

1. Company details

Name of entity:	SG Fleet Group Limited
ABN:	40 167 554 574
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	79.9% to	433,373
Profit from ordinary activities after tax attributable to the owners of SG Fleet Group Limited	up	16.6% to	29,720
Profit for the half-year attributable to the owners of SG Fleet Group Limited	up	16.6% to	29,720

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2021, declared on 16 August 2021. The final dividend was paid on 6 September 2021 to shareholders registered on 26 August 2021.	5.393	5.393
Interim dividend for the year ending 30 June 2022, declared on 15 February 2022. The interim dividend will be paid on 10 March 2022 to shareholders registered on 24 February 2022.	8.318	8.318

Comments

The profit for the Group after providing for income tax amounted to \$29,720,000 (31 December 2020: \$25,497,000).

For a Review of Operations for the half-year ended 31 December 2021, please refer to the ASX announcement accompanying this Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(29.90)</u>	<u>(7.67)</u>

Net tangible assets calculations above include the right-of-use assets and lease liabilities.

4. Control gained over entities

On 1 September 2021, the Group acquired 100% of the shares in LeasePlan Australia Limited and LeasePlan New Zealand Limited ('LeasePlan ANZ'). Refer to note 21 of the notes to the financial statements for further details.

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP') available to shareholders in pursuant to which any shareholder may elect that their dividends be reinvested, in whole or in part, in shares of the Company at a price to be determined by the Board of Directors from time to time at its absolute discretion. The DRP will not be activated in respect of the 2022 interim dividend.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

7. Attachments

Details of attachments (if any):

The Interim Report of SG Fleet Group Limited for the half-year ended 31 December 2021 is attached.

8. Signed

As authorised by the Board of Directors



Signed _____

Date: 15 February 2022

Andrew Reitzer
Chairman
Sydney

SG Fleet Group Limited

ABN 40 167 554 574

Interim Report - 31 December 2021

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of SG Fleet Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Andrew Reitzer (Chairman)
Robert (Robbie) Blau
Cheryl Bart AO
Graham Maloney
Peter Mountford
Edwin Jankelowitz
Kevin Wundram
Tex Gunning (appointed on 1 September 2021)
Colin Brown (alternate for Peter Mountford)

Principal activities

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

Significant changes in the state of affairs

On 1 September 2021, the Group acquired 100% of the ordinary shares in LeasePlan Australia Limited and LeasePlan New Zealand Limited. The acquisition consideration of \$626,003,000 was settled by way of cash consideration of \$273,000,000 and scrip consideration valued at \$129,307,000. In addition to the acquisition consideration, as part of the transaction, excess cash in the statement of financial position and capital invested in the Lease Portfolio totalling \$223,696,000 was repaid to LeasePlan Corporation bringing the total amount transferred to \$626,003,000.

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

Review of operations

The profit for the Group after providing for income tax amounted to \$29,720,000 (31 December 2020: \$25,497,000).

For a Review of Operations for the half-year ended 31 December 2021, please refer to the ASX announcement accompanying this Report.

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Reitzer
Chairman



Robbie Blau
Chief Executive Officer

15 February 2022
Sydney



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

To the Directors of SG Fleet Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of SG Fleet Group Limited for the half-year ended 31 December 2021 there have been:

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

KPMG

Rachel Milum

Partner

Sydney

15 February 2022

SG Fleet Group Limited
Statement of profit or loss
For the half-year ended 31 December 2021

SG Fleet Group

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
			(Restated)
Revenue	5	433,128	240,621
Interest revenue calculated using the effective interest method		245	323
Total revenue		<u>433,373</u>	<u>240,944</u>
Expenses			
Mobility services cost of sale		(9,370)	(8,699)
Vehicle risk cost of sale		(149,408)	(104,503)
Additional product and services cost of sale		(20,256)	(10,306)
Rental and finance cost of sale		(7,592)	(5,507)
Other direct costs		(5,837)	(5,405)
Depreciation and amortisation		(84,775)	(16,259)
Finance costs		(25,019)	(4,086)
Employee benefits expense		(65,679)	(39,852)
Occupancy costs		(1,961)	(1,241)
Technology and communication costs		(9,037)	(4,793)
Other expenses		(10,076)	(4,245)
Total expenses		<u>(389,010)</u>	<u>(204,896)</u>
Profit before income tax expense		44,363	36,048
Income tax expense		<u>(14,643)</u>	<u>(10,551)</u>
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited		<u><u>29,720</u></u>	<u><u>25,497</u></u>
		Cents	Cents
Basic earnings per share	22	9.09	9.73
Diluted earnings per share	22	9.02	9.71

Refer to note 3 for detailed information on Restatement of comparatives.

