Annual Report 2017

Eclipx Group Limited
ACN 131 557 901

Transforming into one of Australia's most exciting diversified financial services businesses

Eclipx Group is a diversifying market leader in customer solutions that include fleet leasing and management, consumer finance, commercial equipment finance, online auction services and diversified financial services across Australia and New Zealand.

By leveraging our core capabilities and consolidating our market position, we continue to diversify into high-growth adjacencies, offering unique products and exceptional value for our customers.

Our focus is on providing excellent customer service and value-add solutions for our customers which translates into high growth for our shareholders.

We're committed to putting our customers first through consistent delivery of customer service excellence.

We utilise our market-leading proprietary technology to generate technology solutions that support our customers in our core fleet services, as well as other online and digital services that support our diversifying offer to the marketplace.

A well established, scalable and diverse funding model which provides cost-effective, capital-efficient and innovative funding solutions.

CONTENTS

OUR HISTORY

With 30 years of corporate history, Eclipx Group has developed a strong platform of capabilities.

In the last three years the business has undergone an exciting transformation led by a talented executive team.

1987
Australian company founded as a JV between ANZ and JMJ Fleet

1990
ANZ and Linfox form JV to establish NZ fleet business

1995
ANZ acquires 100% of AVIS Fleet NZ

1996
ANZ acquires 100% of the Australian and NZ JVs

2001
ANZ acquires PL Lease Management

2006
ANZ sold FleetPartners to Nikko Investments

2008
Nikko sold FleetPartners to GIC and Ironbridge

Early 2014
Significant executive reorganisation

Late 2014
Acquisitions of FleetPlus and CarLoans.com.au

Early 2015
Rebrand as Eclipx Group and list on the ASX

Late 2015
Eclipx exceeds FY15 NPATA Prospectus guidance

Early 2016
Acquisition of Right2Drive

Late 2016
Eclipx exceeds FY16 NPATA guidance

Late 2017
Acquisition of GraysOnline

CHAIRMAN'S LETTER

On behalf of the Directors and our talented Eclipx team across Australia and New Zealand, we are pleased to present the Eclipx Group Annual Report for 2017.

Eclipx continues its transformation into an exciting, technology-driven financial services business whose services are in strong demand in both Australia and in New Zealand.

Over the past 12 months, we have experienced strong growth across all our business segments, resulting in:

- $68.3 million cash Net Profit After Tax and Amortisation of intangibles, an increase of 23% on the previous financial year;
- cash Earnings Per Share up 13% to 25.1 cents;
- New Business Writings amounted to $989 million, an increase of 8% over the previous financial year;
- $2.24 billion in Assets Under Management or Financed at year end, an increase of 10% over the previous financial year; and
- at year end, Eclipx had 108,050 Vehicles Under Management or Financed, an increase of 9% on the previous financial year.

These results are the outcome of our commitment to delivering excellent service and outcomes to our customers, to our people and for our shareholders.

The Board has declared a fully franked final dividend of 7.75 cps taking the full financial year dividend to 15.25 cps, up 10.9% on last year. The record date for the final dividend is 29 December 2017, payable on 19 January 2018.

Eclipx Transformation Continues

In a rapidly changing world, we continue to diversify our business across financial services and other high growth adjacencies, embracing technological change and disruption that broadens both our product range and customer reach.

In 2017 we pursued a number of acquisitions and initiatives that complement our market leading fleet, consumer motor finance, accident replacement vehicle rental and equipment financing businesses. Over the past 12 months, Eclipx expanded its market leading suite of complementary products, when in:

- December 2016, Eclipx acquired Onyx car rentals to provide addition scale for the existing Eclipx Right2Drive business, adding a strong presence in the Melbourne market.
- June 2017, Eclipx launched "Georgie", our new car buying business targeting the Australian consumer market, sourcing more than $30 million of new vehicles purchases resulting in significant savings to customers in "Georgie's" first six months of operation.;
- August 2017, Eclipx acquired the ASX listed GraysOnline, a market leading pioneer in online auction of plant, of equipment and of vehicles since the 1990's. Grays currently has a customer base of 750,000 active users submitting 4.3 million bids per annum, with a strong growth trajectory in its core business activities.

