-19 related factors:

- Increased level of lease extensions, as clients looked to delay replacing fleets given the uncertain economic outlook created by COVID-19;

5. Impact of coronavirus (COVID-19) (continued)

- Decreased demand for new leases driven by low business confidence created by the effect of COVID-19; and
- Delay in deliveries of new motor vehicles driven by the global supply chain disruption created by COVID-19.

Brokerage income that is earned as a result of NBW funded via a principal and agency (P&A) arrangement was reduced by $4.2 million in 2020 compared to 2019 from the fall in NBW.

Impairment losses relating to specific clients that have defaulted on payments as a consequence of COVID-19 on their business has been limited to $2.0 million.

Demand for second-hand motor vehicles has increased in Australia and New Zealand during the COVID-19 pandemic which has allowed the Group to reduce its inventory level to $18.4 million and earn end of lease income of $2,659 per motor vehicle which is $191 greater per vehicle than the first half of the 2020 financial year.

Novated

New business writings (NBW) between March 2020 to September 2020 fell to 81% of pre COVID-19 levels defined by the period of October 2019 to February 2020. This was driven in the main by decreased demand for new leases as consumer confidence fell as a result of COVID-19.

Brokerage income that is earned as a result of NBW and funded via a principal and agency (P&A) arrangement was reduced by $0.7 million in 2020 compared to 2019 due to the fall in NBW.

A provision for impairment losses relating to specific clients that operate in severely impacted industries, was raised for $0.4 million.

With respect to managing the risks presented as a result of COVID-19, the Group is taking or has taken the following actions:

- Working with customers to extend lease contract maturities where it is mutually beneficial
- Temporarily reduced the employee cost base through salary reductions including Non-Executive directors' fees
- Restricting all non-essential operating and capital expenditure
- Amending the calculation of covenant ratios on its corporate debt by removing Non-Core EBITDA to more appropriately reflect cash generation in the Group
- Working with the Australian Office of Financial Management (AOFM) with respect to potential support for securitisation trusts to assist in financing hardship cases

Critical accounting estimates

The critical accounting estimates and key judgements of the Group have required additional considerations and analysis due to the impact of COVID-19. Given the uncertainty of the extent of the pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities that may arise in the future.

The key impacts on the financial statements, including the application of critical estimates and judgements, are as follows:

Provision for impairment losses on finance leases and trade receivables

In March 2020, the IASB published IFRS 9 and COVID-19, a document that reinforces the fact that IFRS 9 does not provide a mechanistic approach in accounting for impairment provisions.

The AASB 9 impairment methodology has remained consistent with prior periods. The Group revised the weighting of the model's multiple economic scenarios (MES) from base (60%), upside (20%) and downside (20%) to base (50%) and downside (50%). Considering the uncertainty surrounding the effect from COVID-19, the Group also implemented a model adjustment by applying the highest historical expected credit loss rate since the model inception. This model adjustment resulted in an incremental credit impairment loss provision of $2.5 million.

The Group also recorded a $0.4 million impairment relating to novated leases for the employees of specific clients that operate in severely impacted industries. Based upon the rate at which employees defaulted on their first payment after the deferral period, the Group applied an impairment provision for all novated leases currently with deferred payments or in default.

5. Impact of coronavirus (COVID-19) (continued)

Provision for impairment losses on operating leases

The Group assumes residual value risk on leased motor vehicles which exposes the Group to the movement in second-hand prices of these assets.

The AASB 136 Impairment of Assets methodology for impairing operating leases has remained consistent with prior periods including the incorporation of forecasted sale proceeds on the disposal of motor vehicles at lease end. The model used by the Group to estimate future sale proceeds is based on nearly 30 years of experience. An observable effect from the COVID-19 pandemic has been an increase in second-hand motor vehicle prices which, when applied with the model, results in higher forecasted sale proceeds which in turn, has reduced the amount of provision for impairment required on the Group's operating leases by $1.3 million. To take into account the expected short term impact of higher second-hand motor vehicle prices, the Group has applied a 4.68% reduction to forecasted sale proceeds in order to mitigate the temporary inflationary effect of COVID-19 on second-hand motor vehicle forecasts. This results in a $1.6 million additional provision. Taking the offsetting impact of both provisions into account results in a net impact on the income statement of $0.3 million.

Maintenance revenue

Maintenance revenue is recognized in accordance with AASB 15 *Revenue from Contracts with Customers* and is based upon years of external and internal data to calculate the percentage of maintenance revenue to be recognised in line with the level of services provided as part of our obligations under the lease. Accordingly, maintenance revenue is recognised progressively on a lease over time, with the age of the lease being the most practical proxy for services provided. During the months of April 2020 to September 2020, the Group witnessed a decrease in the utilisation of its fleet and as a result, a decrease in maintenance expenditure which was driven by the restrictions on movement imposed by State and Territory governments in response to the COVID-19 outbreak.

In order to match the delay in revenue with the delay in services provided as a result of the COVID-19 restrictions, the Group has deferred the recognition of $2.5 million maintenance revenue during the financial year.

Impairment of non-financial assets

At each reporting period, the Group reviews the carrying amount of its intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the affected assets are evaluated in accordance with AASB 136 *Impairment of Assets*.

The Group tested goodwill for impairment. This included updating the assumptions and cash flow forecasts to reflect the potential impact of COVID-19 on the Group. The Group also tested goodwill under a downside scenario that included lower growth rates and higher cash flow discount rates. No impairment losses were required to be recognised on goodwill including the downside case. Further details of the Group's test for goodwill impairment are outlined in Note 3.7 in the Financial report.

No indication of impairment was identified on other intangible assets as a result of COVID-19.

Summary of COVID-19 overlays

($m)	COVID-19 overlay	AASB 9 / AASB 136 model	Net income statement impact
Provision for impairment losses on finance leases and trade receivables	3.1	1.3	4.4
Provision for impairment losses on operating leases	1.6	(1.3)	0.3
Maintenance revenue	2.5	n/a	2.5
	7.2	-	7.2

6. Group financial performance

During the 2020 financial year, the Group successfully completed the Simplification Plan, a full 12 months ahead of schedule. This included the sale of the remaining non-core businesses of CarLoans and Right2Drive, the comprehensive resizing of the cost base by $15.5 million and the reduction of corporate debt to $155.0 million which is $20.0 million below the Simplification Plan target.

The completion of the Simplification Plan was achieved during a period of unprecedented operating challenges due to the COVID-19 pandemic, which underscores the achievement by the Group.

The Group measures financial performance adopting the following non-IFRS measures:

- Net operating income (NOI). This represents earnings before tax after direct costs such as interest expense on debt allocated to fleet assets, depreciation and amortisation of fleet assets. NOI also includes end of lease income.

6. Group financial performance (continued)

- Earnings before interest, taxes, depreciation and amortization (EBITDA). This represents earnings before taxes after indirect costs such as wages, occupancy and technology costs. It also includes impairment expenses. EBITDA excludes depreciation and amortisation of non-fleet assets, share based payments and interest expense on corporate debt, other than interest expense on debt allocated to fleet assets.
- Cash net profit after taxes and amortization (NPATA). This represents earnings of the Group after tax. It excludes significant costs deemed to be non-recurring due to the nature of the cost as well as excluding the amortisation of all intangibles.
- Cash net profit after tax (NPAT). This represents the earnings of the Group after tax excluding significant costs deemed to be non-recurring due to the nature of the cost. It also excludes the amortisation of acquired intangibles.

The table below reconciles the non-IFRS measures with the statutory profit reported in the Group Statement of Profit or Loss and Other Comprehensive Income. The statutory profit includes the impact of the adoption of AASB16.

$'m	**Core**		**Non-core**		**Group**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Net operating income	173.7	173.3	11.3	88.6	185.0	261.9
Bad and doubtful debts	(4.4)	(1.3)	0.3	(5.1)	(4.1)	(6.4)
Operating expense	(78.7)	(90.1)	(24.8)	(105.9)	(103.5)	(196.0)
EBITDA	**90.6**	**81.9**	**(13.2)**	**(22.4)**	**77.4**	**59.5**
Depreciation and amortisation	(6.6)	(3.4)	(1.3)	(1.1)	(7.9)	(4.5)
Share based payments	(6.0)	(2.2)	-	-	(6.0)	(2.2)
Holding company debt interest	(10.9)	(10.5)	(5.1)	(8.0)	(16.0)	(18.5)
Tax	(19.6)	(19.3)	5.7	8.9	(13.9)	(10.4)
Cash NPATA	**47.5**	**46.5**	**(13.9)**	**(22.6)**	**33.6**	**23.9**
Software amortisation	(3.5)	(6.8)	-	(3.4)	(3.5)	(10.2)
Tax	1.0	2.0	-	1.1	1.0	3.1
Cash NPAT	**45.0**	**41.7**	**(13.9)**	**(24.9)**	**31.1**	**16.8**
Reconciling items to statutory profits						
Amortisation of acquired intangibles	(3.8)	(3.7)	-	(2.5)	(3.8)	(6.2)
Impairment of intangibles	-	(27.7)	-	(178.8)	-	(206.5)
Loss on disposals	-	-	(2.5)	(116.2)	(2.5)	(116.2)
Fair value adjustment	-	-	-	(21.6)	-	(21.6)
Significant items	(8.3)	(28.0)	(3.1)	(6.9)	(11.4)	(34.9)
Tax	3.6	17.4	1.2	9.7	4.8	27.1
Statutory Profit	**36.5**	**(0.3)**	**(18.3)**	**(341.2)**	**18.2**	**(341.5)**

6. Group financial performance (continued)

Net operating income (NOI)

Net operating income (NOI) within the Core business increased by $0.4 million compared to the 2019 financial year. The NOI increase was a result of:

- Higher net interest margin created by the issuance of asset-backed securitisations in Australia and New Zealand during the financial year
- Higher end-of-lease income as a result of more motor vehicles sold during the financial year and at a higher average income per sold motor vehicle
- Offset by lower management fees from the decrease in the average number of motor vehicles being managed by the Group during the financial year and lower brokerage income as a result of lower new business writings

Net operating income within the Non-Core business decreased by $77.3 million compared to the 2019 financial year. This was due to the divestment of non-core businesses by the Group during the course of the 2019 and 2020 financial years such as Grays, Eclipx Commercial Finance, CarLoans and Right2Drive.

EBITDA

EBITDA within the Core business increased by $8.7 million compared to the 2019 financial year. In addition to the positive impact from higher NOI, the Core business also saw a $11.4 million decrease in operating expenses. This decrease was driven by the successful execution of the Group's Simplification Plan with respect to resizing the cost base. Lower operating expenses includes a $5.3 million impact from the adoption of accounting standard AASB 16 Leases, which reclassified lease rental costs below the EBITDA line.

Partially offsetting the impact from lower operating expenses was the increase in the provision for credit impairment losses. This increase was largely driven by a $3.1 million management overlay in relation to COVID-19.

EBITDA within the Non-Core business increased by $9.2 million compared to the 2019 financial year. Offsetting the above mentioned reduction of Non-Core NOI of $77.3 million were lower operating expenses of $81.1 million and lower impairment losses of $5.4 million. These reductions were due to the divestment of non-core businesses by the Group during the course of the 2019 and 2020 financial years such as Grays, Eclipx Commercial Finance, CarLoans and Right2Drive.

Cash NPATA

Cash NPATA within the Core business increased by $1.0 million compared to the 2019 financial year. In addition to the abovementioned EBITDA increase of $8.7 million, was the reclassification of lease rental costs from EBITDA as a result of the adoption of accounting standard AASB 16 Leases. Further offsetting the EBITDA result was the transition of the Group's executive remuneration program from short-term incentives to long-term incentives which saw an increase in share-based payments of $3.8 million.

Cash NPATA within the Non-Core business increased by $8.7 million compared to the 2019 financial year. In addition to the abovementioned EBITDA increase of $9.2 million, was the reclassification of lease rental costs from EBITDA as a result of the adoption of accounting standard AASB 16 Leases. Further offsetting the EBITDA result was the reduction in holding company debt expense of $2.9 million.

Reconciling items to statutory profit

The major reconciling items between Cash NPAT and statutory profit include:

Amortisation of other intangibles

The $3.8 million amortisation of other intangibles in the Core business represents the amortisation of brand names and customer relationships. There was no adjustment for the Non-core business in the 2020 financial year as the intangibles for Grays and Right2Drive were written off in the 2019 financial year.

Impairment of intangibles

The 2019 impairment of intangibles in Core of $27.7 million related to the impairment of IT systems following a review by the newly appointed management after the restructure of the business and the impairment of customer relationships following a review of the profitability of a product being offered in New Zealand.

6. Group financial performance (continued)

The 2019 impairment of intangibles in Non-Core of $178.8 million related to the impairment of goodwill, acquired intangibles and software of Right2Drive, GraysOnline and CarLoans. All Non-core operations were disposed of by 30 September 2020.

Loss on disposal

During the financial year, the Non-Core operations disposed of Right2Drive and Carloans which recognized a loss on disposal of $2.5 million.

Significant items

Significant expense items incurred in the Core business for the 2020 financial year are linked to the Group's Simplification Plan with respect to cost optimization. Primarily these relate to costs associated with redundancy payments to employees and exit costs of premises. An expense associated with the early repayment of holding company debt during the period is also included under significant items for the Core business.

Significant items for the Non-Core business for the 2020 financial year relate to the restructure of Right2Drive and an adjustment to the sale proceeds for Eclipx Commercial Finance upon the finalisation of the completion accounts during the financial year. Significant items for the 2019 financial year across both the Core and Non-Core businesses included $16.6 million related to the unsuccessful merger with McMillian Shakespeare and $7.7 million related to the subsequent restructure of the Group.

The Group adopted AASB 16 *Leases* from 1 October 2019. Information about adoption of the new accounting standard is contained in Note 1. of the Financial Statements. The AASB 16 standard provides a single lessee accounting model, requiring lessees to recognise a right-of-use asset (ROUA) and a lease liability for leases with the exception of short-term (less than 12 months) and low value leases. The standard has the effect of bringing what were previously off-balance sheet lease obligations, onto the balance sheet in the form of a ROUA and a Lease Liability. For the Group, this predominately relates to premises agreements. In addition to the balance sheet impact, the application of AASB 16 re-classifies lease operating expenses, that were previously included in EBITDA, into interest and depreciation which appear below the EBITDA line.

The Group's accounting for leases as a lessor, where it provides motor vehicle leases to its customers, remains largely unchanged under AASB 16. The Group will make no change in its treatment of finance leases that transfer all the risks and rewards incidental to ownership of the assets, or of operating leases that do not transfer substantially all the risk and rewards incidental to ownership of the underlying assets.

The ongoing COVID-19 pandemic increases the uncertainty associated with estimations made in the preparation of these 2020 financial statements. Information about the Group's approach is provided in Section 5 of this Directors' Report and in Note 1 of the Financial Statements.

With respect to the potential impacts of COVID-19, the Group made 30 September 2020 estimates based upon all information the Board considers relevant at this time. However, it's likely subsequent economic conditions will result in materially different outcomes (better or worse) than the accounting estimates used in the preparation of these financial statements.

Segment performance

Australia Commercial

($m)	**2020**	**2019**
Net operating income	**102.9**	106.0
EBITDA	**51.5**	55.1

The Australia Commercial segment specialises in fleet leasing and management that operates under the trading names of FleetPlus and FleetPartners.

EBITDA within the Australia Commercial segment decreased by $3.6 million compared to the 2019 financial year. NOI decreased by $3.1 million as a result of lower brokerage commission from lower new business writings which was adversely impacted by the effects of COVID-19. Management fees were also lower as the business transitioned away from low returning products. The lower EBITDA is also driven by $0.3 million of higher operating expenses in the 2020 financial year. Higher operating expenses arise as a result of "stranded" costs, previously allocated to Non-Core operations, returning to the Core business with the disposition of Non-Core assets. These costs more than offset the combined beneficial impact of the Group's Simplification Plan to optimise costs, and the reclassification of premises rental expenses below the EBIDTA line with the adoption of accounting standard AASB 16 Leases.

In addition to the above drivers, a $0.2 million increase in provision for credit impairment also contributed to the EBITDA decrease.

6. Group financial performance (continued)

Novated

($m)	2020	2019
Net operating income	**24.7**	28.6
EBITDA	**11.8**	14.9

The Novated segment specialises in novated leasing and salary packaging. It operates in Australia under the trading names of FleetChoice, FleetPlus and FleetPartners.

EBITDA within the Novated segment decreased by $3.1 million compared to the 2019 financial year. A $3.9 million decrease in NOI was a result of lower new business writings which were adversely impacted by the effects of COVID-19 and drove the EBITDA decrease.

This was partially offset by $0.9 million of lower operating expenses.

New Zealand Commercial

($m)	2020	2019
Net operating income	**46.1**	38.7
EBITDA	**27.3**	11.9

The New Zealand Commercial segment specialises in fleet leasing and management and operates under the trading names of FleetPlus and FleetPartners. This segment also operates three used vehicle dealerships under the trading name of AutoSelect.

EBITDA within the New Zealand Commercial segment increased by $15.4 million compared to the 2019 financial year. A combination of margin expansion and increased end-of-lease income helped drive a $7.4 million increase in NOI.

Furthermore, the successful execution of the Group’s Simplification Plan with respect to cost optimization helped reduce operating expenses by $10.9 million along with the reclassification of premises rental expenses below the EBITDA line with the adoption of accounting standard AASB 16 *Leases*.

This was partially offset by a $2.9 million increase in impairment losses.

Non-core

($m)	2020	2019
Net operating income	**11.3**	88.6
EBITDA	**(13.2)**	(22.4)

This segment includes the 2020 financial results of Right2Drive an accident replacement vehicle provider and CarLoans which is an online lending provider of consumer financing for vehicle purchases. As both businesses were sold by the Group during the 2020 financial year, the Non-Core segment is no longer operating as at 30 September 2020.

EBITDA within the Non-Core segment increased by $9.2 million compared to the 2019 financial year.

The sale of the Group’s non-core operations including Eclipx Commercial Finance, Grays, CarLoans and Right2Drive during the 2019 and 2020 financial years as part of the Group’s Simplification Plan, is driving the reduction in NOI in 2020 by $77.3 million.

7. Financial position

Inventory

Inventory was $18.4 million as at 30 September 2020 which is a reduction of $15.6 million compared to 30 September 2019. As one of the strategic responses to the economic crisis created by the COVID-19 pandemic, the Group reduced the inventory position in order to preserve liquidity. As the pandemic has progressed, an observable effect has been an increase in second-hand motor vehicle prices.

Finance leases

Finance leases were $370.3 million as at 30 September 2020 which is a reduction of $37.2 million compared to 30 September 2019. The decrease of this balance was driven by a combination of a decrease in new business writings in the 2020 financial year as a consequence of the COVID-19 pandemic and due to a greater portion of finance leases being funded by our principal and agency (P&A) partners as opposed to by our warehouse facilities.

7. Financial position (continued)

Operating leases reported as property, plant and equipment

Operating leases were $867.2 million as at 30 September 2020 which is a reduction of $92.0 million compared to 30 September 2019. The decrease of this balance was driven by a $5.3 million reduction in equipment leases in New Zealand, which is a product no longer offered, a decrease in new business writings in the 2020 financial year as a consequence of the COVID-19 pandemic and due to a greater portion of operating leases being funded by our principal and agency (P&A) partners as opposed to by our warehouse facilities.

Borrowings and funding

As at 30 September 2020, gross borrowings include an amount of $155.0 million drawn against the holding company debt facility. This represents a $130.7 million reduction to the 30 September 2019 balance. After deducting cash and cash equivalents, the holding company net debt borrowing as at 30 September 2020 was $99.3 million representing a $89.3 million reduction to the balance at 30 September 2019.

The remaining borrowings of $1,190.0 million relates to funding directly associated with finance and operating leases that the Group provides to its customers along with the inventory of vehicles in the process of being sold. This funding is provided by a combination of warehouse and asset backed securitisation funding structures.

Warehouse facilities are so called because they can be drawn and repaid on an ongoing basis up to an agreed limit subject to conditions. A group of assets funded via a warehouse facility can be pooled together and refinanced via the creation of special purpose asset backed securitisation vehicles (backed by the assets initially financed via the warehouse) which issue debt securities to wholesale investors such as domestic and international banks and institutional funds.

The Group aims to optimise its funding facilities with committed funding facilities to cater for expected business growth. At 30 September 2020, the Group had undrawn debt facilities of $342.7 million.

	As at		
Total Group assets and liabilities ($m)	**30 September 2020**	**30 September 2019**	**% change**
Inventory	**18.4**	34.0	(46)%
Finance leases	**370.3**	407.5	(9)%
Operating leases	**867.2**	959.2	(10)%
	1,255.9	1,400.7	(10)%
Other assets	**776.6**	849.0	(9)%
Total assets	**2,032.5**	2,249.7	(10)%
Borrowings	**1,345.0**	1,604.7	(16)%
Other liabilities	**179.0**	163.9	9%
Total liabilities	**1,524.0**	1,768.6	(14)%

Cash flows

The Group saw cash and cash equivalents, including restricted cash, decrease by $37.4 million during the 2020 financial year compared to an increase of $31.6 million during the prior corresponding period. The decrease was driven by a $130.7 million repayment of holding company debt partially offset by cash generated by the positive EBITDA result and the $6.4 million of net proceeds from the sale of CarLoans and Right2Drive.

As at 30 September 2020, the Group held $55.8 million of unrestricted cash and $146.5 million of restricted cash.

8. Going concern

This financial report has been prepared on the basis that the Group is a going concern.

The Group has considered its ability to continue as a going concern, using projected cash flow forecasts and other Group metrics and information for at least the next 12 months from the approval of these financial statements, taking into consideration an estimation of the continued business impacts of COVID-19. This assessment assumes the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business beyond this period.