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

SG Fleet Group Limited
Statement of other comprehensive income
For the half-year ended 31 December 2021

SG Fleet Group

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
		(Restated)
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited	29,720	25,497
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation difference for foreign operations	(2,271)	(486)
Effective portion of changes in fair value of cash flow hedges, net of tax	8,528	479
	<u>6,257</u>	<u>(7)</u>
Other comprehensive income for the half-year, net of tax		
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited	<u><u>35,977</u></u>	<u><u>25,490</u></u>

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

		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$'000	\$'000
Assets			
Cash and cash equivalents	6	362,671	231,117
Finance, trade and other receivables	7	624,028	66,303
Inventories	8	23,411	10,719
Derivative financial instruments		10,211	-
Prepayments		24,960	7,522
Investments in financial assets at fair value through profit or loss		2,472	2,627
Leased motor vehicle assets	9	983,733	94,176
Deferred tax		-	4,328
Property, plant and equipment	10	8,302	5,461
Intangibles	11	631,400	401,006
Right-of-use assets	12	28,073	8,690
Total assets		<u>2,699,261</u>	<u>831,949</u>
Liabilities			
Trade and other payables	13	186,650	100,793
Derivative financial instruments		-	1,877
Income tax		6,485	4,701
Deferred tax		29,205	-
Employee benefits		22,193	10,967
Provisions	14	22,871	13,691
Lease portfolio borrowings	15	1,316,032	65,041
Borrowings	16	296,090	124,519
Lease liabilities - right-of-use assets		27,015	9,015
Vehicle maintenance funds		205,829	82,542
Contract liabilities		57,758	40,617
Total liabilities		<u>2,170,128</u>	<u>453,763</u>
Net assets		<u>529,133</u>	<u>378,186</u>
Equity			
Issued capital	17	505,968	376,661
Reserves		(108,813)	(116,772)
Retained profits		131,978	118,297
Total equity		<u>529,133</u>	<u>378,186</u>

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

SG Fleet Group Limited
Statement of changes in equity
For the half-year ended 31 December 2021

SG Fleet Group

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	291,370	(122,581)	102,451	271,240
Profit after income tax expense for the half-year (restated)	-	-	25,497	25,497
Other comprehensive income for the half-year, net of tax	-	(7)	-	(7)
Total comprehensive income for the half-year	-	(7)	25,497	25,490
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	971	-	971
Dividends paid (note 18)	-	-	(8,004)	(8,004)
Balance at 31 December 2020	<u>291,370</u>	<u>(121,617)</u>	<u>119,944</u>	<u>289,697</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	376,661	(116,772)	118,297	378,186
Profit after income tax expense for the half-year	-	-	29,720	29,720
Other comprehensive income for the half-year, net of tax	-	6,257	-	6,257
Total comprehensive income for the half-year	-	6,257	29,720	35,977
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	129,307	-	-	129,307
Share-based payments	-	1,702	-	1,702
Dividends paid (note 18)	-	-	(16,039)	(16,039)
Balance at 31 December 2021	<u>505,968</u>	<u>(108,813)</u>	<u>131,978</u>	<u>529,133</u>

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

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
			(Restated)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		510,592	277,069
Payments to suppliers and employees (inclusive of GST)		(354,663)	(199,518)
Interest received		245	323
Interest and other finance costs paid		(24,221)	(3,807)
Income taxes paid		(21,357)	(10,132)
		<u>110,596</u>	<u>63,935</u>
Net cash from operating activities			
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	21	(455,812)	-
Payments for investments		-	(1,081)
Acquisition of lease portfolio assets	9	(176,242)	(38,092)
Proceeds from disposal of lease portfolio assets	9	92,718	14,346
Payments for property, plant and equipment	10	(1,637)	(1,839)
Proceeds from disposal of property, plant and equipment		279	56
Payments for intangibles	11	(1,588)	(1,550)
		<u>(542,282)</u>	<u>(28,160)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		1,581,285	26,848
Repayment of borrowings		(987,211)	(28,649)
Borrowing costs paid		(9,558)	-
Repayment of lease liabilities - right-of-use assets		(4,996)	(2,364)
Dividends paid	18	(16,039)	(8,004)
		<u>563,481</u>	<u>(12,169)</u>
Net cash from/(used in) financing activities			
Net increase in cash and cash equivalents		131,795	23,606
Cash and cash equivalents at the beginning of the financial half-year		231,117	111,115
Effects of exchange rate changes on cash and cash equivalents		(241)	(34)
		<u>362,671</u>	<u>134,687</u>
Cash and cash equivalents at the end of the financial half-year	6		