Our focus on People and Talent

This past year has also seen a substantial investment in our people. Across our businesses, we initiated a number of career development programs designed to foster our people's curiosity and innovative ability whilst building their management and leadership skills.

As part of that process, we provide broad access to online learning systems that develop technical and business skills.

As was the case with our earlier acquisitions of both CarLoans.com.au and of Right2Drive, our acquisition of GraysOnline injects new talent and considerable industry expertise into Eclipx. I am most pleased to say, we have been successful in retaining this talent post acquisition. Our objective is to continue to expand our base of talented people capable of supporting further business growth and innovation.

Our commitment to employee engagement has remained a top priority at Eclipx and we are proud to see a further improvement in our employee engagement score in 2017. This is the fifth year of surveying our people and we continue to analyse their feedback to refocus our engagement initiatives, to improve our communication with our people, and to refine our change management processes to strengthen our career development offer and employee financial rewards.

I am also pleased to share with you, our investors, that our people surveys confirm our success in making diversity and inclusion a priority at Eclipx. We remain committed to ensuring that we have a work environment free of bias within an inclusive culture. Our staff surveys confirm we have quality, caring managers who always make the safety of our people their highest priority. It is this culture that enables us to attract and retain the very best people.

Workplace health and safety is a key priority at Eclipx. We are committed to providing a risk free environment for the welfare of our employees and for all those associated with us.

Contributing to the communities we operate in is highly valued within Eclipx and our people are encouraged to partner with community organisations, as volunteers.

Across each of our businesses, employees are encouraged to dedicate their personal time, skills and knowledge to a variety of not-for-profit activities. Eclipx itself provides support through the provision of vehicles at no cost to charitable organisations and by matching financial contributions to selected community partners. For example, in September, Eclipx matched a $25,000 employee fundraising initiative for the Cerebral Palsy Alliance.

Ensuring our sustainability

Environmental, societal and corporate governance (ESG) issues continue to be a high priority activity at Eclipx. As a group, we are committed to ESG and have actively promoted fleet solutions that reduce the environmental impact of our customers' vehicles. Eclipx is currently funding in excess of $29 million in reduced emission vehicles at a lower cost to our customers utilising our clean energy funding facility.

Our commitment to innovation

Technological knowledge is fundamental to Eclipx's success and the sustainability of our business. For this reason, in June 2017, the Eclipx Board embarked upon a study tour, meeting with key automotive manufacturers, associations, researchers and suppliers across Germany and Japan. With the assistance of Austrade, this visit was designed to obtain firsthand insights into prevailing automotive trends in innovation and disruption. The tour included visits to leading hubs for the development of future technologies, including electric propulsion, battery storage and vehicle automation.

The understanding gained on this study tour is now feeding into the formulation of Eclipx strategies.

Governance

And finally, a fundamental component of our strategy is the Board's total commitment to embracing the highest possible standards of corporate governance and business ethics.

In closing, I take this opportunity to thank the Eclipx Board, our management and our teams at Eclipx across Australia and New Zealand for their dedication, their commitment and for their passion that combines to deliver the outstanding results that we have reported this year.

Fellow shareholders, your Board is delighted to present its 2017 Annual Report to you as a precursor of exciting and changing times to come. I thank you for your support and I look forward to the next year of working for the benefit of you, our shareholders.

Kerry Roxburgh
Chairman

MANAGING DIRECTOR'S REPORT

It is with great pleasure that I present the Eclipx Group Annual Report for 2017 and report that we have delivered another year of strong growth in our business in both assets under management and earnings with a robust performance across our fleet and consumer businesses.

Eclipx Strategy

Over the last three years we have established a strategic focus to:

- grow our fleet businesses by acquisition (FleetPlus) as well as growing our marketshare in both Australia and New Zealand
- diversify into non-bank financial services businesses by establishing equipment financing and leasing capabilities and acquiring our on-line consumer motor vehicle financing business, CarLoans.com.au
- expand and diversify into high growth adjacencies, including Right2Drive and Onyx Car Rentals in 2016 and GraysOnline more recently in 2017.

