

1. Company details

Name of entity:	SG Fleet Group Limited
ABN:	40 167 554 574
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	21.5% to	526,500
Profit from ordinary activities after tax attributable to the owners of SG Fleet Group Limited	up	41.1% to	41,948
Profit for the half-year attributable to the owners of SG Fleet Group Limited	up	41.1% to	41,948

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2022, declared on 15 August 2022. The final dividend was paid on 8 September 2022 to shareholders registered on 25 August 2022.	6.811	6.811
Interim dividend for the year ending 30 June 2023, declared on 13 February 2023. The interim dividend will be paid on 9 March 2023 to shareholders registered on 23 February 2023.	8.913	8.913

Comments

The profit for the Group after providing for income tax amounted to \$41,948,000 (31 December 2021: \$29,720,000).

For a Review of Operations for the half-year ended 31 December 2022, 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	(15.71)	(23.56)

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

4. Dividend reinvestment plans

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 2023 interim dividend.

5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Interim Report of SG Fleet Group Limited for the half-year ended 31 December 2022 is attached.

7. Signed

As authorised by the Board of Directors



Signed _____

Date: 13 February 2023

Andrew Reitzer
Chairman
Sydney

SG Fleet Group Limited

ABN 40 167 554 574

Interim Report - 31 December 2022

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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 2022.

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
Peter Mountford
Edwin Jankelowitz
Kevin Wundram
Tex Gunning
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

There were no 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 \$41,948,000 (31 December 2021: \$29,720,000).

For a Review of Operations for the half-year ended 31 December 2022, 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

13 February 2023
Sydney



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of SG Fleet Group Limited

As lead auditor for the review of the half year financial report of SG Fleet Group Limited for the half year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of SG Fleet Group Limited and the entities it controlled during the financial period.

Ernst & Young

Glenn Maris
Partner
13 February 2023

SG Fleet Group Limited
Statement of profit or loss
For the half-year ended 31 December 2022

SG Fleet Group

		Consolidated	
	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue	4	523,428	433,128
Interest revenue calculated using the effective interest method		3,072	245
Total revenue		<u>526,500</u>	<u>433,373</u>
Expenses			
Mobility services cost of sale		(9,427)	(9,370)
Vehicle risk cost of sale		(177,178)	(149,408)
Additional product and services cost of sale		(23,977)	(20,256)
Rental and finance cost of sale		(3,543)	(7,592)
Other direct costs		(8,466)	(5,837)
Depreciation and amortisation		(115,315)	(84,775)
Finance costs		(32,866)	(25,019)
Employee benefits expense		(74,428)	(65,679)
Occupancy costs		(1,898)	(1,961)
Technology and communication costs		(12,579)	(9,037)
Other expenses		(7,808)	(10,076)
Total expenses		<u>(467,485)</u>	<u>(389,010)</u>
Profit before income tax expense		59,015	44,363
Income tax expense		<u>(17,067)</u>	<u>(14,643)</u>
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited		<u><u>41,948</u></u>	<u><u>29,720</u></u>
		Cents	Cents
Basic earnings per share	22	12.27	9.09
Diluted earnings per share	22	12.20	9.02

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 2022

SG Fleet Group

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit after income tax expense for the half-year attributable to the owners of SG Fleet Group Limited	41,948	29,720
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation difference for foreign operations	3,204	(2,271)
Effective portion of changes in fair value of cash flow hedges, net of tax	378	8,528
Other comprehensive income for the half-year, net of tax	3,582	6,257
Total comprehensive income for the half-year attributable to the owners of SG Fleet Group Limited	45,530	35,977

