

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

21 September 2018

Dear Sir/Madam

2018 Annual Report, Notice of Annual General Meeting and Proxy Form

In accordance with the Listing Rules, SG Fleet Group Limited (ASX : SGF) advises that the 2018 Annual Report, Notice of Annual General Meeting and Proxy Form will be sent to shareholders today. Copies of the documents to be mailed are attached.

The Annual General Meeting will be held on Tuesday 23 October 2018 at the Hobart Room, Lobby Level, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, NSW commencing at 3.00 pm AEDT.

Yours sincerely

Edelvine Rigato
Company Secretary

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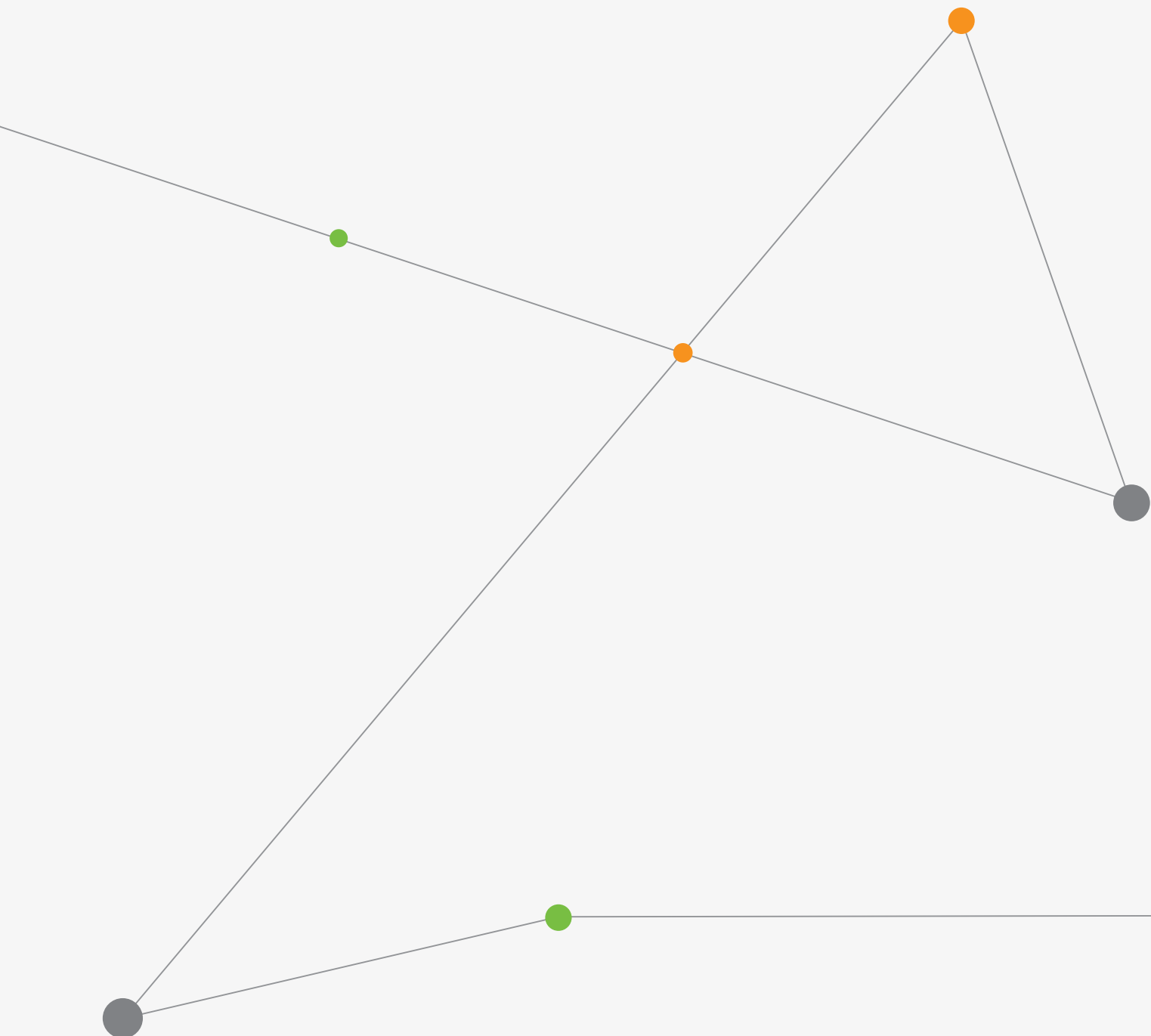
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SG Fleet Group Limited

ABN 40 167 554 574

www.sgfleet.com



ANNUAL REPORT 2018

SG FLEET GROUP LIMITED
ABN 40 167 554 574



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Efficiency

About SG Fleet Group

SG Fleet Group Limited is a leading provider of integrated mobility solutions, including fleet management, vehicle leasing and salary packaging services. SG Fleet has a presence across Australia, as well as in the United Kingdom and New Zealand. The company employs approximately 700 staff and has over 140,000 vehicles under management. SG Fleet listed on the Australian Securities Exchange in March 2014.

The SG Fleet Group operates under two brands across corporate and consumer business segments: sgfleet (operating in Australia, UK and New Zealand) and nlc (Australia).

The company has a unique position in the marketplace, built on the experience and product expertise of its team. SG Fleet prides itself on the strength of its relationships with blue chip corporate and government customers.

These long-term relationships have been built around a customer-centric approach to service delivery and the development of bespoke but scalable solutions to meet the needs of each customer.

An innovative mindset is core to everything SG Fleet does. The company actively contributes to the global discussion about the future of transport and is shaping the new mobility landscape in cooperation with all levels of government, as well as leading corporates. SG Fleet continuously evolves its highly advanced fleet management capabilities and flexible mobility solutions, consistently exceeding its customers' expectations.

Safety

“

We provide efficient, safe and sustainable mobility solutions to our customers.



Sustainability

Our numbers



13

locations

Australia 9 – United Kingdom 2
– New Zealand 2



700

staff



32

years of experience



140,000+

vehicles under management
including 25,000 shared vehicles



180,000

bookingintelligence
resource management
system transactions



320,000

maintenance authorisations



\$316.5m

revenue



\$67.7m

profit



18.738cps

dividend



Mobility Services: Entering a New Growth Phase

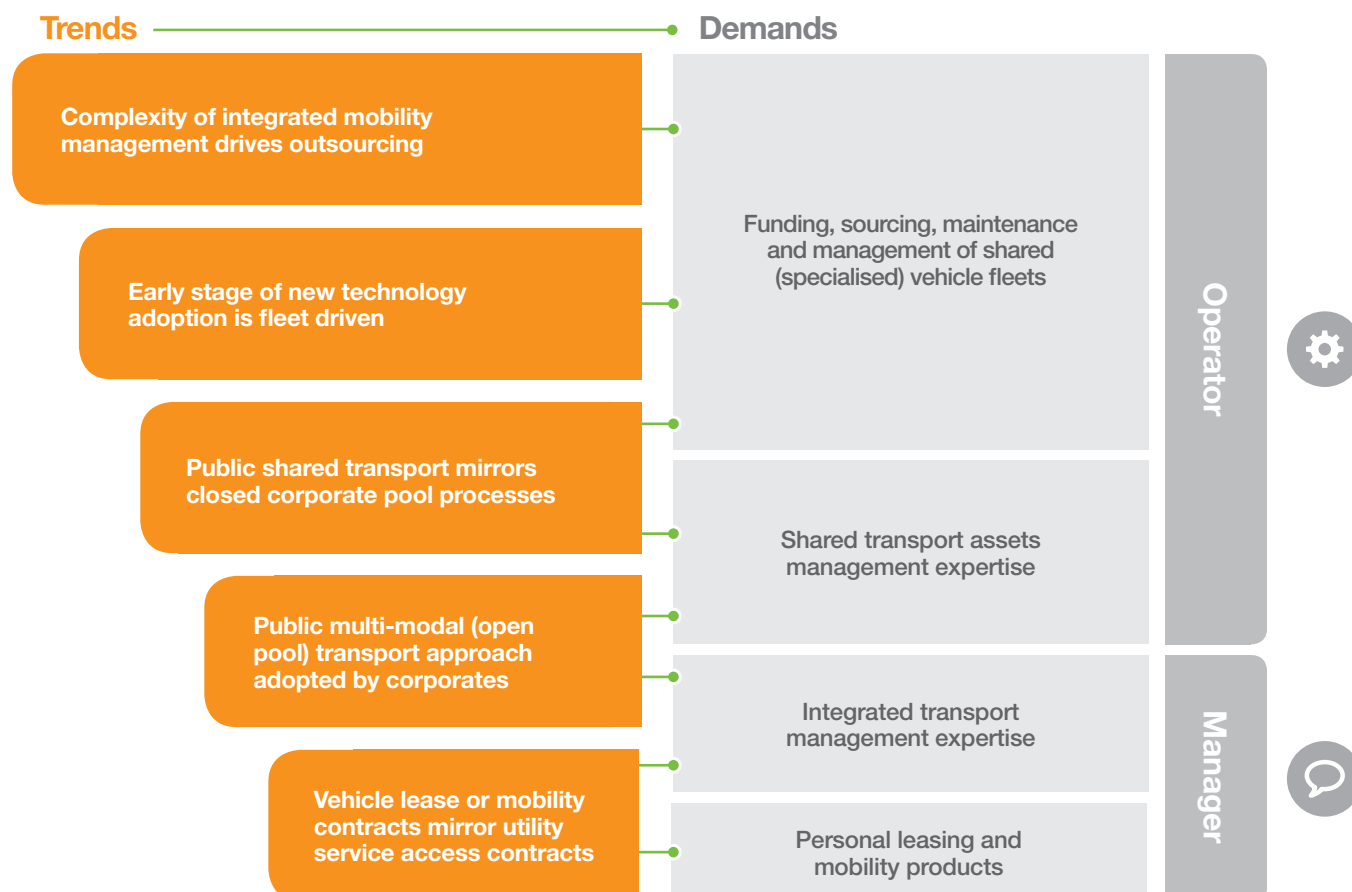
Corporate and consumer trends towards Mobility-as-a-Service and the advent of new technologies are creating growth and value-add opportunities for SG Fleet.

The need for greater efficiency is driving organisations to look beyond closed vehicle pools and the same objective is strengthening the appeal of leased transport assets to consumers. In both cases, solutions are increasingly being outsourced to specialist providers such as SG Fleet.



“

Mobility-as-a-Service (MaaS) integrates various forms of transport into a mobility solution that is consumed as a service.



Our Role Is Rapidly Evolving

SG Fleet is the natural owner of the Mobility Operator role and we are well positioned to assume the Mobility Manager role in the future MaaS environment, bringing together multiple modes of transport. Both roles are an extension of our core expertise in transport efficiency.



Mobility Fleet Operator

Deploys / manages / (owns) fleet of vehicles

Required expertise

SG Fleet Group

- Shared fleet funding, sourcing & deployment ✓
- Data management ✓
- Vehicle performance/usage optimisation ✓
- Efficiency improvement – fleet | Closed pools ✓



Mobility Manager

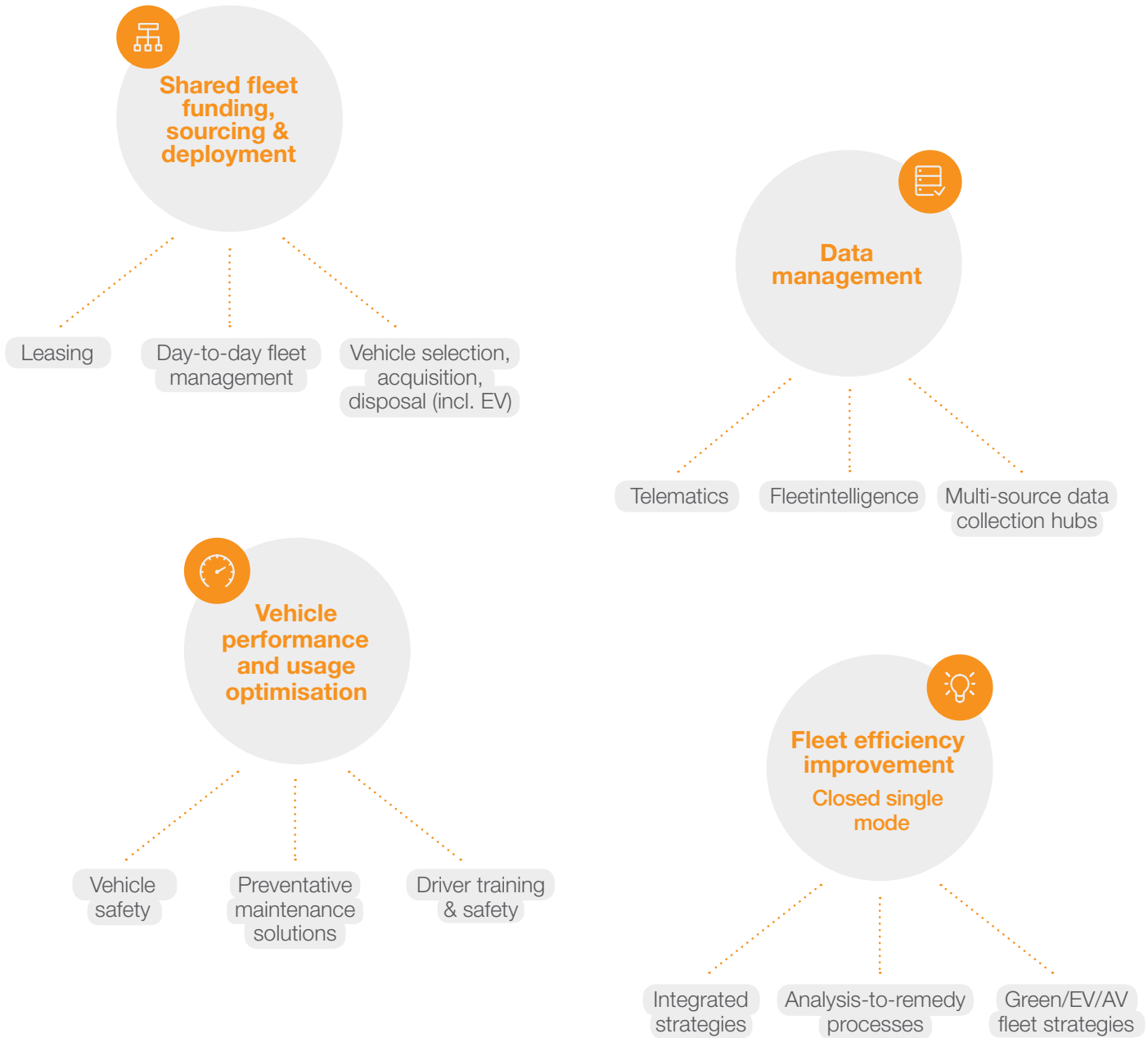
Enables, administers and processes cost-effective (multi-modal) transport

- Efficiency improvement – mobility | Open pools ✓
- Booking and payment integration ✓
- Personal mobility products ✓
- Integrated vehicle management ✓



Together with our customers, we analyse mobility requirements, build solutions and manage their operation.