Eclipx has built a strong suite of complementary businesses that will provide a multi-touch, multi-customer journey through the vehicle and equipment asset lifecycle.

This strategy is fundamental to developing a strong diversified business capable of growing its market share and taking advantage of the opportunities presented in a period of rapid technological change.

Fleet and Commercial Equipment Leasing

We are pleased to report continued strong asset growth in our Australian and New Zealand fleet businesses driven by continued innovation in technology, excellence in customer service and improvements in End of Lease outcomes.

This has resulted in 10% growth in its Net Profit After Tax and Amortisation ("NPATA") to $51.4 million, with improved operating margins and cost efficiency.

Consumer - CarLoans.com.au, Novated Leasing and Georgie

Our consumer motor financing business, CarLoans.com.au together with our novated leasing businesses, increased assets under management/financed by 16% in FY17 and its NPATA by 11% to $7.9 million.

In 2017, we launched our innovative on-line new vehicle purchasing business, Georgie, which, in its first 9 months of operation, has facilitated the purchase of more than $25 million in new car purchases at discounted rates for more than 500 consumers.

Right2Drive

Our Right2Drive business acquired in June 2016 increased its number of vehicle hires by 91% over the previous financial year, to 33,780, through increasing brand recognition and consumer awareness as well as an expanding number of points of representation across Australia and New Zealand.

Its NPATA increased to $8 million, up significantly from the $1.6 million partial year result reported in FY16.

Acquisition of GraysOnline

On 11 August 2017, we acquired GraysOnline, Australia's largest online auction equipment and vehicle marketplace supporting 750,000 active customers.

The acquisition of GraysOnline represents an exciting and significant opportunity for Eclipx to provide a cross-sell of our finance and insurance products, whilst providing another option to increase the motor and equipment values for our end-of-lease disposals.

GraysOnline contributed $2.5 million Earnings Before Interest, Tax and Depreciation ("EBITDA") and $1.0 million NPATA in the two months of ownership in FY17. The acquisition of GraysOnline is targeted to achieve – post successful integration –$23-25 million EBITDA, with NPATA forecast to be $14.0-15.4 million for the financial year ending 30 September 2018, representing a highly accretive Earnings per Share contribution of 29.7-32.7 cents per share.

Our Customers

Throughout 2017, we continued to strengthen relationships with our customers which was reflected in our Net Promoter Score increasing to +59 from +31 in the previous financial period.

Our relentless focus on delivering exceptional customer service has ensured retention of existing customers and driven new customer growth.

Our People

As a greatly diverse and welcoming organisation, we continue to attract the best talent right across our businesses. We are only as strong as our dedicated and hard-working teams, and across all of Eclipx's businesses we see a passion, drive and commitment to delivering customer service excellence that is the envy of the market.

Across our businesses and geographies, it is this Eclipx culture that sets us apart, with our clear focus on delivering exceptional customer service at the heart of our success.

We have the collective effort of our talented, dedicated teams to congratulate and thank for this year's impressive results.

Doc Klotz
Chief Executive Officer and Managing Director

ECLIPX GROUP POSITIONING

ECLIPX HAS EVOLVED INTO A DIVERSIFIED FINANCIAL SERVICES BUSINESS WITH HIGH GROWTH CAPITAL EFFICIENT ADJACENCIES

FY2014 Traditional Fleet	**FY2016** Diversified Financials	**FY2018** High Growth Adjacencies
Leveraging organic growth and technology	Accessing high growth markets	Disrupting markets
Expanding the new customer pipeline	Leveraging core capabilities and services	First mover advantage
		Complementary businesses

Placing the customer first

- Customer-centricity at the heart of everything we do
- Leveraging customer-centric technology to deliver superior value
- History of success in building and delivering customer centric technology

Leveraging the expertise of our people

- Deep industry experience in banking and financial services
- Unique and unrivalled risk and funding expertise
- Developing innovative solutions for our customers

Diversifying the funding and risk management platform

- Non-fleet acquisitions increasing service income and enhancing capital efficiency
- Creating the most comprehensive funding platform that delivers certainty, capital efficiency and earnings predictability
- Ensuring significant headroom for growth