Refer to note 3 for detailed information on Restatement of comparatives.

Note 1. General information

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

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

Level 2, Building 3
20 Bridge Street
Pymble NSW 2073

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2021 and are not expected to have any significant impact for the full financial year ending 30 June 2022.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Reclassification of comparatives

Comparatives in the interim financial report have been realigned to the current period presentation. For clearer presentation, the Group has reclassified \$1,322,000 prepaid borrowing costs under liabilities within borrowings compared to the 30 June 2021 presentation under prepaid assets. The Group has realigned/reclassified the revenue and expense categories disclosed in note 5 and the statement of profit or loss due to the LeasePlan acquisition. There has been no effect on the comparative period results, net assets or equity due to the reclassification.

Note 3. Restatement of comparatives

Change in accounting policy

Software as a Service (SaaS) arrangements

As detailed in the 30 June 2021 annual report, the Group's accounting policy has historically been to capitalise all costs related to the customisation and configuration of SaaS arrangements as intangible assets in the statement of financial position. During the previous financial year, the International Financial Reporting Standards Interpretations Committee ('IFRIC') issued a clarification regarding accounting for expenses due to SaaS arrangements. In accordance with the IFRIC clarification, the Group has changed its accounting policy retrospectively to account for such arrangements as an expense in the statement of profit or loss.

The impact of the retrospective adoption of the accounting policy is summarised below:

Statement of profit or loss and other comprehensive income

Extract	31 Dec 2020	Consolidated	31 Dec 2020
	\$'000	\$'000	\$'000
	Reported	Adjustment	Restated
Expenses			
Depreciation and amortisation	(16,471)	212	(16,259)
Technology and communication costs	(4,611)	(182)	(4,793)
Profit before income tax expense	36,018	30	36,048
Income tax expense	(10,551)	-	(10,551)
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited	25,467	30	25,497
Other comprehensive income for the half-year, net of tax	(7)	-	(7)
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited	25,460	30	25,490
	Cents	Cents	Cents
	Reported	Adjustment	Restated
Basic earnings per share	9.71	0.02	9.73
Diluted earnings per share	9.70	0.01	9.71

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

The impact on the comparative period statement of financial position has been included in the annual report for the year ended 30 June 2021 and incorporated within the 30 June 2021 statement of financial position.

Statement of cash flows

In accordance with the above, comparatives in the statement of cash flows have been restated to reflect changes in accounting policy with regard to recognition of Software as a Service (SaaS) arrangements. Accordingly, payments for intangibles have been reduced by \$182,000 with a corresponding increase in payments to suppliers and employees. As a result of this, net cash used in operating activities increased by \$182,000 with a corresponding impact on net cash used in investing activities.

Note 4. Operating segments

Identification of reportable operating segments

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

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

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

Intersegment receivables, payables and loans

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

Operating segment information

Consolidated - 31 Dec 2021	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Revenue					
Revenue from contracts with customers	252,659	25,949	32,882	-	311,490
Rental income	76,984	25,144	19,510	-	121,638
Total sales revenue	329,643	51,093	52,392	-	433,128
Interest income	194	51	-	-	245
Total revenue	329,837	51,144	52,392	-	433,373
EBITDA	114,296	28,358	16,620	(5,117)	154,157
Depreciation and amortisation	(57,341)	(19,090)	(8,344)	-	(84,775)
Finance costs	(19,008)	(4,394)	(1,617)	-	(25,019)
Profit/(loss) before income tax expense	37,947	4,874	6,659	(5,117)	44,363
Income tax expense					(14,643)
Profit after income tax expense					29,720
Assets					
Segment assets	2,158,352	365,863	175,046	-	2,699,261
Total assets					2,699,261
Liabilities					
Segment liabilities	1,773,718	274,891	121,519	-	2,170,128
Total liabilities					2,170,128