A Comprehensive Product Range Built on SG Fleet's Operator and Manager Expertise...



Incubating the next generation

Continuous innovation is part of SG Fleet's unique culture. In order to further strengthen our position as a visionary leader in our industry, we have created a dedicated innovation hub to promote forward thinking about the future of mobility amongst our staff and to develop our next generation of products.

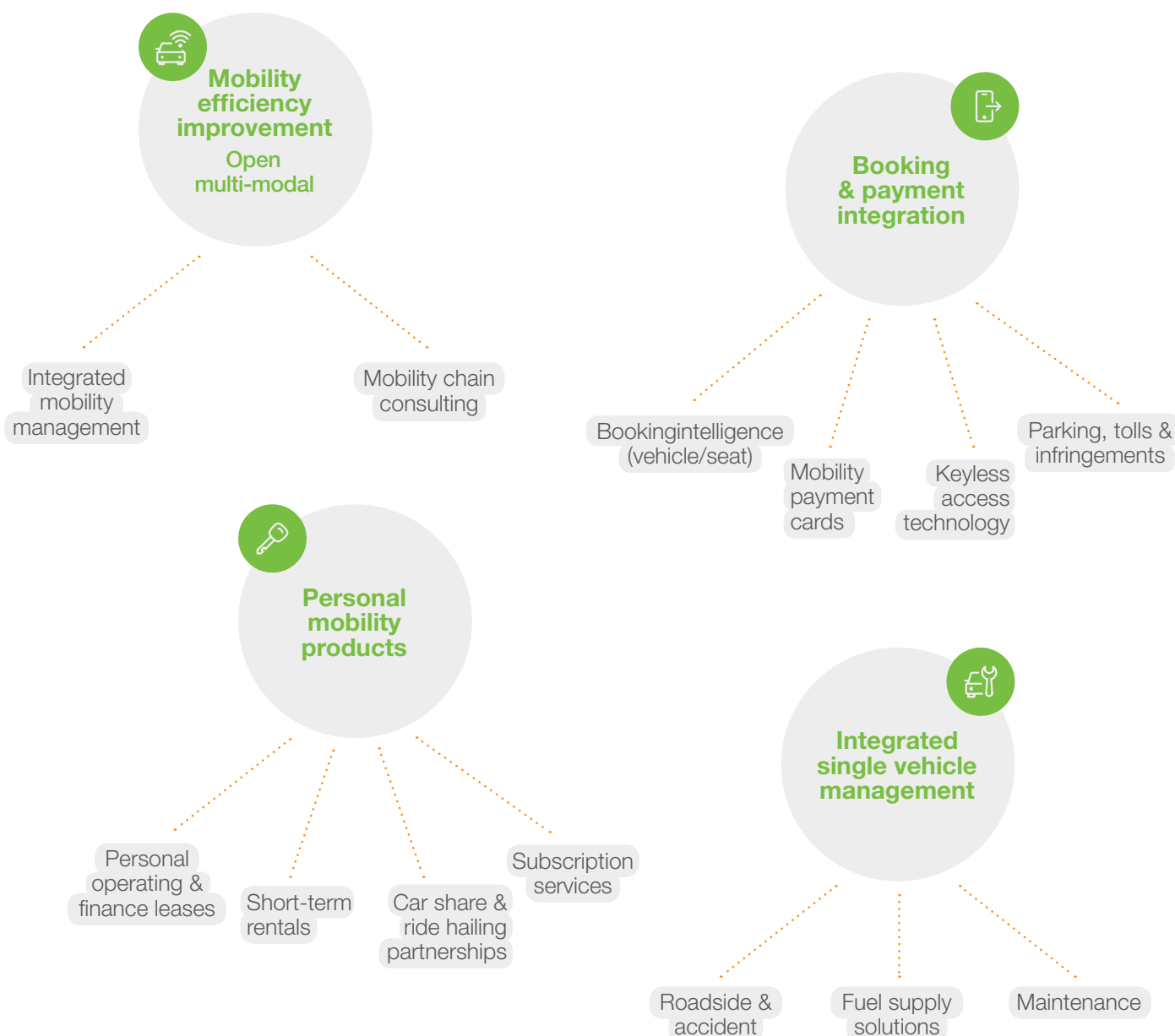


...For Organisations and Consumers

Bringing our corporate advantage to consumers

As a large fleet manager, we are able to utilise our corporate scale advantage for the benefit of consumers. As new models of car ownership and usage emerge, we source vehicles for personal use, structure leases, and provide bundled vehicle management services.

Whatever the transport requirement and ownership choices, SG Fleet provides individual customers with attractive pricing, convenience and peace of mind.



Chairman's report



Dear Shareholder

I have the pleasure of presenting you with the SG Fleet Group Limited Annual Report for the year ended 30 June 2018.

During the 2018 financial year, your Company has made continued progress in all of its operational areas, while at the same time implementing a significant integration program for the businesses acquired in the previous years. In Australia, we actively addressed some headwinds in the first half to produce a stronger second period, helped by additional customer wins and our growing products and services range. The integration of the combined UK business made an immediate and positive impact on its competitive position and as the economic climate in the UK gradually improved, we were successful in expanding our footprint, both in terms of our offering and geographically. In New Zealand, the good performance of previous years continued, with our local business further strengthening its already enviable relationships with government and blue chip corporates.

The resulting outcome for you, our Shareholders, has been another year of good profit growth and the ability to once again increase our dividend payment to you. Your Board has declared a fully franked final dividend of 9.958 cents per share. This brings the total dividend for the 2018 financial year to 18.738 cents per share, a notable increment on the 16.801 cents per share paid in the previous year. The Company's Dividend Reinvestment Plan will be activated for the final dividend payment.

To ensure we can progress further, we actively explore opportunities to improve our internal processes as well as how we deliver for our customers. With the integration activity now nearing its completion, we have embarked on a group-wide efficiency drive, aimed at optimising our operational rhythm. Greater efficiency will put us in a stronger position to bring an ever-expanding range of products and services to market and provide an even better customer experience. Our strategic objective is to maintain a stable and sustainable growth path for our core corporate and consumer businesses and build additional layers of growth by progressively rolling out the next generation of transport and integrated mobility solutions.

Our focus on innovation and integrating our various products has been a prominent element of our culture for some time. The beneficial impact of this was particularly evident in our business this year, as a key feature of our improved performance was our ability to provide additional products and services to existing customers and use our wider offering to win new contracts. Value-add is also increasingly created through the consulting expertise and insights we offer to customers, particularly in the areas of electric vehicles, including in the UK and New Zealand, and integrated mobility. Not surprisingly, this closer involvement with our customers, both corporate and government, is rapidly adding service touchpoints to our relationships.

SG Fleet's unique offering gives us the ability to create the new industry landscape.

This continuous evolution of fleet management services towards the provision of mobility solutions is reshaping our industry and we are further building our leadership in this new environment. Our evolving products and services range embeds our customer relationships and allows us to generate more sustainable returns. In fact, SG Fleet's unique offering gives us the ability to create the new industry landscape.

I would like to take this opportunity to thank the Directors of the Company's Board for their contribution this year. My thanks also go to our majority shareholder, Super Group, for their active endorsement of our strategic growth objectives. Finally and most importantly, I thank you, our Shareholders, for your continued support as we take your Company into a promising future.

“Our strategic objective is to maintain a stable and sustainable growth path for our core corporate and consumer businesses and build additional layers of growth by progressively rolling out the next generation of transport and integrated mobility solutions.”

Andrew Reitzer
Chairman
13 August 2018
Sydney

Chief Executive Officer's report



“The main theme of the year has been the continued growth in the products and services we provide to our customers.

Robbie Blau
Chief Executive Officer
13 August 2018
Sydney

Dear Shareholder

I am pleased to report on SG Fleet Group Limited's financial performance for the year ended 30 June 2018.

My review of this financial year will refer for comparison to the financial figures for the year ended 30 June 2017. Detailed financial data can be found in the full annual report.

Successful addressing of early headwinds results in stronger full year performance

In the 2018 financial year, the SG Fleet Group successfully addressed a number of challenges encountered towards the end of the first half to deliver a better performance in the second period and continued revenue and profit growth for the full year. The overall business performed well, with good contributions from the acquisitions made in the UK in the previous year, as well as from our New Zealand operations. The main theme of the year has been the continued growth in the products and services we provide to our customers, within a vehicle pool that has seen limited progress.

Total revenue for the 2018 financial year was \$316.5 million, up 7.9% on the previous corresponding period. Total expenses increased by 8.4% to \$220.2 million. This was largely driven by an increase in fleet management costs, linked to the growth in accessory and short-term rental income, as well as higher depreciation and amortisation as a result of further growth in average on-balance sheet lease assets. Reported net profit after tax increased by 13.6% to \$67.7 million. The Group's profit result equates to a reported earnings per share of 26.38 cents, up 11.9% on the prior year.

As observed earlier, this performance exceeded the growth in vehicle numbers, to 147,703, thanks to the stronger penetration of additional products and services, which grew 9.5% in revenue terms, to \$104.2 million. A greater contribution from the end of lease income revenue line, up 65.4% to \$17.7 million, also contributed to this positive outcome. Management and maintenance income growth was modest, at 0.9%, and in line with the growth in vehicle numbers. Funding commissions declined slightly, by 2.3% to \$54.8 million, predominantly reflecting a significant increase in inertia and extensions, which impacted margins.

Rental income increased by 24.0%, again reflecting the higher number of on-balance sheet and inertia vehicles, as well as an increase in short-term rental income, as noted earlier. Finally, the smaller other income revenue line declined by 11.1% to \$4.0 million, reflecting lesser interest income as average cash balances during the year were lower than in the previous corresponding period.

Operating environment improves

The Australian economic climate improved towards the end of the first half, and conditions remained above average for the rest of the period. Reflecting a lag in the retail industry overall, private car sales were down when compared to the 2017 financial period, and this decline was more pointed towards period end. Our larger states of NSW and Victoria in particular saw notable declines in private new car sales. As SG Fleet's novated business is predominantly active in the private sector employer segment, we are somewhat sensitive to consumer purchasing behaviour such as private car sales.

Our own industry environment has remained competitive, although we did not see specific competitors adopt particularly aggressive tactics. Overall, the industry continued to benefit from a steady stream of new opportunities, as longstanding trends towards outsourcing showed no sign of slowing down. While a number of regulatory reviews impacted pricing in some product areas in the first half, no significant developments regarding our immediate regulatory environment occurred later in the year. Nevertheless, we continue to monitor the situation and ensure we are in a position to respond to any changes.

“The industry continued to benefit from a steady stream of new opportunities, as longstanding trends towards outsourcing showed no sign of slowing down.

Chief Executive Officer's report **continued**

Strengthening relationships and product penetration in the Corporate business

Helped by the more positive mood in corporate Australia, our tool-of-trade business continued to see a constant stream of new opportunities. We generated increased traction for our technology-based solutions and other add-ons with both corporate and government customers, in particular for car share services, driver safety programs, telematics, and our Bookingintelligence resource management solution. Late in the reported period, we also had a very promising response to our new Chain of Responsibility management product, Inspect365, which we have now begun to commercialise.

Customers generally increased their overall spend on our services to access the cost savings we generate on their behalf. This has allowed us to grow overall profit independently of vehicle numbers growth, as noted earlier. Some of the growth in extensions that held back vehicle growth was attributable to the end of local vehicle manufacturing, which led some customers with 'buy local' fleet policies to delay replacements while they decided what imported vehicles are fit for purpose. We expect to see this backlog clear progressively. The strengthening of our relationship with key customers has been a feature throughout the year and for a number of them, we were able to formally extend existing agreements. While in May, we reported the loss of the WA Government contract, overall we were successful in further extending our market share in the Corporate business. The contract in question only represented about half a percent of our revenue.

As was the case in the 2017 financial year, the heavy commercial segment again proved challenging in terms of winning contracts at reasonable returns, particularly late in the first period, and its profit contribution declined from the previous corresponding period. However, this behaviour abated somewhat, benefiting the business' performance in the second half.

Accessories sales support Consumer business performance

The Australian Consumer business had good success in signing up new employers, across both the sgfleet and nlc brands, in the process growing the total pool of employees eligible for novated leases. Conversion of eligible employees into novated drivers continued to be challenging, with subdued consumer sentiment a factor in lease take-up, as noted above. Encouragingly, the sale of accessories to novated drivers remained buoyant, helped by the improved management of our product mix. The full range of vehicle accessories is now available through the nlc channel and we have seen very strong conversion of accessory sale opportunities across both brands. The business also rolled out car buying and disposal services to both individual drivers and the wider employee base of our customers. We continue to explore lead-generation opportunities to feed into this wider consumer offering.

The lowering of commissions on extended warranty products, in line with regulatory reviews, impacted performance in the novated segment. This particular product accounts for a small percentage of our revenue. We monitored these reviews and took on board the concerns of the regulator. Margins are now at a new, sustainable baseline.

The full range of vehicle accessories is now available through the nlc channel and we have seen very strong conversion of accessory sale opportunities across both brands.

Integration of the nlc business neared its completion during the year and it is now functioning on a fully integrated basis.

The adoption of common corporate sales, relationship management and marketing team methodologies across both channels is yielding a consistent and improved customer experience as well as greater productivity. We have continued to share best practice processes across brands and this is driving greater sales volumes and value. Only a portion of the IT system migration remains and we will complete the remaining two phases within the current financial year.

Promising outlook for key growth areas in UK

The economic climate in the UK saw some improvement during the year and that was reflected in an uptick in interest in both tool-of-trade, particularly light commercials, and salary packaging services. Another area that has seen increased interest is personal contract hire. We actively targeted these areas throughout the period. In the light commercial contract hire space, we actively deployed Motiva's longstanding expertise across the combined customer book, with good success. In addition to promoting personal leasing products to individual consumers, we also launched van-based schemes into the owner/driver segment via franchise and trade association affiliations. Similar schemes have been launched into other specialised segments.

In the salary packaging segment, activity continued to recover following the Autumn 2016 statement. This recovery was initially slower than expected due to the UK Government's delay in clarifying its stance on schemes. Clear and definitive guidance has since been given on the matter, providing absolute certainty that cars continue to be a cost effective benefit of employment in the UK.

As in previous periods, we continued to build out our customer book, breaking into a number of new industry sectors and locations with some sole supply wins, both in tool-of-trade and salary packaging. The SME segment, which accounts for a very significant part of the UK economy, in particular holds great promise for further growth.

Low emission vehicles continued to be a hot topic in the UK, and we shared our expertise in this area with local businesses and government departments. We are currently working with a major national utility company to raise awareness and promote electric vehicles, providing us with a good opportunity to benefit from their strong brand presence and get our own brand in front of a wider audience.

Integration of the Fleet Hire and Motiva businesses progressed rapidly throughout the year. The operational and support teams were integrated, as were all operational processes. On the marketing front, we have successfully rolled out the sgfleet branding across the Fleet Hire and Motiva businesses. The Motiva system migration is on track for completion in the current half year period. Restructuring and integration costs were almost fully borne in the first half of 2018.