Generating value throughout the asset lifecycle

- Expanding into disruptive high growth capital light adjacencies
- Repositioning as holistic and integrated asset manager
- Using adjacencies to drive customer and shareholder value through the asset lifecycle

FINANCIAL HIGHLIGHTS

$63.8 **Million** CASH NPAT[1]	23% GROWTH PCP[2]
$989 **Million** NEW BUSINESS WRITINGS[3]	8% GROWTH PCP[2]
$2.24 **Billion** ASSETS UNDER MANAGEMENT[4]	10% GROWTH PCP[2]
15.25 **Cents** DIVIDEND PER SHARE	11% GROWTH PCP[2]
25.1 **Cents** CASH EARNINGS PER SHARE[5]	13% GROWTH PCP[2]

1. CASH NPAT – Cash net profit after tax reflects net profit after tax adjusted for the after tax effect of the amortisation of intangible assets and material one-off items that do not reflect the ongoing operations of the business. Refer to page 70. **2.** PCP – Prior Comparative Period. **3.** New Business Writings excludes sale and leaseback agreements totalling $19.0 million in FY16 and $23.9 million in FY17. **4.** Assets Under Management – assets under management or financed and includes balance sheet and principal and agency funded assets. **5.** Cash Earnings Per Share is defined as each period's Cash NPAT divided by the total weighted number of ordinary shares on issue for that period. Weighted average shares on issue were 249.3 million in FY16 and 271.8 million in FY17. Eclipx issued 47.08 million shares as part of the GraysOnline acquisition on 11 August 2017, bringing total shares on issue to 314.0 million as at 30 September 2017.

Financial year 2017

$ MILLION	FY16 ACTUAL	FY17 ACTUAL	GROWTH PCP
Net Operating Income (NOI)	196.3	**255.3**	30%
Cash NPAT[1]	55.3	**68.3**	23%
New Business Writings (NBW)[2]	913	**989**	8%
AUMOF[3] (closing)	2,035	**2,241**	10%
VUMOF[4] (units)	99,254	**108,050**	9%
Cash EPS[5] (cents)	22.2	**25.1**	13%
Dividend per share[1] (cents)	13.75	**15.25**	11%

We have delivered strong profit growth for the third successive year since listing.

- FY17 NPATA of $68.3 million, +23% pcp with a $1.0 million contribution from GraysOnline during stub period and exceeds FY17 guidance of $65.5 million to $67.0 million
- AUMOF increased $206 million (+10%) to $2.24 billion in FY17 whilst increasing NPATA margin by 29bps over FY16
- NBW increased 8% to $989 million from strong volume growth in Fleet
- Right2Drive increased number of hires by 91% from 17,661 in FY16 (full year) to 33,780 in FY17 with 30 branches now in operation across Australia and New Zealand
- GraysOnline integration on track with previously announced cost rationalisation program substantially completed
- Cash EPS 25.1c, up 13% on FY16. Fully franked final dividend of 7.75 cps to be paid on 19 January 2018
- Diversification of earnings continues with high growth adjacencies contributing an increased share of earnings in FY18
- FY18 guidance of 27-30% increase in NPATA representing EPS growth of 10-12% over FY17

1. CASH NPAT – Cash net profit after tax reflects net profit after tax adjusted for the after tax effect of the amortisation of intangible assets and material one-off items that do not reflect the ongoing operations of the business. Refer to page 70. **2.** PCP – Prior Comparative Period. **3.** New Business Writings excludes sale and leaseback agreements totalling $19.0 million in FY16 and $23.9 million in FY17. **4.** Assets Under Management – assets under management or financed and includes balance sheet and principal and agency funded assets. **5.** Cash Earnings Per Share is defined as each period's Cash NPAT divided by the total weighted number of ordinary shares on issue for that period. Weighted average shares on issue were 249.3 million in FY16 and 271.8 million in FY17. Eclipx issued 47.08 million shares as part of the GraysOnline acquisition on 11 August 2017, bringing total shares on issue to 314.0 million as at 30 September 2017.