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2020	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000 (Restated)
Revenue					
Revenue from contracts with customers	171,443	5,684	41,814	-	218,941
Rental income	5,107	1,610	14,963	-	21,680
Total sales revenue	176,550	7,294	56,777	-	240,621
Interest income	322	1	-	-	323
Total revenue	176,872	7,295	56,777	-	240,944
EBITDA					
EBITDA	41,170	2,392	13,842	(1,011)	56,393
Depreciation and amortisation	(7,678)	(1,324)	(7,257)	-	(16,259)
Finance costs	(2,547)	(260)	(1,279)	-	(4,086)
Profit/(loss) before income tax expense	30,945	808	5,306	(1,011)	36,048
Income tax expense					(10,551)
Profit after income tax expense					25,497
Consolidated - 30 Jun 2021					
Assets					
Segment assets	647,988	17,233	166,728	-	831,949
Total assets					831,949
Liabilities					
Segment liabilities	324,507	11,696	117,560	-	453,763
Total liabilities					453,763

Note 5. Revenue

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<i>Revenue from contracts with customers</i>		
Mobility services income	52,516	43,052
Additional products and services	42,507	26,412
Finance commission	17,330	18,865
Vehicle risk income	197,040	130,612
Other income	2,097	-
	<u>311,490</u>	<u>218,941</u>
<i>Other revenue</i>		
Rental and finance income	121,638	21,680
Revenue	<u><u>433,128</u></u>	<u><u>240,621</u></u>

Note 5. Revenue (continued)

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
<i>Timing of revenue recognition</i>		
Revenue transferred at a point in time - upfront	30,926	30,275
Revenue transferred over time	86,894	66,058
Revenue transferred at a point in time - end of life	193,670	122,608
	<u>311,490</u>	<u>218,941</u>

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

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Cash at bank	164,067	201,605
<i>Restricted cash balances:</i>		
Secured deposits	28,171	28,723
Securitisation collection and capital accounts	38,251	405
Securitisation reserves	132,182	384
	<u>362,671</u>	<u>231,117</u>

Secured deposits represent bank account balances held as security as required under certain lease portfolio funding and insurance agreements. Cash held in bank accounts within the securitisation warehouses can only be used to service the obligations of the warehouse in accordance with the transaction agreements. These restricted balances are not available as free cash for the purpose of operations of the Group.

Note 7. Finance, trade and other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Trade receivables	163,883	67,033
Less: Allowance for expected credit losses	(3,412)	(783)
	<u>160,471</u>	<u>66,250</u>
Finance lease receivables	463,557	53
	<u>624,028</u>	<u>66,303</u>

Note 8. Inventories

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
End-of-term operating lease assets held for disposal	23,450	10,968
Less: Provision for impairment	(39)	(249)
	<u>23,411</u>	<u>10,719</u>

Note 9. Leased motor vehicle assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Lease portfolio assets - at cost	1,027,256	121,718
Less: Accumulated depreciation	(43,130)	(27,116)
Less: Impairment	(393)	(426)
	<u>983,733</u>	<u>94,176</u>

Reconciliations

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

Consolidated	Leased assets \$'000
Balance at 1 July 2021	94,176
Additions	176,242
Additions through business combinations (note 21)	883,626
Disposals	(92,718)
Revaluation decrements	(32)
Exchange differences	(4,704)
Depreciation expense	<u>(72,857)</u>
Balance at 31 December 2021	<u>983,733</u>

Note 10. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Leasehold improvements - at cost	1,591	966
Less: Accumulated depreciation	(958)	(569)
	<u>633</u>	<u>397</u>
Computer hardware and office equipment - at cost	10,398	8,528
Less: Accumulated depreciation	(6,044)	(5,379)
	<u>4,354</u>	<u>3,149</u>
Motor vehicles - at cost	3,737	2,235
Less: Accumulated depreciation	(422)	(320)
	<u>3,315</u>	<u>1,915</u>
	<u>8,302</u>	<u>5,461</u>