“ The SME segment, which accounts for a very significant part of the UK economy, holds great promise for future growth.

Strong New Zealand reputation spreads

The New Zealand economy has seen a relatively lengthy period of strong growth. In our industry, this positive mood was reflected in healthy tender activity, providing continued opportunities. As is the case in Australia, we saw a trend towards higher value-add solutions in this market. Given our positioning as a specialised provider to blue chip companies, this is a development that suits us well. Demand for management services for electric fleets, as well as for telematics and driver safety applications is growing steadily. We have been able to position ourselves as a leader in these areas and intend to build on that.

The business had wins in multiple sectors and further developed its reach within government on the back of our previous achievements in that segment, including amongst key entities such as the Transport Ministry, the Defence Force, and KiwiRail.

We continue to be recognised for the quality of our products and services and our strong competitive position was reflected in our activity in panel accounts, where we won more than our fair share of orders.

Improved operating rhythm through greater efficiency

During the year, we embarked on a group-wide efficiency drive to further simplify, automate and digitise our processes. The nearing completion of our integration activities allows us to upgrade these processes across the entire Group. We have also been able to extract best practice learnings from each of our businesses and apply these elsewhere. Many of our operational processes constitute a significant workload and cost for the business at the back end, and they often shape the quality of the customer experience. Offering our customers an enhanced experience is a major factor in customer retention.

Our efficiency program is a major, ground-breaking effort across the business, which will look at key components of our operations at a fundamental level. It is an opportunity for SG Fleet to improve its operating rhythm, make progress across multiple efficiency measures and optimise how we deliver for our customers.

Entering a new growth phase

The 2018 financial year was a period of many achievements. We successfully integrated a number of businesses while maintaining focus on the performance of our ongoing operations. We acted decisively to address some challenges in the first half and, in addition to achieving our objectives for the second half, we were able to partially offset the impact of these early headwinds.

“ The 2018 financial year was a period of many achievements.

Our Australian Corporate business has further strengthened key relationships going into the 2019 financial year, while the Consumer business continued to grow its customer target pool, which bodes well for the future. In the UK, we are seeing a promising outlook in a number of product areas and this will be conducive to continued expansion. Finally, in New Zealand, progress is continuing at a healthy rate.

Growth in the current financial year will come primarily from ongoing activities, supplemented by further product and services expansion, which we expect to accelerate in future years as we bring our mobility services solutions to market. Both add growth layers to our existing activities, as will any acquisitions.

SG Fleet is only at the very beginning of these additional growth phases. Many of the products we have already brought to market are only in the early stages of adoption, although that adoption is accelerating. Effectively, there is a very extensive range of solutions we can and will roll out over the next few years and, as we have demonstrated this year, adding revenue generators and continued greater customer penetration are powerful drivers of profitability. Innovation remains a key driver in this process and to enhance that focus, we have established a dedicated innovation hub within the Group. This is very much a natural progression of our current model.

Our financial health remains strong and we can readily fund new strategic initiatives, both organically and inorganically. We have the strong support of our majority shareholder, Super Group, and when corporate activity re-emerges, we intend to be an active participant in it.

” Innovation remains a key driver and to enhance that focus, we have established a dedicated innovation hub within the Group.

My sincere thanks go to my Executive and all my colleagues across the Group. Their tireless efforts during the year have further strengthened the Company. We are entering an exciting growth phase and with the support of you, our Shareholders, we will continue to build our leadership position, create growth and generate healthy, sustainable returns.

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Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SG Fleet Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

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

Andrew Reitzer (Chairman)

Robert (Robbie) Blau

Cheryl Bart AO

Graham Maloney

Peter Mountford

Edwin Jankelowitz

Kevin Wundram

Colin Brown (alternate for Peter Mountford)

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

Principal activities

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

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2018 \$'000	2017 \$'000
Final dividend for the year ended 30 June 2017 of 9.265 cents per ordinary share paid on 17 October 2017 (2017: 7.63 cents)	23,844	19,269
Interim dividend for the year ended 30 June 2018 of 8.78 cents per share paid on 19 April 2018 (2017: 7.536 cents)	22,596	19,069
	46,440	38,338

On 13 August 2018, the Directors declared a fully franked final dividend for the year ended 30 June 2018 of 9.958 cents per ordinary shares, to be paid on 16 October 2018 to eligible shareholders on the register as at 25 September 2018. This equates to a total estimated distribution of \$25,628,000, based on the number of ordinary shares on issue as at 30 June 2018. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2018 financial statements and will be recognised in subsequent financial reports.

Review of operations

The profit for the Group after providing for income tax amounted to \$67,675,000 (30 June 2017: \$59,592,000).

The fleet size of the Group as at 30 June 2018 was 147,703 (30 June 2017: 146,357).

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

Directors' report

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on Directors

Andrew Reitzer

Independent Non-Executive Director and Chairman

Qualifications:

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

Experience and expertise:

Andrew has over 35 years of global experience in both the retail and wholesale industry. He has served as the Chief Executive Officer ('CEO') of Metcash Limited between 1998 and 2013. Prior to his appointment as CEO of Metcash, Andrew held various management roles at Metro Cash & Carry Limited and was appointed to lead the establishment of Metro's operations in Israel and Russia and served as the Group Operations Director

Other current directorships:

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

Former directorships (last 3 years):

None

Special responsibilities:

Chairman of the Nomination and Remuneration Committee

Interests in shares:

81,081 ordinary shares in the Company

Robert (Robbie) Blau

Executive Director and Chief Executive Officer ('CEO')

Qualifications:

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

Experience and expertise:

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

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

None

Interests in shares:

6,892,245 ordinary shares in the Company

Interests in options:

781,756 options over ordinary shares in the Company

Interests in rights:

67,980 performance rights over ordinary shares in the Company

Cheryl Bart AO

Independent Non-Executive Director

Qualifications:

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

Experience and expertise:

Cheryl is a qualified lawyer and company director with experience across industries including financial services, utilities, energy, television and film. Cheryl previously worked as a lawyer specialising in Banking and Finance at Mallesons Stephen Jaques (now King & Wood Mallesons). Cheryl is immediate past Chairman of ANZ Trustees Ltd, the Environment Protection Authority of South Australia, the South Australian Film Corporation, Adelaide Film Festival and the Foundation for Alcohol Research and Education ('FARE'). She is the 31st person in the world to complete The Explorer's Grand Slam, and is a Patron of SportsConnect.

Other current directorships:

Audio Pixels Holdings Limited (ASX: AKP), ME Bank, Football Federation Australia (FFA), Invictus Games Sydney 2018, The Prince's Trust Australia and Powering Australian Renewables Fund (PARF).

Former directorships (last 3 years):

South Australian Power Networks, Australian Broadcasting Corporation ('ABC'), Spark Infrastructure Ltd, Local Organising Committee 2015 Australia Asian Cup, EOS Ltd, Sydney Ports Corporation, Chairman of Australian Sport Foundation and Australian Himalayan Foundation.

Special responsibilities:

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

Interests in shares:

27,032 ordinary shares in the Company

Graham Maloney

Independent Non-Executive Director

Qualifications:

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

Experience and expertise:

Graham has over 40 years of experience in financial services, including superannuation, life insurance, commercial banking, investment banking and stock broking. He is the CEO of Stratagm, which he established in 2009 to provide strategic and financial advisory services to both businesses and individuals. He is also the Chair of Connective Group, a leading mortgage aggregation business, and of Spitfire, a start-up technology group providing asset management and investment trading platforms. Graham's experience includes roles as Division Director at Macquarie Capital and as Group Treasurer at National Australia Bank.

Other current directorships:

Chair, Connective Group Australia and Non-Executive Director, Circus Australia Ltd

Former directorships (last 3 years):

SFG Australia (ASX: SFW)

Special responsibilities:

Chairman of the Audit, Risk and Compliance Committee

Interests in shares:

27,027 ordinary shares in the Company

Peter Mountford

Non-Executive Director

Qualifications:

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

Experience and expertise:

Peter is the nominee for Super Group Limited, has over 20 years of senior management experience and since 2009 has served as the CEO of Super Group Limited. Prior to becoming the CEO of Super Group Limited, he served as the Managing Director of Super Group's Logistics and Transport division and later its Supply Chain division. Peter's experience also includes six years as the CEO of Imperial Holdings Limited's Consumer Logistics division and as Managing Director of South African Breweries Limited's Diversified Beverages. He is currently a Director of The Road Freight Association in South Africa.

Other current directorships:

Super Group Limited (JSE: SPG), Bluefin Investments Limited (Mauritius – Unlisted)

Former directorships (last 3 years):

None

Special responsibilities:

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

Interests in shares:

540,540 ordinary shares in the Company

Edwin Jankelowitz

Non-Executive Director

Qualifications:

Chartered Accountant from South Africa

Experience and expertise:

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

Other current directorships:

None

Former directorships (last 3 years):

Metcash Limited (ASX: MTS) (resigned 27 August 2015)

Special responsibilities:

Member of the Audit, Risk and Compliance Committee

Interests in shares:

20,000 ordinary shares in the Company

Directors' report

Kevin Wundram

Executive Director and Chief Financial Officer ('CFO')

Qualifications:

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

Experience and expertise:

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

Other current directorships:

None

Former directorships (last 3 years):

None

Special responsibilities:

None

Interests in shares:

687,347 ordinary shares in the Company

Interests in options:

279,199 options over ordinary shares in the Company

Interests in rights:

24,279 performance rights over ordinary shares in the Company

Colin Brown

Alternate Director for Peter Mountford

Qualifications:

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

Experience and expertise:

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

Other current directorships:

Super Group Limited (JSE: SPG), Bluefin Investments Limited (Mauritius – Unlisted)

Former directorships (last 3 years):

None

Special responsibilities:

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

Interests in shares:

108,108 ordinary shares in the Company.

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

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

Company secretary

Edelvine Rigato (B.A., Grad Dip ACG, FGIA, FCIS, MAICD) was appointed company secretary on 11 September 2017. Edelvine has over 10 years' experience in company secretarial practice with publicly listed and private companies. Prior to joining SG Fleet Group, Edelvine was the company secretary of Melbourne IT Group (now ARQ Group Limited) and assistant company secretary at Ardent Leisure Group.

The previous company secretary was Kevin Wundram (appointed on 3 November 2016 and resigned on 11 September 2017).

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Board of Directors		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Reitzer	6	6	–	–	4	4
Robbie Blau	6	6	–	–	–	–
Cheryl Bart AO	6	6	4	4	4	4
Graham Maloney	6	6	4	4	–	–
Peter Mountford	6	6	4	4	4	4
Edwin Jankelowitz	5	6	4	4	–	–
Kevin Wundram	6	6	–	–	–	–

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Colin Brown did not attend any meetings in his capacity as an Alternate Director during the financial year.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

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

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

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

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

Directors' report

Non-Executive Directors' remuneration

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

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

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

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

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

STI payments are granted to executives based on specific financial targets and an appraisal of the executive's performance and key performance indicators (KPI's). At the beginning of each year the NRC sets the growth target for the business units and for the Group as a whole for the purpose of the STI. A minimum profit growth gateway of 60% of the target growth rate applies in order for an executive to be entitled to the financial component of the STI.

The growth achieved for the year, and the achievement against the performance conditions for the purpose of the STI is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant and the Board has a discretion to adjust the earnings measures used for this purpose for the impact of non-recurring or significant transactions.

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

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

LTI Instruments granted to KMP vest over two and three year periods (the 'Performance Period'), subject to the satisfaction of performance conditions.

The LTI Instruments issued for the FY2018 LTI offer have been split into two Tranches:

- 1/3 of the Rights have been allocated to Tranche 1 which will be assessed over the two year Performance Period of 1 July 2017 to 30 June 2019. If the performance condition is met, vesting occurs in August 2019; and
- 2/3 of the Rights have been allocated to Tranche 2 which will be assessed over the three year Performance Period of 1 July 2017 to 30 June 2020. If the performance condition is met, vesting occurs in August 2020.

The performance conditions for the LTI Instruments are based on the compound annual growth rate ('CAGR') of the Group's earnings per share ('EPS'). EPS was selected as the performance condition for the LTI since it is a measure of economic profit and is a key driver of the share price which is a key component in delivering sustained growth in shareholder wealth. The Performance Period and applicable performance conditions for any future LTI opportunities will be determined by the Board and specified in the relevant offer document.

For the FY2018 LTI offer, the percentage of options that vest and become exercisable, if any, is determined by reference to the vesting schedule, summarised as follows:

CAGR of EPS over the Performance Period	% of options that become exercisable
Less than 6%	Nil
6% (Threshold performance)	60%
Between 6% and 14%	Straight-line pro-rata vesting between 60% and 100%
14% or above (Stretch performance)	100%

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

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

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

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

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

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

Group performance and link to remuneration

The financial performance measure driving the financial component of the STI payment outcomes for Executive Directors for the year ended 30 June 2018 is determined on a straight-line basis, based on the Group achieving EPS growth of between 7.8% and 12.9% over the previous financial year. In terms of the minimum profit growth gateway, no award of the financial component of the STI is made if the Group's EPS growth is less than 7.8% over the previous financial year. STI payments granted to other KMP's are based on a combination of the Group EPS Targets as set out above, and specific divisional growth targets. The proportion of the maximum STI awarded to the KMP is at the discretion of the Board.

The performance measure that drives LTI vesting is the CAGR of the Group's EPS over the relevant performance period. The Group's EPS for the year ended 30 June 2018 was 26.38 cents per share.

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

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, the shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

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

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

- Andy Mulcaster – Managing Director, Australia
- Geoff Tipene – Managing Director, New Zealand
- Graham Hale – Managing Director, United Kingdom (appointed as KMP on 1 November 2017)
- David Fernandes – Managing Director, United Kingdom (ceased as KMP on 31 October 2017)
- Matthew Reinehr – Managing Director, nlc (Retail) (resigned on 30 November 2017)

Directors' report

	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Leave benefits \$	Equity-settled options \$	Total \$
2018							
Non-Executive Directors:							
Andrew Reitzer (Chairman)	182,652	–	–	17,352	–	–	200,004
Cheryl Bart AO	107,308	–	–	10,194	–	–	117,502
Graham Maloney	120,000	–	–	–	–	–	120,000
Peter Mountford	117,502	–	–	–	–	–	117,502
Edwin Jankelowitz	100,458	–	–	9,544	–	–	110,002
Executive Directors:							
Robbie Blau (CEO)	999,951	581,250	–	20,049	18,854	263,879	1,883,983
Kevin Wundram (CFO)	489,951	262,500	–	20,049	9,286	94,242	876,028
Other Key Management Personnel:							
Andy Mulcaster	383,381	200,191	–	19,785	10,141	59,640	673,138
Geoff Tipene*	231,342	132,063	24,945	6,940	–	34,674	429,964
Graham Hale * **	162,607	81,461	13,357	13,009	–	59,201	329,635
David Fernandes*	61,589	–	–	8,772	8,411	–	78,772
Matthew Reinehr***	91,515	–	–	9,986	–	–	101,501
	3,048,256	1,257,465	38,302	135,680	46,692	511,636	5,038,031

* Total remuneration in local currency paid to Geoff Tipene amounts to NZ\$464,976. Total remuneration in local currency paid to Graham Hale amounts to £189,205. Total remuneration in local currency paid to David Fernandes was £45,214 for the period 1 July 2017 until 31 October 2017 when he ceased to be a KMP

** Represents remuneration from date of appointment as KMP for Graham Hale on 1 November 2017

*** Represents remuneration until the date the executive ceased to be a KMP on 30 November 2017

Colin Brown (Alternate Director) received no remuneration during the year ended 30 June 2018.