BUSINESS OVERVIEW

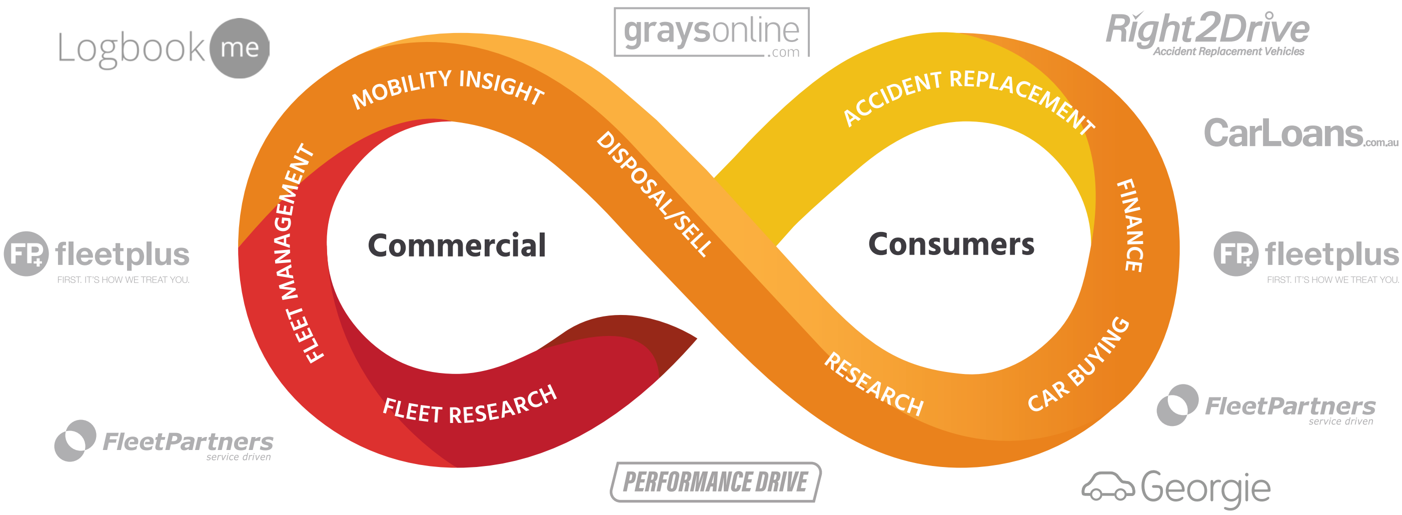
Review of Operations

Eclipx Group is an established leader in vehicle and equipment financing and management and online auction services across Australia and New Zealand and offers consumers, businesses, and governments access to solutions including fleet leasing, fleet management, equipment finance, novated leasing, vehicle sales, consumer motor finance and medium term accident replacement vehicles through our suite of brands and end-to-end technology. We also have one of Australia's largest online auction marketplaces through the GraysOnline suite of websites and provide online auctioneering and associated services to corporates and consumers in Australia and New Zealand. We are listed on the Australian Securities Exchange (ASX) and are included in the S&P/ASX 200 index.

Over the last three years we have established the Eclipx ecosystem, consisting of vertically integrated businesses that service multiple customers through multiple touchpoints. This has enabled us to continue adding shareholder value by diversifying into high growth adjacencies. Our most recent non-fleet acquisitions of Right2Drive in 2016 and GraysOnline in 2017 have unique and disruptive positions in high growth markets and are complementary to our traditional fleet leasing businesses.