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

SG Fleet Group Limited
Statement of financial position
As at 31 December 2022

SG Fleet Group

		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$'000	\$'000
Assets			
Cash and cash equivalents	6	68,128	61,613
Restricted cash	7	170,607	168,820
Finance lease, trade and other receivables	8	674,172	623,221
Inventories	9	26,797	48,496
Derivative financial instruments		44,147	44,094
Prepayments		20,974	20,982
Income tax refund due	5	57,308	5,675
Investments in financial assets at fair value through profit or loss		8,353	6,556
Leased motor vehicle assets	10	1,011,692	967,019
Property, plant and equipment	11	8,825	8,443
Intangibles	12	626,156	630,965
Right-of-use assets	13	23,781	27,846
Total assets		2,740,940	2,613,730
Liabilities			
Trade and other payables	14	221,052	199,596
Derivative financial instruments		210	688
Employee benefits		23,928	22,809
Provisions	15	25,653	23,418
Lease portfolio borrowings	16	1,254,184	1,199,266
Borrowings	17	294,994	292,392
Lease liabilities - right-of-use assets		23,694	27,319
Vehicle maintenance funds		169,450	190,805
Contract liabilities		69,301	62,341
Deferred tax	5	86,044	44,697
Total liabilities		2,168,510	2,063,331
Net assets		572,430	550,399
Equity			
Issued capital		505,968	505,968
Reserves	18	(86,737)	(90,113)
Retained profits		153,199	134,544
Total equity		572,430	550,399

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

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	129,307	-	-	129,307
Share-based payments	-	1,702	-	1,702
Dividends paid (note 19)	-	-	(16,039)	(16,039)
Balance at 31 December 2021	505,968	(108,813)	131,978	529,133
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	505,968	(90,113)	134,544	550,399
Profit after income tax expense for the half-year	-	-	41,948	41,948
Other comprehensive income for the half-year, net of tax	-	3,582	-	3,582
Total comprehensive income for the half-year	-	3,582	41,948	45,530
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 18)	-	(206)	-	(206)
Dividends paid (note 19)	-	-	(23,293)	(23,293)
Balance at 31 December 2022	505,968	(86,737)	153,199	572,430

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$'000	\$'000
			(Restated)*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		563,229	511,796
Payments to suppliers and employees (inclusive of GST)		(354,979)	(354,663)
Cash generated from operations before investment in lease portfolio		208,250	157,133
Acquisition of operating and finance lease assets		(328,886)	(188,044)
Proceeds from disposal of operating lease assets (excluding vehicle risk income)		73,370	40,287
Capital receipts from finance lease assets		96,672	63,029
Interest received		3,072	245
Interest and other finance costs paid		(30,161)	(24,221)
Income taxes paid		(27,753)	(21,357)
Net cash from/(used in) operating activities		(5,436)	27,072
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		-	(455,812)
Payments for property, plant and equipment	11	(2,202)	(1,637)
Proceeds from disposal of property, plant and equipment		58	279
Payments for intangibles	12	(2,804)	(1,588)
Payments for investments		(2,025)	-
Net cash used in investing activities		(6,973)	(458,758)
Cash flows from financing activities			
Share awards settled through direct market acquisition	18	(1,759)	-
Proceeds from borrowings		70,725	1,581,285
Repayment of borrowings		(22,362)	(987,211)
Borrowing costs paid		(184)	(9,558)
Repayment of lease liabilities - right-of-use assets		(3,463)	(4,996)
Dividends paid	19	(23,293)	(16,039)
Net cash from financing activities		19,664	563,481
Net increase in cash and cash equivalents		7,255	131,795
Cash and cash equivalents at the beginning of the financial half-year		230,433	231,117
Effects of exchange rate changes on cash and cash equivalents		1,047	(241)
Cash and cash equivalents at the end of the financial half-year	6,7	<u>238,735</u>	<u>362,671</u>

** Restatement and realignment of comparatives:*

31 December 2021 statement of cash flows has been restated/realigned to the current period presentation. Acquisition and disposal of lease portfolio assets are included within the operating activities above compared to investing activities disclosed in the prior period. As a result, 31 December 2021 net cash flow from operating activities is lower by \$83,524,000 from \$110,596,000 to \$27,072,000. 31 December 2021 net cash used in investing activities improved by \$83,524,000 from an outflow of \$542,282,000 to \$458,758,000. There has been no impact on the net increase in cash and cash equivalents of \$131,795,000 as at 31 December 2021.

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 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 13 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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 2022 and are not expected to have any significant impact for the full financial year ending 30 June 2023.

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

Note 3. 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 4.

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.