Note 10. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Computer hardware and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2021	397	3,149	1,915	5,461
Additions	277	758	602	1,637
Additions through business combinations (note 21)	5	1,133	1,301	2,439
Disposals	-	-	(188)	(188)
Exchange differences	3	(5)	10	8
Depreciation expense	(49)	(681)	(325)	(1,055)
Balance at 31 December 2021	<u>633</u>	<u>4,354</u>	<u>3,315</u>	<u>8,302</u>

Note 11. Intangibles

	Consolidated 31 Dec 2021 \$'000	30 Jun 2021 \$'000
Goodwill - at cost	512,275	357,880
Customer contracts - at cost	141,729	60,012
Less: Accumulated amortisation	(38,202)	(32,493)
Less: Impairment	(70)	(70)
	<u>103,457</u>	<u>27,449</u>
Software - at cost	26,432	25,605
Less: Accumulated amortisation	(10,764)	(9,928)
	<u>15,668</u>	<u>15,677</u>
	<u>631,400</u>	<u>401,006</u>

Reconciliations

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

Consolidated	Goodwill \$'000	Customer contracts \$'000	Software \$'000	Total \$'000
Balance at 1 July 2021	357,880	27,449	15,677	401,006
Additions	-	-	1,588	1,588
Additions through business combinations (note 21)	154,550	81,878	21	236,449
Exchange differences	(155)	(223)	(1)	(379)
Amortisation expense	-	(5,647)	(1,617)	(7,264)
Balance at 31 December 2021	<u>512,275</u>	<u>103,457</u>	<u>15,668</u>	<u>631,400</u>

Note 12. Right-of-use assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Right-of-use assets - at cost	46,730	23,744
Less: Accumulated amortisation	<u>(18,657)</u>	<u>(15,054)</u>
	<u><u>28,073</u></u>	<u><u>8,690</u></u>

Reconciliation

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

	Office premises	Motor vehicles	Others	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	8,113	534	43	8,690
Additions	9,483	212	305	10,000
Additions through business combinations (note 21)	12,920	-	38	12,958
Exchange differences	24	-	-	24
Depreciation expense	<u>(3,354)</u>	<u>(225)</u>	<u>(20)</u>	<u>(3,599)</u>
Balance at 31 December 2021	<u><u>27,186</u></u>	<u><u>521</u></u>	<u><u>366</u></u>	<u><u>28,073</u></u>

Note 13. Trade and other payables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Trade payables	159,639	83,869
Accrued expenses	<u>27,011</u>	<u>16,924</u>
	<u><u>186,650</u></u>	<u><u>100,793</u></u>

Trade payables include residual values payable to financiers, which are secured by the underlying operating lease asset and secured deposits of \$28,171,000 (30 June 2021: \$28,741,000).

Note 14. Provisions

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Lease make good	4,598	1,105
Residual risk	11,598	11,686
Other provisions	<u>6,675</u>	<u>900</u>
	<u><u>22,871</u></u>	<u><u>13,691</u></u>

The Group has entered into agreements with its lease portfolio financiers under which the residual value risk inherent in operating leases is transferred from the financier of the asset to the Group at the end of the lease. Under these agreements, at the end of the contractual lease term for each vehicle, the Group is obliged to pay the guaranteed residual value amount to the financier. The Group then sells the vehicles and realises a profit or loss on sale. Secured deposits have been issued to lease portfolio financiers as security for these obligations. An amount of \$11,598,000 (30 June 2021: \$11,686,000) has been recognised as a residual value provision, calculated on an onerous pool basis, to cover potential shortfalls on the disposal of these vehicles.

Note 15. Lease portfolio borrowings

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Lease portfolio borrowings - non-securitised	142,095	64,241
Lease portfolio borrowings - securitised	1,179,211	800
Capitalised borrowing costs	(5,274)	-
	<u>1,316,032</u>	<u>65,041</u>

Lease portfolio borrowings - non-securitised

The lease portfolio borrowings are secured by the underlying funded assets and lease agreements, together with secured deposits. These facilities are interest-bearing and are repaid monthly in accordance with the contractual amortisation schedule of the underlying assets.