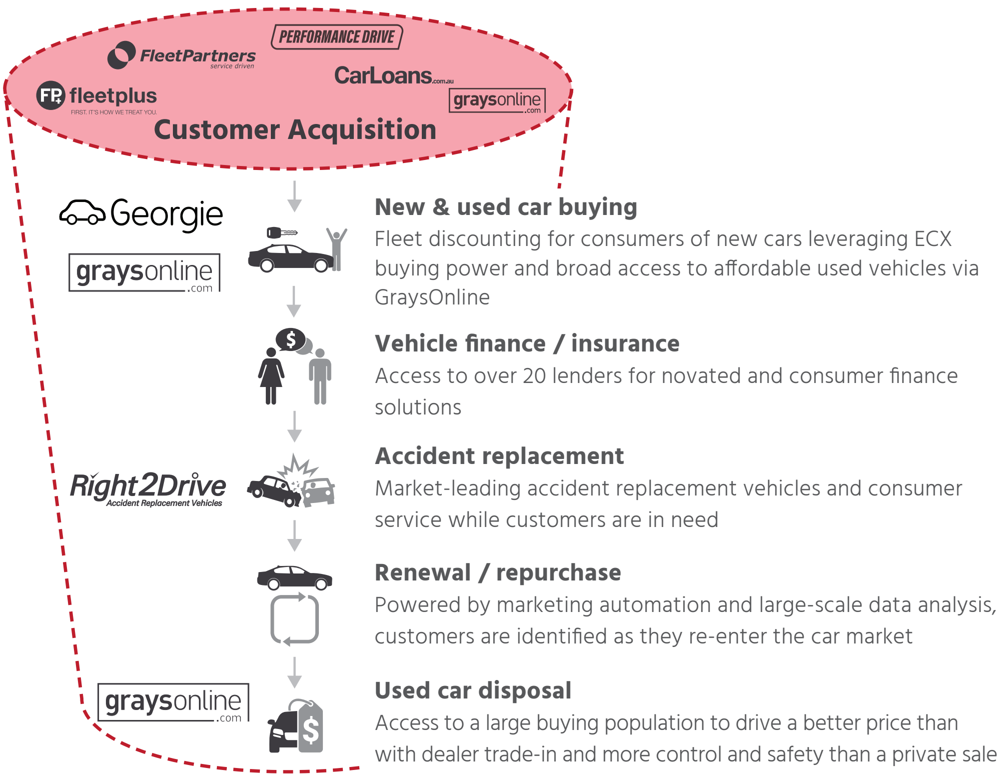
Eclipx's Ecosystem

Eclipx has built a strong suite of complementary businesses that seek to extract value throughout the motor vehicle lifecycle.



Review of Operations

We have established a vertically integrated finance business over the last three years:



We have $2.24 billion of assets under management or finance as at 30 September 2017. Growth of assets under management or finance is a key driver of profitability as new receivables create management, finance and services income streams that are recognised throughout the life of a lease. Profitability is also driven by the provision of vehicle acquisition and financing services to consumers, accident replacement vehicles to not at fault drivers and auction services to consumers and corporates.

Eclipx was structured in three segments for the year ended 30 September 2017:

Australian Commercial (Fleet and Equipment) – this segment comprises our Australian fleet leasing and management businesses (FleetPartners and FleetPlus) and our equipment financing business (Eclipx Commercial). GraysOnline contribution under Eclipx ownership, from 11 August 2017 to 30 September 2017, was recorded in this segment.

New Zealand Commercial – this segment comprises our New Zealand fleet leasing and management businesses (FleetPartners and FleetPlus) and our used vehicle retail sales outlet (AutoSelect).

Australian Consumer – this segment comprises our novated and online consumer loans businesses (FleetPartners, FleetPlus, CarLoans.com.au and Fleet Choice), our medium term car rental business (Right2Drive) and our new vehicle purchasing business (Georgie).

Australia Commercial – continued strong growth in fleet

Our new business writings in the Australian Commercial segment grew by 6% over the prior year to $462 million. Total fleet and commercial assets under management or financed in Australia closed the year at $1,127 million, an increase of 10% on FY2016.

New account wins

Growth throughout FY2017 has been attributed to ongoing roll-on of new account wins, resulting in an annual NPATA growth of 10%, or $40.4 million.

End of lease

Throughout the 2017 financial year we have witnessed ongoing improvements in end of lease disposal proceeds, as a result of reduction in transportation costs, a prudent RV setting, and superior end of lease disposal strategies.

Outlook

We continue to leverage our core capabilities in our fleet management services to drive innovation, revenue and improvements in technology. We are proactively engaging with customers to move them from owned fleets to fully funded and managed fleets, and looking forward to FY2018, where we are expecting high single digit AUMOF growth against stable margins.