Note 3. Operating segments (continued)

Operating segment information

	Australia \$'000	New Zealand \$'000	United Kingdom \$'000	Corporate \$'000	Total \$'000
Consolidated - 31 Dec 2022					
Revenue					
Revenue from contracts with customers	280,728	40,583	36,679	-	357,990
Rental and finance income	113,716	34,182	17,540	-	165,438
Total sales revenue	394,444	74,765	54,219	-	523,428
Interest income	2,409	595	68	-	3,072
Total revenue	396,853	75,360	54,287	-	526,500
EBITDA	149,242	39,630	18,837	(513)	207,196
Depreciation and amortisation	(81,017)	(24,545)	(9,753)	-	(115,315)
Finance costs	(25,288)	(5,826)	(1,752)	-	(32,866)
Profit/(loss) before income tax expense	42,937	9,259	7,332	(513)	59,015
Income tax expense					(17,067)
Profit after income tax expense					41,948
Assets					
Segment assets	2,186,769	366,162	188,009	-	2,740,940
Total assets					2,740,940
Liabilities					
Segment liabilities	1,772,661	261,220	134,629	-	2,168,510
Total liabilities					2,168,510
Consolidated - 31 Dec 2021					
Revenue					
Revenue from contracts with customers	252,659	25,949	32,882	-	311,490
Rental and finance 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
Consolidated - 30 Jun 2022					
Assets					
Segment assets	2,083,931	352,992	176,807	-	2,613,730
Total assets					2,613,730
Liabilities					
Segment liabilities	1,675,983	258,607	128,741	-	2,063,331
Total liabilities					2,063,331

Note 4. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Mobility services income	53,856	52,516
Additional products and services	47,918	42,507
Finance commission	14,406	17,330
Vehicle risk income	237,540	197,040
Other income	4,270	2,097
	<u>357,990</u>	<u>311,490</u>
<i>Other revenue</i>		
Rental and finance income	165,438	121,638
	<u>165,438</u>	<u>121,638</u>
Revenue	<u>523,428</u>	<u>433,128</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Timing of revenue recognition</i>		
Revenue transferred at a point in time - upfront	26,750	30,926
Revenue transferred over time	97,434	86,894
Revenue transferred at a point in time - end of life	233,806	193,670
	<u>357,990</u>	<u>311,490</u>

Revenue from external customers by geographic regions is set out in note 3 operating segments.

Note 5. Income tax and deferred tax

The tax refund amount of \$57,308,000 (30 June 2022: \$5,675,000) has primarily increased due to the Group exercising the 'Temporary full expensing allowance' provided by the Australian Taxation Office ('ATO') which enables the Group to claim an immediate deduction for the cost of an asset in the year it is first used or installed ready for use for a taxable purpose.

During the financial half-year, the Group retrospectively claimed this tax benefit resulting in a higher income tax receivable balance compared to the previous period. As a result, the Group has recognised a corresponding deferred tax liability on the temporary differences arising due to the tax deduction. The net deferred tax liability as at 31 December 2022 increased to \$86,044,000 (30 June 2022: \$44,697,000).

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Cash at bank	<u>68,128</u>	<u>61,613</u>

Note 7. Restricted cash

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Secured deposits	27,646	27,388
Securitisation collection and capital accounts	17,936	11,185
Securitisation reserves	125,025	130,247
	<u>170,607</u>	<u>168,820</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 8. Finance lease, trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Trade receivables	202,325	173,672
Less: Allowance for expected credit losses	(1,535)	(1,218)
	<u>200,790</u>	<u>172,454</u>
Finance lease receivables	474,535	451,938
Less: Allowance for expected credit losses	(1,153)	(1,171)
	<u>473,382</u>	<u>450,767</u>
	<u>674,172</u>	<u>623,221</u>

Note 9. Inventories

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
End-of-term operating lease assets held for disposal	26,809	48,511
Less: Provision for impairment	(12)	(15)
	<u>26,797</u>	<u>48,496</u>

Note 10. Leased motor vehicle assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Lease portfolio assets - at cost	1,102,570	1,033,549
Less: Accumulated depreciation	(90,483)	(66,266)
Less: Impairment	(395)	(264)
	<u>1,011,692</u>	<u>967,019</u>