	Short-term benefits			Post-Employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Leave benefits \$	Equity-settled options \$	Total \$
2017							
Non-Executive Directors:							
Andrew Reitzer (Chairman)	182,650	–	–	17,350	–	–	200,000
Cheryl Bart AO	107,310	–	–	10,190	–	–	117,500
Graham Maloney	120,000	–	–	–	–	–	120,000
Peter Mountford	117,500	–	–	–	–	–	117,500
Edwin Jankelowitz	100,460	–	–	9,540	–	–	110,000
Executive Directors:							
Robbie Blau (CEO)	984,155	630,000	–	19,616	142,910	236,308	2,012,989
Kevin Wundram (CFO)	482,232	258,000	–	19,616	57,767	96,923	914,538
Other Key Management Personnel:							
Andy Mulcaster	366,905	194,848	–	30,136	17,891	70,707	680,487
Geoff Tipene*	223,815	126,250	23,213	10,502	–	29,131	412,911
David Fernandes*	253,035	136,520	9,984	24,038	2,156	52,498	478,231
Matthew Reinehr	262,741	111,367	–	19,520	16,324	–	409,952
	3,200,803	1,456,985	33,197	160,508	237,048	485,567	5,574,108

* Total remuneration in local currency paid to David Fernandes and Geoff Tipene was £283,705 and NZ\$436,603 respectively

Colin Brown (Alternate Director) received no remuneration during the year ended 30 June 2017.

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2018	2017	2018	2017	2018	2017
Executive Directors:						
Robbie Blau	55%	57%	31%	31%	14%	12%
Kevin Wundram	59%	61%	30%	28%	11%	11%
Other Key Management Personnel:						
Andy Mulcaster	61%	61%	30%	29%	9%	10%
Geoff Tipene	61%	62%	31%	31%	8%	7%
Graham Hale	57%	–	25%	–	18%	–
David Fernandes	100%	60%	–	29%	–	11%
Matthew Reinehr	100%	73%	–	27%	–	–

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

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2018	2017	2018	2017
Executive Directors:				
Robbie Blau	52%	100%	48%	–
Kevin Wundram	63%	100%	37%	–
Other Key Management Personnel:				
Andy Mulcaster	75%	100%	25%	–
Geoff Tipene	82%	100%	18%	–
Graham Hale	68%	–	32%	–
David Fernandes	80%	100%	20%	–
Matthew Reinehr	–	100%	–	–

Service agreements

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

Details of these agreements are provided below:

Robbie Blau – CEO

- Total fixed remuneration ('TFR') of \$1,020,000 per annum, which includes base salary, statutory superannuation contributions and any salary sacrifice arrangements
- Participate in the STI with a maximum STI opportunity of 98% of TFR

Kevin Wundram – CFO

- TFR of \$510,000 per annum, which includes base salary, statutory superannuation contributions and any salary sacrifice arrangements
- Participate in the STI with a maximum STI opportunity of 70% of TFR

Other Key Management Personnel

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

Directors' report

Terms of STI payments:

STI payments are granted to Executive Directors based on specific financial targets and an appraisal of the executive's performance and key performance indicators (KPI's). The financial performance measure driving the financial component of the STI payment outcomes for Executive Directors for the year ended 30 June 2018 is determined on a straight-line basis, based on the Group achieving EPS growth of between 7.8% and 12.9% over the previous financial year. STI payments granted to other KMP are based on a combination of the Group EPS growth targets as set out above, and specific divisional growth targets.

The growth achieved for the year, and the achievement against the performance conditions for the purpose of the STI is determined by the Board in its absolute discretion, having regard to any matters that it considers relevant and the Board has a discretion to adjust the earnings measures used for this purpose for the impact of non-recurring or significant transactions.

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

Terms of termination:

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

Share-based compensation

Issue of shares

3,427,250 shares were issued to Directors and other key management personnel during the year ended 30 June 2018 (2017: Nil) as a result of the exercise of options as part of compensation.

Options

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
4 March 2014	14 August 2017	13 August 2018	\$1.85	\$0.252
25 October 2017	20 August 2019	19 August 2022	\$3.66	\$1.050
25 October 2017	18 August 2020	17 August 2023	\$3.66	\$1.080

Options granted carry no dividend or voting rights and can be exercised only once the vesting conditions have been met until their expiry date.

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

The number of options over ordinary shares granted to and vested in Directors and other KMP as part of compensation during the financial year ended 30 June 2018 is set out below:

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
Robbie Blau	781,756	–	3,047,619	–
Kevin Wundram	279,199	–	1,250,000	–
Andy Mulcaster	176,686	–	911,890	–
Geoff Tipene	102,724	–	375,695	–
David Fernandes	123,725	–	677,063	–

Performance rights

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

Grant date	Vesting date	Fair value per right at grant date
25 October 2017	20 August 2019	\$3.880
25 October 2017	18 August 2020	\$3.700

Performance rights granted carry no dividend or voting rights and will vest when the performance conditions have been met.

The performance rights are subject to a service condition and a performance condition. The performance condition is based on the compound annual growth rate of the Group's earnings per share.

The number of performance rights over ordinary shares granted to and vested in Directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
Robbie Blau	67,980	—	—	—
Kevin Wundram	24,279	—	—	—
Andy Mulcaster	15,364	—	—	—
Geoff Tipene	8,933	—	—	—
David Fernandes	10,759	—	—	—

Additional information

The earnings of the Group for the five years to 30 June 2018 are summarised below:

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Revenue	316,466	293,225	211,971	171,377	64,083
Profit after income tax	67,675	59,592	46,977	40,482	15,620
Dividends paid	46,440	38,338	27,997	21,175	—

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

	2018	2017	2016	2015	2014
Share price at financial year end (\$)	3.70	3.80	3.64	2.47	1.80
Basic earnings per share (cents per share)	26.38	23.58	18.94	16.68	9.13

Directors' report

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration*	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Andrew Reitzer	81,081	–	–	–	81,081
Cheryl Bart AO	27,032	–	–	–	27,032
Graham Maloney	27,027	–	–	–	27,027
Peter Mountford	540,540	–	–	–	540,540
Edwin Jankelowitz	20,000	–	–	–	20,000
Colin Brown	108,108	–	–	–	108,108
Robbie Blau	6,756,425	1,675,820	–	(1,540,000)	6,892,245
Kevin Wundram	1,025,112	687,347	–	(1,025,112)	687,347
Andy Mulcaster	830,860	501,429	–	(806,255)	526,034
Geoff Tipene	26,000	190,352	–	(190,352)	26,000
Graham Hale	219,097	–	–	–	219,097
David Fernandes**	1,630,860	372,302	–	(2,003,162)	–
Matthew Reinehr**	9,225,000	–	4,180	(9,229,180)	–
	20,517,142	3,427,250	4,180	(14,794,061)	9,154,511

* Represents shares issued on exercise of options as disclosed below

** Disposal/others represents shares held when the executive ceased to be a KMP

Option holding

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

	Balance at the start of the year	Granted	Exercised*	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Robbie Blau	3,047,619	781,756	(3,047,619)	–	781,756
Kevin Wundram	1,250,000	279,199	(1,250,000)	–	279,199
Andy Mulcaster	911,890	176,686	(911,890)	–	176,686
Geoff Tipene	375,695	102,724	(375,695)	–	102,724
David Fernandes**	677,063	123,725	(677,063)	(123,725)	–
	6,262,267	1,464,090	(6,262,267)	(123,725)	1,340,365

* 3,427,250 shares were issued in relation to the exercise of the 6,262,267 options referred to above

** Disposal/others represents options held when the executive ceased to be a KMP

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
Robbie Blau	–	67,980	–	–	67,980
Kevin Wundram	–	24,279	–	–	24,279
Andy Mulcaster	–	15,364	–	–	15,364
Geoff Tipene	–	8,933	–	–	8,933
Graham Hale	43,002	–	–	–	43,002
David Fernandes*	–	10,759	–	(10,759)	–
	43,002	127,315	–	(10,759)	159,558

* Disposal/others represents performance rights held when the executive ceased to be a KMP

Use of remuneration consultants

During the financial year ended 30 June 2018, the Group did not engage any remuneration consultants.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
04/03/2014	13/08/2018	\$1.85	187,005
25/10/2017	19/08/2022	\$3.66	638,913
25/10/2017	17/08/2023	\$3.66	1,219,077
			2,044,995

Shares under performance rights

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

Grant date	Vesting date	Number under rights
20/03/2017	14/08/2018	142,967
20/03/2017	20/08/2019	285,993
25/10/2017	20/08/2019	52,453
25/10/2017	18/08/2020	109,115
		590,528

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Directors' report

Shares issued on the exercise of options

The following ordinary shares of SG Fleet Group Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
4 March 2014	\$0.00	4,327,277

Shares issued on the exercise of performance rights

There were no ordinary shares of SG Fleet Group Limited issued on the exercise of performance rights during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Company who are former partners of KPMG

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the Directors



Andrew Reitzer
Chairman



Robbie Blau
Chief Executive Officer
13 August 2018
Sydney

Auditor's independence declaration



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

To the Directors of SG Fleet Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of SG Fleet Group Limited for the financial year ended 30 June 2018 there have been:

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

A stylized signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature in black ink, appearing to read 'Michael O Connell'.

Michael O Connell

Partner

Sydney

13 August 2018

Statement of profit or loss

For the year ended 30 June 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Revenue	5	316,466	293,225
Expenses			
Fleet management costs		(84,112)	(77,540)
Employee benefits expense		(75,724)	(73,589)
Occupancy costs		(6,129)	(5,976)
Depreciation and amortisation	6	(28,631)	(22,563)
Technology costs		(5,633)	(4,633)
Other expenses		(10,420)	(12,685)
Finance costs	6	(9,537)	(9,767)
Profit before income tax expense		96,280	86,472
Income tax expense	7	(28,605)	(26,880)
Profit after income tax expense for the year attributable to the owners of SG Fleet Group Limited		67,675	59,592
		Cents	Cents
Basic earnings per share	39	26.38	23.58
Diluted earnings per share	39	26.34	23.20

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

Statement of other comprehensive income

For the year ended 30 June 2018

	Consolidated	
	2018 \$'000	2017 \$'000
Profit after income tax expense for the year attributable to the owners of SG Fleet Group Limited	67,675	59,592
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation difference for foreign operations	1,563	(1,743)
Effective portion of changes in fair value of cash flow hedges, net of tax	476	610
Other comprehensive income for the year, net of tax	2,039	(1,133)
Total comprehensive income for the year attributable to the owners of SG Fleet Group Limited	69,714	58,459

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

Statement of financial position

As at 30 June 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Assets			
Cash and cash equivalents	8	103,275	83,923
Finance, trade and other receivables	9	76,675	67,594
Inventories	10	9,413	11,272
Prepayments	11	12,098	13,162
Leased motor vehicle assets	12	63,861	64,818
Property, plant and equipment	13	3,970	4,231
Intangibles	14	420,816	420,492
Total assets		690,108	665,492
Liabilities			
Trade and other payables	15	139,155	103,099
Derivative financial instruments	16	1,419	2,464
Income tax	7	2,674	5,698
Deferred tax	7	5,158	2,836
Employee benefits	17	8,058	8,018
Residual risk provision	18	10,510	11,595
Lease portfolio borrowings	19	55,289	55,328
Borrowings	20	134,329	158,119
Vehicle maintenance funds	21	44,716	54,524
Deferred income	22	37,530	37,024
Total liabilities		438,838	438,705
Net assets		251,270	226,787
Equity			
Issued capital	23	273,999	272,008
Reserves	24	(119,125)	(120,382)
Retained profits		96,396	75,161
Total equity		251,270	226,787

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

Statement of changes in equity

For the year ended 30 June 2018

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	267,348	(120,032)	53,907	201,223
Profit after income tax expense for the year	–	–	59,592	59,592
Other comprehensive income for the year, net of tax	–	(1,133)	–	(1,133)
Total comprehensive income for the year	–	(1,133)	59,592	58,459
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	4,660	–	–	4,660
Share-based payments (note 40)	–	783	–	783
Dividends paid (note 25)	–	–	(38,338)	(38,338)
Balance at 30 June 2017	272,008	(120,382)	75,161	226,787

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2017	272,008	(120,382)	75,161	226,787
Profit after income tax expense for the year	–	–	67,675	67,675
Other comprehensive income for the year, net of tax	–	2,039	–	2,039
Total comprehensive income for the year	–	2,039	67,675	69,714
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	1,991	(1,991)	–	–
Share-based payments (note 40)	–	1,209	–	1,209
Dividends paid (note 25)	–	–	(46,440)	(46,440)
Balance at 30 June 2018	273,999	(119,125)	96,396	251,270

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

Statement of cash flows

For the year ended 30 June 2018

		Consolidated	
	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		344,619	304,537
Payments to suppliers and employees (inclusive of GST)		(191,390)	(186,787)
Interest received		1,309	1,423
Interest and other finance costs paid		(9,896)	(10,337)
Income taxes paid		(29,679)	(22,186)
Net cash from operating activities	38	114,963	86,650
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		–	(46,662)
Proceeds from disposal of lease portfolio assets	12	21,278	19,146
Acquisition of lease portfolio assets	12	(35,798)	(27,394)
Payments for property, plant and equipment	13	(1,445)	(2,260)
Payments for intangibles	14	(6,190)	(3,148)
Proceeds from disposal of property, plant and equipment		51	115
Net cash used in investing activities		(22,104)	(60,203)
Cash flows from financing activities			
Proceeds from borrowings		62,862	78,967
Repayment of borrowings		(90,141)	(64,010)
Dividends paid	25	(46,440)	(38,338)
Net cash used in financing activities		(73,719)	(23,381)
Net increase in cash and cash equivalents		19,140	3,066
Cash and cash equivalents at the beginning of the financial year		83,923	81,693
Effects of exchange rate changes on cash and cash equivalents		212	(836)
Cash and cash equivalents at the end of the financial year	8	103,275	83,923

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

Notes to the financial statements

30 June 2018

Note 1. General information

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

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

Level 2, Building 3
20 Bridge Street
Pymble NSW 2073

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 August 2018. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SG Fleet Group Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

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

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

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

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

Management and maintenance income

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

Maintenance income is recognised on a stage of completion basis in order that profit is recognised when the services are provided. Maintenance costs are expensed as and when incurred.