New Zealand Commercial – solid performance in a competitive environment

New business writings for our New Zealand operations delivered $192 million in the 2017 financial year. A NPATA growth rate of 10% was driven by increased cost efficiencies (with NPATA outpacing NOI growth of 2%) and a 7% increase in the funded fleet (VUMOF).

Macroeconomic factors

The New Zealand election and decline of the New Zealand dollar created uncertainty throughout the year, resulting in a reduced demand for replacement fleet vehicles. In addition, the ongoing run down of a limited number of FleetSmart customers initiated prior to the Eclipx acquisition contributed to the lower margin managed units in FY2017.

A positive outlook

New business is expected to continue to grow strongly through targeted sales activity in the construction, Government and not-for-profit sectors, and, through the value driven by the expansion of the AutoSelect retail car distribution locations in New Zealand.

Australia Consumer – Right2Drive

Ownership of Right2Drive for the full 2017 financial year achieved a $76.5 million in hire income from an increase in promotional activity and the ongoing expansion of the Right2Drive network throughout Australia and New Zealand.

The success of this is driven by an increased awareness in target segments via direct-to-consumer advertising, online marketing (enhancing the new lead generation), and successful integration of the Onyx car rentals into Right2Drive.

Outlook

Throughout FY2018, Right2Drive plans to continue to expand its network in Australia and New Zealand to 40 locations, co-locating with GraysOnline at selected sites, and continue to drive lead/nurture conversions through digital intelligence and marketing activity.

Acquisition of GraysOnline

On 11 August 2017, we acquired GraysOnline, one of Australia's largest online auction marketplaces through its flagship website, graysonline.com. GraysOnline was listed on the ASX and is focused on providing online auctioneering and associated services to both the corporate and consumer market segments.

GraysOnline earns revenues by capturing a margin on sales through its platform and by providing ancillary services such as valuation and project management services. It facilitates efficient transactions using its own auction technology platform.

GraysOnline has a significant national presence across 40 locations in Australia and New Zealand with over 100,000 assets sold per month, making GraysOnline the number one online auctioneer in Australia.

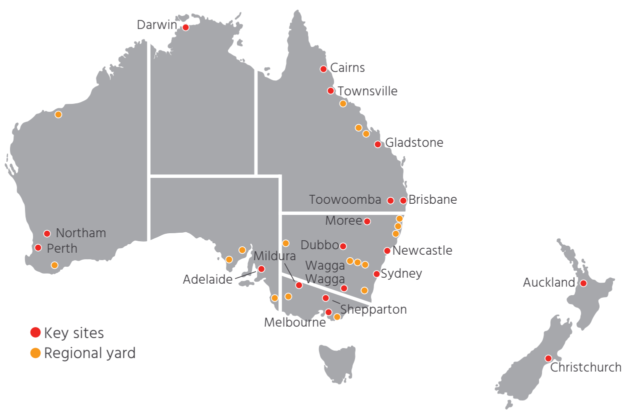
GraysOnline is a significant cash flow business that generates brokerage from buyers and sellers when assets are sold. In the year to 30 June 2017, GraysOnline earned $14.8 million in Earnings before Interest, Depreciation and Amortisation.

$583 million	**38.5 million**	**4.3 million**	**750,000**
FY17 Sales	Visitors	Auction bids	Active users

Highlights

- Since being established in 1989, GraysOnline has been the pioneer in the online auction industry
- #1 online auctioneer nationally, with over 100,000 assets sold per month
- GraysOnline DNA is in industrial, plant and equipment, wine and auto actioneering
- GraysOnline is a significant cash flow business that generates brokerage from buyers and sellers when assets are sold
- GraysOnline remains on track to deliver $23-$25 million EBITDA (NPATA $14.0-15.4 million) in FY18

Significant national presence across 40 locations in Australia and New Zealand



GraysOnline comprises three divisions:

- Plant and Equipment Auction – Australia's largest online plant and equipment marketplace
- Auto Auction – rapidly growing online auto auction marketplace targeting consumers
- GraysWine – Online and telesales wine auction business

The acquisition of GraysOnline represents an opportunity to cross-sell our finance and insurance products to GraysOnline auto and commercial equipment purchasers as well as creating increased optionality for our end of lease disposals. It is also a strategic and synergistic transaction for us.