Note 10. Leased motor vehicle assets (continued)

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 2022	967,019
Additions	210,732
Disposals	(73,370)
Exchange differences	7,911
Depreciation expense	(100,600)
Balance at 31 December 2022	<u>1,011,692</u>

Note 11. Property, plant and equipment

	Consolidated 31 Dec 2022 \$'000	30 Jun 2022 \$'000
Leasehold improvements - at cost	1,886	1,564
Less: Accumulated depreciation	(759)	(991)
	<u>1,127</u>	<u>573</u>
Computer hardware and office equipment - at cost	8,520	11,266
Less: Accumulated depreciation	(4,759)	(7,015)
	<u>3,761</u>	<u>4,251</u>
Motor vehicles - at cost	4,615	4,023
Less: Accumulated depreciation	(678)	(404)
	<u>3,937</u>	<u>3,619</u>
	<u>8,825</u>	<u>8,443</u>

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 2022	573	4,251	3,619	8,443
Additions	634	844	724	2,202
Disposals	-	-	(52)	(52)
Exchange differences	1	5	35	41
Depreciation expense	(81)	(1,339)	(389)	(1,809)
Balance at 31 December 2022	<u>1,127</u>	<u>3,761</u>	<u>3,937</u>	<u>8,825</u>

Note 12. Intangibles

	Consolidated 31 Dec 2022 \$'000	30 Jun 2022 \$'000
Goodwill - at cost	520,562	519,547
Customer contracts - at cost	140,861	140,424
Less: Accumulated amortisation	(51,724)	(44,708)
Less: Impairment	(125)	(125)
	89,012	95,591
Software - at cost	31,876	29,070
Less: Accumulated amortisation	(15,294)	(13,243)
	16,582	15,827
	<u>626,156</u>	<u>630,965</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 2022	519,547	95,591	15,827	630,965
Additions	-	-	2,804	2,804
Exchange differences	1,015	354	2	1,371
Amortisation expense	-	(6,933)	(2,051)	(8,984)
Balance at 31 December 2022	<u>520,562</u>	<u>89,012</u>	<u>16,582</u>	<u>626,156</u>

Note 13. Right-of-use assets

	Consolidated 31 Dec 2022 \$'000	30 Jun 2022 \$'000
Right-of-use assets - at cost	49,345	49,589
Less: Accumulated amortisation	(25,564)	(21,743)
	<u>23,781</u>	<u>27,846</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 \$'000	Motor vehicles \$'000	Others \$'000	Total \$'000
Balance at 1 July 2022	27,134	396	316	27,846
Additions	126	288	-	414
Lease modification and termination	(576)	-	-	(576)
Exchange differences	19	-	-	19
Depreciation expense	(3,706)	(166)	(50)	(3,922)
Balance at 31 December 2022	<u>22,997</u>	<u>518</u>	<u>266</u>	<u>23,781</u>

Note 14. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Trade payables	201,005	178,958
Accrued expenses	20,047	20,638
	<u>221,052</u>	<u>199,596</u>

Trade payables include residual values payable to financiers, which are secured by the underlying operating lease asset and security deposits of \$27,646,000 (30 June 2022: \$27,632,000).

Note 15. Provisions

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Lease make good	4,678	4,785
Residual value risk	11,900	11,492
Other provisions	9,075	7,141
	<u>25,653</u>	<u>23,418</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 \$11,900,000 (30 June 2022: \$11,492,000) 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 16. Lease portfolio borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Lease portfolio borrowings - non-securitised	87,177	65,193
Lease portfolio borrowings - securitised	1,167,007	1,134,073
	<u>1,254,184</u>	<u>1,199,266</u>

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.

Amounts owing to parties to the warehouse are secured by fixed and floating charges over all assets of the securitised 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.

Note 17. Borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Bank loans	299,804	299,723
Capitalised borrowing costs	(4,810)	(7,331)
	<u>294,994</u>	<u>292,392</u>

The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Bank loans	299,804	299,723
Lease portfolio borrowings - non-securitised (note 16)	87,177	65,193
Lease portfolio borrowings - securitised (note 16)	1,167,007	1,134,073
	<u>1,553,988</u>	<u>1,498,989</u>

Corporate borrowings

The bank loan 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.