Lease portfolio borrowings - securitised

During the previous financial year, the Group established a \$100 million limited recourse securitisation warehouse trust with commitments from external financiers totalling \$92.5 million. During the financial half-year, the Group increased securitised lease portfolio borrowings by \$1,278 million to \$1,371 million as at 31 December 2021. All amounts owing to parties to the warehouse are secured by fixed and floating charges over all assets of the warehouse, including cash balances, lease receivables and related leased motor vehicles. The financiers to the warehouse have no recourse to the Group, other than in relation to their responsibilities as originator and servicer of assets to the warehouse. As at 31 December 2021, the Group had utilised \$1,179 million of securitised lease portfolio borrowings.

Note 16. Borrowings

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Bank loans	301,189	125,841
Capitalised borrowing costs	(5,099)	(1,322)
	<u>296,090</u>	<u>124,519</u>

The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Bank loans	301,189	125,841
Lease portfolio borrowings - non-securitised (note 15)	142,095	64,241
Lease portfolio borrowings - securitised (note 15)	1,179,211	800
	<u>1,622,495</u>	<u>190,882</u>

Corporate borrowings

During the financial half-year, the Group increased its bank loans and ancillary facility limit by \$175 million to \$301 million as at 31 December 2021. The facility is secured by fixed and floating charges over the assets of the Group as well as composite guarantees and indemnities issued by the Group and certain subsidiaries of the Group. The interest comprises a base rate plus a variable margin and all loans are repayable in full on the maturity date being 31 August 2024.

Note 16. Borrowings (continued)

Financing arrangements

The Group has access to the following lines of credit:

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Total facilities		
Corporate borrowings	351,158	186,572
Lease portfolio borrowings - non-securitised	181,336	87,029
Lease portfolio borrowings - securitised	1,370,653	92,500
	<u>1,903,147</u>	<u>366,101</u>
Used at the reporting date		
Corporate borrowings	311,013	137,602
Lease portfolio borrowings - non-securitised	142,095	64,241
Lease portfolio borrowings - securitised	1,179,211	800
	<u>1,632,319</u>	<u>202,643</u>
Unused at the reporting date		
Corporate borrowings	40,145	48,970
Lease portfolio borrowings - non-securitised	39,241	22,788
Lease portfolio borrowings - securitised	191,442	91,700
	<u>270,828</u>	<u>163,458</u>

Note 17. Issued capital

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>341,984,920</u>	<u>297,396,370</u>	<u>505,968</u>	<u>376,661</u>

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2021	297,396,370	376,661
Shares issued on acquisition of LeasePlan ANZ at \$2.90 per ordinary share (refer note 21)	1 September 2021	<u>44,588,550</u>	<u>129,307</u>
Balance	31 December 2021	<u>341,984,920</u>	<u>505,968</u>

Note 18. Dividends

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Final dividend for the year ended 30 June 2021 of 5.393 cents per ordinary share paid on 9 September 2021 (31 December 2020: 3.053 cents)	16,039	8,004

On 15 February 2022, the Directors declared a fully franked interim dividend for the year ending 30 June 2022 of 8.318 cents per ordinary share, to be paid on 10 March 2022 to eligible shareholders on the register on 24 February 2022. This equates to a total estimated distribution of \$28,446,000 based on the number of ordinary shares on issue as at 31 December 2021. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2021 financial statements and will be recognised in subsequent financial reports.

Note 19. Fair value measurement

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2021	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Investments in listed equity securities	1,142	-	-	1,142
Investment in other companies	-	-	1,330	1,330
Derivative financial instruments - Interest rate swap contracts	-	10,211	-	10,211
Total assets	1,142	10,211	1,330	12,683

Consolidated - 30 Jun 2021	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
Investments in listed equity securities	1,297	-	-	1,297
Investment in other companies	-	-	1,330	1,330
Total assets	1,297	-	1,330	2,627

Liabilities				
Derivative financial instruments - Interest rate swap contracts	-	1,877	-	1,877
Total liabilities	-	1,877	-	1,877

There were no transfers between levels during the financial half-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
Unquoted investments have been valued using a discounted cash flow model.

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 20. Contingent liabilities

Contingent liabilities are not recognised on the statement of financial position but are disclosed where the possibility of settlement is less than probable but more than remote. As at 31 December 2021, the Group did not have any contingent liabilities.