At 30 September 2020 the Group held unrestricted cash reserves of $55.8 million, and undrawn capacity under its holding company debt facilities of $121.7 million maturing October 2022. The Group's going concern assumption is supported by the following:

- The Group held unrestricted cash reserves of $55.8 million, and undrawn capacity under its debt facilities of $121.7 million;

8. Going concern (continued)

- The amendment during the 2020 financial year to holding company debt covenant ratios provides the Group with material headroom;
- All non-core businesses have been divested;
- Group operating expenses have been reduced, on a run-rate basis, by $15 million; and
- The Group is now solely focused on growing the core fleet business.

9. Business strategic objectives

With the successful execution of the Group's Simplification Plan during the 2020 financial year, the strategy of the Group is now focused on accelerating growth across all of its three core segments.

At the forefront of this strategy will be a technology led offering that ensures our client experience is market leading through its speed, simplicity and transparency. The Group will also continue to leverage the competitive advantage which is derived from its diverse funding model.

10. Key risks

The following risks represent those where the Board and the Executive Leadership Team are focusing their efforts.

Key risk	Mitigating factors
The Group may inaccurately set and forecast vehicle residual values and there may be unexpected falls in used vehicle prices	• The Group performs a monthly portfolio revaluation using market information on all assets where the Group is at risk on the residual value and any impairment identified is immediately recognised. • The Group has multiple disposal channels for vehicles returning at the end of the lease, allowing the Group to minimise any losses on vehicles where the residual value is above the market value. • Residual values are reviewed regularly by the pricing and risk team and adjusted based on market and actual performance. • The Group has materially reduced the inventory held by taking advantage of the current strong used car prices being experienced in the market
The Group may be exposed to increased funding costs due to changes in market conditions.	• The Group has a diversified funding structure which includes multiple funding parties. • Funding margins are negotiated and agreed on an annual basis. • The Group has the ability to charge any margin increase onto new business that is written in the year. • The Group mitigates the interest rate risk by hedging the portfolio and funding is provided based on the contractual maturity of the lease.
The Group is exposed to credit risk	• The Group has a dedicated credit team that assesses risk drawing on nearly 30 years of operating experience, a wealth of proprietary data (including customer credit performance, arrears management, loss rates, and recovery rates), and external credit reporting data from local credit bureaus.
Reduction in the number of new passenger vehicles sold	• The Group's growth is comprised of leases from a diverse mix of vehicles in addition to passenger vehicles including, light commercial and heavy commercial vehicles. This mitigates exposure to one vehicle segment. • The Group is growing in the Novated segment as it continues to educate customers about novated leases and continues to grow the sale of novated leasing.
Maintaining a high-quality employee base	• The Group has a process in place to identify and develop key talent. • Key staff are incentivised through short-term and long-term incentive plans. • Incentive plans have been refreshed to reward individuals for achievements.
Exposure to cyber-attacks	The Group undertakes key actions to detect, contain, monitor and secure internal and external facing systems. Some of these actions include: • Improved layers of monitoring • Penetration testing on critical systems • Education program to ensure increased vigilance of our staff with respect to various forms of cyber-attacks • Program of continued upgrading of systems

11. Subsequent events

No matter or circumstance has occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

12. Changes in state of affairs

During the financial year, there were no significant change to the state of affairs of the Group other than that referred to in the Director's report, financial statements or notes thereto.

13. Environmental factors

The Group is not subject to any significant environmental regulation under Australian Commonwealth, State or Territory law. The Group recognises its obligations to its stakeholders being customers, shareholders, employees and the community, to operate in a way that lowers the impact both it, and its customers, have on the environment.

14. Dividends

No dividend were declared for the year ended 30 September 2020 (2019: nil). Details of dividends paid and dividends determined are outlined in Note 4.7 in the financial report.

15. Indemnification of Directors and Officers

The Directors and Officers of the Group are indemnified against liabilities pursuant to agreements with the Group. The Group has entered into insurance contracts with third party insurance providers, in accordance with normal commercial practices. Under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

16. Non-audit services

KPMG, the external auditors of the Group provided non-audit services during the 2020 financial year. The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and that they comply with applicable regulations. The Audit and Risk Committee has implemented processes and procedures to review the independence of the external auditors and to ensure that they may only provide services that are consistent with their role of external auditor.

The Group acquired non-audit services from KPMG only where the utilisation of KPMG would be beneficial to the Group due to the specific skills and knowledge the non-audit service team would have regarding the transaction and the impact this could have on the Group.

Following a review of the services provided by KPMG for the 2020 financial year, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 in view of the nature and amount of the services provided, and that all non-audit services were subject to the corporate governance procedures adopted by the Company.

The fees paid or payable to KPMG were as follows:

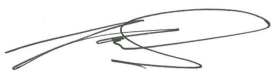
($m)	**2020** **$**	**2019** **$**
Audit and assurance services		
Audit and review of financial statements	1.03	1.50
Non-audit services		
Proposed merger with McMillan Shakespeare Limited	-	0.97
Debt restructuring	0.08	0.35
Other transactional advisory services	-	0.06
Total remuneration for non-audit services for KPMG	0.08	1.38
Total remuneration for KPMG	1.11	2.89

A copy of the auditor's independence declaration is set out on page 16 of this financial report, and forms part of the Directors Report.

17. Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and the Financial Report. Amounts, unless otherwise stated, have been rounded off to the nearest whole number of thousands of dollars.

This Directors' Report is signed on behalf of the Directors in accordance with the resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001.



Kerry Roxburgh
Chairman

Sydney

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

To the Directors of Eclipx Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Eclipx Group Limited for the year ended 30 September 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.

KPMG

KPMG

Dean Waters
Partner

Melbourne

10 November 2020

KPMG

KPMG

Peter Zabaks
Partner

Sydney

10 November 2020

30 September 2020

Dear Shareholders,

On behalf of the Board, I am pleased to present Eclipx Group Limited's (**Group**) FY20 Remuneration Report.

Group performance highlights

In FY19, the Group embarked upon a comprehensive restructure designed to streamline its business, enhance performance and support future growth. This restructure, known as the "Simplification Plan", focused on four key pillars: seeing the Group divest of its non-core businesses, strengthen its balance sheet, optimise its costs and invest in sustainable core growth.

Driving the success of the Simplification Plan is the Group's revised executive team. In addition to promoting Bevan Guest to Chief Commercial Officer, over the last 16 months, the Group has refreshed eight of the ten executive team roles, which in FY20 included the appointment of Damien Berrell as the Group Chief Financial Officer, as well as new appointments to the roles of Chief Information Officer, Head of People & Culture, Chief Risk Officer, Head of Strategy and Group Treasurer.

The efforts of the renewed executive team, and all of the Group's employees, over the last 16 months have seen the Group deliver against the targets set under the Simplification Plan, more than one year ahead of expectations. This included the divestment of all six non-core businesses (with the final divestment of Right2Drive completing in August 2020), an annualised reduction of more than $15m in the Group's operating expenses and a 56% reduction in gross corporate debt.

The Group's core business has also remained strong in FY20, increasing profitability despite challenging market conditions and the significant impact of the COVID-19 pandemic. This strong performance is a testament to the flexibility and commitment of the Group's workforce, including the dedicated financial hardship team established to support customers through the COVID-19 pandemic and the sales teams tasked with proactively offering customers extensions to existing leases.

With the successful execution of the Simplification Plan, our Chief Executive Officer (**CEO**), Julian Russell, and the renewed executive team will continue to pursue the Group's strategic objectives through FY21 and beyond.

COVID-19 response – overview of FY20 remuneration

To address the impact of the pandemic, the Group implemented the COVID-19 Employee Optimisation Plan designed to retain its talented team and maintain the high standard of customer service associated with our brands. This prompt action meant the Group avoided employee stand downs while maintaining our strong customer service culture.

As part of this plan, for a period of three months commencing in April 2020:

- **The Chairman and Non-Executive Directors accepted a reduction of 25% and 20% respectively in their Board fees**; and
- **The CEO, Chief Commercial Officer and Chief Financial Officer accepted a respective reduction of 50%, 40% and 30% in their fixed remuneration**.

In addition to the above, during FY20:

- **Our Executive KMP were not eligible to receive any short-term incentive (STI) payments** in line with the removal of STI from our executive remuneration framework; and
- **No long-term incentive (LTI) grants vested with our Executive KMP**.

Approach to FY21 executive remuneration

<u>(i) *Fixed remuneration*</u>

There is no proposal to change the quantum of fixed remuneration for the Executive KMP or of Board fees in FY21.

<u>(ii) *Variable remuneration*</u>

The Group's share price experienced a sharp decline from late February 2020 as a consequence of COVID-19 and the associated challenging equity market conditions.

During FY20, reflecting the need to ensure our key employees were incentivised to deliver on the Group's Simplification Plan and to drive share price performance in the interests of our shareholders in a difficult operating environment, the Board decided to bring forward the award of an FY21 equity incentive by making a once-off grant of premium priced options to executives and selected employees in April 2020 with exercise prices set at a 20% and 35% premium to the Group's share price at the time of grant (**FY21 Variable Remuneration Options**).

These FY21 Variable Remuneration Options were made in lieu of our standard LTI award for FY21 (scheduled to be granted in November 2020). The options created value for our key employees only when there was a significant recovery of the Group's performance, sustainability and share price in a challenging and uncertain operating environment.

The FY21 Variable Remuneration Options reflected the unique circumstances created by COVID-19 and the Board intends to revert to our standard LTI arrangements in FY22. As noted above, our Executive KMP do not receive an STI under our executive remuneration framework.

Subsequently, the Board have been pleased to see the Group's share price recovering (see section 4.3), notwithstanding the continuing volatility and uncertainty in the market. The Group's share price trajectory is, in large part, due to the actions of the recipients of the FY21 Variable Remuneration Options, setting the Group up for success in FY21 and beyond.

The FY21 Variable Remuneration Options reflected the unique circumstances created by COVID-19 and the Board intends to revert to our standard LTI arrangements in FY22. As noted above, our Executive KMP do not receive an STI under our executive remuneration framework.

The Board will continue to review the remuneration framework annually to ensure it remains fit for purpose to drive the delivery of the Group's strategy and reward performance in line with the delivery of long-term value for our shareholders.

I look forward to the opportunity to answer any questions regarding the Remuneration Report from shareholders at the Eclipx Annual General Meeting in February 2021.

Yours faithfully,

Gail Pemberton

Chair of the Remuneration and Nomination Committee

Remuneration Report (audited)

Contents **Page**

1. Who is covered by this Report?

This Report covers the Group's key management personnel (**KMP**), who are the people responsible for determining and executing the Group's strategy. For the year ended 30 September 2020, the KMP were:

Name	Position	Term as KMP
Executive KMP		
Julian Russell	Chief Executive Officer	Full Year
Bevan Guest	Chief Commercial Officer	Full Year
Damien Berrell	Chief Financial Officer	Appointed 18 April 2020
Non-Executive Directors		
Kerry Roxburgh	Independent Chairman	Full Year
Gail Pemberton	Independent Non-Executive Director	Full Year
Trevor Allen	Independent Non-Executive Director	Full Year
Russell Shields	Independent Non-Executive Director	Full Year
Linda Jenkinson	Independent Non-Executive Director	Full Year

2. FY20 at a glance

The following table outlines the key focus areas and remuneration outcomes for FY20.

Key focus area or outcome	Highlights / Details	Further information
Impact of COVID-19 on remuneration	The Group took a number of measures in response to COVID-19 as part of its commitment to retain and reward its talented team and to ensure team consistency, a customer-centric culture and the preservation of our market leading customer proposition and service. One of these measures was the COVID-19 Employee Optimisation Plan, implemented in April 2020, that saw a three months temporary cash remuneration reduction for the Board, the executive team, all employees in New Zealand and employees with a salary above $70,000 in Australia. The level of remuneration reductions varied as follows: **Executives and employees** **Chief Executive Officer** – 50% reduction **Chief Commercial Officer** – 40% reduction **Chief Financial Officer** – 30% reduction **Executive Committee members** – 30% reduction **All other employees** – 0-20% reduction **Board** **Chairman** – 25% reduction **Non-Executive directors** – 20% reduction	On FY20 executive remuneration outcomes: Section 4
LTI vesting outcomes in FY20	No LTI grants vested in FY20 as threshold EPS and TSR performance targets were not met. As a result, the FY18 LTI and re-tested FY17 LTI expired unvested. As noted above, in line with our new executive remuneration framework, Executive KMP were not eligible to receive any STI payments in FY20.	Section 4
FY21 Variable Remuneration Options	In April 2020, a once-off grant of premium priced options (FY21 Variable Remuneration Options) was made to Executive KMP in lieu of any FY21 LTI awards, reflecting the unique circumstances created by COVID-19. Two tranches of options were granted with exercise prices set at a 20% and 35% premium respectively to the Group's five-day VWAP preceding the date of grant. The use of premium-priced options was to deliver value to Executive KMP and encourage them to focus on executing the Group's Simplification Plan and to drive the Group's share price performance in the interests of our shareholders, as the options would only deliver value only if there was a material increase in the Group's share price.	On key terms of the FY21 Variable Remuneration Options: Section 5
Changes in FY21	As noted above, the once-off grant of FY21 Variable Remuneration Options replaced the LTI for FY21. No other changes are proposed in FY21. The Board intends to revert to our standard executive remuneration framework (including our LTI arrangements) in FY22.	On the FY21 executive remuneration framework: Section 5

3. Overview of executive remuneration at Eclipx

3.1 Our remuneration strategy

Simplification Plan

Our Simplification Plan is intended to establish the Group as the market leading fleet and novated leasing platform in Australia and New Zealand and is built on 4 pillars:

- Investing in sustainable fleet and novated core growth
- Divesting non-core assets
- Strengthening the balance sheet
- Optimising costs

Remuneration Strategy

The Group's remuneration strategy seeks to attract, retain and incentivise key talent to support business performance that delivers sustainable long-term shareholder value creation.

3.2 Our remuneration objectives

Alignment to performance	Simple and transparent	Equitable	Culture	Market competitive
Support the business strategy and shareholder alignment	Simple and transparent remuneration framework	Consistent approach to the way we reward all Executives, based on capability and performance	Drive a culture of rewarding high performance and engagement	Reward and retain key successors

3.3 Executive KMP remuneration framework

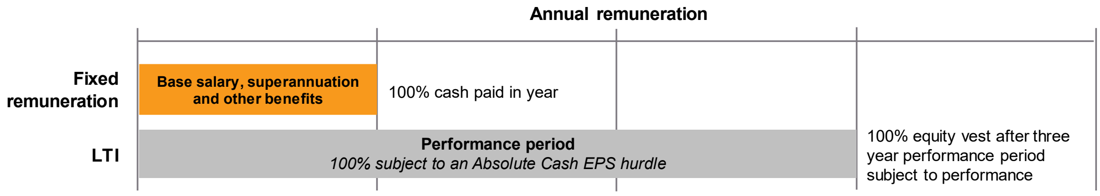
The Group's remuneration framework was revised in FY19 to support the delivery of the Simplification Plan.

Remuneration components

	Fixed remuneration	LTI
What is it?	Base salary, non-monetary benefits and superannuation	Options allocated using a fair value methodology
Purpose	Attract and retain key talent based on capability and experience to deliver strategy	Motivate, retain and reward key employees, focusing on sustainable long-term performance, and providing participants with exposure to the Group's shares
Link to performance	Set based on the individual's experience, capability and value they bring to the Group	Will only deliver value to participant where strong share price growth occurs
Alignment with business strategy	Attract and retain based on comparable roles in companies with similar market capitalisation	Rewards individuals for delivering business performance that accelerates shareholder value creation

Remuneration delivery

The following diagram provides an overview of the Executive KMP annual remuneration opportunity.



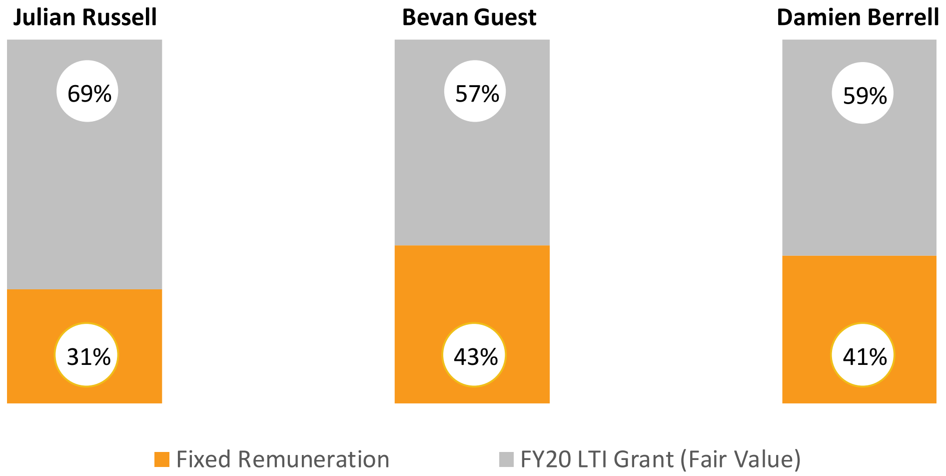
Fixed remuneration is paid within the year, while the long-term incentive opportunity is subject to a three-year performance period. The above is the standard annual Executive KMP remuneration structure and excludes the one-off FY21 Variable Remuneration Options issued in April 2020 in lieu of a standard FY21 LTI award (scheduled to be issued in November 2020). While there will be no FY21 LTI grant, the Board intends to revert to the traditional LTI approach from FY22

Remuneration mix

The remuneration mix for the Executive KMP consists of fixed and at-risk remuneration. For FY20, the at-risk remuneration opportunity comprised of an LTI grant.

The remuneration components for each Executive KMP are expressed as a percentage of total remuneration.

The following diagram sets out the remuneration mix for Executive KMP.



Remuneration mix for FY20 excludes the FY21 Variable Remuneration Options grant.

4. Link between Group performance and remuneration outcomes

4.1 FY20 remuneration outcomes

Actual remuneration awarded during FY20 comprises:

- Total fixed remuneration (cash salary and superannuation). As noted above, in response to COVID-19 and the challenging market conditions, the CEO, Chief Commercial Officer and Chief Financial Officer accepted reductions of 50%, 40% and 30% respectively in their total fixed remuneration for a period of three months from April 2020.

During FY20:

- **No STI awards were made to Executive KMP**, in line with the decision to remove the STI from the new remuneration framework.
- **No LTI grants vested**. Following testing of the FY18 LTI and re-testing of the FY17 LTI, the EPS and TSR performance targets (as set out in the FY18 and FY17 Remuneration Reports, respectively) had not been met and both awards expired unvested.

The table below presents the remuneration paid to Executive KMP in FY20 (note: the table is not prepared in accordance with Australian Accounting Standards. The statutory remuneration tables for Executive KMP are in Section 8.2).

	Total fixed remuneration ($)(1)	Cash bonus paid ($)	Equity vested ($)(2)	Total ($)
Julian Russell	638,600	-	-	638,600
Bevan Guest	552,820	-	-	552,820
Damien Berrell(3)	156,095	-	-	156,095

(1) Salary and superannuation are paid fortnightly and may vary depending on the number of pay cycles within any given year. Total fixed remuneration includes the temporary reduction from April 2020.
(2) No equity vested in respect of the FY17 and FY18 LTI grants.
(3) Mr Berrell's actual total remuneration reflects remuneration received since his appointment as CFO on 18 April 2020.

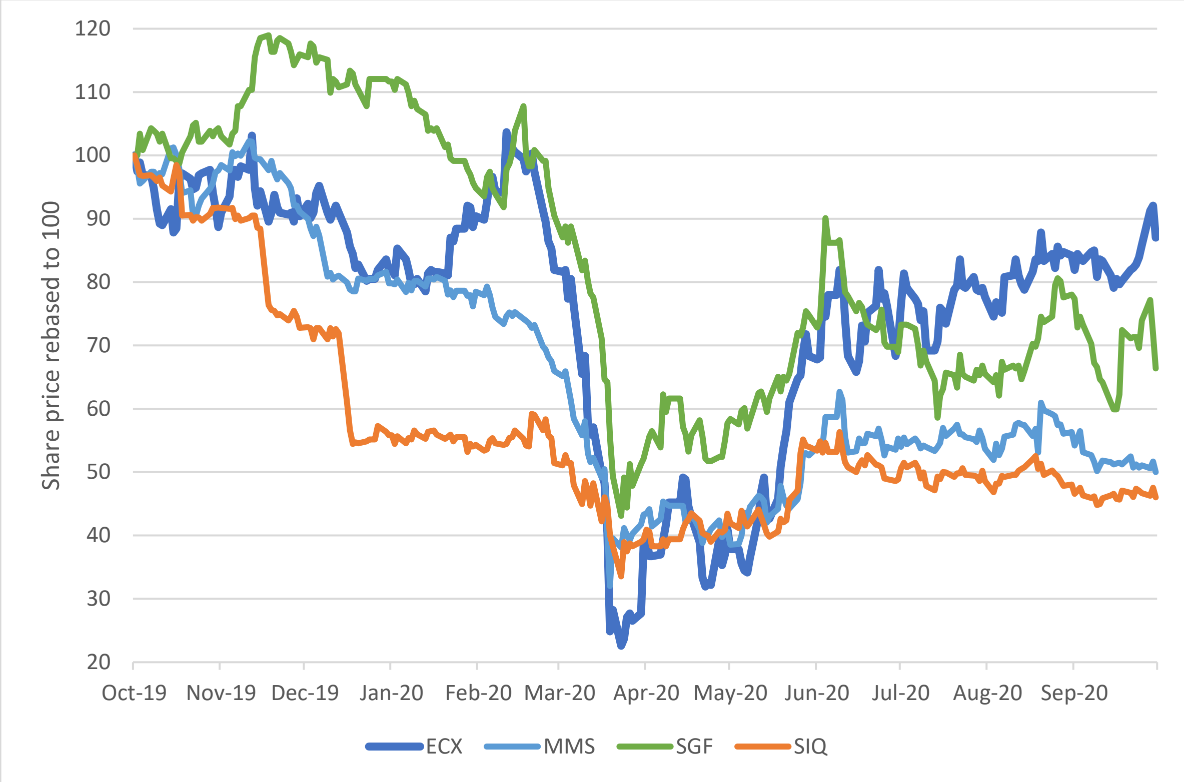
4.2 Historical performance against key metrics

The table below summarises key financial metrics achieved for the last five years.