Additional products and services

Revenue from the sale of additional products and services is recognised when it is received or when the right to receive payment is established.

Funding commissions

Introductory commissions earned are recognised in profit or loss in full in the month in which the finance is introduced to the relevant financier. Trailing commissions earned from financiers are recognised over the life of the lease.

End of lease income

Income earned after the expiry of the lease is recognised when it is received or when the right to receive payment is established.

Rental income

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

Other income

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

Interest

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

Income tax

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

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

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

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

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

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

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

Notes to the financial statements

30 June 2018

Note 2. Significant accounting policies continued

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

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

Cash and cash equivalents

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

Finance, trade and other receivables

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

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

Other receivables are recognised at amortised cost, less any provision for impairment.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

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

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

Derivative financial instruments

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

Cash flow hedges

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

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Property, plant and equipment

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

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

Leasehold improvements	five years
Office equipment and furniture	three to eight years
Motor vehicles	four years

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

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

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

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

Leases

Group as lessee

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Group as lessor

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

Group as lessor – leased motor vehicle assets

Lease motor vehicle assets represents full maintenance lease assets which are stated at historical cost less accumulated depreciation. The cost of leased motor vehicle assets includes the purchase price, non-refundable purchase taxes, and other expenditure that is directly attributable to the acquisition, including costs incurred to bring the asset to a working condition such that it is available for intended use.

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

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

Intangible assets

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

Goodwill

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

Customer contracts

The customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of 10 years.

Software

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

Brand name

The brand name acquired in a business combination is amortised on a straight-line basis over the period of its expected benefit, being a finite useful life of 10 years.

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

Notes to the financial statements

30 June 2018

Note 2. Significant accounting policies continued

Maintenance deferred income liability

Maintenance income is measured by reference to the stage of completion based on the proportion that the maintenance costs incurred to date bear to the total estimated costs of completion of the contract.

Deferred income is recognised based on the differences in maintenance fee derived in accordance with the contract billing cycle and income determined based on stage of completion at the reporting date. Refer to revenue recognition policy for maintenance income above.

Finance costs

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

Provisions

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

Residual values

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date based on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

Vehicle maintenance funds

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

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Business combinations

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

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

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

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

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

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

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

Earnings per share

Basic earnings per share

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

Notes to the financial statements

30 June 2018

Note 2. Significant accounting policies continued

Diluted earnings per share

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

Comparative figures

Comparatives in the statement of financial position have been realigned to the current period presentation. There has been no effect on the profit for the year. In the previous year, the Group presented prepayments within 'finance, trade and other receivables'. For clearer presentation, the Group has changed the disclosure to present prepayments as a separate line item in its statement of financial position.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018, with the Group adopting this standard from 1 July 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 139/IAS 39 'Financial Instruments: Recognition and Measurement'.

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the Group makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). The standard eliminates the existing AASB 139 categories held to maturity, loans and receivables and available-for-sale financial assets. For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

Based on management's assessment, the new classification requirements will not have a material impact on its accounting of trade receivables, loans, investments in debt securities measured at amortised cost and investments in equity securities that are measured on a fair value basis. Also, there will be no material impact regarding the classification of financial liabilities.

New impairment requirements will use a forward looking 'expected credit loss' ('ECL') model to recognise an allowance, replacing the 'incurred loss' model of AASB 139. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. Management has estimated the ECL using a methodology based on actual credit loss experience over the past five years, segmented based on geographic region and then adjusted by factors to reflect the Group's view of economic conditions over the expected lives of receivables. Based on this methodology, management has estimated the impact as at 1 July 2018 will result in additional impairment of \$246,000 with a corresponding decrease in deferred tax liability of \$49,000 and a decrease in retained earnings of \$197,000.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Group. When initially applying the standard, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of AASB 139 instead of the requirements in AASB 9. The Group has elected to adopt AASB 9 for hedge accounting prospectively, therefore there will be no financial impact with the adoption of AASB 9 on hedge accounting.

The standard requires extensive new disclosures in particular about hedge accounting, credit risk and ECLs. Management's assessment included an analysis to identify data gaps against current processes and is currently in the process of implementing changes that it believes will be necessary to capture the required data.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018, with the Group adopting this standard from 1 July 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

Management's assessment of the new standard on the various revenue streams are as follows:

- Management and maintenance income: No significant impact;
- Additional products and services: There is no significant impact on the majority of this revenue stream. However: (i) upfront establishment fees previously recognised as revenue when lease contracts were executed, will be required to be recognised over the performance obligation being over the term of the contract; and (ii) revenue related to the waiver of the lessee's wear and tear obligations previously recognised over the term of the contract, will be required to be recognised over the performance obligation, being at the end of the lease term. The estimated impact as at 1 July 2018 would be the recognition of contract liabilities of (i) \$916,000 and (ii) \$228,000, with a decrease in deferred tax liability of \$343,000 and a corresponding decrease in retained earnings of \$801,000;
- Funding commissions: No significant impact;
- End of lease income: The Group will be required to gross up the end of lease income as revenue and show the corresponding expense for the related fleet management costs. There will be no overall impact on profit or loss nor retained earnings; however, had the Group applied the standard for the year ended 30 June 2018, revenue would have increased by \$198,300,000 with a corresponding increase in expense;
- Rental income: No significant impact; and
- Other income: No significant impact.

The Group plans to use the cumulative effect method on the date of initial application (1 July 2018) which will not require the standard to be applied to the comparative period presented.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019, with the Group electing to early adopt this standard from 1 July 2018. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to certain exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Management have completed an initial assessment of the potential impact on the Group's financial statements. The actual impact will depend on future economic conditions, including: (i) the Group's borrowing rate at date of initial adoption; (ii) whether the Group will apply the full retrospective approach or the modified retrospective approach with the available optional practical expedients at date of initial application; (iii) the composition of the Groups lease portfolio; and (iv) the Group's latest assessment of whether it will exercise any lease renewal option.

The impact of adoption of this standard as at 1 July 2018, using the modified retrospective approach, applying a single discount rate to portfolio of leases with reasonable similar characteristics and the use of hindsight in determining the lease term that contain options will result in the recognition of a right-of-use asset of \$11,135,000 with a corresponding increase in lease liability, in respect of the Group's operating leases over premises, equipment and fleet vehicles based on the Group's non-cancellable operating lease held at 30 June 2018, refer to note 32. Management does not expect the changes to significantly affect the overall cashflow nor expenses and net profit. The estimated impact in year of adoption is an increase in expenses of \$452,000; however, the costs will be recognised in different classifications (interest, depreciation and liability reduction). No significant impact is expected for the Groups finance leases.

Estimated impact on retained earnings due to the adoption of AASB 9, AASB 15 and AASB 16:

	Retained earnings \$'000
Reported retained earnings as at 30 June 2018	96,396
Estimated adjustment on adoption of AASB 9	(197)
Estimated adjustment on adoption of AASB 15	(801)
Adjusted retained earnings opening balance as at 1 July 2018	95,398

Notes to the financial statements

30 June 2018

Note 2. Significant accounting policies continued

IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the IASB, but the Australian equivalent is yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Note 3. Critical accounting judgements, estimates and assumptions

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

Revenue from maintenance income

As discussed in note 2, the Group estimates the maintenance income on a stage of completion approach. These calculations require the use of assumptions, including an estimation of the stage of completion and the profit margin to be achieved over the life of the contract.

Goodwill and other indefinite life intangible assets

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

Residual values

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

Income tax

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

Note 4. Operating segments

Identification of reportable operating segments

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

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

Intersegment receivables, payables and loans

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

Major customers

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

Operating segment information

	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Consolidated – 2018					
Revenue					
Operating revenue from external customers	247,312	7,258	60,587	–	315,157
Interest	1,294	5	10	–	1,309
Total revenue	248,606	7,263	60,597	–	316,466
EBITDA	110,024	3,787	21,761	(1,124)	134,448
Depreciation and amortisation	(10,776)	(2,625)	(15,230)	–	(28,631)
Finance costs	(6,590)	(404)	(2,543)	–	(9,537)
Profit/(loss) before income tax expense	92,658	758	3,988	(1,124)	96,280
Income tax expense					(28,605)
Profit after income tax expense					67,675
Assets					
Segment assets	536,012	19,782	134,314	–	690,108
Total assets					690,108
Liabilities					
Segment liabilities	324,803	15,949	98,086	–	438,838
Total liabilities					438,838

	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Consolidated – 2017					
Revenue					
Operating revenue from external customers	239,991	6,082	45,729	–	291,802
Interest	1,396	6	21	–	1,423
Total revenue	241,387	6,088	45,750	–	293,225
EBITDA	105,378	2,931	15,055	(4,562)	118,802
Depreciation and amortisation	(9,536)	(2,076)	(10,951)	–	(22,563)
Finance costs	(7,213)	(359)	(2,195)	–	(9,767)
Profit/(loss) before income tax expense	88,629	496	1,909	(4,562)	86,472
Income tax expense					(26,880)
Profit after income tax expense					59,592
Assets					
Segment assets	510,961	16,510	138,021	–	665,492
Total assets					665,492
Liabilities					
Segment liabilities	321,990	12,615	104,100	–	438,705
Total liabilities					438,705

Notes to the financial statements

30 June 2018

Note 5. Revenue

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Operating revenue</i>		
Management and maintenance income	93,340	92,526
Additional products and services	104,216	95,209
Funding commissions	54,805	56,134
End of lease income	17,690	10,733
Rental income	42,436	34,167
Other income	2,670	3,033
	315,157	291,802
<i>Other revenue</i>		
Interest	1,309	1,423
Revenue	316,466	293,225

Note 6. Expenses

	Consolidated	
	2018 \$'000	2017 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	44	55
Office equipment and furniture	1,504	1,196
Motor vehicles	108	98
Leased motor vehicle assets	17,895	12,995
Total depreciation	19,551	14,344
<i>Amortisation</i>		
Brand name	780	780
Customer contracts	5,746	5,458
Software	2,554	1,981
Total amortisation	9,080	8,219
Total depreciation and amortisation	28,631	22,563
<i>Finance costs</i>		
External borrowing costs for corporate debt	7,372	7,865
External borrowing costs for lease portfolio	2,536	2,483
Net foreign exchange losses (gains)	(16)	(11)
Net movement in fair value of derivatives	(355)	(570)
Total finance costs	9,537	9,767
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	6,342	5,896
<i>Superannuation expense</i>		
Defined contribution superannuation expense	5,082	4,979

Note 7. Income tax

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Income tax expense</i>		
Current tax	26,610	28,163
Deferred tax – origination and reversal of temporary differences	1,995	(1,283)
Aggregate income tax expense	28,605	26,880
<i>Deferred tax included in income tax expense comprises:</i>		
Increase/(decrease) in deferred tax liabilities	1,995	(1,283)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	96,280	86,472
Tax at the statutory tax rate of 30%	28,884	25,942
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	102	138
Non-deductible expenses	384	832
	29,370	26,912
Current year tax losses not recognised	–	162
Difference in overseas tax rates	(453)	(209)
Adjustment recognised for prior periods	(312)	15
Income tax expense	28,605	26,880

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Amounts charged directly to equity</i>		
Deferred tax liabilities	210	245
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	14,161	17,262
Potential tax benefit at statutory tax rates	2,691	3,520

The above potential tax benefit for tax losses and temporary differences, relating to United Kingdom (2017: United Kingdom and New Zealand), has not been recognised in the statement of financial position.

Notes to the financial statements

30 June 2018

Note 7. Income tax continued

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	1,852	589
Prepayments	2,067	2,152
Intangibles	13,470	15,164
Employee benefits	(2,415)	(2,359)
Accrued expenses	(1,785)	(4,446)
Provisions	(2,996)	(3,378)
Doubtful debts	(51)	(50)
Deferred income	(3,602)	(3,036)
Deferred expenses	(393)	(1,080)
Derivative financial instruments	(402)	–
Assessed loss	(587)	–
	5,158	3,556
Amounts recognised in equity:		
Derivative financial instruments	–	(720)
Deferred tax liability	5,158	2,836
Amount expected to be settled after more than 12 months	5,158	2,836
Movements:		
Opening balance	2,836	1,256
Charged/(credited) to profit or loss	1,995	(1,283)
Charged to equity	210	245
Additions through business combinations	–	2,659
Exchange differences	117	(41)
Closing balance	5,158	2,836

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Provision for income tax</i>		
Provision for income tax	2,674	5,698
Amount expected to be settled within 12 months	2,674	5,698

Note 8. Cash and cash equivalents

	Consolidated	
	2018 \$'000	2017 \$'000
Cash at bank	72,475	52,669
Secured deposits	30,800	31,254
	103,275	83,923
Amount expected to be recovered within 12 months	103,275	83,923

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

Note 9. Finance, trade and other receivables

	Consolidated	
	2018 \$'000	2017 \$'000
Trade receivables	76,856	67,807
Less: Provision for impairment of receivables	(244)	(213)
	76,612	67,594
Finance lease receivables	63	–
	76,675	67,594
Amount expected to be recovered within 12 months	76,675	67,594

Impairment of receivables

The ageing of the impaired receivables provided for above are within one year overdue.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018 \$'000	2017 \$'000
Opening balance	213	68
Additional provisions recognised	73	111
Additions through business combinations	–	258
Exchange difference in foreign subsidiary	3	–
Receivables written off during the year as uncollectable	(45)	(224)
Closing balance	244	213

Impairment of receivables are charged (or credited) to other expenses in profit or loss.

Notes to the financial statements

30 June 2018

Note 9. Finance, trade and other receivables continued

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$2,236,000 as at 30 June 2018 (\$1,978,000 as at 30 June 2017).