Financing arrangements

The Group has access to the following lines of credit:

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Total facilities		
Corporate borrowings	413,022	356,721
Lease portfolio borrowings - non-securitised	134,853	197,838
Lease portfolio borrowings - securitised	1,372,089	1,360,552
	<u>1,919,964</u>	<u>1,915,111</u>
Used at the reporting date		
Corporate borrowings	307,543	313,244
Lease portfolio borrowings - non-securitised	87,177	65,193
Lease portfolio borrowings - securitised	1,167,007	1,134,073
	<u>1,561,727</u>	<u>1,512,510</u>
Unused at the reporting date		
Corporate borrowings	105,479	43,477
Lease portfolio borrowings - non-securitised	47,676	132,645
Lease portfolio borrowings - securitised	205,082	226,479
	<u>358,237</u>	<u>402,601</u>

Note 18. Reserves

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Foreign currency reserve	(5,350)	(8,554)
Hedging reserve - cash flow hedges	32,075	31,697
Share-based payments reserve	5,696	5,902
Capital reserve	(119,158)	(119,158)
	<u>(86,737)</u>	<u>(90,113)</u>

Movements in reserves

Movements in each class of reserve during the current financial half-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 2022	(8,554)	31,697	5,902	(119,158)	(90,113)
Foreign currency translation	3,204	-	-	-	3,204
Share-based payments	-	-	1,553	-	1,553
Share awards settled through direct market acquisition	-	-	(1,759)	-	(1,759)
Movement in hedges - gross	-	323	-	-	323
Deferred tax	-	55	-	-	55
Balance at 31 December 2022	<u>(5,350)</u>	<u>32,075</u>	<u>5,696</u>	<u>(119,158)</u>	<u>(86,737)</u>

Note 19. Dividends

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Final dividend for the year ended 30 June 2022 of 6.811 cents per ordinary share paid on 8 September 2022 (31 December 2021: 5.393 cents)	<u>23,293</u>	<u>16,039</u>

On 13 February 2023, the Directors declared a fully franked interim dividend for the year ending 30 June 2023 of 8.913 cents per ordinary share, to be paid on 9 March 2023 to eligible shareholders on the register on 23 February 2023. This equates to a total estimated distribution of \$30,481,000 based on the number of ordinary shares on issue as at 31 December 2022. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2022 financial statements and will be recognised in subsequent financial reports.

Note 20. 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 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in listed equity securities	815	-	-	815
Investment in other companies	-	-	7,538	7,538
Derivative financial instruments - Interest rate swap contracts	-	44,147	-	44,147
Total assets	815	44,147	7,538	52,500
Liabilities				
Derivative financial instruments - Interest rate swap contracts	-	210	-	210
Total liabilities	-	210	-	210

Consolidated - 30 Jun 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in listed equity securities	648	-	-	648
Investment in other companies	-	-	5,908	5,908
Derivative financial instruments - Interest rate swap contracts	-	44,094	-	44,094
Total assets	648	44,094	5,908	50,650
Liabilities				
Derivative financial instruments - Interest rate swap contracts	-	688	-	688
Total liabilities	-	688	-	688

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 21. Contingent liabilities

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

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 22. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit after income tax attributable to the owners of SG Fleet Group Limited	41,948	29,720
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	341,984,920	326,960,517
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	624,893	1,593,039
Performance rights over ordinary shares	1,253,434	828,371
Weighted average number of ordinary shares used in calculating diluted earnings per share	343,863,247	329,381,927
	Cents	Cents
Basic earnings per share	12.27	9.09
Diluted earnings per share	12.20	9.02

Note 23. Events after the reporting period

Apart from the dividend declared as disclosed in note 19, no other matter or circumstance has arisen since 31 December 2022 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 2022 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

13 February 2023
Sydney



Robbie Blau
Chief Executive Officer



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working world**

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Independent auditor's review report to the members of SG Fleet Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of SG Fleet Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year financial report

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



A review of a half-year 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Glenn Maris'.

Glenn Maris
Partner
Sydney
13 February 2023