	FY16	FY17	FY18	FY19	FY20
Cash NPATA ('$000)	55,330	68,275	78,108	23,823	33,615
Cash EPS (cents)	22.19	25.11	24.69	7.45	10.52
Statutory EPS (cents)	18.88	20.31	19.80	(107.00)	5.76
Share price at the end of the year	$4.07	$4.05	$2.57	$1.79	$1.54
Interim dividend paid (cents)	6.75	7.50	8.00	-	-
Final dividend paid (cents)	7.00	7.75	8.00	-	-

4.3 FY20 share price performance

The following graph represents the Group's share price for the FY20 period (1 October 2019 to 30 September 2020) and provides a comparison of share price performance (rebased on the Group's share price) against identified listed market peers, McMillan Shakespeare, SG Fleet and Smartgroup.



4.4 FY20 LTI grant

The following table outlines the key features of the Executive KMP FY20 LTI plan for grants to Executive KMP during FY20.

Key feature	Detail
Who is eligible to participate?	Eligibility to participate in the LTI plan is determined by the Board. All Executive KMP participated in the FY20 LTI.
What performance period applies?	The FY20 LTI is subject to a three-year performance period and will be exercisable for a one-year period after vesting.
How was the FY20 LTI delivered?	The FY20 LTI is provided through a grant of Options. The number of Options granted is determined by the Board based on a percentage of the Executive's fixed remuneration and the fair value of an Option calculated when the Options were granted. The Group uses the fair value methodology to calculate the number of Options granted each year for consistency and simplicity. The table below presents the number and fair value of the Options granted to Executive KMP under the FY20 LTI.

	Number Granted	Fair Value
Julian Russell	4,590,164	$1,400,000
Bevan Guest	2,360,656	$720,000
Damien Berrell	747,682	$228,043

Key feature	Detail
Are dividends paid during the vesting period?	No.
How is the FY20 LTI valued?	The Options granted to Executive KMP are valued using the Binomial Tree methodology.

Key feature	**Detail**
What performance hurdles need to be met?	The FY20 LTI is subject to the following performance hurdles, both of which must be achieved for Executive KMP to realise value from the Options. There is no retesting of performance hurdles. Any Options which do not vest following testing will lapse immediately.

Performance hurdle	**Why was it chosen?**	**Detail**
'In-built' share price	The 'out-of-the money' strike price of the Options acts as an absolute share price hurdle, which aligns Executive KMP with shareholder interests.	On the date the Options were granted (27 November 2019), the Options were "underwater", as the exercise price of the Options ($1.63) was 3% higher than the closing share price of $1.59 on 27 November 2019.
Absolute Cash EPS	Absolute Cash EPS was selected as a performance measure as EPS growth is a key strategic objective for the Group.	For the FY20 LTI, the percentage of the Options that vest, if any, will be determined based on the Group's compound annual growth in Absolute Cash EPS over the performance period by reference to the FY19 Absolute Cash EPS. To determine the growth in cash EPS, the cash EPS achieved in FY22 will be compared to cash EPS achieved in FY19, and the level of compound annual growth (**CAGR**), stated as a percentage, will determine the proportion of Options that vest, as outlined in the below table.

CAGR from FY19 to FY22	**% of Options that vest**
Below 3% CAGR	Nil
At 3% CAGR	50%
Between 3% and 5% CAGR	Straight line pro-rated vesting between 50% and 100%
At or above 5% CAGR	100%

Key feature	**Detail**
What happens if an Executive KMP ceases employment?	Where an Executive KMP ceases employment defined by the Group as resignation or termination for cause, any unvested Options are forfeited, unless otherwise determined by the Board. Where an Executive KMP ceases employment for any other reason, unvested Options will continue "on-foot" and will vest at the end of the original performance period. Note the Plan Rules provide the Board with discretion to determine that a different treatment should apply at the time of cessation, if applicable.
What happens if there is a change of control?	A change of control occurs where, as a result of any event or transaction, a new person or entity becomes entitled to a significant percentage of shares in the Group. • In the event of a 50% change of control of the Group, all unvested Options will vest in full and will be exercisable until the end of the original exercise period, subject to the Board determining that an alternative treatment should apply. • Where a transaction or event occurs, other than a 50% Change of Control, that in the opinion of the Board should be treated as a change of control for the purposes of the Plan, the Board can determine the appropriate treatment of unvested Options.
Malus	In the event of fraud, dishonest conduct or breach of duty or obligation owed to the Group by the participant, the Board has the discretion to lapse all unvested Options

5. Remuneration framework for FY21

5.1 Overview

In FY21:

- There are no proposed changes to Executive KMP fixed remuneration.
- No STI awards will be made to Executive KMP, following the removal of the STI program from the executive remuneration framework in FY20.
- No LTI grants will be made to Executive KMP in FY21 (i.e. in November 2020), reflecting the once-off FY21 Variable Remuneration Options issued in April 2020, reflecting the unique circumstances created by COVID-19 (refer section 5.2 below). The Board intends to revert to the standard LTI program from FY22.

5.2 FY21 Variable Remuneration Options

From late February 2020, the Group experienced a significant decline in its share price as a consequence of COVID-19 and the significant business challenges created by the global pandemic.

While the FY21 LTI was scheduled to be granted in November 2020, to focus on share price performance in the near term in the interests of our shareholders amidst the difficult operating environment, the Board decided to make an earlier grant of premium-priced options (FY21 Variable Remuneration Options) to Executive KMP in April 2020 (in lieu of their FY21 LTI).

As set out below, the exercise prices of the two tranches of the FY21 Variable Remuneration Options were set at a 20% and 35% premium to the Group's share price at the time of grant, which meant that the options would not deliver any value to Executive KMP unless there was a material increase in the Group's share price.

The Board adopted this course of action for the following reasons:

- it is critical to the success of the Group that Executive KMP are motivated and incentivised to deliver on the Simplification Plan and to drive share price performance. The options were intended to strengthen the alignment between the interests of the Group's shareholders and Executive KMP and provide more "skin in the game" to motivate Executive KMP in challenging market conditions; and
- the equity awards held by Executive KMP were also materially "out of the money" at the time of grant of the FY21 Variable Remuneration Options and some new appointments at the Executive KMP level did not hold meaningful positions in the Group's LTI plans due to tenure. The FY21 Variable Remuneration Options were structured to support retention of key talent who were necessary to deliver on the Simplification Plan and to generate long-term sustainable value for our shareholders.

Key terms of the grants made to Executive KMP are outlined in the following table:

Key feature	Detail
Over what time period will the FY21 Variable Remuneration Options be delivered?	The FY21 Variable Remuneration Options are subject to service over an eighteen-month vesting period and will be exercisable for a one-year period after vesting.

How are the FY21 Variable Remuneration Options delivered?	The FY21 Variable Remuneration Options are provided in the form of Options over Eclipx Group Limited ordinary shares in two tranches: • Tranche 1: Exercise price of \$0.75 • Tranche 2: Exercise price of \$0.85. The exercise prices for the Options were set at a 20% and 35% premium to the share price at grant (being the VWAP for the last 5 days prior to grant). The number of Options granted was determined by the Board based on a percentage of the Executive's fixed remuneration and the fair value of an Option calculated when the Options were granted. The Group uses the fair value methodology when calculating the number of Options to grant. The table below presents the number and fair value of the Options granted to the Executive KMP.

	Tranche 1[(1)]		Tranche 2[(2)]	
	Number Granted	**Fair Value**	**Number Granted**	**Fair Value**
Julian Russell[3]	4,402,516	\$611,950	5,147,059	\$602,206
Bevan Guest	2,264,151	\$314,717	2,647,059	\$309,706
Damien Berrell	864,780	\$120,204	1,011,029	\$118,290

(1) On the date the Options were granted (9 April 2020) the Options were "underwater", as the exercise price of the Options (\$0.75) was set based on a 20% premium to the VWAP for the last 5 days prior to issue of the FY21 Variable Remuneration Options.
(2) On the date the Options were granted (9 April 2020) the Options were "underwater", as the exercise price of the Options (\$0.85) was set based on a 35% premium to the VWAP for the last 5 days prior to issue of the FY21 Variable Remuneration Options.
(3) The Fair Value of FY21 Variable Remuneration Options issued to Julian Russell was \$1.21 million, 13% lower than the \$1.4 million that was contracted to be paid as an FY21 grant in his employment contract, the summary of which was disclosed to the ASX on 9 April 2020.

Are dividends paid during the vesting period?	No.
How are the FY21 Variable Remuneration Options valued?	The Options granted to participants are valued by using the Binomial Tree methodology.
What happens if a participant ceases employment?	Where a participant ceases employment defined by the Group as resignation or termination for cause, any unvested Options are forfeited, unless otherwise determined by the Board. Where a participant ceases employment for any other reason, unvested Options will continue "on-foot" and will vest at the end of the original vesting period. Note that the Plan Rules provide the Board with discretion to determine that a different treatment should apply at the time of cessation, if applicable.
What happens if there is a change of control?	A change of control occurs where, as a result of any event or transaction, a new person or entity becomes entitled to a significant percentage of shares in the Group. • In the event of a 50% change of control of the Group, all unvested Options will vest in full, and Options will be exercisable until the end of the original exercise period, subject to the Board determining that an alternative treatment should apply. • Where a transaction or event occurs, other than a 50% Change of Control, that in the opinion of the Board should be treated as a change of control for the purposes of the Plan, the Board can determine the appropriate treatment of unvested Options.
Malus	In the event of fraud, dishonest conduct or breach of duty or obligation owed to the Group by the participant, the Board has the discretion to lapse all unvested Options.

6. Remuneration governance

Board

The Board oversees the Group's Remuneration Policy, which involves:

- Monitoring the performance of Senior Executives; and
- Approving Executive KMP remuneration (based on the recommendations of the Committee).

Remuneration and Nomination Committee

The Committee is responsible for making recommendations to the Board in relation to the Remuneration Policy. This may include recommendations in relation to:

- Remuneration strategy;
- The appointment, performance and remuneration of KMP; and
- The design and positioning of remuneration elements, including fixed and "at-risk" pay, equity-based incentive plans and other employee benefit programs.

Remuneration Advisors

The Committee has appointed Ernst & Young (EY) as the external remuneration advisor to the Group. EY provides independent advice in relation to:

- Market remuneration practices and trends;
- Regulatory frameworks; and
- The design and valuation of equity awards, including tax and accounting advice.

No remuneration recommendations (as defined by the Corporations Act 2001) were requested from or provided by EY or any other advisors.

Management

The Chief Executive Officer is responsible for making recommendations to the Committee in relation to the remuneration of the Executive KMP.

Audit and Risk Committee

The Audit and Risk Committee advises the Committee of material risk management issues or compliance breaches.

7. Non-Executive Director fees

7.1 Overview

Non-executive Directors (**NEDs**) receive base fees and committee membership fees, inclusive of statutory superannuation. Fees are reviewed and set annually by the Board.

NEDs do not participate in any variable remuneration plans. There are no changes to Board fees in FY21.

NEDs may participate in "Eclipx Non-Executive Director Share Rights Contribution Plan" which was approved by shareholders in 2016, under which NEDs may elect to sacrifice up to 50% of base fees (excluding committee fees) to acquire shares on a pre-tax basis.

- Share rights are not subject to performance conditions.
- If a participant ceases to hold office before their share rights convert to shares, all share rights will lapse and the fee amount sacrificed under the Share Rights Contribution Plan will be returned to the participant.
- During FY20, Mr Kerry Roxburgh elected to sacrifice a proportion of his base Board fees to acquire share rights (see table below).

The table below outlines the Board fee structure and excludes the temporary reduction in Board fees for three months from April 2020. Fees in FY20 are within the approved aggregate Board fee pool of $1.4 million.

Committee	Chairman fees ($)	Member fees ($)
Board	250,000	125,000
Audit & Risk Committee	25,000	12,500
Remuneration & Nomination Committee	25,000	12,500

7.2 FY20 remuneration

The following table shows remuneration received by NEDs in FY20. As noted in section 2, the Chair and Non-Executive Directors accepted a reduction of 25% and 20% respectively in their Board fees for three months from April 2020.

		Salary and fees		Short term benefits	Post-employment benefits	Share based payments	
		Cash ($)	Fees sacrificed to acquire share rights ($)	Non-monetary ($)	Superannuation ($)	Equity settled ($)	Total ($)
Kerry Roxburgh (Chairman)	FY20	126,999	120,313	-	10,502	-	257,813
	FY19	284,350	-	-	20,650	-	305,000
Russell Shields	FY20	119,292	-	-	11,333	-	130,625
	FY19	153,420	-	-	14,080	-	167,500
Trevor Allen	FY20	147,359	-	-	7,016	-	154,375
	FY19	176,793	-	-	15,634	-	192,500
Gail Pemberton	FY20	140,982	-	-	13,393	-	154,375
	FY19	176,793	-	-	15,707	-	192,500
Linda Jenkinson	FY20	119,292	-	-	11,333	-	130,625
	FY19	153,420	-	-	14,080	-	167,500

8. Executive service agreements and statutory remuneration disclosures

8.1 Executive service agreements

The table below details the key individual terms and conditions of employment applying to Executive KMP.

	Julian Russell	Bevan Guest	Damien Berrell
Notice period	9 months by either party	9 months by the Executive 6 months by the Company	6 months by either party
Termination entitlement when initiated by Company	9 months	6 months	6 months
The following terms and conditions are standard for all Executive KMP:			
Serious misconduct	Immediate termination		
Restraint of trade	12 months following expiry of notice period		

8.2 Executive KMP statutory remuneration

The following Executive KMP remuneration table has been prepared in accordance with the accounting standards and has been audited. The values in the table below align with the amounts expensed in the Group's financial statements.

		Short term benefits				Long term benefits			
		Salary ($)(1)	Non-monetary ($)(2)	Annual leave ($)	Cash bonus ($)(3)	Long Service Leave ($)(4)	Super-annuation ($)	Share based payments ($)(5)	Total ($)
Julian Russell	FY20	617,828	6,531	26,980	-	585	20,772	1,377,873	2,050,569
	FY19	270,411	2,177	20,744	-	225	8,113	164,931	466,601
Bevan Guest(6)	FY20	532,049	40,115	28,948	-	58,935	20,772	950,680	1,631,498
	FY19	223,667	10,481	14,466	281,473	25,414	8,113	196,760	749,893
Damien Berrell(7)	FY20	146,502	2,127	14,109	-	153	9,593	253,760	426,244

(1) Salary is pro-rated for the period the executives were Executive KMP.
(2) Amount represents motor vehicle, car parking, medical insurance, flights home, tax services and fringe benefits tax.
(3) Amounts represent the 'turnaround' cash incentive granted in FY19 in relation to Mr. Guest's appointment as Chief Commercial Officer and paid in early FY20, and a cash incentive earned prior to appointment as Executive KMP.
(4) Amount represents long service leave provisions.
(5) In accordance with the accounting standards, remuneration includes a proportion of the fair value of the Options and Rights awarded under the LTI program from current and prior years. The fair value is determined as at grant date and is progressively allocated over the vesting period. The amount included in remuneration above may not be indicative of the benefit (if any) that KMP may ultimately realise should the equity instrument vest. A grant of performance rights was made and cancelled in FY20.
(6) Appointed 13 May 2019.
(7) Appointed 18 April 2020.

9. Additional statutory disclosures

9.1 Outstanding awards

The maximum value of awards that may vest in future years that will be recognised as share-based payments in future years is set out in the table below. The amount reported is the value of share-based payments calculated in accordance with AASB2 Share-based Payments over the vesting period.

							Fair value at grant date			
KMP	**Plan**	**Award type**	**Performance Condition**	**Number of awards granted**	**Grant date**	**Exercise price ($)**	**Per instrument ($)**	**Total value of award ($)**	**Vesting date/first exercise date**	**Expiry date**
Julian Russell	FY21 Variable Remuneration Options	Options	Service	4,402,516	04/04/20	$0.75	0.14	611,950	30/09/21	30/09/22
		Options	Service	5,147,059	04/04/20	$0.85	0.12	602,206	30/09/21	30/09/22
	FY20 LTI	Options	EPS	4,590,164	27/11/19	$1.63	0.31	1,400,000	27/11/22	26/11/24
	FY19 LTI	Options	Service	6,363,636	24/05/19	$1.20	0.22	1,400,000	23/05/22	23/05/23
Bevan Guest	FY21 Variable Remuneration Options	Options	Service	2,264,151	04/04/20	$0.75	0.14	314,717	30/09/21	30/09/22
		Options	Service	2,647,059	04/04/20	$0.85	0.12	309,706	30/09/21	30/09/22
	FY20 LTI	Options	EPS	2,360,656	27/11/19	$1.63	0.31	720,000	27/11/22	26/11/24
	FY19 LTI	Options	Service	2,840,911	24/05/19	$1.20	0.22	625,000	23/05/22	23/05/23
	FY19 LTI	Options	TSR	200,000	17/12/18	$2.54	0.26	52,000	10/11/21	16/12/23
		Options	EPS	200,000	17/12/18	$2.54	0.28	56,000	10/11/21	16/12/23
		Rights	TSR	50,000	17/12/18	-	1.22	61,000	10/11/21	16/12/23
		Rights	EPS	50,000	17/12/18	-	2.07	103,500	10/11/21	16/12/23
		Rights	Service	50,000	17/12/18	-	2.07	103,500	10/11/21	16/12/23
	FY18 Grant	Options	TSR	150,000	17/08/18	$2.05	0.29	43,500	30/11/20	16/08/23
		Options	EPS	150,000	17/08/18	$2.05	0.55	82,500	30/11/20	16/08/23
		Rights	Service	200,000	17/08/18	-	2.26	452,000	18/08/21	16/08/23
	FY18 LTI	Options	TSR	90,000	08/11/17	$4.18	0.65	58,500	08/11/20	08/11/22
		Options	EPS	90,000	08/11/17	$4.18	0.68	61,200	08/11/20	08/11/22
		Rights	TSR	22,500	08/11/17	-	2.47	55,575	08/11/20	08/11/22
		Rights	EPS	22,500	08/11/17	-	3.70	83,250	08/11/20	08/11/22
	FY17 LTI	Options	TSR	137,500	04/11/16	$3.60	0.53	72,875	04/11/19	04/11/21
		Rights	TSR	22,500	04/11/16	-	2.18	49,050	04/11/19	04/11/21

Damien Berrell	FY21 Variable Remuneration Options	Options	Service	864,780	04/04/20	$0.75	0.14	120,204	30/09/21	30/09/22
		Options	Service	1,011,029	04/04/20	$0.85	0.12	118,290	30/09/21	30/09/22
	FY20 Sign-on Grant(1)	Options	Service	819,672	27/11/19	$1.63	0.31	250,000	27/11/22	26/11/24
	FY20 LTI	Options	EPS	747,682	27/11/19	$1.63	0.31	228,043	27/11/22	26/11/24

(1) In recognition for forgoing incentives from his former employer, Mr Berrell was issued a sign-on grant in the form of options with the total fair value of $250,000. These options vest in November 2022 and were considered necessary by the Board to attract an executive of Mr Berrell's calibre and fleet industry experience to the Group.

9.2 Equity instruments

The table below shows details of the share and option holdings of KMP:

	Held as at 30 September 2019			Net Change			Held as at 30 September 2020(4)		
	Shares	**Rights**	**Options(1)**	**Shares**	**Rights(2)**	**Options(1)**	**Shares**	**Rights**	**Options**
Non-Executive Directors									
Kerry Roxburgh (Chairman)	239,611	-	200,000	4,449	85,657	(200,000)	244,060	85,657(3)	-
Russell Shields	285,647	-	50,000		-	(50,000)	285,647	-	-
Trevor Allen	179,846	-	185,000	10,000	-	(185,000)	189,846	-	-
Gail Pemberton	428,545	-	50,000		-	(50,000)	428,545	-	-
Linda Jenkinson	3,258	-	-	-	-	-	3,258	-	-
Current Executives									
Julian Russell	-	-	6,363,636	-	-	14,139,739	-	-	20,503,375
Bevan Guest	400,745	460,000	4,070,911	(350,000)	(42,500)	7,059,366	50,745	417,500	11,130,277
Damien Berrell	-	-	-	-	-	3,443,163	-	-	3,443,163

(1) Options for Non-Executive Directors were purchased at IPO at an issue price of $0.24 per option. The options expired on 21 April 2020. Each option was exercisable over one share with an exercise price of $2.645, immediately vested and exercisable.
(2) Net change of rights for Executive KMP include the grant of performance rights made and cancelled in FY20
(3) Represent Share Rights held by Mr Roxburgh under the NED Share Right Contribution Plan (see section 7.1) as at 30 September 2020. Share rights convert automatically into shares at the commencement of the first trading window following the grant of rights.
(4) No equity instrument had vested as at 30 September 2020

9.3 Loans

Loan shares issued under the Group's LTI plans prior to FY16 were funded by the Group. Recourse under the loans is limited to the shares and the proceeds of any sale of the shares. The loan is interest free and must be repaid by the expiry date.

Pre-IPO loan share plan

Former CEO Mr Doc Klotz, Former CFO Mr Garry McLennan and Former COO Mr Jeff McLean were offered loan shares under the share ownership plan prior to the IPO that are not subject to vesting conditions. Treatment of the loan shares upon the cessation of their employment was as follows:

- Mr Klotz's and Mr McLennan's loan shares vested, and the loan is required to be repaid by 1 October 2021, unless the shares are sold earlier.
- Mr McLean's loan shares were settled on 15 October 2019.