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2018 \$'000	2017 \$'000
Within one year overdue	2,236	1,978

Note 10. Inventories

	Consolidated	
	2018 \$'000	2017 \$'000
End-of-term operating lease assets held for disposal	9,413	11,272
Amount expected to be recovered within 12 months	9,413	11,272

Note 11. Prepayments

	Consolidated	
	2018 \$'000	2017 \$'000
Prepayments	12,098	13,162
Amount expected to be recovered within 12 months	12,098	13,162

Note 12. Leased motor vehicle assets

	Consolidated	
	2018 \$'000	2017 \$'000
Lease motor vehicle assets – at cost	94,559	93,617
Less: Accumulated depreciation	(30,134)	(27,926)
Less: Impairment	(564)	(873)
	63,861	64,818
Amount expected to be recovered within 12 months	4,779	3,580
Amount expected to be recovered after more than 12 months	59,082	61,238
	63,861	64,818

Reconciliations

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

Consolidated	Leased assets \$'000
Balance at 1 July 2016	16,130
Additions	27,394
Additions through business combinations	53,919
Disposals	(19,146)
Revaluation increments	248
Exchange differences	(732)
Depreciation expense	(12,995)
Balance at 30 June 2017	64,818
Additions	35,798
Disposals	(21,278)
Revaluation increments	344
Exchange differences	2,074
Depreciation expense	(17,895)
Balance at 30 June 2018	63,861

Note 13. Property, plant and equipment

	Consolidated	
	2018 \$'000	2017 \$'000
Leasehold improvements – at cost	621	649
Less: Accumulated depreciation	(578)	(565)
	43	84
Office equipment and furniture – at cost	7,831	7,746
Less: Accumulated depreciation	(4,194)	(3,987)
	3,637	3,759
Motor vehicles – at cost	523	537
Less: Accumulated depreciation	(233)	(149)
	290	388
	3,970	4,231
Amount expected to be recovered after more than 12 months	3,970	4,231

Notes to the financial statements

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Note 13. Property, plant and equipment continued

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Office equipment and furniture \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2016	10	2,677	141	2,828
Additions	–	2,042	218	2,260
Additions through business combinations	134	240	192	566
Disposal	–	–	(59)	(59)
Exchange differences	(5)	(4)	(6)	(15)
Depreciation expense	(55)	(1,196)	(98)	(1,349)
Balance at 30 June 2017	84	3,759	388	4,231
Additions	–	1,401	44	1,445
Disposals	–	(29)	(35)	(64)
Exchange differences	3	10	1	14
Depreciation expense	(44)	(1,504)	(108)	(1,656)
Balance at 30 June 2018	43	3,637	290	3,970

Note 14. Intangibles

	Consolidated	
	2018 \$'000	2017 \$'000
Goodwill – at cost	356,096	353,528
Brand name – at cost	7,800	7,800
Less: Accumulated amortisation	(2,015)	(1,235)
	5,785	6,565
Customer contracts – at cost	59,509	58,785
Less: Accumulated amortisation	(14,919)	(9,085)
	44,590	49,700
Software – at cost	21,517	15,308
Less: Accumulated amortisation	(7,172)	(4,609)
	14,345	10,699
	420,816	420,492
Amount expected to be recovered after more than 12 months	420,816	420,492

Reconciliations

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

Consolidated	Goodwill \$'000	Brand name \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Balance at 1 July 2016	305,771	7,345	41,706	9,333	364,155
Additions	–	–	–	3,148	3,148
Additions through business combinations	48,779	–	13,712	199	62,690
Exchange differences	(1,022)	–	(260)	–	(1,282)
Amortisation expense	–	(780)	(5,458)	(1,981)	(8,219)
Balance at 30 June 2017	353,528	6,565	49,700	10,699	420,492
Additions	–	–	–	6,190	6,190
Exchange differences	2,568	–	636	10	3,214
Amortisation expense	–	(780)	(5,746)	(2,554)	(9,080)
Balance at 30 June 2018	356,096	5,785	44,590	14,345	420,816

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

	Consolidated	
	2018 \$'000	2017 \$'000
Australian CGU	305,771	305,771
United Kingdom CGU	50,325	47,757
Total	356,096	353,528

Impairment testing for goodwill

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

- Cash flows were projected based on actual operating results and the four-year business plan. Cash flow beyond Year 5 was projected at a growth rate of 0% (2017: 0%) for both CGUs;
- Revenue growth was projected at 5.4% (2017: 6.4%) per annum for the Australian CGU and 4.8% (2017: 5.2%) per annum for the United Kingdom CGU;
- Direct costs were forecast based on the margins historically achieved by the business;
- Overheads were forecast based on current levels adjusted for inflationary increases; and
- The Company's pre-tax weighted average cost of capital was applied in determining the recoverable amount. The discount rate of 9.93% (2017: 10.44%) was used for the Australian CGU and 6.83% (2017: 7.53%) for the United Kingdom CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal data sources.

Sensitivity analysis

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

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Note 15. Trade and other payables

	Consolidated	
	2018 \$'000	2017 \$'000
Trade payables	129,079	91,981
Accrued expenses	10,076	11,118
	139,155	103,099
Amount expected to be settled within 12 months	139,155	103,099

Refer to note 26 for further information on financial instruments.

Trade payables include residual values payable to financiers, which are secured by the underlying operating lease asset, cash lock-up of \$25,317,000 (2017: \$25,218,000) and bank guarantees.

Note 16. Derivative financial instruments

	Consolidated	
	2018 \$'000	2017 \$'000
Interest rate swap contracts	1,419	2,464
Amount expected to be settled after more than 12 months	1,419	2,464

Refer to note 26 for further information on financial instruments.

Refer to note 27 for further information on fair value measurement.

Note 17. Employee benefits

	Consolidated	
	2018 \$'000	2017 \$'000
Annual leave	3,698	3,523
Long service leave	4,360	4,495
	8,058	8,018
Amount expected to be settled within 12 months	7,286	7,053
Amount expected to be settled after more than 12 months	772	965
	8,058	8,018

Note 18. Residual risk provision

	Consolidated	
	2018 \$'000	2017 \$'000
Residual risk	10,510	11,595
Amount expected to be settled within 12 months	5,156	7,083
Amount expected to be settled after more than 12 months	5,354	4,512
	10,510	11,595

Residual risk provision

The provision is to recognise the future liability relating to residual value exposures as described in notes 2 and 3.

Movements in provisions

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

	Residual risk \$'000
Consolidated – 2018	
Carrying amount at the start of the year	11,595
Provision utilised	(117)
Exchange differences	35
Unused amounts reversed	(1,003)
Carrying amount at the end of the year	10,510

Note 19. Lease portfolio borrowings

	Consolidated	
	2018 \$'000	2017 \$'000
Lease portfolio borrowings	55,289	55,328
Amount expected to be settled within 12 months	28,914	26,898
Amount expected to be settled after more than 12 months	26,375	28,430
	55,289	55,328

Refer to note 26 for further information on financial instruments.

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

Note 20. Borrowings

	Consolidated	
	2018 \$'000	2017 \$'000
Bank loans	134,329	158,119
Amount expected to be settled within 12 months	26,992	25,179
Amount expected to be settled after more than 12 months	107,337	132,940
	134,329	158,119

Refer to note 26 for further information on financial instruments.

Notes to the financial statements

30 June 2018

Note 20. Borrowings continued

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2018 \$'000	2017 \$'000
Bank loans	134,329	158,119
Lease portfolio borrowings (note 19)	55,289	55,328
	189,618	213,447

Assets pledged as security

Assets pledged as security for borrowings are:

Australian corporate borrowings

The corporate borrowings comprise bank loans which are secured by guarantees and indemnities as well as fixed and floating charges or composite guarantees issued by the Group. The facilities are repayable in instalments of \$5,000,000 per quarter for the next five quarters and a bullet payment of \$79,564,000 on maturity being 17 November 2019.

UK corporate borrowings

UK corporate borrowings comprise facilities totalling £15,275,000. The facilities are repayable in instalments of £625,000 per quarter followed by a bullet payment of £12,150,000 on maturity being 17 November 2019.

Financing arrangements

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

	Consolidated	
	2018 \$'000	2017 \$'000
Total facilities		
Corporate borrowings	181,582	190,192
Lease portfolio borrowings (note 19)	120,960	113,450
	302,542	303,642
Used at the reporting date		
Corporate borrowings	151,867	168,495
Lease portfolio borrowings (note 19)	55,289	55,328
	207,156	223,823
Unused at the reporting date		
Corporate borrowings	29,715	21,697
Lease portfolio borrowings (note 19)	65,671	58,122
	95,386	79,819

Note 21. Vehicle maintenance funds

	Consolidated	
	2018 \$'000	2017 \$'000
Vehicle maintenance funds	44,716	54,524
Amount expected to be settled within 12 months	14,909	21,946
Amount expected to be settled after more than 12 months	29,807	32,578
	44,716	54,524

Note 22. Deferred income

	Consolidated	
	2018 \$'000	2017 \$'000
Deferred income	37,530	37,024
Amount expected to be settled within 12 months	21,859	20,018
Amount expected to be settled after more than 12 months	15,671	17,006
	37,530	37,024

Note 23. Issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares – fully paid	257,358,146	253,030,869	273,999	272,008

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2016	251,791,826		267,348
Shares issued on acquisition of Fleet Hire Holdings Limited, UK	4 August 2016	756,142	\$4.10	3,100
Shares issued on acquisition of Motiva Group Limited, UK	30 November 2016	482,901	\$3.23	1,560
Balance	30 June 2017	253,030,869		272,008
Shares issued on exercise of options	22 August 2017	190,352	\$0.00	–
Shares issued on exercise of options	11 September 2017	4,136,925	\$0.00	–
Transfer from share based payment reserve on exercise of options		–	\$0.00	1,991
Balance	30 June 2018	257,358,146		273,999

Notes to the financial statements

30 June 2018

Note 23. Issued capital continued

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

Note 24. Reserves

	Consolidated	
	2018 \$'000	2017 \$'000
Foreign currency reserve	(1,301)	(2,864)
Hedging reserve – cash flow hedges	(78)	(554)
Share-based payments reserve	1,412	2,194
Capital reserve	(119,158)	(119,158)
	(119,125)	(120,382)

Foreign currency reserve

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

Hedging reserve – cash flow hedges

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

Share-based payments reserve

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

Capital reserve

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

Movements in reserves

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

Consolidated	Foreign currency \$'000	Cash flow hedge \$'000	Share-based payments \$'000	Capital \$'000	Total \$'000
Balance at 1 July 2016	(1,121)	(1,164)	1,411	(119,158)	(120,032)
Foreign currency translation	(1,743)	–	–	–	(1,743)
Movement in hedges – gross	–	855	–	–	855
Deferred tax	–	(245)	–	–	(245)
Share-based payments	–	–	783	–	783
Balance at 30 June 2017	(2,864)	(554)	2,194	(119,158)	(120,382)
Foreign currency translation	1,563	–	–	–	1,563
Share-based payments	–	–	1,209	–	1,209
Movement in hedges – gross	–	686	–	–	686
Deferred tax	–	(210)	–	–	(210)
Transfer to share capital	–	–	(1,991)	–	(1,991)
Balance at 30 June 2018	(1,301)	(78)	1,412	(119,158)	(119,125)

Note 25. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2018 \$'000	2017 \$'000
Final dividend for the year ended 30 June 2017 of 9.265 cents per ordinary share paid on 17 October 2017 (2017: 7.63 cents)	23,844	19,269
Interim dividend for the year ended 30 June 2018 of 8.78 cents per share paid on 19 April 2018 (2017: 7.536 cents)	22,596	19,069
	46,440	38,338

On 13 August 2018, the Directors declared a fully franked final dividend for the year ended 30 June 2018 of 9.958 cents per ordinary shares, to be paid on 16 October 2018 to eligible shareholders on the register as at 25 September 2018. This equates to a total estimated distribution of \$25,628,000, based on the number of ordinary shares on issue as at 30 June 2018. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2018 financial statements and will be recognised in subsequent financial reports.

Notes to the financial statements

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Note 25. Dividends continued

Franking credits

	Consolidated	
	2018 \$'000	2017 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	45,599	38,181

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

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

The franking credits above excludes exempting credits.

Note 26. Financial instruments

Financial risk management objectives

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

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

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

Market risk

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

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

Consolidated	2018 Balance \$'000	2017 Balance \$'000
Bank loans	(55,767)	(68,307)
Lease portfolio facilities	(5,705)	(81)
Cash at bank	72,475	52,669
Secured deposits	30,800	31,254
Net exposure to cash flow interest rate risk	41,803	15,535

An official increase/decrease in interest rates of 50 (2017: 50) basis points would have a favourable/adverse effect on profit before tax and equity of \$209,000 (2017: \$78,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

Derivatives interest rate swap

The Group has entered into interest rate swap contracts with notional/principal value as at 30 June 2018 of \$88,407,000 (2017: \$98,349,000). The interest rate swap contract hedges the Group's risk against an increase in variable interest rate. However, hedge accounting is not applied. The contracts mature in 2019-2020 financial year. Weighted average fixed rate is 3.19% (2017: 3.13%).

Credit risk

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

Liquidity risk

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

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2018 \$'000	2017 \$'000
Corporate borrowings	29,715	21,697
Lease portfolio borrowings (note 19)	65,671	58,122
	95,386	79,819

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Note 26. Financial instruments continued

Remaining contractual maturities

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

	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated – 2018					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	129,079	–	–	–	129,079
<i>Interest-bearing – variable</i>					
Bank loans	17,324	40,673	–	–	57,997
Lease portfolio liabilities	5,827	–	–	–	5,827
<i>Interest-bearing – fixed rate</i>					
Bank loans	15,220	69,164	–	–	84,384
Lease portfolio facilities	24,508	18,454	9,110	–	52,072
Total non-derivatives	191,958	128,291	9,110	–	329,359
Derivatives					
Interest rate swaps inflow	–	1,419	–	–	1,419
Total derivatives	–	1,419	–	–	1,419
Consolidated – 2017					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	91,981	–	–	–	91,981
<i>Interest-bearing – variable</i>					
Bank loans	15,839	14,440	42,021	–	72,300
Lease portfolio liabilities	82	–	–	–	82
<i>Interest-bearing – fixed rate</i>					
Bank loans	15,752	15,220	69,164	–	100,136
Lease portfolio facilities	28,661	17,022	12,510	182	58,375
Total non-derivatives	152,315	46,682	123,695	182	322,874
Derivatives					
Interest rate swaps net settled	–	–	2,464	–	2,464
Total derivatives	–	–	2,464	–	2,464

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

Note 27. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated – 2018				
<i>Liabilities</i>				
Derivative financial instruments – Interest rate swap contracts	–	1,419	–	1,419
Total liabilities	–	1,419	–	1,419
Consolidated – 2017				
<i>Liabilities</i>				
Derivative financial instruments – Interest rate swap contracts	–	2,464	–	2,464
Total liabilities	–	2,464	–	2,464

There were no transfers between levels during the financial year.

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

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

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

Note 28. Key management personnel disclosures

Compensation

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

	Consolidated	
	2018 \$	2017 \$
Short-term employee benefits	4,344,023	4,690,985
Post-employment benefits	135,680	160,508
Long-term benefits	46,692	237,048
Share-based payments	511,636	485,567
	5,038,031	5,574,108

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Note 29. Remuneration of auditors

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

	Consolidated	
	2018 \$	2017 \$
<i>Audit services – KPMG</i>		
Audit or review of the financial statements	499,408	543,373
<i>Other services – KPMG</i>		
Tax services	118,419	89,524
Corporate advisory	29,064	752,679
	147,483	842,203
	646,891	1,385,576

Note 30. Commitments – operating lease receivable

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Committed at the reporting date, receivable:</i>		
Within one year	20,931	15,372
One to five years	18,840	14,822
	39,771	30,194

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

Note 31. Contingent liabilities

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

An amount of \$10,510,000 (2017: \$11,595,000) has been recognised as a residual value provision and an amount of \$564,000 (2017: \$873,000) has been recognised as an impairment provision respectively, calculated on an onerous pool basis, to cover potential shortfalls on the disposal of these vehicles.