Note 21. Business combinations

Acquisition of LeasePlan Australia and LeasePlan New Zealand ('LeasePlan ANZ')

On 1 September 2021, the Group acquired 100% of the ordinary shares in LeasePlan Australia and LeasePlan New Zealand. The acquisition consideration of \$626,003,000 was settled by way of cash consideration of \$273,000,000 and scrip consideration valued at \$129,307,000. In addition to the acquisition consideration, as part of the transaction, excess cash on the balance sheet and capital invested in the Lease Portfolio totalling \$223,696,000 was repaid to LeasePlan Corporation bringing the total consideration transferred to \$626,003,000.

The fair value of 44,588,550 ordinary shares issued to settle part of the consideration was based on the listed share price of the Company on 1 September 2021 of \$2.90 per share totalling \$129,307,000.

The rationale for the acquisition is to deliver additional scale across operations, funding and procurement, resulting in significant efficiencies which will enable the delivery of a highly competitive offering to customers.

The goodwill of \$154,550,000 is attributable to the expected synergies and cross-selling opportunities that will arise from the acquisition, the future growth prospects of new products and initiatives together with the skill base and operating processes within the acquired entity.

The acquired business contributed revenues of \$166,210,000 and profit before tax of \$12,223,000 (excluding acquisition costs) to the Group for the period from 1 September 2021 to 31 December 2021. If the acquisition occurred on 1 July 2021, the contribution for the period to 31 December 2021 would have been revenues of \$241,160,000 and profit before tax of \$19,192,000 (excluding acquisition costs). In determining these amounts, the profit of LeasePlan ANZ for the period 1 July 2021 to 31 August 2021 was included based on the legacy lease portfolio funding arrangements and capital structure in place at the time and excludes interest on additional acquisition debt and amortisation of customer contracts.

The values identified in relation to the acquisition of LeasePlan are provisional as at 31 December 2021.

Note 21. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	40,884
Finance and trade receivables	569,786
Inventories	8,011
Leased motor vehicle assets	883,626
Property, plant and equipment	2,439
Right-of-use assets	12,958
Customer contracts	81,878
Software	21
Trade payables and other payables	(84,825)
Contract liabilities	(3,128)
Provision for income tax	(8,905)
Deferred tax liability	(30,020)
Employee benefits	(9,729)
Other provisions	(8,148)
Lease liabilities - right-of-use assets	(12,958)
Vehicle maintenance funds	(132,897)
Lease portfolio borrowings	(837,540)
	<hr/>
Net assets acquired	471,453
Goodwill	154,550
	<hr/>
Acquisition-date fair value of the total amount transferred	<u>626,003</u>
Representing:	
Cash paid or payable to vendor	273,000
SG Fleet Group Limited shares issued to vendor	129,307
Repayment of excess cash on balance sheet and capital invested in Lease Portfolio	223,696
	<hr/>
	<u>626,003</u>
Acquisition costs expensed to profit or loss*	<u>9,503</u>
<i>Cash used to acquire business, net of cash acquired:</i>	
Acquisition-date fair value of the total amount transferred	626,003
Less: shares issued by Company as part of consideration	(129,307)
Less: cash and cash equivalents acquired	(40,884)
	<hr/>
Net cash used	<u>455,812</u>

*The acquisition costs in relation to the LeasePlan acquisition of \$9,503,000 (\$8,077,000 net of tax) have been expensed in the statement of profit or loss during the financial half-year. An amount of \$4,922,000 is included within finance costs and \$4,581,000 in other expenses.

Note 22. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Profit after income tax attributable to the owners of SG Fleet Group Limited	<u>29,720</u>	<u>25,497</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	326,960,517	262,159,900
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,593,039	-
Performance rights over ordinary shares	<u>828,371</u>	<u>409,952</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>329,381,927</u>	<u>262,569,852</u>
	Cents	Cents
Basic earnings per share	9.09	9.73
Diluted earnings per share	9.02	9.71

Note 23. Events after the reporting period

Apart from the dividend declared as disclosed in note 18, no other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Reitzer
Chairman

15 February 2022
Sydney



Robbie Blau
Chief Executive Officer



Independent Auditor's Review Report

To the shareholders of SG Fleet Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of SG Fleet Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of SG Fleet Group does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the interim period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2021;
- 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 interim period ended on that date;
- notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises SG Fleet Group Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Rachel Milum

Sydney

15 February 2022

KPMG

Joshua Pearse

Melbourne

15 February 2022