Chief Commercial Office Bevan Guest was also offered loan shares under the same share ownership plan prior to IPO. Mr Guest's loan shares were settled on 26 November 2019.

Details of these loans are as follows:

Loan Share Holder	Opening loan balance on 1 October 2019 ($)	Closing loan balance on 30 September 2020 ($)	Number of vested loan shares	Loan value per vested loan share	Loan expiry date
Doc Klotz	5,854,967	5,854,967	3,539,118	$1.65	September 2021
Garry McLennan	5,854,967	5,854,967	3,539,118	$1.65	September 2021
Jeff McLean	1,131,512	-	-	-	-
Bevan Guest	118,216	-	-	-	-

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9.4 Other transactions

Transactions with other related parties are made on normal commercial terms and conditions.

Eclipx Group Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 September 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019* $'000
Revenue from continuing operations	2.3	**674,248**	709,401
Cost of revenue	2.3	**(442,024)**	(460,692)
Lease finance costs	2.4	**(58,456)**	(73,390)
Net operating income before operating expenses and impairment charges		**173,768**	175,319
Impairment losses on loans and receivables		**(4,428)**	(1,259)
Software Impairment	3.7	**-**	(24,200)
Other Intangible Impairment	3.7	**(398)**	(3,458)
Fixture and fittings Impairment	3.1	**-**	(1,613)
Total impairment		**(4,826)**	(30,530)
Employee benefit expense		**(65,155)**	(68,934)
Depreciation and amortisation expense	2.4	**(13,793)**	(13,880)
Operating overheads	2.4	**(26,787)**	(61,992)
Total overheads		**(105,735)**	(144,806)
Operating finance costs	2.4	**(20,815)**	(18,521)
Profit/(loss) before income tax from continuing operations		**42,392**	(18,538)
Income tax (expense)/benefit	2.6	**(12,162)**	5,070
Profit/(loss) from continuing operations		**30,230**	(13,468)
Loss after tax from discontinued operations	2.2	**(12,025)**	(327,989)
Profit/(loss) for the year		**18,205**	(341,457)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**1,659**	(13,759)
Exchange differences on transaction of foreign operations		**(291)**	2,580
Other comprehensive income/(loss) for the year		**1,368**	(11,179)
Total comprehensive income/(loss) for the year		**19,573**	(352,636)
Profit/(loss) attributable to:			
Owners of Eclipx Group Limited		**18,205**	(341,457)
Total comprehensive income/(loss) for the year attributable to:			
Owners of Eclipx Group Limited		**19,573**	(352,636)

**The Group has initially applied AASB 16 at 1 October 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Comparative information has been re-presented due to a discontinued operation. See Note 1.0 and 2.2.*

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Profit or Loss and Other Comprehensive Income

		2020 Cents	**2019* Cents**
Earnings per share from continuing and discontinued operations			
Basic earnings per share	2.5	**5.8**	(107.0)
Diluted earnings per share	2.5	**5.6**	(107.0)
Earnings per share from continuing operations			
Basic earnings per share	2.5	**9.6**	(4.2)
Diluted earnings per share	2.5	**9.3**	(4.2)
Earnings per share from discontinued operations			
Basic earnings per share	2.5	**(3.8)**	(102.8)
Diluted earnings per share	2.5	**(3.8)**	(102.8)

**The Group has initially applied AASB 16 at 1 October 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Comparative information has been re-presented due to a discontinued operation. See Note 1.0 and 2.2.*

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Eclipx Group Limited
Statement of Financial Position
As at 30 September 2020

	Note	Consolidated 2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	4.3	**55,776**	97,134
Restricted cash and cash equivalents	4.3	**152,022**	142,544
Trade receivables and other assets	3.4	**68,534**	81,718
Inventory		**18,425**	33,983
Assets classified as held for sale	2.2	**-**	41,516
Finance leases	3.3	**370,299**	407,542
Operating leases reported as property, plant and equipment	3.1	**867,164**	959,187
Deferred tax assets	2.6	**3,366**	2,176
Property, plant and equipment	3.1	**6,029**	8,600
Right-of-use assets	3.2	**21,565**	-
Intangibles	3.7	**469,306**	475,302
Total assets		**2,032,486**	2,249,702
LIABILITIES			
Trade and other liabilities	3.5	**107,771**	111,227
Provisions		**9,810**	9,283
Liabilities classified as held for sale	2.2	**-**	3,457
Derivative financial instruments	4.4	**28,091**	31,369
Other		**-**	3,413
Borrowings	4.1	**1,344,992**	1,604,705
Lease liabilities	3.6	**23,774**	-
Deferred tax liabilities	2.6	**9,563**	5,143
Total liabilities		**1,524,001**	1,768,597
Net assets		**508,485**	481,105
EQUITY			
Contributed equity	4.5	**654,765**	654,765
Reserves	6.1	**176,972**	167,797
Retained earnings		**(323,252)**	(341,457)
Total equity		**508,485**	481,105

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Eclipx Group Limited
Statement of Changes in Equity
For the year ended 30 September 2020

Consolidated	**Note**	**Attributable to owners of Eclipx Group Limited** Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 30 September 2018		654,765	17,046	196,288	868,099
Adjustment on initial application of AASB 9 *		-	-	(12,511)	(12,511)
Re-stated balance balance as at 1 October 2018		654,765	17,046	183,777	855,588
Transfer to dividend reserve		-	183,777	(183,777)	-
Loss for the year		-	-	(341,457)	(341,457)
Cash flow hedges		-	(13,759)	-	(13,759)
Foreign currency translation		-	2,580	-	2,580
Total comprehensive income for the year		-	(11,179)	(341,457)	(352,636)
Transactions with owners in their capacity as owners:					
Employee share schemes	5.1	-	2,238	-	2,238
Movement in treasury reserve		-	1,486	-	1,486
Dividends paid	4.7	-	(25,571)	-	(25,571)
Balance at 30 September 2019		**654,765**	**167,797**	**(341,457)**	**481,105**
Balance at 30 September 2019**		654,765	167,797	(341,457)	**481,105**
Profit for the year		-	-	18,205	**18,205**
Cash flow hedges		-	1,659	-	**1,659**
Foreign currency translation		-	(291)	-	**(291)**
Total comprehensive income for the year		-	1,368	18,205	**19,573**
Transactions with owners in their capacity as owners:					
Employee share schemes	5.1	-	5,984	-	**5,984**
Movement in treasury reserve		-	1,823	-	**1,823**
Dividends paid	4.7	-	-	-	**-**
Balance at 30 September 2020		**654,765**	**176,972**	**(323,252)**	**508,485**

* The Group applied AASB 9 retrospectively and took advantage of the exemption from restating prior periods in respect of AASB 9's classification and measurement requirements. The effect of applying AASB 9 was recognised in retained earnings at 1 October 2018.

** The Group has initially applied AASB 16 at 1 October 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Refer to Note 1.0.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Eclipx Group Limited
Statement of Cash Flows
For the year ended 30 September 2020

	Note	Consolidated 2020 $'000	2019 $'000
Cash flows from operations			
Receipts from customers		**755,453**	1,081,912
Payments to suppliers and employees		**(264,107)**	(596,206)
Cash generated from operating activities		**491,346**	485,706
Income tax received / (paid)		**2,138**	(19,279)
Interest received		**1,172**	2,811
Interest paid		**(77,837)**	(86,676)
Net cash inflow from operating activities	6.7	**416,819**	382,562
Cash flows from investing activities			
Purchase of items reported under operating leases reported as property, plant and equipment	3.1	**(266,041)**	(307,296)
Purchase of items reported under finance leases		**(141,408)**	(184,732)
Purchase of property, plant and equipment and intangibles		**(2,626)**	(13,574)
Payment for transaction cost on disposed groups		**-**	(7,449)
Proceeds from sale of discontinued operations		**6,383**	70,764
Proceeds from completion payments		**406**	-
Proceeds from sales of items reported under operating leases		**217,093**	219,159
Net cash outflow from investing activities		**(186,193)**	(223,128)
Cash flows from financing activities			
Proceeds from borrowings		**383,139**	453,635
Repayments of borrowings		**(643,586)**	(556,678)
Payment of lease liabilities		**(4,161)**	-
Dividends paid		**-**	(25,571)
Proceeds from settlement of long term incentive plans		**1,822**	811
Net cash inflow from financing activities		**(262,786)**	(127,803)
Net increase in cash and cash equivalents		**(32,160)**	31,631
Cash and cash equivalents at the beginning of the financial year, net of overdraft		**239,678**	208,257
Exchange rate variations on New Zealand cash and cash equivalent balances		**280**	(210)
Cash and cash equivalents at end of the year, net of overdraft	4.3	**207,798**	239,678

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1.0 INTRODUCTION TO THE REPORT

Statement of compliance

These general purpose financial statements of the consolidated results of Eclipx Group Limited (ACN 131 557 901) have been prepared in accordance with the Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Board of Directors on 10 November 2020.

Basis of preparation

These financial statements have been prepared under the historical cost convention, except for the financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The Statement of financial position is prepared with assets and liabilities presented in order of liquidity.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Critical accounting estimates and assumptions

The preparation of 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.

Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are set out below. Other significant accounting policies are contained in the notes to the financial report to which they relate. The financial statements are for the Group consisting of Eclipx Group Limited (Company) and its controlled entities.

(i) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Eclipx Group Limited as at 30 September 2020 and the results of all controlled entities for the year ended. Eclipx Group Limited and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

The Company controls an entity if it is exposed, or has rights, to variable returns from its involvement with the controlled entity and has the ability to affect those returns through its power over the controlled entity. All controlled entities have a reporting date of 30 September.

Profit or loss and other comprehensive income of controlled entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. In preparing the financial report, all intercompany balances, transactions and unrealised profits arising within the consolidated entity are eliminated in full.

1.0 INTRODUCTION TO THE REPORT (continued)

Significant accounting policies (continued)

(ii) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

Going concern

The financial report has been prepared on the basis that the Group is a going concern.

The Group has considered its ability to continue as a going concern, using projected cash flow forecasts and other Group metrics and information for at least the next 12 months from the approval of these financial statements, taking into consideration an estimation of the continued business impacts of COVID-19. This assessment assumes the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business beyond this period.

At 30 September 2020 the Group held unrestricted cash reserves of $55.8 million, and undrawn capacity under its holding company debt facilities of $121.7 million maturing October 2022. The Group's going concern assumption is supported by the following:

• The Group held unrestricted cash reserves of $55.8 million, and undrawn capacity under its debt facilities of $121.7 million;
• The amendment during the 2020 financial year to holding company debt covenant ratios provides the Group with headroom;
• All non-core businesses have been divested;
• Group operating expenses have been reduced, on a run-rate basis, by $15 million; and
• The Group is now solely focused on growing the core fleet business.

Changes in significant accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in the notes to the financial statements to all periods presented in these consolidated financial statements.

1.0 INTRODUCTION TO THE REPORT (continued)

New and revised standards and interpretations not yet adopted by the Group

A number of new standards are issued, but not yet effective. Early application is permitted; however the Group has not early adopted the new or amended standards in preparing the financial statements.

New Australian Accounting Standards and amendment standards that are effective in the current period

The Group applied AASB 16 Leases from 1 October 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. A number of other new standards are also effective in this financial year, but do not have a material impact on the consolidated financial statements of the Group.

AASB 16 Leases

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019 and the comparative information is not restated.

Group as lessor

The Group's accounting for leases as a lessor remains largely unchanged under AASB 16. The Group will continue to classify leases as finance leases if it transfers all the risks and rewards incidental to ownership of the assets, or operating leases if it does not transfer substantially all the risk and rewards incidental to ownership of the underlying assets.

Group as lessee

On transition to AASB 16, the Group has applied a modified retrospective approach. Accordingly, information presented for the comparative period has not been restated and it is presented as previously reported, under AASB 117.

In applying AASB 16 for the first time, the Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months to end of the lease term;
- Excluded initial direct costs at date of initial application; and
- Applied hindsight when determining the lease term if the contract contains options to extend of terminate the lease.

Right-of-use assets

The Group recognises a right-of-use asset (ROUA) where the Group has control of an asset for a period of more than 12 months. Assets are recorded initially at cost and depreciated on a straight-line basis over the term of the lease. The cost of the asset is defined as:

- The value of the corresponding lease liabilities recognised;
- Adjusted for any lease payments made at or before the lease commencement date (if applicable); plus
- An estimate of make good provisions; less
- Any lease incentive received.

1.0 INTRODUCTION TO THE REPORT (continued)

New Australian Accounting Standards and amendment standards that are effective in the current period (continued)

AASB 16 Leases (continued)

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term as at the commencement of the lease. The present value is calculated by discounting the lease payments using the lessee's incremental borrowing rate.

The incremental borrowing rate is the rate that the Group would have to pay to borrow funds necessary to obtain an asset of similar value to the ROUA in a similar economic environment, with similar terms, security and conditions. Application of the incremental borrowing rate is adopted where the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Group.

Lease payments due within the next 12 months are recognised within current lease liabilities; payments due after 12 months are recognised within non-current lease liabilities. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest expense on the lease liability is a component of finance costs and presented in the statement of profit or loss.

Lease liabilities include the net present value of the following lease payments:

• Fixed payments, less any lease incentives receivable;
• Variable lease payments that are based on an index or a rate; and
• Payments of penalties for the termination of the lease, if the lease term reflects the lessee exercising that option.

The short-term lease exemption will be applied to leases that are less than 12 months. These leases are recognised on a straight-line basis as an expense.

Critical judgement in determining lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise it.

Impact on application

On adoption of AASB 16 the Group recognised a lease liability of $24,769,305 and lease ROUA of $25,290,367, with a corresponding entry in provision for make good $521,062. As a result, there is no overall impact to retained earnings at adoption.

The weighted average incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 4.42%.

A reconciliation of the new lease liabilities to the amounts disclosed at 30 September 2019 as commitments is provided below.

	$
Operating lease commitments disclosed at 30 September 2019	**35,056,966**
Discounted applying the incremental borrowing rate	**(5,384,104)**
Leases classified as short term	**(2,675,789)**
Amendments to lease term	**(43,631)**
Leases associated with discontinued operations	**(2,184,137)**
Lease liabilities recognised as at 1 October 2019	**24,769,305**

1.0 INTRODUCTION TO THE REPORT (continued)

New Australian Accounting Standards and amendment standards that are effective in the current period (continued)

AASB 16 Leases (continued)

	$
ROU Asset recognised as at 1 October 2019	**25,290,367**
Depreciation	**(4,289,862)**
Additions	**614,391**
Foreign exchange movements	**(50,043)**
ROU Asset as at 30 September 2020	**21,564,853**

Impact of coronavirus (COVID-19)

The preparation of the financial report requires the use of management judgement, estimates and assumptions. These estimates and judgements are reviewed on an ongoing basis. The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of the financial report.

The estimation uncertainty is associated with:

- the extent and duration of disruption to business as a result of ongoing actions from consumers, businesses and governments to contain the spread of the virus;
- the extent and duration of the expected economic downturn. This includes forecasts for economic growth, unemployment, interest rates and inflation; and
- the effect of government incentives and support put in place to support businesses and consumers through this economic downturn.

The Group has formed estimates based on information that was available as at 30 September 2020, this information was deemed to be reasonable in forming these estimates. The actual economic conditions are likely to be different from the estimates used and this may result in material differences between the accounting estimates applied and the actual results of the Group for future periods.

The significant estimates impacted are predominantly related to provision for impairment of inventory, provision for impairment of operating leases reported as property, plant and equipment, provision for impairment losses on finance leases and trade receivables, recognition of maintenance revenue and the carrying value of goodwill.

The impact of COVID-19 on these estimates is discussed below and / or in the relevant note of the consolidated financial statements.

Provision for impairment of inventory

Inventory is held at the lower of cost and net realisable value, where net realisable value is defined as the selling price less the estimated cost necessary to make the sale. At 30 September 2020 management performed an analysis at the individual inventory line level and assessed the net realisable value for each asset. Where the net realisable value was below the carrying value, an impairment was recognised. Management applied judgement as to the value that would be realised on the sale of the vehicle.

At 31 March 2020 the Group recognised a provision for the additional holding costs of inventory where an estimation was made that inventory will be held for an additional 90 days compared to pre-COVID-19 levels. The Group has subsequently released this provision as the Group is experiencing high demand for used motor vehicles and inventory has decreased from $32.9 million (31 March 2020) to $18.4 million.

Provision for impairment losses on operating leases reported as property, plant and equipment

The Group assumes lease residual value risk on motor vehicles which exposes the Group to the movement in second-hand prices of these assets. The AASB 136 Impairment of Assets methodology for impairing operating leases has remained consistent with prior periods including the incorporation of forecasted sale proceeds on the disposal of motor vehicles at lease end. The model used by the Group to estimate future sale proceeds is based on nearly 30 years of experience.

1.0 INTRODUCTION TO THE REPORT (continued)

New Australian Accounting Standards and amendment standards that are effective in the current period (continued)

Impact of coronavirus (COVID-19) (continued)

An observable effect from the COVID-19 pandemic has been an increase in second-hand motor vehicle prices. The impact from the current high second-hand motor vehicle prices results in higher forecasted sale proceeds which in turn, reduces the amount of provision required on the Group's operating leases.

The Group has applied a 4.68% reduction to these forecasted sale proceeds in order to mitigate the temporary inflationary effect of COVID-19 on second-hand motor vehicle forecasts. This results in $1.6 million additional provision.

Provision for impairment losses on finance leases and trade receivables

In March 2020, the IASB published IFRS 9 and COVID-19, a document that reinforces the fact that IFRS 9 does not provide a mechanistic approach in accounting for impairment provisions.

The AASB 9 impairment methodology has remained consistent with prior periods. The Group revised the weighting of the model's multiple economic scenarios (MES) from base (60%), upside (20%) and downside (20%) to base (50%) and downside (50%). Considering the uncertainty surrounding the effect from COVID-19, the Group also implemented a model adjustment by applying the highest historical expected credit loss rate since the model inception. This model adjustment resulted in an incremental credit impairment loss provision of $2.5 million.

The Group also recognised a $0.4 million impairment relating to novated leases for the employees of specific client that operates in a severely impacted industry. Based upon the rate at which employees defaulted on their first payment after the deferral period, the Group applied an impairment provision for all novated leases currently with deferred payments or subsequently in default.

Maintenance revenue

Maintenance revenue is recognized in accordance with AASB 15 Revenue from Contracts with Customers and is based upon years of external and internal data to calculate the percentage of maintenance revenue to be recognised in line with the level of services provided as part of our obligations under the lease. Accordingly, maintenance revenue is recognised progressively on a lease over time, with the age of the lease being the most practical proxy for services provided.

During the months of April 2020 to September 2020, the Group witnessed a decrease in the utilisation of its fleet and as a result, a decrease in maintenance expenditure which was driven by the restrictions on movement imposed by State and Territory governments in response to the COVID-19 outbreak.

In order to match the delay in revenue with the delay in services provided as a result of the COVID-19 restrictions, the Group has deferred the recognition of $2.5 million maintenance revenue during the financial year.

Impairment of non-financial assets

At each reporting period, the Group reviews the carrying amount of its intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the affected assets are evaluated in accordance with AASB 136 Impairment of Assets.

Given the uncertainty around the effect of COVID-19, the Group tested goodwill for impairment. This included updating the assumptions and cash flow forecasts to reflect the potential impact of COVID-19 on the Group. The Group also tested goodwill under a downside scenario of that included lower growth rates and higher cash flow discount rates. No impairment losses were required to be recognised on goodwill including the downside case.

Further details of the Group's test for goodwill impairment are outlined in Note 3.7 in the financial report.

2.0 BUSINESS RESULT FOR THE YEAR

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

2.1 Segment information
2.2 Discontinued operations
2.3 Revenue
2.4 Expenses
2.5 Earnings per share
2.6 Taxation

2.1 Segment information

Identification of reportable segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed regularly by the Group's Chief Operating Decision Maker in assessing performance and in determining the allocation of resources.

The Group has identified Core and Non-Core business segments. Core businesses include fleet leasing management and services to corporate small and medium enterprises ("SME") and consumers in Australia and corporate SME customers in New Zealand. Core business segments are Australia Commercial, Novated and New Zealand Commercial. Non-Core relates to business that have been disposed by 30 September 2020 and were part of the simplification plan announced to the market in 2019. The segments have been identified based on how the Chief Operating Decision Maker monitors performance and allocates resources.

The Chief Operating Decision Maker amended the name of Australia Consumer to Novated, this is to more accurately reflect the activities carried on in this segment where historically this segment included activities associated with CarLoans (Non-core), which was disposed of on 6 May 2020. The segment information for the reportable segments for the year ended 30 September 2020 is as below:

2020

	Australia Commercial $'000	Novated $'000	New Zealand Commercial $'000	Non-core* $'000	Total $'000
Net operating income	**102,917**	**24,751**	**46,070**	**11,278**	**185,016**
Bad and doubtful debts	(1,285)	(15)	(3,128)	312	(4,116)
Operating expenses	(50,084)	(12,932)	(15,644)	(24,799)	(103,459)
EBITDA	51,548	11,804	27,298	(13,209)	77,441
Depreciation and amortisation	(3,714)	(1,457)	(5,002)	(1,288)	(11,461)
Share Based Payments	(3,347)	(760)	(1,877)	-	(5,984)
Holding company debt interest	(7,828)	(1,118)	(1,928)	(5,121)	(15,995)
Amortisation acquired intangibles	(3,359)	(409)	(27)	-	(3,795)
Significant material non-recurring items**	(7,692)	-	(589)	(5,585)	(13,866)
Tax	(7,682)	(2,418)	(5,005)	6,970	(8,135)
Statutory net profit after tax	17,926	5,642	12,870	(18,233)	18,205
Post tax add back amortisation acquired intangibles	2,351	286	19	-	2,656
Post tax add back significant material non-recurring items	5,413	-	450	4,360	10,223
Cash net profit after tax including amortisation of software	25,690	5,928	13,339	(13,873)	31,084
Software amortisation (post tax)	1,247	317	967	-	2,531
Cash net profit after tax	26,937	6,245	14,306	(13,873)	33,615

* Non-core includes the entities associated with CarLoans, Right2Drive and Eclipx Commercial Finance.