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

Note 32. Commitments for expenditure

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities:		
Within one year	4,576	3,473
One to five years	6,622	5,599
More than five years	841	–
	12,039	9,072
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities:		
Intangible assets	–	632

Operating lease commitments includes contracted amounts for office accommodation and office equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases do not have escalation clauses. On renewal, the terms of the leases are renegotiated.

Capital commitments includes contracted amounts for the acquisition and development of Enterprise Resource Planning ('ERP') systems.

Note 33. Related party transactions

Parent entities

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

Subsidiaries

Interests in subsidiaries are set out in note 36.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the Directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

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Note 34. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018 \$'000	2017 \$'000
Loss after income tax	(787)	(3,996)
Total comprehensive income	(787)	(3,996)

Statement of financial position

	Consolidated	
	2018 \$'000	2017 \$'000
Total current assets	–	–
Total assets	506,334	467,577
Total current liabilities	1,441	5,126
Total liabilities	165,127	81,134
Equity		
Issued capital	484,387	482,396
Accumulated losses	(143,180)	(95,953)
Total equity	341,207	386,443

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

The parent entity and its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 37 for further details.

The parent entity has also provided guarantees and indemnities for bank facilities. Refer to note 20 for further details.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies

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

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

Note 35. Business combinations

Comparative period business combinations:

In the previous year, the Group acquired a 100% interest in UK based entities Fleet Hire Holdings Limited and Motiva Group Limited for the total consideration of \$58,323,000.

The purchase price accounting for the business combination has now been finalised. This did not impact the comparative year statement of financial position, statement of profit or loss and other comprehensive income or opening retained profits.

Details of the acquisition are as follows:

	Fleet Hire Fair value \$'000	Motiva Fair value \$'000	Total Fair value \$'000
Representing:			
Cash paid or payable to vendor	31,313	22,350	53,663
SG Fleet Group Limited shares issued to vendor	3,100	1,560	4,660
	34,413	23,910	58,323

Note 36. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
SG Fleet Solutions Pty Limited	Australia	100%	100%
SG Fleet Holdings Pty Limited	Australia	100%	100%
SG Fleet Finance Pty Limited	Australia	100%	100%
SG Fleet Investments Pty Ltd	Australia	100%	100%
SG Fleet Management Pty Limited	Australia	100%	100%
SG Fleet Australia Pty Limited	Australia	100%	100%
Fleet Care Services Pty Limited	Australia	100%	100%
SG Fleet Salary Packaging Pty Limited	Australia	100%	100%
Beta Dimensions Pty Limited	Australia	100%	100%
SMB Car Sales Pty Limited	Australia	100%	100%
NLC Pty Limited	Australia	100%	100%
NLC Finance Pty Ltd	Australia	100%	100%
NLC Insurance Pty Ltd	Australia	100%	100%
Vehicle Insurance Underwriters Pty Ltd	Australia	100%	100%
NLC Administration Pty Limited	Australia	100%	100%
Kerr Reinehr Group Pty Limited	Australia	100%	100%
NLC Services Pty Limited	Australia	100%	100%
SG Fleet NZ Limited	New Zealand	100%	100%
SG Fleet UK Limited	United Kingdom	100%	100%
SG Fleet UK Holdings Limited	United Kingdom	100%	100%
Fleet Hire Holdings Limited	United Kingdom	100%	100%
Fleet Hire Limited	United Kingdom	100%	100%
Pure Fleet Management Limited	United Kingdom	100%	100%
Car Salary Exchange Limited	United Kingdom	100%	100%
Motiva Group Limited	United Kingdom	100%	100%
Motiva Vehicle Contracts Limited	United Kingdom	100%	100%
Mway Vehicle Rentals Limited	United Kingdom	100%	100%
Motiva Direct Limited	United Kingdom	100%	100%
Motrak Limited	United Kingdom	100%	100%

Notes to the financial statements

30 June 2018

Note 37. Deed of cross guarantee

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

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

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

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

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

Note 38. Cash flow information

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

	Consolidated	
	2018 \$'000	2017 \$'000
Profit after income tax expense for the year	67,675	59,592
Adjustments for:		
Depreciation and amortisation	28,631	22,563
Net loss/(gain) on sale of non-current assets	13	(56)
Share-based payments	1,209	783
Leased motor vehicles – fair value increments	(344)	(248)
Net movement in fair value of derivatives	(359)	(570)
Change in operating assets and liabilities:		
Increase in finance, trade and other receivables	(9,081)	(17,529)
Decrease/(increase) in inventories	1,859	(4,458)
Decrease in income tax refund due	–	160
Decrease/(increase) in prepayments	1,064	(963)
Increase in trade and other payables	25,747	24,886
Increase/(decrease) in provision for income tax	(3,024)	5,821
Increase/(decrease) in deferred tax liabilities	2,112	(1,283)
Increase in employee benefits	40	904
Increase/(decrease) in other provisions	(1,085)	812
Decrease in deferred income	506	(3,764)
Net cash from operating activities	114,963	86,650

Non-cash investing and financing activities

	Consolidated	
	2018 \$'000	2017 \$'000
Shares issued under employee share plan	1,991	–
Shares issued in relation to business combinations	–	4,660
	1,991	4,660

Notes to the financial statements

30 June 2018

Note 38. Cash flow information continued

Changes in liabilities arising from financing activities

Consolidated	Lease portfolio borrowings \$'000	Bank loans \$'000	Total \$'000
Balance at 1 July 2016	11,855	134,750	146,605
Net cash (used in)/from financing activities	(8,306)	23,263	14,957
Changes through business combination	52,505	–	52,505
Exchange differences	(726)	106	(620)
Balance at 30 June 2017	55,328	158,119	213,447
Net cash used in financing activities	(1,974)	(25,305)	(27,279)
Exchange differences	1,935	1,515	3,450
Balance at 30 June 2018	55,289	134,329	189,618

Note 39. Earnings per share

	Consolidated	
	2018 \$'000	2017 \$'000
Profit after income tax attributable to the owners of SG Fleet Group Limited	67,675	59,592
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	256,514,976	252,759,335
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	97,235	3,969,069
Performance rights over ordinary shares	285,756	113,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	256,897,967	256,842,014
	Cents	Cents
Basic earnings per share	26.38	23.58
Diluted earnings per share	26.34	23.20

Note 40. Share-based payments

The Group has a share option plan and performance rights to incentivise certain employees and Key Management Personnel. The share-based payment expense for the year was \$1,209,000 (2017: \$783,000).

Share option plan

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

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

2018							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/03/2014	13/08/2018	\$1.85	8,086,046	–	(7,899,041)	–	187,005
25/10/2017	19/08/2022	\$3.66	–	638,913	–	–	638,913
25/10/2017	17/08/2023	\$3.66	–	1,219,077	–	–	1,219,077
			8,086,046	1,857,990	(7,899,041)	–	2,044,995

2017							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/03/2014	13/08/2018	\$1.85	8,086,046	–	–	–	8,086,046
			8,086,046	–	–	–	8,086,046

Outstanding options exercisable as at 30 June 2018 was 187,005 (30 June 2017: Nil). The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.25 years (2017: nil years).

Performance rights

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

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

2018		Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Vesting date					
20/03/2017	14/08/2018	142,967	–	–	–	142,967
20/03/2017	20/08/2019	285,993	–	–	–	285,993
25/10/2017	20/08/2019	–	52,453	–	–	52,453
25/10/2017	18/08/2020	–	109,115	–	–	109,115
		428,960	161,568	–	–	590,528

2017		Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Vesting date					
20/03/2017	14/08/2018	–	142,967	–	–	142,967
20/03/2017	20/08/2019	–	285,993	–	–	285,993
		–	428,960	–	–	428,960

Notes to the financial statements

30 June 2018

Note 40. Share-based payments continued

Performance rights exercisable as at 30 June 2018 Nil (30 June 2017: Nil). The weighted average remaining contractual life of performance rights outstanding at the end of the financial period was 15 months (2017: 20 months).

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

Grant date	Vesting date	Share price at grant date	Exercise price	Estimated volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/10/2017	20/08/2019	\$4.19	\$3.66	36.00%	4.60%	1.88%	\$1.050
25/10/2017	18/08/2020	\$4.19	\$3.66	36.00%	4.60%	2.03%	\$1.080

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

Grant date	Vesting date	Share price at grant date	Exercise price	Dividend yield	Fair value at grant date
25/10/2017	20/08/2019	\$4.19	\$0.00	4.60%	\$3.880
25/10/2017	18/08/2020	\$4.19	\$0.00	4.60%	\$3.700

Note 41. Events after the reporting period

Apart from the dividend declared as disclosed in note 25, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37 to the financial statements.

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

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

On behalf of the Directors

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by 'R' and 'E'.

Andrew Reitzer
Chairman

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by 'B' and 'L'.

Robbie Blau
Chief Executive Officer

13 August 2018
Sydney

Independent auditor's report

to the members of SG Fleet Limited



Independent Auditor's Report

To the shareholders of SG Fleet Group Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- consolidated statement of financial position as at 30 June 2018
- consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

We are independent of the 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* (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.



Key Audit Matters

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

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

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

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

Valuation of goodwill (AUD \$356.1m)

Refer to Note 14 to the Financial Report

The Key Audit Matter	How the matter was addressed in our audit
Valuation of goodwill is a Key Audit Matter due to: • the size of the balance (being 52% of total assets); and • the high level of judgement involved by us in assessing the inputs into the model supporting the Group's annual assessment for impairment. We focused on the significant forward-looking assumptions the Group applied in its value in use model, including: • forecast growth rates for the Group's underlying cash flows, which can vary based on a number of factors such as the number and fleet size of new customer wins, industry growth projections and inflation expectations. The Group operates across different geographies with varying market pressures, which increases the risk of inaccurate forecasts; and • the discount rate, which is complicated in nature and may vary according to the conditions and environment the specific cash generating units (CGUs) are subject to from time to time.	Working with our corporate finance specialists, our procedures included: • assessing the approach to the valuation methodology adopted and the application of the adopted methodology in calculating the value in use within the goodwill impairment model; • assessing the integrity of the value in use model, including the accuracy of the underlying calculation formulas; • assessing the Group's determination of their CGUs based on our understanding of the operations of the Group's business. We analysed how independent cash inflows of the Group were generated against the requirements of the accounting standards; • assessing the Group's discount rate against publicly available data for a group of comparable entities and independently developing a discount rate range considered comparable using this data. We adjusted this range by risk factors specific to the Group and the industry it operates in; • challenging the Group's cash flow forecast and growth assumptions, including those related to fleet size and growth assumptions across different geographies, using our knowledge of the Group and its industry.

Independent auditor's report

to the members of SG Fleet Limited



	This included comparing the Group's growth assumptions to external data, such as industry growth projections and inflation expectations across different geographies; • assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model and how they impacted the business, for use in further testing; • considering the sensitivity of the model by varying key assumptions such as discount rates and forecast growth rates, within a possible range. This allows us to identify those assumptions at higher risk and to assess the presence of indicators of impairment; and • assessing the disclosures in the Financial Report using our understanding of the Group obtained from our testing and against the requirements of the accounting standards.
Recognition of residual risk provision (AUD \$10.5m)	
Refer to Note 18 to the Financial Report	
The Key Audit Matter	How the matter was addressed in our audit
The recognition of the residual risk provision is considered to be a Key Audit Matter. This is owing to the significant audit effort required and the high degree of judgment applied by us in assessing the Group's valuation of the residual value of their fleet. We focused on gathering evidence on the completeness of the residual value model used by the Group to determine the residual risk provision. The Group has entered into agreements with financiers which requires the transfer of the asset ownership and the associated residual risk inherent in operating leases assets from the financier to the Group at the end of the operating leases. The determination of the probable residual risk provision is based on the Group's judgement in determining shortfalls on the disposal of these assets once ownership is transferred to the Group.	Our procedures included: • testing the key control for the Group's residual valuation process which is the quarterly approval of the residual value model by senior management and testing the completeness of inputs in the model; • assessing the accounting treatment of the Group's residual risk provision methodology to the relevant accounting standards; • comparing the market conditions, environmental factors and macroeconomic factors underpinning the Group's determination of the residual risk provision against our understanding of the business, industry and economy; • assessing the Group's ability to accurately value assets at the end of the lease term. This is performed by comparing the



It also takes into account market demand and economic factors, such as inherent volatility of the asset's disposal value due to changes in market conditions between the balance date and future date at which the assets will be disposed. A provision is recognised if the forecast sale proceeds of the asset is less than the residual value payable to the financiers. This requires us to use our judgment when considering the Group's assessment, as the recoverability of the assets are subject to a number of factors, including the condition of the asset at the transfer of ownership.	historical residual valuation of a sample of vehicles to the actual sale proceeds received from previous disposals from comparable vehicle classes; and • comparing a sample of the current residual valuation of the assets against the current market value of these assets using recent external auction prices achieved for comparable assets.
Measurement and recognition of deferred maintenance income (AUD \$37.5m)	
Refer to Note 22 to the Financial Report	
The Key Audit Matter	How the matter was addressed in our audit
The periodic payments received from customers by the Group for maintenance services are deferred and recognised as revenue when the associated maintenance costs for the leased assets have been incurred or can be measured using the stage of completion method. The measurement and recognition of deferred maintenance income is a Key Audit Matter. This is due to the audit effort involved in assessing the Group's estimation of lifecycle maintenance costs using a stage of completion method, and the significance of this to the related timing of recognition and deferral of revenue.	Our procedures included: • assessing the Group's revenue recognition policy in accordance with relevant accounting standards; • assessing the historical accuracy of the Group's estimates of the stage of completion of the maintenance of the leased assets. This is performed by comparing historical estimates of the stage of completion ratio of the maintenance of the leased asset against the actual ratio used in the current year; and • checking the Group's calculation of deferred maintenance income using the estimate of the stage of completion ratio of maintenance costs for the prior six months assessed above.

Other Information

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

Independent auditor's report

to the members of SG Fleet Limited



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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

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



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of SG Fleet Group Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 11 to 20 of the Directors' report for the year ended 30 June 2018.