** Significant material non-recurring items relate to loss on disposal of discontinued operations, disposal related costs and restructuring costs.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.1 Segment information (continued)

Identification of reportable segments (continued)

2019

	Australia Commercial $'000	Novated $'000	New Zealand Commercial $'000	Non-core* $'000	Grays** $'000	Total $'000
Net operating income	**105,975**	**28,638**	**38,665**	**30,869**	**57,709**	**261,856**
Bad and doubtful debts	(1,087)	72	(244)	(5,420)	320	(6,359)
Operating expenses	(49,773)	(13,799)	(26,506)	(47,494)	(58,444)	(196,016)
EBITDA	**55,115**	**14,911**	**11,915**	**(22,045)**	**(415)**	**59,481**
Depreciation and amortisation	(4,881)	(1,319)	(3,976)	(2,318)	(2,145)	(14,639)
Share Based Payments	(1,659)	(448)	(94)	(37)	-	(2,238)
Holding company debt interest	(8,046)	(840)	(1,587)	(5,029)	(3,019)	(18,521)
Amortisation acquired intangibles	(2,811)	(343)	(551)	(913)	(1,554)	(6,172)
Impairments and write-offs	(9,091)	(2,457)	(16,110)	(119,670)	(59,131)	(206,459)
Significant material non-recurring items	(25,045)	(1,761)	(1,174)	(42,823)	(101,859)	(172,662)
Tax	(1,160)	(2,703)	3,950	17,590	2,076	19,753
Statutory net profit after tax	2,422	5,040	(7,627)	(175,245)	(166,047)	(341,457)
Post tax add back impairments and write-offs	6,363	1,720	11,599	113,831	59,131	192,644
Post tax add back amortisation acquired intangibles	1,968	240	397	639	1,088	4,332
Post tax add back significant material non-recurring items	17,532	1,233	844	41,596	99,992	161,197
Cash net profit after tax including amortisation of software	28,285	8,233	5,213	(19,179)	(5,836)	16,716
Software amortisation (post tax)	1,997	540	2,259	1,319	992	7,107
Cash net profit after tax	30,282	8,773	7,472	(17,860)	(4,844)	23,823

* Non-core includes the entities associated with CarLoans, Right2Drive and Eclipx Commercial Finance.

** The Group completed the sale of GraysOnline and AreYouSelling on 31 July 2019 in the 2019 financial year.

2.2 Discontinued operations

On 6 May 2020, the Group completed the sale of CarLoans.com.au and Georgie (CarLoans) to FirstMac Limited for a value of $2.0 million. The Group received $0.4 million at transaction close and will receive the remaining $1.6 million on a quarterly basis from December 2020 to September 2021.

On 6 August 2020, the Group completed the sale of Right2Drive to Growth Factor Group for an amount of up to $26.5 million. The Group received $15.0m at transaction close, and will receive an additional deferred consideration of $4.2m 18 months after completion. The Group is entitled to a further contingent consideration of up to $7.3 million, payable at six-month intervals from 6 August 2020 for a period of up to 24 months, based on pre-agreed collection rates on the Right2Drive debtor book at the date of sale.

On 31 July 2019, the Group completed the sale of GraysOnline and AreYouSelling to Quadrant Private Equity for an enterprise value of A$60 million. Management committed to a plan to sell this segment early in 2019, following a strategic decision to place greater focus on the Group's Core business segments.

On 13 September 2019, the Group completed the sale of Eclipx Commercial and the FP Turbo Series 2015-1 Equipment Trust to Grow Asset Finance Pty Limited for A$17.7 million. The disposal was effective as at 31 August 2019, and encompassed all the issued shares of Eclipx Commercial Pty Limited, all of the issued units and notes of the Equipment Trust, and the Equipment held by the trust.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.2 Discontinued operations (continued)

CarLoans was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI for the year of 2019 has been re-presented to show the discontinued operation separately from continuing operations.

Details of the sales are as follows:

	2020 $'000
Loss on sale of disposed groups	
Proceeds from disposal of discontinued operations	**15,414**
Less cash and cash equivalents disposed of (including restricted cash):	**(9,031)**
	6,383
Net carrying value of assets of discontinued operations at date of disposal (excluding cash)	**(16,004)**
Deferred and contingent consideration	**11,048**
Transaction costs	**(4,338)**
	(9,294)
Tax benefit	**427**
Loss on disposal of discontinued operations after tax	**(2,484)**

The carrying amounts of assets and liabilities as at the date of sale were:

	2020 $'000
Financial position of the disposed groups as at the date of the sale:	
Cash and Cash equivalents (including restricted cash)	**9,031**
Trade and Other receivables	**32,266**
Property, Plant and equipment	**422**
Operating leases reported as PP&E	**426**
Intangibles	**84**
Right-of-use assets	**1,585**
Trade and other liabilities	**(863)**
Liabilities held for sale	**(21,569)**
Lease liabilities	**(1,461)**
Provisions	**(2,064)**
Deferred tax asset	**7,178**
	25,035
Less cash and cash equivalents disposed:	**(9,031)**
Net carrying value of assets excluding cash and cash equivalents	**16,004**

(i) Results of discontinued operations

The financial performance and cash flow information presented are for the period to the effective date of disposal (2020 column) and the year ended 30 September 2019. The effective date of disposal for Right2Drive was 6 August 2020 and the effective date for Carloans was 6 May 2020.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.2 Discontinued operations (continued)

(i) Results of discontinued operations (continued)

	2020 $'000	2019* $'000
Revenue	**38,125**	172,704
Cost of revenue	**(26,847)**	(88,801)
Impairment losses on loans and receivables	**312**	(5,100)
Fair value adjustment	**-**	(21,569)
Goodwill impairment	**-**	(159,338)
Software impairment	**-**	(6,319)
Other intangible impairment	**-**	(13,144)
Employee benefit expense	**(13,619)**	(59,855)
Depreciation and amortisation	**(1,288)**	(6,927)
Operating expenses	**(9,826)**	(38,107)
Loss from operating activities	**(13,143)**	(226,456)
Income tax benefit	**3,602**	14,682
Loss on sale of discontinued operations	**(2,484)**	(116,215)
Total comprehensive loss from discontinued operations	**(12,025)**	(327,989)
Earnings per share from discontinued operations		
Basic earnings per share, from discontinued operations - cents per share	**(3.8)**	(102.8)
Diluted earnings per share, from discontinued operations - cents per share	**(3.8)**	(102.8)
Cash flow from discontinued operations		
Net cash flows from operating activities	**6,141**	40,627
Net cash flows from investing activities	**(99)**	(6,032)
Net cash flows from financing activities	**-**	(34,804)
Net cash flows from discontinued operations	**6,042**	(209)

* Comparatives have been re-present to reclass CarLoans to discontinued operations.

(ii) Asset held for sale

As at 30 September 2020, there were no assets classified as held for sale in the Group. As at 30 September 2019, the assets and liabilities that were classified as held for sale relates to Right2Drive Group, which consists of Right2Drive Australia, Right2Drive New Zealand and Onyx Car rentals. The sale process was completed in financial year 2020.

	2020 $'000	2019 $'000
Assets held for sale		
Trade and other receivables	-	41,516
	-	41,516
Liabilities held for sale		
Other liabilities	-	1,074
Provisions	-	1,412
Trade and other liabilities	-	971
	-	3,457

The fair value of the asset held for sale was calculated using various inputs which would include a combination of indicative bid prices for the assets and external security value identified for the business.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.3 Revenue

Recognition and measurement

Revenue is recognised when the Group satisfies its obligations in relation to the provision of goods and services to its customers in the ordinary course of business. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for performing these obligations. The Group's revenue is disaggregated by the nature of the product or service.

Finance income

The Group purchases vehicles to lease to customers and earns a spread, or net interest income, being the difference between the interest component of the lease rental income it receives from customers and its cost of funds. The Group recognises net interest income over the life of the lease. Interest income from finance lease contracts is recognised 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. The effective interest rate 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 future asset. Payments collected from the lease are allocated between reducing the net investment in the lease and recognising interest income.

Operating lease rentals

The Group purchases vehicles to lease to customers and collects rentals in relation to these operating leases. The operating lease instalments (or rental income) are recognised in the financial statements in their entirety on a straight-line basis over the lease term. The instalments are classified and presented in 'Operating lease rentals'.

Maintenance and management income

The Group earns maintenance and management fees from related products and services. Income related to maintenance and management services is recognised over the term of the lease contract based on the percentage of completion method. The allocation of income over the term is based on a maintenance profile supported by market data of expected service costs and intervals. The difference between the amounts received and amounts recognised as income is accounted for as deferred revenue disclosed within trade and other liabilities. Deferred maintenance income amounted to $17.4m (2019: $18.5m) and will be recognised over the remaining term of the respective lease contracts.

Sale of goods

The Group earns revenue from the sale of goods, which also includes ex-fleet and purchased vehicles. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, usually evidenced in the form of a delivery docket. Amounts disclosed as revenue are net of sales returns and trade discounts.

Brokerage, commissions and advice services income

The Group earns fees for the origination of financing from third party banks and financial institutions. Revenue is recognised when the related service has been provided. This is deemed to be at settlement date.

The Group also earns finder fees for introducing individuals to car dealerships, which recognises revenue consistent with the treatment above.

End of lease income - Vehicle sales

The Group earns income on the sale of vehicles from terminated lease contracts. The Group acts as the principal in these transactions and proceeds are recognised on a gross basis. Revenue is recognised at the point in time the vehicle is sold and there are no remaining performance obligations.

End of lease income - other

The Group earns other end of lease income for variations in contractual terms related to early termination, mileage and excessive wear and tear of the vehicle. The fees are recognised at a point in time, upon termination of the lease contract.

Sundry income

The Group earns sundry income which includes commissions from finance and warranty product referrals; and short term flexible rentals to customers. Revenue is recognised when the service has been provided. This is deemed to be at settlement date for product referrals; and over time for short term rental vehicles.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.3 Revenue (continued)

Recognition and measurement (continued)

Cost of revenue

Cost of revenue comprises the cost associated with providing the service components of the lease. Cost of revenue is recognised as incurred.

	Consolidated	
	2020 **$'000**	**2019*** **$'000**
Revenue from continuing operations:		
Finance income	**96,036**	108,967
Maintenance and management income**	**99,930**	103,340
Related products and services income**	**34,991**	37,073
Operating lease rentals	**184,838**	201,851
Brokerage income**	**13,568**	17,746
Sundry income**	**4,162**	3,814
End of lease income - Vehicle Sales**	**225,822**	219,441
End of lease income - other	**14,901**	17,169
Total revenue from continuing operations	**674,248**	709,401
Cost of revenue:		
Maintenance and management expense	**43,636**	43,713
Related products and services expense	**10,338**	11,628
Cost of goods sold	**207,526**	207,742
Impairment on operating leased assets	**321**	485
Depreciation on operating leased assets	**180,203**	197,124
Total cost of revenue	**442,024**	460,692

* Comparatives have been re-presented to reclassify CarLoans figures to discontinued operations.

** The above amounts totalling $378,473,000(2019: $381,414,000) represents the Group's revenue derived from contracts with customers, in accordance with AASB15.

2.4 Expenses

Recognition and measurement

Depreciation

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Motor vehicles 2-10 years;
- Furniture and fittings 3-10 years; and
- Plant and equipment 3-10 years.

The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease.

Operating finance costs

Facility finance costs and lease liability interest is recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

Facility finance restructure costs are recognised in the statement of profit or loss and other comprehensive income as and when they are incurred.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.4 Expenses (continued)

Recognition and measurement (continued)

Amortisation

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years for non-core costs, and seven to ten years for core system software costs.

	Consolidated	
	2020	**2019***
	$'000	**$'000**
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Plant and equipment - fixture and fittings	**2,323**	3,414
Amortisation - Intangible assets	**1,778**	3,666
Software	**5,402**	6,800
Right-of-use assets	**4,290**	-
Total depreciation and amortisation expense	**13,793**	13,880
Lease finance costs		
Interest and finance charges - Third parties	**59,714**	70,131
Hedge (gain) / loss	**(1,258)**	3,259
Total lease finance costs	**58,456**	73,390
Operating finance costs		
Facility finance costs	**14,943**	18,521
Lease liabilities interest	**1,052**	-
Facility finance restructure	**4,820**	-
Total operating finance costs	**20,815**	18,521
Operating overheads		
Rental of premises	**1,096**	7,584
Technology costs	**8,243**	9,974
Restructuring costs	**3,303**	7,703
Merger related costs	**158**	16,630
Other overheads	**13,987**	20,101
Total operating overheads	**26,787**	61,992

* Comparatives have been re-presented to reclassify CarLoans figures to discontinued operations.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.5 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of fully paid ordinary shares outstanding during the financial year and excluding treasury shares.

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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Profit / (loss) attributable to the ordinary shareholders

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share and diluted earnings per share		
Profit/(loss) from continuing operation	**30,230**	(13,468)
Profit/(loss) from discontinued operation	**(12,025)**	(327,989)
From continuing and discontinued operations	**18,205**	(341,457)

Weighted average number of shares used as the denominator

	Consolidated	
	2020	**2019**
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	315,854,276	319,111,693
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	324,673,926	319,111,693

The weighted average number of shares is only adjusted for dilution purposes, where this will decrease the earnings per share or increase the loss per share, accordingly no adjustment was made in 2019 to the weighted average number of ordinary shares used as the denominator in the calculation of diluted earnings per share.

Continuing and discontinuing earnings per share

	Consolidated	
	2020	**2019**
Continuing and discontinuing earnings per share	**Cents**	**Cents**
Basic earnings per share	**5.8**	(107.0)
Diluted earnings per share	**5.6**	(107.0)

	Consolidated	
	2020	**2019**
	Cents	**Cents**
Impact of continuing operations		
Basic earnings per share	**9.6**	(4.2)
Diluted earnings per share	**9.3**	(4.2)
Impact of discontinuing operations		
Basic earnings per share	**(3.8)**	(102.8)
Diluted earnings per share	**(3.8)**	(102.8)

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.6 Taxation

Recognition and measurement

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences that arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; and
- taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply the year when the asset is utilised or liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in the statement of profit or loss and other comprehensive income.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation legislation

Eclipx Group Limited and its wholly owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. Eclipx Group Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Eclipx Group Limited and each of the entities in the tax-consolidated group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.6 Taxation (continued)

(i) Reconciliation of income tax expense

	Consolidated	
	2020 $'000	**2019 $'000**
Profit/(loss) from continuing operations before income tax expense	42,392	(18,538)
Loss from discontinuing operations before income tax expense	(16,054)	(342,672)
	26,338	(361,210)
Prima facie tax rate of 30.0% (2019 - 30.0%)	**7,901**	(108,363)
New Zealand tax rate differentials	**(372)**	169
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Grays loss on disposal	**-**	28,237
ECF loss on disposal	**328**	4,393
R2D gain on disposal	**(143)**	-
CarLoans gain on disposal	**(286)**	-
Contingent consideration	**-**	(35)
Goodwill impairment	**-**	47,801
FV adjustment	**-**	6,471
Transaction costs	**617**	1,207
Other	**90**	367
Income tax (benefit)/expense	**8,135**	**(19,753)**
Income tax expense comprises of:		
Current tax	**3,531**	6,586
Deferred tax	**4,604**	(26,339)
	8,135	(19,753)
Income tax (benefit)/expense is attributable to:		
Profit/(loss) from continuing operations	**12,162**	(5,070)
Loss from discontinuing operations	**(4,027)**	(14,683)
Income tax (benefit)/expense	**8,135**	(19,753)
Effective tax rate	31%	5.4%

The effective tax rate for 2020 was impacted by the gain or loss on sale of disposal groups and certain transaction costs which are not deductible and decreases the effective benefit on the loss from continuing and discontinuing operations.

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.6 Taxation (continued)

(ii) Movement of deferred tax

2020	Opening balance $'000	Charged to profit or loss $'000	Charged to other comprehensive income and equity $'000	Reclassification between current tax and deferred tax $'000	Disposed as part of the sale of CarLoans and R2D $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Doubtful debt provision	11,191	1,663	-	(776)	(7,194)	4,884	4,884	-
Deferred revenue	8,798	(2,101)	-	(410)	-	6,287	6,287	-
Hedging assets and liabilities	9,228	(338)	(646)	-	-	8,244	8,244	-
Accruals, employee provisions and other	9,647	(2,779)	-	1,935	1,458	10,263	12,020	(1,757)
Leasing adjustments	(37,618)	(1,717)	-	2,300	-	(37,035)	-	(37,035)
Transaction costs	5,251	(1,145)	-	(203)	(85)	3,818	3,818	-
Intangible assets	(2,274)	1,813	-	(840)	(1,357)	(2,658)	-	(2,658)
	4,223	(4,604)	(646)	2,006	(7,178)	(6,197)	35,253	(41,450)
Set off DTL against DTA							(31,887)	31,887
Net tax assets/(liabilities)						(6,197)	3,366	(9,563)

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.6 Taxation (continued)

2019	Opening balance $'000	Charged to profit or loss $'000	Charged to other comprehensive income and equity $'000	Reclassification between current tax and deferred tax $'000	Discontinued operations (R2D) $'000	Disposed as part of sale of Grays and ECF $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Doubtful debt provision	7,534	(39)	5,361	(9)	(7,194)	(1,656)	3,997	3,997	-
Deferred revenue	5,329	3,383	-	-	-	86	8,798	8,798	-
Hedging assets and liabilities	2,631	699	5,897	1	-	-	9,228	9,228	-
Accruals, employee provisions and other	3,159	4,472	-	(1,516)	1,446	3,531	11,093	13,125	(2,032)
Leasing adjustments	(28,490)	9,984	-	1,735	-	(20,847)	(37,618)	-	(37,618)
Transaction costs	4,161	2,678	-	(864)	(85)	(724)	5,166	5,166	-
Intangible assets	(18,714)	5,162	-	2,752	(1,357)	8,527	(3,631)	-	(3,631)
	(24,390)	26,339	11,258	2,099	(7,190)	(11,083)	(2,967)	40,314	(43,281)
Set off DTL against DTA								(38,138)	38,138
Net tax assets/(liabilities)							(2,967)	2,176	(5,143)

2.0 BUSINESS RESULT FOR THE YEAR (continued)

2.6 Taxation (continued)

(iii) Franking credits

	Consolidated	
	2020 **$'000**	**2019** **$'000**
Franked dividends (Australia)		
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	**5,817**	5,523
	5,817	5,523

Key estimate and judgement: Taxation
The Group is subject to income taxes in Australia and New Zealand. Significant judgement is required in determining the provision for income taxes. 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 based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

3.0 OPERATING ASSETS AND LIABILITIES

This section provides information relating to the operating assets and liabilities of the Group.

3.1 Property, plant and equipment
Recognition and measurement

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Leased property

Leased property is stated at cost less accumulated depreciation and impairment. Cost includes initial direct costs incurred in negotiating and arranging the operating lease contract. In the event that the settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value at the date of acquisition.

Depreciation is brought to account on leased property. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life (being the term of the related lease contract) to its estimated residual value. The assets' residual values and useful lives are revised, and adjusted if appropriate, at the end of each reporting period.

Residual values are assessed for impairment and in the event of a shortfall, an impairment charge is recognised in the current period.

Consolidated	**Plant and equipment $'000**	**Fixture and fittings $'000**	**Motor vehicles and equipment $'000**	**Total $'000**
2020				
Opening net book amount	**4,236**	**4,364**	**959,187**	**967,787**
Additions	**290**	**219**	**266,041**	**266,550**
Transfers to inventory	**-**	**-**	**(175,834)**	**(175,834)**
Disposals	**(702)**	**-**	**-**	**(702)**
Disposal - discontinued operations	**(40)**	**-**	**-**	**(40)**
Impairment charge	**-**	**-**	**(321)**	**(321)**
Depreciation charge - continuing operations	**(1,505)**	**(818)**	**(180,203)**	**(182,526)**
Foreign exchange variation	**(2)**	**(13)**	**(1,706)**	**(1,721)**
Closing net book amount	**2,277**	**3,752**	**867,164**	**873,193**
2020				
Cost	**17,843**	**10,606**	**1,353,785**	**1,382,234**
Accumulated depreciation and impairment	**(15,566)**	**(6,854)**	**(486,621)**	**(509,041)**
Net book amount	**2,277**	**3,752**	**867,164**	**873,193**

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.1 Property, plant and equipment (continued)

Consolidated	Plant and equipment $'000	Fixture and fittings $'000	Motor vehicles and equipment $'000	Total $'000
2019				
Opening net book amount	6,227	7,618	1,052,114	1,065,959
Additions	2,328	2,477	307,296	312,101
Transfers to inventory	-	-	(207,311)	(207,311)
Depreciation charge - discontinued operations	(409)	(752)	-	(1,161)
Disposal - discontinued operations	(2,020)	(1,876)	-	(3,896)
Impairment charge	-	(1,613)	(485)	(2,098)
Depreciation charge - continuing operations	(1,897)	(1,517)	(197,124)	(200,538)
Foreign exchange variation	7	27	4,697	4,731
Closing net book amount	**4,236**	**4,364**	**959,187**	**967,787**
2019				
Cost	18,151	13,467	1,457,805	1,489,423
Accumulated depreciation and impairment	(13,915)	(9,103)	(498,618)	(521,636)
Net book amount	**4,236**	**4,364**	**959,187**	**967,787**

	Consolidated 2020 $'000	Consolidated 2019 $'000
Motor vehicle and equipment operating leases reported as property, plant and equipment		
Operating leases terminating within 12 months	**284,045**	268,656
Operating leases terminating after more than 12 months	**583,119**	690,531
	867,164	959,187
Net book amount of property, plant and equipment		
Plant and equipment	**2,277**	4,236
Fixture and fittings	**3,752**	4,364
	6,029	8,600
Total property, plant and equipment	**873,193**	967,787

Key estimate and judgement: Leased property

The Group owns assets where the residual value of the asset and useful life of the asset needs to be assessed at each reporting date. The residual value of the asset is impacted by the condition, age, usage of the asset and the demand for the asset at the end of its useful life. The Group uses internal and external data to calculate the residual value of the asset and the expected useful life of the asset. The residual value and useful life of the asset is used to calculate the depreciation and net book value of the asset. The actual value to be realised on the final disposal of the asset will impact the profit and loss on sale of the asset in the period that the sale occurs.

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.2 Right-of-use assets

Recognition and measurement

The Group has initially applied AASB 16 at 1 October 2019, using the modified retrospective approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Please refer to note 1.0 for the impact on application.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease.

(i) Movements in net book value of right-of-use assets

	Buildings $'000	Equipment $'000	Total $'000
Balance at 1 Oct 2019	**25,290**	**-**	**25,290**
Depreciation charge for the year	**(4,230)**	**(60)**	**(4,290)**
Additions to right-of-use assets	**197**	**418**	**615**
Net foreign currency exchange differences	**(50)**	**-**	**(50)**
Balance at 30 September 2020	**21,207**	**358**	**21,565**

	2020 $'000
Leases terminating within 12 months	**3,895**
Leases terminating after more than 12 months	**17,670**
	21,565

3.3 Finance leases

Recognition and measurement

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any guaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Assets leased under finance leases are classified and presented as lease receivables.

	Consolidated	
	2020 $'000	2019 $'000
Gross investment	**423,607**	475,508
Unearned income	**(39,599)**	(56,101)
Expected credit allowance	**(13,709)**	(11,865)
	370,299	407,542
Amount expected to be recovered within 12 months	**142,622**	153,484
Amount expected to be recovered after more than 12 months	**227,677**	254,058
	370,299	407,542

The future lease payments under non-cancellable leases are disclosed in note 4.6(a).

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.4 Trade receivables and other assets

Recognition and measurement

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is disclosed as part of credit risk. Refer to note 4.2.

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Net trade receivables		
Trade receivables	**46,650**	54,618
Expected credit loss	**(2,182)**	(1,187)
	44,468	53,431
Sundry debtors	**17,500**	7,933
Prepayments	**6,532**	17,415
Other assets	**34**	47
Current tax receivable	**-**	2,892
Total trade receivables and other assets	**68,534**	81,718

A significant portion of the above amounts are expected to be recovered within 12 months. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

3.5 Trade and other liabilities

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Trade payables	**34,295**	32,513
Customer related liabilities	**3,725**	4,726
Accrued expenses	**11,350**	20,927
Current tax liabilities	**3,189**	-
Maintenance income received in advance	**11,056**	7,776
Contingent and deferred consideration	**231**	483
Other payables	**26,513**	26,311
Deferred Revenue	**17,412**	18,491
Total trade and other liabilities	**107,771**	111,227

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Amount expected to be settled within 12 months	**107,771**	111,227
Total trade and other liabilities	**107,771**	111,227

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.6 Lease liabilities

Recognition and measurement

Lease liabilities are measured at the present value of the lease payments to be made over the lease term as at the commencement of the lease. The present value is calculated by discounting the lease payments using the lessee's incremental borrowing rate.

The incremental borrowing rate is the rate that the Group would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, with similar terms, security and conditions. Application of the incremental borrowing rate is adopted where the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Group.

Lease payments due within the next 12 months are recognised within current lease liabilities; payments due after 12 months are recognised within non-current lease liabilities. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest expense on the lease liability is a component of finance cost and presented in the statement of profit or loss.

The Group leases buildings and equipment. Lease liabilities include the net present value of the following lease payments:

• Fixed payments, less any lease incentives receivable; and
• Payments of penalties for the termination of the lease, if the lease term reflects the lessee exercising that option.

(i) Maturity analysis - contractual undiscounted cash flow

	2020 $'000
Less than one year	**5,240**
One to five years	**13,731**
More than five years	**9,072**
Total undiscounted lease liabilities as 30 September	**28,043**

(ii) Lease liabilities included in the statement of financial position at 30 September

Leases terminating within 12 months	**4,260**
Leases terminating after more than 12 months	**19,514**
	23,774

(iii) Amounts recognised in profit or loss

Lease liabilities interest	**(1,052)**
Income from sub-leasing right-of-use assets	**226**

(iv) Amounts recognised in statement of cash flow

Financing cash outflow relating to the principal portion of lease payments	**4,161**
Operating cash outflow relating to the interest expense portion of lease payments	**1,144**
Total cash outflow for leases	**5,305**

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.7 Intangibles
Recognition and measurement

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired controlled entities at the date of acquisition. Goodwill on acquisitions of controlled entities are included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to a cash-generating unit (CGU) for the purpose of impairment testing. The allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose.

Customer relationships and brand names

Other intangible assets include customer relationships and brand names acquired as part of business combinations and recognised separately from goodwill. Customer relationships are amortised over 10 years on a straight line basis. Brand names are amortised over 20 years on a straight line basis.

Software

Software costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

	Brand Names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2020					
Opening net book amount	1,837	13,301	19,345	440,819	475,302
Additions	-	-	2,117	-	2,117
Amortisation charge - continuing operations	(123)	(1,655)	(5,402)	-	(7,180)
Impairment charge - continuing operations	-	(398)	-	-	(398)
Foreign exchange variation	-	-	(10)	(525)	(535)
Closing net book amount	1,714	11,248	16,050	440,294	469,306
2020					
Cost	18,721	29,342	73,120	538,382	659,565
Accumulated amortisation and impairment	(17,007)	(18,094)	(57,070)	(98,088)	(190,259)
Net book amount	1,714	11,248	16,050	440,294	469,306

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.7 Intangibles (continued)

	Brand names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2019					
Opening net book amount	36,050	23,152	62,084	708,345	829,631
Additions	-	-	8,769	-	8,769
Amortisation charge	(119)	(3,547)	(6,800)	-	(10,466)
Impairment charge - continuing operations	-	(3,458)	(24,200)	-	(27,658)
Impairment charge - discontinued operations	(12,787)	(357)	(6,319)	(159,338)	(178,801)
Amortisation charge - discontinued operations	(1,777)	(263)	(3,726)	-	(5,766)
Disposed as part of discontinued operation	(19,530)	(2,266)	(10,713)	(109,552)	(142,061)
Foreign exchange variation	-	40	250	1,364	1,654
Closing net book amount	1,837	13,301	19,345	440,819	475,302
2019					
Cost	18,721	29,342	71,165	538,907	658,135
Accumulated amortisation and impairment	(16,884)	(16,041)	(51,820)	(98,088)	(182,833)
Net book amount	1,837	13,301	19,345	440,819	475,302

(i) Impairment of assets

For the year ending 30 September 2020, the Group recognised impairments of $0.4 million against customer relationships upon annual impairment review.

For the year ending 30 September 2019, the Group recognised impairments upon annual impairment review following restructure of the group, new leadership and implementation of The Simplication Plan for renewed focus on the Core business.

Goodwill and 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 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purpose of annual impairment testing, goodwill is allocated to the following CGUs, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	Consolidated 2020 $'000	2019 $'000
Australia Commercial	**282,493**	282,493
Novated	**46,475**	46,475
New Zealand Commercial	**111,326**	111,851
Goodwill allocation at 30 September	**440,294**	440,819

The recoverable amount of each of the Group's CGUs was determined based on value-in-use calculations, consistent with the methods used as at 30 September 2019. These calculations require the use of assumptions, which includes business unit's approved budget and three-year projected cash flows.

3.0 OPERATING ASSETS AND LIABILITIES (continued)

3.7 Intangibles (continued)

Goodwill is reviewed on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. The Group tested for impairment at 31 March 2020 as a result of the COVID-19 pandemic which was expected to have an impact on the future cash flows and earnings.

The impairment test is applied consistently to all CGUs that have goodwill allocated. The value in use is determined by discounting projected future cash flows. Cash flows are projected based on budgets approved by the Board, with an extrapolation of expected cash flows into perpetuity using the growth rates determined by management.

The following table sets out the key assumptions for each of the Group's CGUs.

	30 September 2020			30 September 2019		
	Australia Commercial	Novated	New Zealand Commercial	Australia Commercial	Novated	New Zealand Commercial
Long term growth rate	2.5%	2.5%	2.0%	2.5%	2.5%	2.0%
Post-tax discount rate	11.4%	12.0%	12.3%	11.0%	12.0%	11.5%

Growth rates are reviewed based on data available in the market and adjusted based on forecasted expectations of the industry performance, historical data and risks to these expectations. Long term growth rates are based on target rates of the Reserve Bank of Australia and Reserve Bank of New Zealand while considering the economic data from the International Monetary Fund.

Based on the methodology outlined above, the recoverable amount in New Zealand Commercial, Australia Commercial and Novated CGU's were higher than the carrying amount of those CGU's and therefore no impairment was recognised. The Australia Consumer CGU was renamed to Novated. The change was made to more accurately reflect the activities carried on in this CGU where historically this included activities associated with CarLoans which was disposed on 6 May 2020.

The New Zealand Commercial CGU has seen a material improvement in Cash net profit after tax, where the CGU has seen an increase in cash net profit after tax from $7.5m in 2019 to $14.3m in 2020, this represents an increase of $6.8m. This material increase has decreased the probability of an impairment of goodwill allocated to the New Zealand CGU.

The Group tested various scenarios as to the level that value-in-use would be equal to carrying value:

- For New Zealand Commercial a decrease in annual cash flow of 25.6%, terminal negative growth rate, or an increase in discount rate to 15.3% will result in its value in use being equal to carrying value.
- For Australia Commercial a decrease in annual cash flow of 18.7%, terminal growth rate to 0.5% or an increase in discount rate to 13.0% will result in the value in use being equal to carrying value.
- For Australia Commercial a decrease in annual cash flow of 18.7%, terminal growth rate to 0.5% or an increase in discount rate to 13.0% will result in the value in use being equal to carrying value.

Key estimate and judgement: Impairment of goodwill
The testing of goodwill requires management to make estimates as to the future cash flows of the CGU's. Where the actual cash flows of the CGU are lower than the estimated cash flows, the Group may recognise an impairment on goodwill. To address this risk management tests for likely scenarios which could impact the cash flows of the CGU's and makes an assessment on the likelihood of this to occur based on internal and external data.

4.0 CAPITAL MANAGEMENT

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed. The capital structure of the Group consists of debt and equity.

4.1 Borrowings

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Fair value approximates carrying value in relation to borrowings except for the fixed term loan (refer to note 4.2 for details).

The secured borrowings may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the borrowing facilities may be drawn at any time and have an average maturity of 15 months (2019: 16 months).

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Bank loans	**155,000**	285,700
Notes payable	**1,199,899**	1,331,640
Borrowing costs	**(9,907)**	(12,635)
Total secured borrowings	**1,344,992**	1,604,705
Amount expected to be settled within 12 months	**373,089**	369,537
Amount expected to be settled after more than 12 months	**971,903**	1,235,168
	1,344,992	1,604,705

Bank loans

Bank loans are secured by fixed and floating charge over the assets of the Company and all wholly owned subsidiaries. The carrying amount of assets pledged as security was $148,764,000 (2019: $221,433,000).

Notes payable

Notes payable are secured by fixed and floating charge over the motor vehicles and equipment that are leased to customers. The carrying amount of assets pledged as security was $1,389,485,000 (2019: $1,509,273,000).

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Loan facilities used at reporting date	**1,354,899**	1,617,340
Loan facilities unused at reporting date	**342,730**	218,587
Total loan facilities available	**1,697,629**	1,835,927

Financial covenants

The Group has complied with financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

4.0 CAPITAL MANAGEMENT (continued)

4.1 Borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Liabilities arising from financing activity	Borrowing $'000
Borrowing balance 30 Sep 2019	**1,604,705**
Proceeds from borrowings	383,139
Repayments of borrowings	(643,586)
Non cash movements	
Foreign exchange	(1,958)
Amortisation of capital borrowing cost	2,692
Borrowing balance 30 Sep 2020	**1,344,992**

4.2 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit or loss information has been included where relevant to add further context.

Risk management

The Group's 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 Group is exposed to a variety of financial risks: market risk (this includes foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing analysis for credit risk.

Market risk

(i) *Foreign exchange risk*

The Group operates in Australia and in New Zealand and is exposed to foreign exchange risk arising primarily with respect to the New Zealand dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group manages its exposures to the New Zealand dollar by ensuring that its assets and liabilities in New Zealand are predominantly in New Zealand dollars.

For sensitivity measurement purposes, a +/- 10% (2019:10%) sensitivity in foreign exchange rates to the Australian dollar has been selected as this is considered realistic given the current levels of exchange rates, the recent levels of volatility and market expectations for future movements in exchange rates. Based on the financial instruments held at 30 September 2020, had the Australian dollar weakened/strengthened by 10% (2019:10%) against the New Zealand dollar compared to year-end rates, with other variables held constant, the consolidated entity's after-tax profits for the year and equity would have been $994,129 (2019: $529,736) higher/lower, as a result of exposure to exchange rate fluctuations of foreign currency operations. All foreign exchange risk is due to the translation of the New Zealand entities on consolidation.

(ii) *Interest rate risk*

	2020		2019	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Borrowings				
- Fixed interest rate	7.100%	53,570	6.350%	65,000
- Floating interest rate	2.544%	1,291,423	3.456%	1,539,705
Interest rate swaps (notional principal amount)	1.613%	(1,277,323)	2.141%	(1,416,929)
Unhedged variable debt		14,100		122,776

4.0 CAPITAL MANAGEMENT (continued)

4.2 Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate risk results principally from repricing risk from the Group lease portfolio and borrowings. The Group's lease receivables are fixed rate lease contracts. The interest rate is fixed for the life of the contract. Lease contracts are typically originated with an average maturity of between four to five years.

The borrowings to fund the leases are variable rate borrowings where the rates are regularly reset to current market rates. Interest rate risk is managed by entering into interest rate swaps, whereby the Group pays fixed rate and receives floating rate.

The Group settles monthly net interest receivable or payable. The Group remeasures the hedging instruments at fair value and recognises a gain or loss in other comprehensive income and deferred to the hedging reserve, where the hedge is effective. It is reclassified into the Income Statement if the hedging relationship ceases. In the year ended 30 September 2020, an expense of $1.7m was reclassified into profit and loss (2019: $3.8m). The Group recognised a gain on hedge ineffectiveness of $1.3m (2019: loss of $2.3m).

The Group hedges 100% of the lease book that is financed through the Group's funding structures. This 100% hedging strategy results in hedge ineffectiveness where the Group provides funding and no external borrowing is used.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and assuming that the rate change occurs at the beginning of the financial year and is then held constant throughout the reporting period.

The selected basis points (bps) increase or decrease represents the Group's assessment of the possible change in interest rates. A positive number indicates a before-tax increase in profit and equity and a negative number indicates a before-tax decrease in profit and equity.

Sensitivities have been based on an increase in interest rates by 100 bps (2019: 100 bps) and a decrease by 100 bps (2019: 100 bps) across the yield curve.

2020		**Interest rate risk**	
	Carrying amount $'000	**-100 bps Profit/equity $'000**	**+100 bps Profit/equity $'000**
Financial assets			
Cash and cash equivalents	207,798	(2,078)	2,078
Finance leases			
- Fixed interest rate	370,299	-	-
Total (decrease)/increase	**578,097**	**(2,078)**	**2,078**
Financial liabilities			
Borrowings			
- Fixed interest rate	53,570	-	-
- Floating rate	1,291,423	12,914	(12,914)
Trade and other liabilities	107,771	-	-
Derivatives used for hedging	28,091	(12,773)	12,773
Total increase/(decrease)	**1,480,855**	**141**	**(141)**

4.0 CAPITAL MANAGEMENT (continued)

4.2 Financial risk management (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

2019		Interest rate risk	
	Carrying amount $'000	**-100 bps Profit/ Equity $'000**	**+100 bps Profit/ Equity $'000**
Financial assets			
Cash and cash equivalents	239,678	(2,397)	2,397
Finance leases			
- Fixed interest rate	407,542	-	-
Total (decrease)/increase	647,220	(2,397)	2,397
Financial liabilities			
Borrowings			
- Fixed interest rate	65,000	-	-
- Floating rate	1,539,705	15,397	(15,397)
Trade and other liabilities	111,227	-	-
Derivatives used for hedging	31,369	(14,216)	14,216
Total increase/(decrease)	1,747,301	1,181	(1,181)

Credit risk

The recoverability of finance lease receivables and trade and other receivables is reviewed on an ongoing basis. A loss allowance account (provision for impairment) is recognised when there is a difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows the Group expects to receive (ie all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

To manage credit risk the Group has a credit assessment process. Leases are provided to novated and commercial customers. Credit underwriting typically includes the use of either an application scorecard and credit bureau report or a detailed internal risk profile review, including a review of the customer against a comprehensive credit database. Internal credit review and verification processes are also used depending on the applicant.

The credit risk function consists of dedicated credit employees who apply the Group's credit and underwriting policy within specific approval authorities. The credit risk team monitors the performance of the portfolio and considers the macro environment to manage exposure to specific clients and specific sectors. The Group has a specialist collections function, which manages all delinquent accounts.

The provision for impairment under AASB 9: Financial Instruments applies to the Group's net investment in finance lease receivables and trade and other receivables. The Group will recognise provision for impairments using the simplified approach and record lifetime expected credit losses, as allowed under AASB 9 for lease receivables and trade and other receivables.

4.0 CAPITAL MANAGEMENT (continued)

4.2 Financial risk management (continued)

Credit risk (continued)

Measurement

To measure the expected credit loss (ECL) the group uses a credit loss model developed at a product level based on shared risk characteristics. The key model inputs used in measuring the ECL include:

• Exposure at Default (EAD): represents the calculated exposure in the event of a default. The EAD for finance leases is the principal amount outstanding at reporting date.

• Probability of Default (PD): the development of PDs is developed at a product level considering shared credit risk characteristics. In calculating the PD, 24 months of historical delinquency transition matrices are used to develop a point in time PD estimate.

• Loss Given Default (LGD): the LGD is the magnitude of the ECL in a default event. The LGD is estimated using three years of historical recovery experience.

Macroeconomic scenarios

The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the report date. The Group has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability weighted ECL amount will be calculated from a baseline, an upside scenario and a downside scenario.

The weightings of each scenario as applied for 2020 and 2019 are as below:

Scenario	Expectation	Weighting 2019	Weighting 2020
Base Case	This scenario is reflective of the economy as-is with minor volatility.	60%	50%
Upside	This scenario is reflective of a scenario that is benign as compared to the baseline scenario	20%	-
Downside	This scenario is reflective of an adverse economic period as compared to the baseline scenario	20%	50%

In calculating an ECL the Group includes forward looking information. The Group has identified a number of key indicators that are considered, the most significant of which are unemployment rate, gross domestic product, interest rates and inflation. The predicted relationships between these key indicators and the key model inputs in measuring the ECL have been developed by analysing historical data as part of the model build, calibration and validation process. These indicators are assessed semi-annually. Three possible scenarios are applied: Base Case, Upside and Downside. The forward-looking inputs are applied to the macroeconomic scenarios.

Definition of default

Default is generally defined as the point when the borrower is unlikely to pay its credit obligations in full or the borrower is more than 90 days past due.

Write-off

Balances are written off, either partially or in full, against the related allowance when there is no reasonable expectation of recovery. For all balances, write-off takes place only at the completion of collection procedures, or where it no longer becomes economical to continue attempts to recover. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

4.0 CAPITAL MANAGEMENT (continued)

4.2 Financial risk management (continued)

Credit risk (continued)

Impairment provisions

The Group's total impairment provisions from 1 October 2019 to 30 September 2020 is set out below, reconciling the opening loss allowance to the closing loss allowance. Except as disclosed in note 1, no significant changes to estimation techniques or assumptions were made during the reporting period.

	Net investment in finance lease receivables $'000	Trade and other receivables $'000
Opening loss allowance as at 1 October 2018 calculated under AASB 9	**11,485**	**7,296**
Increase / (Decrease) in loss allowance	5,984	(495)
Write-offs	(2,477)	(3,539)
Balance derecognised at disposal and held for sale	(3,127)	(2,075)
Opening loss allowance as at 1 October 2019 calculated under AASB 9	**11,865**	**1,187**
Increase / (Decrease) in loss allowance	3,170	2,245
Write-offs	(1,326)	(1,250)
Balance derecognised at disposal and held for sale		
Closing loss allowance as at 30 September 2020 – calculated under AASB 9	**13,709**	**2,182**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. To mitigate against liquidity risk, the Group maintains cash reserves and committed undrawn credit facilities to meet anticipated funding requirements for new business. In addition, the Group can redraw against its committed credit limits if the principal outstanding is reduced by the contractual amortisation payments. Details of unused available loan facilities are set out in note 4.1.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Amounts due to funders are repaid directly by rental and repayments received from the Group's customers.