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

KPMG

Michael O Connell

Partner

Sydney

13 August 2018

Shareholder information

The shareholder information set out below was applicable as at 31/07/2018.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares	Number of holders of performance rights over ordinary shares
1 to 1,000	323	–	–
1,001 to 5,000	526	–	26
5,001 to 10,000	308	–	13
10,001 to 100,000	358	–	20
100,001 and over	49	9	–
	1,564	9	59
Holding less than a marketable parcel	91	–	–

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Bluefin Investments Limited	146,693,331	57.00
HSBC Custody Nominees (Australia) Limited	27,508,205	10.69
BNP Paribas Noms Pty Ltd (DRP)	18,739,643	7.28
J P Morgan Nominees Australia Limited	14,135,709	5.49
Citicorp Nominees Pty Limited	8,786,227	3.41
Robert Pinkas Blau	5,216,425	2.03
National Nominees Limited	5,213,787	2.03
Netwealth Investments Limited (Wrap Services A/C)	3,820,985	1.48
Misamada Nominees Pty Limited (Misamada A/C)	1,675,820	0.65
Mr David John Fernandes	1,173,162	0.46
BNP Paribas Noms Pty Ltd (Agency Lending DRP A/C)	857,422	0.33
Australian Executor Trustees Limited (No 1 Account)	743,603	0.29
Shevin Pty Limited (The Shevin A/C)	687,347	0.27
Peter Mountford	540,540	0.21
Mulcaster Super Fund Pty Ltd (Mulcaster Super Fund A/C)	500,000	0.19
Macdonald Gilbert Bell	465,960	0.18
Aus Executor Trustees Ltd (GFFD)	444,892	0.17
Enerview Pty Ltd	405,405	0.16
Insync Investments Pty Ltd (Weekley Super Fund No 1 A/C)	400,000	0.16
Mrs Annie Margossian Kenny + Mr Scott Andrew Kenny (KASM Superfund A/C)	344,336	0.13
	238,352,799	92.61

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	2,044,995	9
Performance rights over ordinary shares	590,528	59

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Bluefin Investments Limited	146,693,331	57.00

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Fully Paid Ordinary Shares	August 2018	378,070
Fully Paid Ordinary Shares	February 2019	241,450
		619,520

Corporate directory

Directors

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

Company secretary

Edelvine Rigato

Notice of annual general meeting

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

Hobart Room, Lobby Level
The Sofitel Sydney Wentworth
61-101 Phillip Street
Sydney NSW 2000

3:00 PM on Tuesday 23 October 2018

Registered office and Principal place of business

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

Share register

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

Auditor

KPMG
International Tower 3
300 Barangaroo Avenue
Sydney NSW 2000

Stock exchange listing

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

Website

www.sgfleet.com

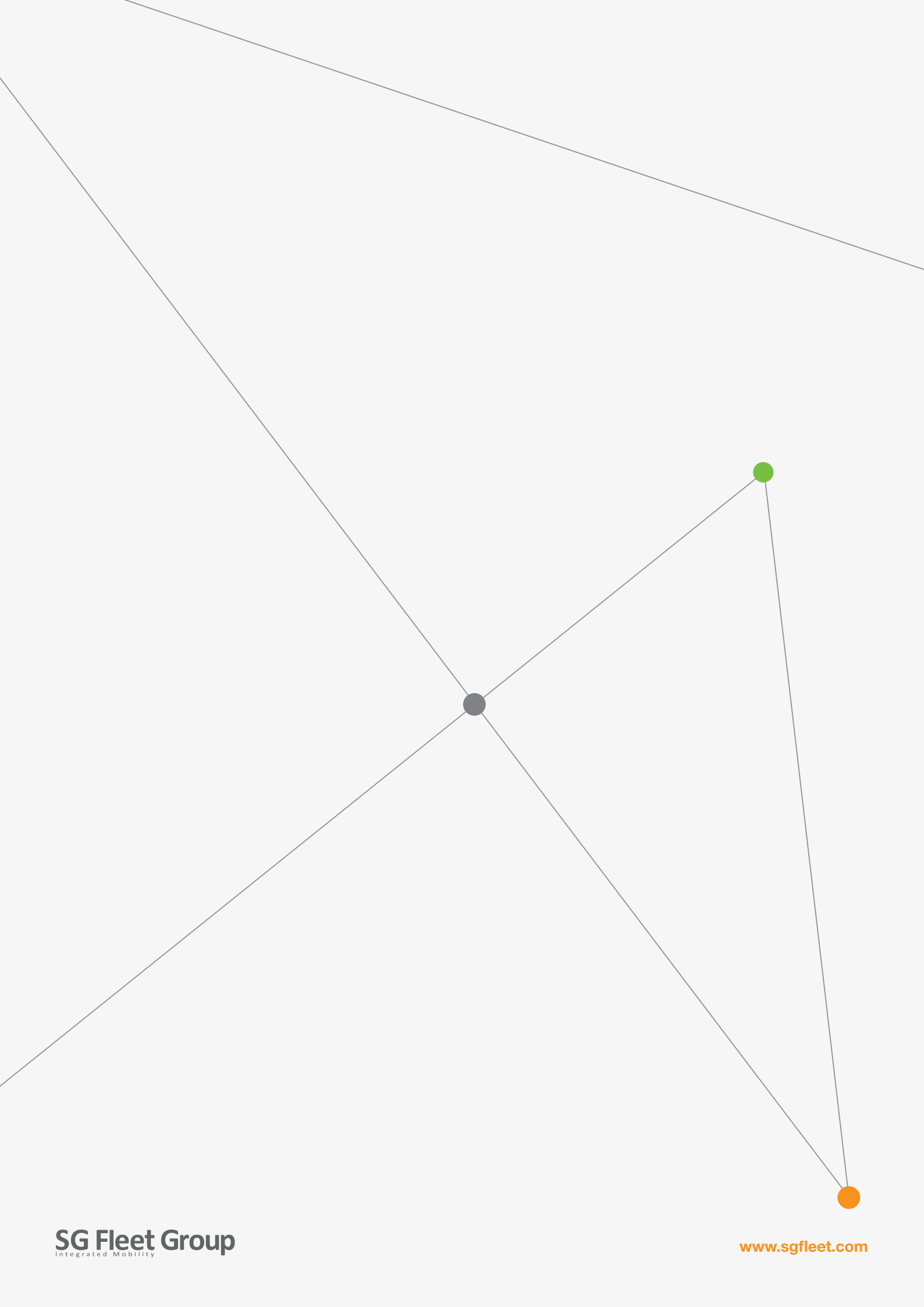
Corporate Governance Statement

Corporate Governance Statement which is approved at the same time as the Annual Report can be found at <http://investors.sgfleet.com/Investors/?page=Corporate-Governance-Statement>

Enquiries

investorenquiries@sgfleet.com





NOTICE OF ANNUAL GENERAL MEETING 2018

Notice is given that the Annual General Meeting of SG Fleet Group Limited (the Company) will be held on Tuesday 23 October 2018 at the Hobart Room, Lobby Level, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney, NSW commencing at 3.00 pm AEDT.

SG FLEET GROUP LIMITED
ABN 40 167 554 574

Business of the Meeting

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

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June 2018.

2. Remuneration Report

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

"That the Remuneration Report for the financial year ended 30 June 2018 be adopted".

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

3. Re-election of Edwin Jankelowitz

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

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

4. Re-election of Kevin Wundram

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

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

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

Voting Exclusions

Item 2 (Remuneration Report)

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

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

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

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

Dated 21 September 2018

By order of the Board

Edelvine Rigato

Company Secretary

Notes on Voting

Voting Entitlement

The Board has determined that persons who are registered as holding shares in the Company at 7.00 pm (AEDT) on Sunday 21 October 2018 will be entitled to attend and vote at the Meeting. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote.

Voting at the Meeting

The vote on each resolution will be decided on a show of hands or a poll, as determined by the Chairman of the Meeting in accordance with the Corporations Act and the Company's Constitution.

On a show of hands, each shareholder present in person or by proxy has one vote. On a poll, each shareholder present in person or by proxy has one vote for each fully paid ordinary share in the Company they hold.

Voting by proxy

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

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

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

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

Appointing a member of the KMP to act as your proxy

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

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

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

How to lodge a Proxy Form

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

Online

<https://www.votingonline.com.au/sgfagm2018>

Mail

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

Hand delivery

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

Fax

+61 2 9290 9655

To be effective, your Proxy Form (and any Power of Attorney or other authority under which it is signed or a certified copy), must be received no later than 48 hours prior to the Annual General Meeting (i.e. no later than **3.00pm (AEDT) on Sunday 21 October 2018**).

Attorneys

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

Corporations

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

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

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

Explanatory notes

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the 2018 Annual General Meeting.

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

As required by the Corporations Act, the Financial Report, Directors’ Report and Auditor’s Report of the Company for the financial year ended 30 June 2018 will be laid before the Annual General Meeting.

There is no requirement for shareholders to vote on this Item.

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

Item 2 – Remuneration Report

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

The Company’s Remuneration Report for the financial period ended 30 June 2018 is set out in the Directors’ Report which forms part of the Company’s 2018 Annual Report, a copy of which was provided to shareholders with this Notice of Annual General Meeting.

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

The vote on this resolution is advisory only and does not bind the Directors or the Company.

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

Board recommendation for Item 2

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

Item 3 – Re-election of Mr Edwin Jankelowitz

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

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

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

Mr Jankelowitz was appointed to the Board in August 2015 as an Independent Non-Executive Director. He qualified as a Chartered Accountant (SA) in 1966. He has spent over 40 years in corporate offices and has been Chairman of a number of listed companies. From July 1967 to November 1979, he was with Adcock Ingram Ltd in Head Office and was promoted over time to Group Company Secretary and then Finance Director. From January 1980 to March 1983, he was a consultant in business management and tax. At Caxton Limited, from 1983 to 1997, he held the positions of Finance Director, Managing Director and then Chairman. Mr Jankelowitz was Finance Director of Metcash Trading Limited and Metcash Limited from May 1998 to January 2011, and a Non-Executive Director of the company until August 2015. He was also a member of the Income Tax Special Court in South Africa for 20 years (1977-1997).

Mr Jankelowitz is a member of the Audit, Risk and Compliance Committee.

Board recommendation for Item 3

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

Explanatory notes **continued**

Item 4 – Re-election of Mr Kevin Wundram

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

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

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

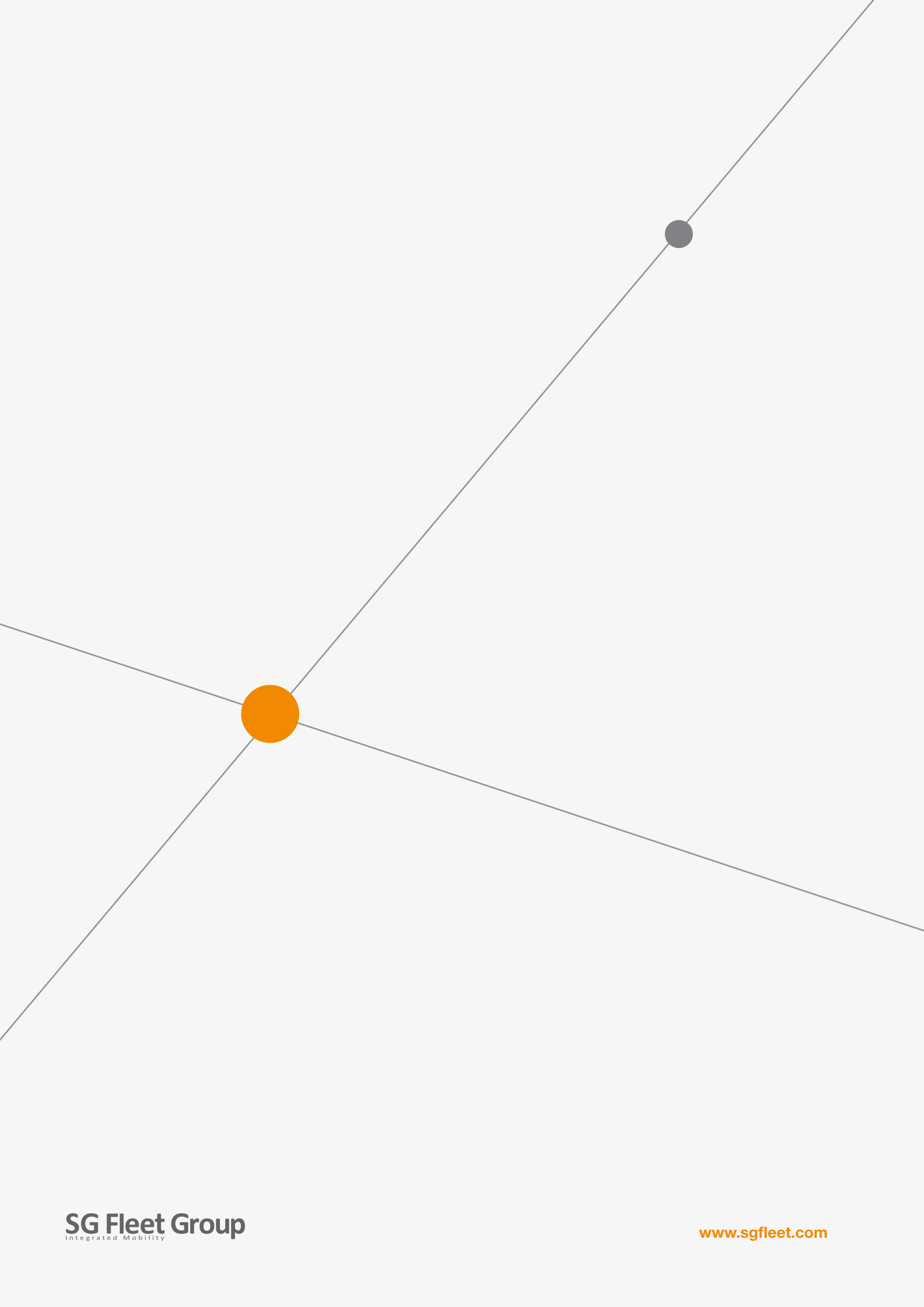
Mr Wundram was appointed to the Board as an Executive Director in August 2015. He has been Chief Financial Officer of SG Fleet since July 2006 and has significant experience in the fleet management and leasing industry.

Prior to joining the Company, Mr Wundram was responsible for special projects at Super Group, including the execution of acquisitions, disposals and due diligence. He was also a member of the management committees of the Automotive Parts, Commercial Vehicle Dealerships and Supply Chain Divisions of that company. Prior to joining Super Group, he worked in the audit and corporate finance divisions of KPMG South Africa for six years.

Mr Wundram holds a Bachelor of Commerce from the University of the Witwatersrand, an Honours Bachelor of Accounting Science degree from the University of South Africa and is a Chartered Accountant.

Board recommendation for Item 4

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



All Correspondence to:

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

 **By Fax:** +61 2 9290 9655

 **Online:** www.boardroomlimited.com.au

 **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 3:00pm (AEDT) on Sunday, 21 October 2018.**

TO VOTE ONLINE

STEP 1: VISIT <https://www.votingonline.com.au/sgfagm2018>

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

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

BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

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

Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

Proxy which is a Body Corporate

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

STEP 3 SIGN THE FORM

The form must be signed as follows:

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

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

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

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

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **3:00pm (AEDT) on Sunday, 21 October 2018.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

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

 **Online** <https://www.votingonline.com.au/sgfagm2018>

 **By Fax** + 61 2 9290 9655

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

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

Attending the Meeting

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

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Your Address

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

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

PROXY FORM

STEP 1 APPOINT A PROXY

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

☐

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

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Hobart Room, Lobby Level, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000 on Tuesday, 23 October 2018 at 3:00pm (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

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

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

STEP 2 VOTING DIRECTIONS

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

		For	Against	Abstain*
Item 2	To Adopt the Remuneration Report	☐	☐	☐
Item 3	To re-elect Mr Edwin Jankelowitz as a Director	☐	☐	☐
Item 4	To re-elect Mr Kevin Wundram as a Director	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2018