The table below analyses the Group's contractual financial liabilities into relevant maturity groupings. The amounts disclosed below are the contractual undiscounted cash flow. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities 2020	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives						
Trade and other liabilities	**(107,771)**	**-**	**-**	-	**(107,771)**	**(107,771)**
Borrowings	**(397,218)**	**(315,892)**	**(659,285)**	**(28,916)**	**(1,401,311)**	**(1,344,992)**
Provisions	**(7,786)**	**(2,024)**	**-**	-	**(9,810)**	**(9,810)**
Total non-derivatives	**(512,775)**	**(317,916)**	**(659,285)**	**(28,916)**	**(1,518,892)**	**(1,462,573)**
Derivatives						
Interest rate swaps	**(15,567)**	**(7,869)**	**(4,781)**	(60)	**(28,277)**	**(28,091)**
Total derivatives	**(15,567)**	**(7,869)**	**(4,781)**	**(60)**	**(28,277)**	**(28,091)**

4.0 CAPITAL MANAGEMENT (continued)

4.2 Financial risk management (continued)
Liquidity risk (continued)

Contractual maturities of financial liabilities 2019	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives						
Trade and other liabilities	(111,227)	-	-	-	(111,227)	(111,227)
Borrowings	(412,235)	(373,929)	(888,010)	(32,371)	(1,706,545)	(1,604,705)
Provisions	(6,990)	(2,293)	-	-	(9,283)	(9,283)
Total non-derivatives	(530,452)	(376,222)	(888,010)	(32,371)	(1,827,055)	(1,725,215)
Derivatives						
Interest rate swaps	(15,388)	(10,774)	(5,585)	(138)	(31,885)	(31,369)
Total derivatives	(15,388)	(10,774)	(5,585)	(138)	(31,885)	(31,369)

Fair value risk

This section explains the judgements and estimates made in determining the fair values of the assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities				
Derivatives used for hedging	**-**	**28,091**	**-**	**28,091**
Total financial liabilities	**-**	**28,091**	**-**	**28,091**

2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities				
Derivatives used for hedging	-	31,369	-	31,369
Total financial liabilities	-	31,369	-	31,369

There were no transfers between levels for recurring fair value measurements during the year. With the exception of the fixed term loan, fair value of financial liabilities and financial assets approximates the carrying value.

The fixed term loan has a carrying value of $53,570,000 and a fair value of $52,376,000.

4.0 CAPITAL MANAGEMENT (continued)

4.2 Financial risk management (continued)

Fair value risk (continued)

A description of the level in the hierarchy is as follows:

Level 2: The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an asset or liability are observable, these are included in level 2.

Valuation techniques used to determine fair values
The fair values of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of interest rates swaps are included in level 2. No other assets or liabilities held by the Group are measured at fair value.

4.3 Cash and cash equivalents

Recognition and measurement

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Restricted cash, that represents cash held by the entity as required by funding arrangements, is disclosed separately on the statement of financial position and combined for the purpose of presentation in the statement of cash flows.

	Consolidated	
	2020 $'000	2019 $'000
Unrestricted		
Operating accounts	**55,776**	97,134
	55,776	97,134
Restricted		
Collections accounts	**52,316**	61,909
Liquidity reserve accounts	**54,153**	47,263
Vehicle servicing and maintenance reserve accounts	**45,553**	33,372
Cash and bank and on hand	**152,022**	142,544
Total as disclosed in the statement of cash flows	**207,798**	239,678

The weighted average interest rate received on cash and cash equivalents for the year was 0.23% (2019: 1.25%).

Liquidity reserve, maintenance reserve, vehicle servicing, collateral and customer collection accounts represent cash held by the entity as required under the funding arrangements and are not available as free cash for the purposes of operations of the Group until such time as the obligations of each trust are settled. Term deposit accounts are also not available as free cash for the period of the deposit.

4.4 Derivative financial instruments

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

4.0 CAPITAL MANAGEMENT (continued)

4.4 Derivative financial instruments (continued)

Recognition and measurement (continued)

(i) *Cash flow hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are recycled in the statement of profit or loss and other comprehensive income in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) *Derivatives that do not qualify for hedge accounting*

Where a derivative instrument does not qualify for hedge accounting or hedge accounting has not been adopted, changes in the fair value of these derivative instruments are recognised immediately in the statement of profit or loss and other comprehensive income.

(iii) *Derivatives*

Derivatives are only used for economic hedging purposes (to hedge interest rate risk) and not as trading or speculative instruments. The Group has the following derivative financial instruments:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Interest rate swaps - cash flow hedges	**28,091**	31,369
Total derivative financial instrument liabilities	**28,091**	31,369
Amount expected to be settled within 12 months	**15,053**	14,908
Amount expected to be settled after more than 12 months	**13,038**	16,461
Total derivative financial instrument liabilities	**28,091**	31,369

4.0 CAPITAL MANAGEMENT (continued)

4.5 Contributed equity

Recognition and measurement

Ordinary fully paid 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.

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Share capital				
Fully paid ordinary shares	**315,090,932**	319,111,693	**654,765**	654,765
Other equity securities				
Treasury shares	**4,545,761**	525,000	**-**	-
Total issued equity	**319,636,693**	319,636,693	**654,765**	654,765

Movements in ordinary share capital

1 October 2019	Opening balance 1 October 2019	319,111,693	654,765
1 October 2019	Purchase of treasury shares	(2,641,579)	-
23 April 2020	Purchase of treasury shares	(1,475,000)	-
21 July 2020	Loan shares vested	119,018	-
23 July 2020	Loan shares vested	433,092	-
31 July 2020	Purchase of treasury shares	(85,657)	-
4 August 2020	Purchase of treasury shares	(370,635)	-
	Balance 30 September 2020	315,090,932	654,765

Treasury shares

Treasury shares are shares in Eclipx Group Limited that are held by Eclipx Group Limited Employee Share Trust or by staff under loans. These shares are issued under the Eclipx Group Limited Employee Share scheme and the executive LTI plan. The shares that have not been settled in cash are funded with a loan and are in substance an option and are reflected with zero value until such time that they are settled in cash so as to exercise the option.

Details	**Number of shares 2020**	**Number of shares 2019**
Opening balance	**525,000**	525,000
Shares transferred to fully paid ordinary shares	**(552,110)**	-
Purchase of treasury shares	**4,572,871**	-
Closing balance	**4,545,761**	525,000

4.0 CAPITAL MANAGEMENT (continued)

4.6 Commitments

a. Lease commitments: Group as lessee

On adoption of AASB16 in 2020, the Group recognised all leases for which the Group contracted as lessee in financial statements as right-of-use assets and lease liabilities. Please refer to note 3.2 and note 3.6 for details.

Following table sets out the lease commitments as at 30 September 2019.

i. Operating leases

The Group leases equipment and commercial premises under non-cancellable operating leases expiring within the next five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments in relation to leases contracted for at the end of each reporting period but not recognised as liabilities, are as follows:

	Consolidated 2019 $'000
Within one year	7,281
Later than one year but not later than five years	15,323
Later than five years	12,453
	35,057

ii. Finance leases

The Group leases fixed assets with lease expiring within the next five years.

Commitments in relation to leases contracted for at the end of each reporting period and recognised as liabilities, are as follows:

	Consolidated 2019 $'000
Within one year	1,664
Later than one year but not later than five years	1,749
	3,413

b. Lease commitments: Group as lessor

i. Finance leases

Future lease payments due to the Group under non-cancellable leases, are as follows:

	Consolidated	
	2020 $'000	**2019 $'000**
Commitments in relation to finance leases are receivable as follows:		
Within one year	**166,276**	175,242
Later than one year but not later than five years	**257,317**	300,173
Later than five years	**14**	93
	423,607	475,508

ii. Operating leases

Lease payments receivable on leases of motor vehicles are as follows:

4.0 CAPITAL MANAGEMENT (continued)

4.6 Commitments (continued)

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Lease payments under non-cancellable operating leases of motor vehicles not recognised in financial statements are receivable as follows:		
Within one year	**280,724**	287,288
Later than one year but not later than five years	**308,911**	361,753
Later than five years	**11,686**	13,394
	601,321	662,435

c. Contractual commitments for the acquisition of property, plant or equipment
The Group had contractual commitments for the acquisition of property, plant or equipment totalling $43,889,996 (2019: $50,885,687). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

4.7 Dividends

Recognition and measurement

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, before or at the end of the financial year but not distributed at balance date.

Details of dividends paid and proposed during the financial year are as follows:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Final dividends paid		
No dividends paid in 2020 (2019: 2018 final dividend paid on 25 January 2019; 8.00 cents per ordinary share franked to 100%)	-	25,571
Total dividends paid	-	25,571

5.0 EMPLOYEE REMUNERATION AND BENEFITS

Recognition and measurement

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Retirement benefit obligations

The Group makes payments to employees' superannuation funds in line with the relevant superannuation legislation. Contributions made are recognised as expenses when they arise. A total of expense of $3.7 million (2019: $4.3 million) was recognised in the financial year.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Bonus plans

The Group recognises a liability and an expense for bonuses on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

5.1 Share based payments

Share based payments

Share based compensation benefits are provided to employees via the Eclipx Group LTI plan.

The fair value of options granted under the Eclipx Group LTI plan is recognised as an expense by the employing entity that receives the employee's services. with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (vesting period).

The fair value at grant date is determined using a Black-Scholes Option Pricing Model or Monte-Carlo Simulation that takes into account the: exercise price; term of the option; share price at grant date; expected volatility of the underlying share; expected dividend yield and the risk free interest rate for the term of the option. Non-market and service based vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to become exercisable.

The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

In the event a share scheme is cancelled, the remaining unexpensed fair value of the original grant for those options still vesting at the date of cancellation is taken as a charge to the statement of profit or loss and other comprehensive income.

Loan shares

Eclipx Group Limited issued shares to senior management employees of the Group with consideration satisfied by loans to the employees granted by Eclipx Group Limited. These arrangements are considered to be "in substance options" and treated as share-based payments. Whilst the above awards have been made by Eclipx Group Limited, the employees provide services to other entities within the Group, and therefore the associated expenses are borne by those entities that receive the relevant employees' services.

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)
Loan shares (continued)

Options

Eclipx Group Limited issued options to key employees of the Group. Whilst the above awards have been made by Eclipx Group Limited, the employees provide services to other entities within the Group, and therefore the associated expenses are borne by those entities that receive the relevant employees' services. Options do not carry a right to receive any dividends. If options vest and are exercised to receive shares, these shares will be eligible to receive any dividends.

Rights

Eclipx Group Limited issued rights to employees of the Group. Whilst the above awards have been made by Eclipx Group Limited, the employees provide services to other entities within the Group, and therefore the associated expenses are borne by those entities that receive the relevant employees' services. 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 any dividends.

Options and rights are subject to the same performance hurdles. The performance hurdles include "total share holder return" ("TSR") and earnings per share ("EPS") components, in addition to a service condition. TSR is a performance measure based on returns to shareholders, relative to other ASX-listed companies. TSR measures the percentage growth in the company's share price plus the value of dividends received during the period, assuming that all of those dividends are re-invested into new shares. EPS is based on the compound annual growth rate ("CAGR") of the Group's earnings per share. Refer to remuneration report for further details of these performance hurdles.

(i) *Long Term Incentive Plan*

For the year ended 30 September 2020, the following awards were provided under the following employee share ownership plans:

Options and rights

The awards granted will be subject to testing against earnings per share (EPS) and individual performance or they will only be subject to remaining in the service of the Group at the time of vesting.

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)
(i) Long Term Incentive Plan (continued)

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

Loan shares

Grant date	Exercise price	Weighted average exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Vested and exercised during the year	Unvested balance at end of the year	Vested balance not exercised
			Number	Number	Number	Number	Number	Number
2020								
25-Sep-08	$0.90	$0.90	33,645	-	-	(33,645)	-	-
08-May-13	$2.03	$2.03	129,744	-	-	(129,744)	-	-
25-Sep-14	$1.25-$1.65	$2.30	8,668,207	-	(679,162)	(910,809)	-	7,078,236
10-Mar-15	$2.30	$2.30	250,000	-	-	(250,000)	-	-
22-Apr-15	$2.30	$2.30	5,000,000	-	(5,000,000)	-	-	-
2019								
25-Sep-08	$0.90	$0.90	33,645	-	-	-	-	33,645
08-May-13	$2.03	$2.03	129,744	-	-	-	-	129,744
25-Sep-14	$1.25-$1.65	$2.30	9,307,311	-	-	(639,104)	-	8,668,207
10-Mar-15	$2.30	$2.30	330,000	-	-	(80,000)	-	250,000
22-Apr-15	$2.30	$2.30	5,200,000	-	-	(200,000)	-	5,000,000

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)

(i) Long Term Incentive Plan (continued)

Options

Grant date	Expected vesting date	Exercise price	Weighted average exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Unvested balance at end of the year Number	Vested option not exercised Number
2020									
22-Apr-15	-	$2.30	$2.30	700,000	-	(700,000)	-	-	-
10-Nov-15	30-Sep-18	$3.06	$3.06	995,000	-	(995,000)	-	-	-
19-Feb-16	30-Sep-18	$3.06	$3.06	400,000	-	(400,000)	-	-	-
5-Sep-16	30-Sep-19	$3.80	$3.80	1,000,000	-	(1,000,000)	-	-	-
4-Nov-16	30-Sep-19	$3.60	$3.60	2,740,000	-	(2,740,000)	-	-	-
17-Feb-17	30-Sep-19	$3.60	$3.60	880,000	-	(880,000)	-	-	-
08-Nov-17	30-Sep-20	$4.18	$4.18	2,250,000	-	(1,695,000)	-	555,000	-
22-Feb-18	30-Sep-20	$4.18	$4.18	632,000	-	(632,000)	-	-	-
24-Aug-18	30-Sep-20	$4.18	$4.18	300,000	-	(150,000)	-	150,000	-
8-Jan-19	30-Sep-21	$2.54	$2.54	2,520,000	-	(1,280,000)	-	1,240,000	-
11-Feb-19	30-Sep-21	$2.54	$2.54	1,160,000	-	(1,160,000)	-	-	-
31-May-19	23-May-20	$1.20	$1.20	1,690,822	-	(241,546)	(433,092)	-	1,016,184
24-May-19	24-May-22	$1.20	$1.20	9,204,547	-	-	-	9,204,547	-
18-Jul-19	17-Jul-22	$1.60	$1.60	3,448,275	-	(1,091,954)	-	2,356,321	-
27-Nov-19	27-Nov-22	$1.63	$1.63	-	14,117,344	(1,932,786)	-	12,184,558	-
4-Apr-20	30-Sep-21	$0.75	$0.75	-	12,361,635	(204,402)	-	12,157,233	-
4-Apr-20	30-Sep-21	$0.85	$0.85	-	14,452,206	(238,970)	-	14,212,236	-

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)

(i) Long Term Incentive Plan (continued)

2019

22-Apr-15	-	$2.30	$2.30	775,000	-	(75,000)	-	-	700,000
10-Nov-15	30-Sep-18	$3.06	$3.06	3,455,000	-	(2,460,000)	-	995,000	-
19-Feb-16	30-Sep-18	$3.06	$3.06	1,625,000	-	(1,225,000)	-	400,000	-
5-Sep-16	30-Sep-19	$3.80	$3.80	1,000,000	-	-	-	1,000,000	-
4-Nov-16	30-Sep-19	$3.60	$3.60	4,210,000	-	(1,470,000)	-	2,740,000	-
17-Feb-17	30-Sep-19	$3.60	$3.60	1,760,000	-	(880,000)	-	880,000	-
08-Nov-17	30-Sep-20	$4.18	$4.18	3,640,000	-	(1,390,000)	-	2,250,000	-
22-Feb-18	30-Sep-20	$4.18	$4.18	1,264,000	-	(632,000)	-	632,000	-
24-Aug-18	30-Sep-20	$4.18	$4.18	300,000	-	-	-	300,000	-
8-Jan-19	30-Sep-21	$2.54	$2.54	-	4,100,000	(1,580,000)	-	2,520,000	-
11-Feb-19	30-Sep-21	$2.54	$2.54	-	2,320,000	(1,160,000)	-	1,160,000	-
31-May-19	23-May-20	$1.20	$1.20	-	1,690,822	-	-	1,690,822	-
24-May-19	24-May-22	$1.20	$1.20	-	9,204,547	-	-	9,204,547	-
18-Jul-19	17-Jul-22	$1.60	$1.60	-	3,448,275	-	-	3,448,275	-

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)

(i) Long Term Incentive Plan (continued)

Rights

Grant date	Expected vesting date	Balance at start of the year	Granted during the year	Forfeited during the year	Vested and exercised during the year	Unvested balance at end of the year	Vested option not exercised
		Number	Number	Number	Number	Number	Number
2020							
10-Nov-15	30-Sep-18	252,500	-	(252,500)	-	-	-
19-Feb-16	30-Sep-18	92,500	-	(92,500)	-	-	-
4-Nov-16	30-Sep-19	321,000	-	(321,000)	-	-	-
17-Feb-17	30-Sep-19	143,000	-	(143,000)	-	-	-
08-Nov-17	30-Sep-20	625,000	-	(467,500)	-	157,500	-
22-Feb-18	30-Sep-20	158,000	-	(158,000)	-	-	-
24-Aug-18	17-Aug-21	200,000	-	-	-	200,000	-
08-Jan-19	30-Sep-21	1,180,000	-	(620,000)	-	560,000	-
11-Feb-19	30-Sep-21	290,000	-	(290,000)	-	-	-
31-May-19	31-May-20	312,500	-	(44,642)	(218,572)	-	49,286
27-Nov-19	27-Nov-20	-	461,986	(33,438)	-	428,548	-
27-Nov-19	15-Nov-21	-	295,268	(88,328)	-	206,940	-
9-Dec-19	9-Dec-19	-	368,898	-	(368,898)	-	-
4-Apr-20	4-Apr-21	-	243,898	(243,898)	-	-	-
2019							
10-Nov-15	30-Sep-18	835,000	-	(582,500)	-	252,500	-
19-Feb-16	30-Sep-18	370,000	-	(277,500)	-	92,500	-
4-Nov-16	30-Sep-19	479,000	-	(158,000)	-	321,000	-
17-Feb-17	30-Sep-19	286,000	-	(143,000)	-	143,000	-
08-Nov-17	30-Sep-20	1,050,000	-	(425,000)	-	625,000	-
22-Feb-18	30-Sep-20	316,000	-	(158,000)	-	158,000	-
24-Aug-18	17-Aug-21	200,000	-	-	-	200,000	-
08-Jan-19	30-Sep-21	-	1,820,000	(640,000)	-	1,180,000	-
11-Feb-19	30-Sep-21	-	580,000	(290,000)	-	290,000	-
31-May-19	31-May-20	-	312,500	-	-	312,500	-

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)

(i) Long Term Incentive Plan (continued)

(i) *Fair value of options granted*

The fair value for awards granted under Relative TSR vesting conditions is independently determined using the Monte-Carlo simulation pricing model, whilst the fair value for awards granted under EPS Hurdle vesting conditions is independently determined using the Binomial tree pricing model. Fair value of awards granted subject only to service conditions is independently determined using the Black-Scholes pricing model. The models take 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 risk free interest rate for the term of the option. The model inputs for options and rights granted during current and previous years are as follows:

Grant date	**4-Apr-20**	**4-Apr-20**	**4-Apr-20**	**9-Dec-19**	**27-Nov-19**	**27-Nov-19**	**27-Nov-19**	**18-Jul-19**	**31-May-19**	**31-May-19**	**24-May-19**	**11-Feb-19**	**11-Feb-19**
Award type	**Options**	**Options**	**Rights**	**Rights**	**Options**	**Rights**	**Rights**	**Options**	**Rights**	**Options**	**Options**	**Options**	**Rights**
First test date	N/A	N/A	N/A	N/A	30-Sep-22	30-Sep-21	30-Sep-20	N/A	N/A	N/A	N/A	30-Sep-21	30-Sep-21
Vesting date	30-Sep-21	30-Sep-21	4-Apr-20	9-Dec-19	27-Nov-22	27-Nov-21	27-Nov-20	18-Jul-22	17-Nov-19	17-Nov-19	23-May-22	30-Nov-21	30-Nov-21
Expiry date								18-Jul-23	31-May-21	31-May-21	23-May-23	08-Jan-24	08-Jan-24
Share price at grant	$0.65	$0.65	$0.65	$1.61	$1.59	$1.59	$1.59	$1.49	$1.12	$1.12	$0.91	$2.40	$2.40
Exercise price	$0.75	$0.85	Nil	Nil	$1.63	Nil	Nil	$1.60	Nil	$1.20	$1.20	$2.54	Nil
Expected life	2 years	2 years	1 year	N/A	3.5 years	2 years	1 year	3.5 years	1.2 years	1.2 years	3.5 years	2.8 years	2.8 years
Volatility	57.30%	57.30%	-	40%	-	-	-	50%	50%	50%	50%	27%	27%
Risk free interest rate	0.24%	0.24%	0.24%	0.65%	0.65%	0.65%	0.65%	0.91%	1.12%	1.12%	1.12%	1.64%	1.64%
Dividend yield (p.a)	5.05%	5.05%	-	-	5.05%	5.05%	5.05%	2.60%	2.60%	2.60%	2.60%	5.71%	5.71%
Average assessed fair value per instrument	$0.14	$0.12	$0.65	$1.61	$0.31	$1.51	$1.59	$0.43	$1.12	$0.20	$0.22	$0.24	$1.64

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)

(i) Long Term Incentive Plan (continued)

(i) Fair value of options granted (continued)

08-Jan-19	08-Jan-19	08-Jan-19
Options	**Rights**	**Rights**
30-Sep-21	N/A	30-Sep-21
30-Nov-21	30-Nov-21	30-Nov-21
08-Jan-24	08-Jan-24	08-Jan-24
$2.43	$2.43	$2.43
$2.54	Nil	Nil
2.9 years	4.0 years	4.0 years
27%	27%	27%
1.88%	1.88%	1.88%
5.67%	5.67%	5.67%
$0.27	$2.07	$1.73

N/A: Not Applicable

5.0 EMPLOYEE REMUNERATION AND BENEFITS (continued)

5.1 Share based payments (continued)

(ii) *Expenses arising from share-based payment transactions*

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Awards issued to employees of controlled entities during the year	**5,984**	2,238

(iii) *Terms and conditions of Share Schemes*

The share based payments issued are subject to vesting conditions described above. Refer to the remuneration report for details of these vesting conditions.

5.2 Key management personnel disclosure

	Consolidated 2020 $'000	Consolidated 2019 $'000
Short-term employee benefits	**2,189**	3,333
Post-employment benefits	**105**	143
Termination benefits	**-**	450
Long-term employee benefits	**60**	72
Share-based payments	**2,582**	760
	4,936	4,758

6.0 OTHER

6.1 Reserves

Recognition and measurement

Share-based payment reserve

The share based payment reserve is used to recognise:

- the fair value of options and rights issued to Directors and employees but not exercised;
- the fair value of shares issued to Directors and employees; and
- other share-based payment transactions.

Cash flow hedge reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

Treasury reserve

Treasury shares are unpaid loan shares in Eclipx Group Limited that have been issued as part of the Eclipx Group Share scheme and the executive LTI plan. See note 5.1 for further information.

Foreign currency translation reserve

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

Dividend reserve

The earnings generated by the Group prior to the write offs and losses on disposal have been transferred to the dividend reserve.

6.0 OTHER (continued)

6.1 Reserves (continued)

	Consolidated 2020 $'000	2019 $'000
Reconciliation of reserves		
Hedging reserve - cash flow hedges (a)	**(18,039)**	(19,698)
Treasury reserve	**8,838**	7,015
Foreign currency translation reserve	**110**	401
Share based payments reserve (b)	**27,857**	21,873
Dividend reserve (c)	**158,206**	158,206
Total reserve	**176,972**	167,797

	2020 $'000	2019 $'000
Movements in reserves		
(a) Hedging reserve - cash flow hedges		
Balance at 1 October	**(19,698)**	(5,939)
Revaluation	**2,153**	(19,655)
Deferred tax	**(494)**	5,896
Balance as at 30 September	**(18,039)**	(19,698)
(b) Share based payments reserve		
Balance at 1 October	**21,873**	19,635
Awards issued to employees of controlled entities during the year	**5,984**	2,238
Balance at 30 September	**27,857**	21,873
(c) Dividend reserve		
Balance at 1 October	**158,206**	-
Transfer from retained earnings	**-**	183,777
Dividend paid	**-**	(25,571)
Balance at 30 September	**158,206**	158,206

6.0 OTHER (continued)

6.2 Parent entity information

(ii) *Summary financial information*

The individual financial statements for the parent entity show the following aggregate amounts:

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Statement of financial position		
Current assets	**158**	299
Non-current assets	**596,412**	702,197
Total assets	**596,570**	702,496
Current liabilities	**(9,231)**	(8,043)
Non-current liabilities	**(167,007)**	(280,238)
Total liabilities	**(176,238)**	(288,281)
Shareholders equity		
Issued share capital	**654,765**	654,765
Reserve	**85,098**	76,189
Retained earnings	**(319,531)**	(316,739)
	420,332	414,215
Profit/(loss) for the year	**(2,792)**	(316,739)

(iii) *Guarantees entered into by the parent entity*

As at 30 September 2020 there were cross guarantees given by Eclipx Group Limited, Pacific Leasing Solutions (Australia) Pty Limited, Leasing Finance (Australia) Pty Limited, Fleet Holding (Australia) Pty Limited, PLS Notes (Australia) Pty Limited, Fleet Partners Pty Limited, Fleet Aust Subco Pty Limited, Fleet Partners Franchising Pty Limited, Car Insurance Pty Limited, FleetPlus Holdings Pty Limited, Fleet Choice Pty Ltd, FleetPlus Pty Limited, FleetPlus Novated Pty Limited, PackagePlus Australia Pty Limited, Eclipx Insurance Pty Ltd, CarInsurance.com.au Pty Ltd, Eclipx MMF Finance Pty Ltd and Accident Services Pty Ltd

No liability was recognised by the parent entity or the consolidated entity in relation to the above guarantee as the fair value of the guarantee is immaterial.

(iv) *Contingent liabilities of the parent entity*

The parent entity did not have any contingent liabilities as at 30 September 2020 or 2019. For information about guarantees given by the parent entity, see above.

6.0 OTHER (continued)

6.3 Related party transactions

(i) *Controlling entity*

The parent entity of the Group is Eclipx Group Limited.

(ii) *Interest in other entities*

The controlled entities of the Group listed below were wholly owned during the current and prior year, unless otherwise stated:

Australia	
Fleet Aust Subco Pty Ltd	FP Turbo Trust 2007-1 (Australia)
Pacific Leasing Solutions (Australia) Pty Ltd	FP Turbo Series 2014-1 Trust
Leasing Finance (Australia) Pty Ltd	FP Turbo Warehouse Trust 2014-1 (Australia)
PLS Notes (Australia) Pty Ltd	Fleet Partners Franchising Pty Ltd
Fleet Holding (Australia) Pty Ltd	Eclipx Insurance Pty Ltd
Fleet Partners Pty Ltd	CarInsurance.com.au Pty Ltd
FleetPlus Holdings Pty Limited	Car Insurance Pty Ltd
FleetPlus Pty Ltd	CLFC Pty Ltd (a)
FleetPlus Novated Pty Ltd	CarLoans.com.au Pty Ltd (a)
PackagePlus Australia Pty Ltd	Fleet Choice Pty Ltd
CLFC Media Holdings Pty Ltd (a)	Accident Services Pty Ltd
Eclipx Commercial Pty Ltd	FleetPlus Asset Securisation Pty Ltd (c)
Right2Drive Pty Ltd (b)	FP Turbo Government Lease Trust 2016-1
Anrace Pty Ltd (b)	Eclipx MMF Finance Pty Ltd
FP Turbo Series 2016-1 Trust	Eclipx - MIPS Member Finance Trust

New Zealand	
FleetPlus Ltd (NZ)	Fleetpartners NZ Trustee Ltd
CarLoans.co.nz Ltd (a)	Truck Leasing Ltd
Fleet NZ Limited	FP Ignition Trust 2011-1 New Zealand
Eclipx Pacific Leasing Solutions (NZ) Limited	FleetPartners NZ Trust
Eclipx Leasing Finance (NZ) Limited	FPNZ Warehouse Trust 2015-1
PLS Notes (NZ) Ltd	FP Ignition 2017 Warehouse Trust
Right2Drive (New Zealand) Ltd (b)	FP Ignition 2017 B Trust
Eclipx NZ Ltd	Eclipx Fleet Holding (NZ) Ltd

(a) On 6 May 2020, the Group completed the 100% disposal of CLFC Pty Ltd, CarLoans.com.au Pty Ltd, CLFC Media Holdings Pty Ltd and Carloans.co, nz Ltd.

(b) On 6 August 2020, the Group completed the 100% disposal of Right2Drive Pty Ltd, Anrace Pty Ltd and Right2Drive (New Zealand) Ltd.

(c) The Group does not have control of FleetPlus Asset Securisation Pty Ltd.

(iii) *Transactions with other related parties*

Except for the matters disclosed above, there were no material transactions with other related parties.

6.0 OTHER (continued)

6.4 Government subsidies

At the time of the announcement of the government subsidies the Group worked with its advisors to assess its eligibility under the schemes. Where the Group met the requirements, it applied for the available government subsidies. The Group was able to retain all its employees and no staff were furloughed as a result of COVID-19.

While not a requirement under JobKeeper the Group's actual trading performance was tested against the estimated turnover on a monthly basis and the Group stopped making claims under the scheme where actual performance was better than estimated. For the year ended 30 September 2020 the Group received the following government subsidies.

Subsidy name	Country	Continuing operations	Discontinued operations
		2020 $'000	**2020 $000**
JobKeeper Payment	Australia	2,022	1,733
COVID-19 Wage Subsidy	New Zealand	640	94
		2,662	**1,827**

The subsidies have been accounted for as a reduction to employee benefit expense in the Statement of Profit or Loss and Other Comprehensive Income.

6.5 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group.

	Consolidated	
	2020	**2019**
	$	**$**
(a) Audit and assurance services		
Audit Services		
KPMG Australian firm:		
Audit and reveiw of financials	**1,029,145**	1,502,809
(b) Non-audit services		
KPMG Australian firm:		
Proposed merger with McMillan Shakespeare Limited	**-**	968,008
Transactional services	**-**	62,259
Debt restructuring	**81,298**	353,488
Total remuneration for non-audit services for KPMG	**81,298**	1,383,755
Total remuneration for KPMG	**1,110,443**	2,886,564

6.6 Deed of cross guarantee

Eclipx Group Limited, Pacific Leasing Solutions (Australia) Pty Limited, Leasing Finance (Australia) Pty Limited, Fleet Holding (Australia) Pty Limited, PLS Notes (Australia) Pty Limited, Fleet Partners Pty Limited, Fleet Aust Subco Pty Limited, Fleet Partners Franchising Pty Limited, Car Insurance Pty Limited, FleetPlus Holdings Pty Limited, Fleet Choice Pty Ltd, FleetPlus Pty Limited, FleetPlus Novated Pty Limited, PackagePlus Australia Pty Limited, Eclipx Insurance Pty Ltd, CarInsurance.com.au Pty Ltd, Eclipx MMF Finance Pty Ltd and Accident Services Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, pursuant to ASIC Corporations (Wholly Owned Companies) Instrument 2016/785, the wholly owned entities have been relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

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

6.0 OTHER (continued)

6.6 Deed of cross guarantee (continued)

Set out below is a statement of profit or loss and other comprehensive income for the year of the Closed Group.

	Consolidated	
	2020	**2019***
	$'000	**$'000**
Statement of profit or loss and other comprehensive income		
Revenue from continuing operations	**451,887**	329,298
Cost of revenue	**(288,280)**	(158,329)
Lease finance costs	**(36,323)**	(35,926)
Net operating income before operating expenses and impairment charges	**127,284**	135,043
Impairment losses on loans and receivables	**(1,300)**	(1,304)
Software Impairment	**-**	(11,547)
Other Intangible Impairment	**(398)**	-
Fixture and fittings Impairment	**-**	(965)
Total impairment	**(1,698)**	(13,816)
Employee benefit expense	**(50,430)**	(45,084)
Depreciation and amortisation expense	**(9,464)**	(9,340)
Operating overheads	**(23,342)**	(86,427)
Total overheads	**(83,236)**	(140,851)
Operating finance costs	**(18,601)**	(17,427)
Profit/(loss) before income tax	**23,749**	(37,051)
Income tax expense	**(7,051)**	2,884
Profit/(loss) for the year from continuing operations	**16,698**	(34,167)
Discontinued operations	**(9,421)**	(327,905)
Profit/(loss) for the year, net of tax	**7,277**	(362,072)
Other comprehensive income/(loss), net of tax	**1,815**	(11,179)
Total comprehensive income/(loss) for the year	**9,092**	(373,251)

* Comparatives have been re-presented to reclassify CarLoans to discontinued operations.

6.0 OTHER (continued)

6.6 Deed of cross guarantee (continued)

Set out below is a consolidated statement of financial position as at reporting date of the Closed Group.

	Consolidated	
	2020	**2019**
	$'000	**$'000**
ASSETS		
Cash and cash equivalents	**33,968**	74,788
Restricted cash and cash equivalents	**107,758**	102,908
Trade and other receivables	**56,311**	55,488
Asset held for sale	**-**	41,516
Inventory	**9,401**	21,267
Finance leases	**338,608**	366,672
Operating leases reported as porperty, plant and equipment	**495,899**	563,384
Property, plant and equipment	**2,948**	6,991
Receivables - advances to related parties	**151,950**	173,290
Deferred tax assets	**26,620**	37,563
Right-of-use assets	**7,502**	-
Intangibles	**348,377**	350,423
Total assets	**1,579,342**	1,794,290
LIABILITIES		
Trade and other liabilities	**85,224**	68,218
Provisions	**7,582**	8,169
Derivative financial instruments	**18,923**	22,231
Liabilities held for sale	**-**	3,457
Other	**-**	2,828
Borrowings	**960,748**	1,180,755
Lease liabilities	**8,651**	-
Payable - advances from related parties	**16,870**	15,401
Deferred tax liabilities	**9,563**	38,597
Total liabilities	**1,107,561**	1,339,656
Net assets	**471,781**	454,634
EQUITY		
Contributed equity	**654,765**	654,765
Reserves	**171,808**	161,938
Retained earnings	**(354,792)**	(362,069)
Total equity	**471,781**	454,634

6.0 OTHER (continued)

6.7 Reconciliation of cash flow from operating activities

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Profit/(loss) after tax for the year	**18,205**	(341,457)
Loss from disposal of discontinued operations	**12,025**	294,104
Depreciation and amortisation	**193,996**	212,050
Amortisation of capitalised borrowing costs	**2,692**	2,920
Doubtful debts	**4,428**	1,281
Impairment expenses	**398**	61,640
Share based payments expense	**5,984**	2,238
Fleet and stock impairment	**321**	485
Net gain on sale of non-current assets	**(25,057)**	(21,039)
Hedging (gain) / loss	**(1,258)**	2,314
Exchange rate variations on New Zealand cash and cash equivalents	**(280)**	212
Net cash inflow from operating activities before change in assets and liabilities	**211,454**	214,748
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**28,004**	(6,143)
Principal settlement of finance leases	**178,463**	209,565
Increase in deferred tax assets/ liabilities	**(2,413)**	(11,963)
Increase/(decrease) in trade and other liabilities	**3,598**	(22,867)
Decrease in current provisions	**(1,512)**	(443)
Decrease in other current liabilities	**(775)**	(335)
Net cash inflow from operating activities	**416,819**	382,562

6.8 Events occurring after the reporting period

There were no matters or circumstances that occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Directors' Declaration

In the opinion of the Directors of Eclipx Group Limited (Group):

(a) The consolidated Financial Statements and notes of the Group that are set out on pages 34 to 93 are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of the Group's financial position as at 30 September 2020 and of its performance for the financial year ended on that date; and

  (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) There are reasonable grounds to believe that the Group and the group entities identified in Note 6.6 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

(d) 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 for the financial year ended 30 September 2020.

(e) The Directors draw attention to note 1 of the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Kerry Roxburgh
Chairman

Sydney

Independent Auditor's Report

To the shareholders of Eclipx Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Eclipx 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 September 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 September 2020;
- Consolidated Statement of profit or loss and 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 Group 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 (including Independence Standards)* (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.

KPMG

Key Audit Matters

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

- Valuation of goodwill
- Setting of vehicle residual values
- Revenue recognition in relation to 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 ($440.3m)

Refer to Note 3.7 *Intangibles* to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter was the Group's annual testing of goodwill for impairment, given the size of the balance (being 22% of total assets) and the higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • forecast cash flows, growth rates and terminal growth rates – the Group has experienced business disruption and competitive market conditions in the current year, as a result of COVID-19. This impacted the Group through lower levels of new business writings as a result of increased lease extensions, decreased demand for new leases and global supply chain disruption, impacting brokerage income. Credit impairments increased due to revised weighting of the impairment model's multiple economic scenarios (MES) to reflect uncertainty surrounding the effect from COVID-19. Demand for second-hand vehicles increased reducing inventory and increasing end of lease income. These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the expected rate of recovery for the Group and what the Group considers as their future business	Our procedures included: • We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards. • We considered 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. • We assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. • We met with management/those charged with governance to understand the impact of COVID-19 to the Group, the impact of government response programs to the FY20 results and potential future impacts to the Group. • We compared the forecast cash flows contained in the value in use model to the Group's budget approved by the Board. • We challenged the Group's cash flow forecast and growth assumptions, including those relating to the ability to write new business going forward to offset the reduction in the current period and COVID-19 recovery period using our knowledge of the Group. We also used

model when assessing the feasibility of the Group's forecast cashflows; and • discount rates, which are complex in nature and may vary according to the conditions and the environment the specific CGUs are subject to from time to time. In addition to the above, the carrying amount of the net assets of the Group exceeded the Group's market capitalisation at year-end, increasing the possibility of goodwill being impaired. This further increased our audit effort in this key audit area. We involved valuation specialists to supplement our senior audit team members in assessing this Key Audit Matter.	our knowledge of the Group's industry and past performance including under COVID-19 conditions, industry growth projections and inflation expectations across different geographies to assess the cash flow forecast. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. • We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group consider to be reasonably possible. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • Working with our valuation specialists we challenged the Group's growth assumptions in light of the expected continuation of uncertainty of business disruption. We compared forecast growth rates and terminal growth rates to authoritative published studies of industry trends and expectations, and considered differences for the Group's operations. • Working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • Working with our valuation specialists we assessed an appropriate takeover premium to be applied to the current market capitalisation and compared that to the total Group value-in-use premium above the market capitalisation as at reporting date. We compared the market capitalisation at and around reporting date to the carrying value of net assets of the Group.

	• We assessed the disclosures in the Financial Report using our understanding of the Group obtained from our testing against the requirements of the relevant accounting standards.

Setting of vehicle residual values

Refer to Critical Accounting Estimates and Assumptions and disclosures over residual values in the context of property, plant and equipment in Note 3.1 *Property, plant and equipment* in the Financial Report.

The key audit matter	**How the matter was addressed in our audit**
Residual value setting relating to fleet vehicles is a Key Audit Matter due to: • the significant audit effort required and the high degree of judgement applied by us in assessing the Group's valuation of residual values; • the flow on impact residual value setting has on a number of key accounts in the Group's Financial Report, including vehicle depreciation and impairment; and • the timing of revenue recognition across the term of a lease may be affected by setting different residual values as it impacts the level of revenue recognised during the term of the lease compared to at the end of the lease. We focused on vehicle impairment testing as well as the robustness of the residual value setting process as indicators of the Group's ability to set accurate residual values. We considered the Group's following significant judgements used in the vehicle impairment model: • expected forecast residual value at the end of the lease term, in particular how the economic impacts of the COVID-19 pandemic may alter residual values and the adequacy of the Group's overlay to address this impact; • periodical future lease-related fee cash flow assumptions; and	Our procedures included: • Understanding the process by which residual values are set by the Group and testing a sample of key controls over the Group's residual valuation process, such as the monthly review and approval of residual value changes by senior management. • Comparing a sample of approved residual value changes to the updated residual values in the lease system. • Assessing the Group's judgement on future lease-related fee cash flows and end of lease cash flow assumptions. The assessment is based on the expected timing and future condition of returned vehicles applied in the Group's vehicle impairment model, including the economic impact of COVID-19 on the extension of leases and comparing the estimated cash flows to the historical cash flow experience for a sample of previous leases. • Assessing the forecast sales prices ascribed to vehicles at the end of their lease and the associated cash flows against recent prices achieved and trends in the market. • Assessing the adequacy of the Group's COVID-19 overlay to address the economic impact of the COVID-19 pandemic and how this reflects the relationship between current sales prices of vehicles and forecast sales prices. • Assessing the Group's ability to forecast vehicle residual values by selecting a statistical sample of vehicles disposed of during the year. We compared the sale price achieved to sales invoices for accuracy, and then

• assumptions on the timing and future condition of vehicles returned at the end of the lease, and associated cash flows.	compared it to the recorded written down values as assessed in prior periods, enabling us to assess the ability of the Group to accurately estimate values of assets forecast into the end of the lease term. • Comparing a sample of the current recorded residual values of vehicles against the current market value of those vehicles sourced from an independent database of used vehicle valuations.
Revenue recognition in relation to maintenance and management income ($99.9m)	
Refer to Note 2.3 *Revenue* to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Maintenance income, which is a component of maintenance and management income presented in Note 2.3 of the financial report, includes a high level of estimation and accounting complexity. This area is a Key Audit Matter due to increased audit effort arising from: • Stage of completion accounting which inherently requires judgement by the Group to determine where in the lifecycle of maintenance the vehicle is at reporting date, along with potential re-estimations of total lifecycle maintenance. • Increased estimation uncertainty particularly in forecasting the timing and cost of lifetime maintenance services, due to the recent reduction in maintenance spend of customers, likely from the economic impacts of the COVID-19 pandemic, compared to historic patterns. This includes the adequacy of the Group's overlay to address these impacts. • We focused on the Group's key assumptions of the average age, term and usage of the vehicle fleet, as well as the proportion of maintenance costs incurred compared to expected for the vehicle type.	Our procedures included: • Assessing the Group's revenue recognition policies against relevant accounting standards. • Recalculating and assessing the Group's estimates of the stage of completion of the contracted maintenance for a sample of leased assets. We checked the mathematical accuracy of the stage of completion model. For a sample of maintenance leases, we checked the average age, term and usage assumptions in the model for consistency with the servicing and maintenance profile, which is based on internal lease portfolio statistics of the vehicle type. The completeness and accuracy of these statistics of the internal lease portfolio was assessed through the testing of relevant IT application controls. • Challenging the Group's judgement in determining the key assumptions by comparing the average cost of lifetime maintenance activities performed to publicly available market costs of servicing vehicles. • Assessing the reasonableness of the assumptions associated with the COVID-19 maintenance overlay by comparing the profit margins on maintenance work performed to historical maintenance profit margins. • We assessed the disclosures in the financial report against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Eclipx 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.

The Other Information we obtained prior to the date of this Auditor’s Report was the Directors’ Report, and the Remuneration Report. The About Eclipx Group, The Chairman’s Letter, Chief Executive Officer’s Letter, Business Overview, Year in Review, Environmental Social and Governance, Board of Directors, Corporate Directory and Shareholder Information sections of the Annual Report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will 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
- assessing the Group and Company’s ability to continue as a going concern and whether the 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.

KPMG

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Eclipx Group Limited for the year ended 30 September 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 19 to 33 of the Directors' report for the year ended 30 September 2020.

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

10 November 2020

KPMG

KPMG

Peter Zabaks

Partner

Sydney

10 November 2020

eclipx GROUP

FleetPartners service driven | fleetplus FIRST. IT'S HOW WE TREAT YOU. | FleetChoice

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