There are a number of competitive advantages offered to us through GraysOnline's marketplaces as detailed in the table below:

Marketplace	Overview	Competitive advantages
Commercial	▸ Specialising in valuation and sale of industrial and commercial assets, plant and equipment and AV/IT ▸ Servicing major corporations, small to medium enterprises, Government, finance and resource industries ▸ Approximately 65% of sales is from repeat and multi-vendor suppliers	▸ National network of sites serviced by more than 60 BDMs ▸ Scalable online marketplace offering broad industry coverage ▸ Proven performance with clearance rates exceeding 80% ▸ Market leading distribution with access to more than 2 million + customers ▸ Strong partnerships and alliances with all leading global OEMs in AV/IT
Auto	▸ A leading online marketplace for auctioning used vehicles ▸ Approximately 30,000 vehicles were auctioned in the year ended 30 June 2017 ▸ 87% clearance rate of vehicles in the year ended 30 June 2017 ▸ 2 million + unique visitors attracting c.580,000 bids in the year ended 30 June 2017	▸ National distribution footprint ▸ Rapidly growing and diverse vendor network covering (dealerships, dealers and private sellers) ▸ Introduction of complementary value added services

CORPORATE SUSTAINABILITY

Sustainability Highlights

Corporate responsibility and sustainability is a high priority at Eclipx. The primary focus is to ensure robust stewardship of the business and to deliver sustainable long term growth while operating in an ethical and transparent way.

Values and Integrity

Eclipx is committed to maintaining the highest ethical standards in the conduct of its business activities. Eclipx has adopted a Code of Conduct that applies to all Directors and employees, and where relevant and to the extent possible, consultants and contractors of Eclipx. The Code of Conduct outlines how Eclipx expects its representatives to behave and conduct business in the workplace on a range of issues. The Board of Directors, as Eclipx's highest governance body, sets an expectation that Eclipx's values and ethical standards are reflected in Eclipx's operations.

Environment

At Eclipx, we have introduced solutions to help tackle environmental challenges, both by reducing the direct environmental impact of our operations and by collaborating with others to help minimise our indirect footprint.

By partnering with the Clean Energy Finance Corporation (CEFC), we are increasing the uptake of reduced emissions vehicles to accelerate Australia's transformation to a more competitive economy in a carbon constrained world. We now finance over $25 million worth of vehicles in our clean energy funding facility since its establishment in 2015.

We also recycle at all our business locations. Designated bins separate paper, organic and plastic waste for collection and recycling by a third party. Empty toner cartridges and waste containers are recycled through Close the Loop Australia. E-waste is also an important part of the recycling program by responsibly disposing mobile phones, computers and monitors.

These actions help us play a small role in trying to limit global warming to less than two degrees celsius above pre-industrial levels.

Eclipx has not received any fines during the reporting period for non-compliance with environmental laws and regulations.

Diversity and Inclusion

Eclipx strives to attract and retain the highest calibre talent as well as to promote a safe and inclusive work environment for all employees regardless of their gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

Our commitment to ensuring we maintain this culture is evidenced by the findings from our 2017 employee engagement survey. This is the fifth year of surveying our people and they have confirmed that Eclipx visibly makes diversity and inclusion a priority, has quality, caring managers; and always makes safety a priority. It is this culture that enables Eclipx to attract and retain the best talent in the industry.

Eclipx offers a rewarding and flexible work environment that recognises the need to balance work life with personal commitments. As such, Eclipx provides an additional 12 weeks of paid leave for primary carers and provides one week for secondary careers with flexible work options. Eclipx also provides employees with access to an Employee Assistance Program.

Human Capital Development and Retention

Promoting productivity and efficiency through developing our people and maintaining good employee relations is fundamental to maintaining sustainable long-term operations. Eclipx has been conducting a comprehensive employee engagement survey for the past five years and has continued to increase both its engagement score and employee participation. These are important steps in Eclipx's journey to become an "Employer of Choice". The engagement survey is an important measure of our culture and is a key input to the priorities and initiatives in our People Strategy, including investment in learning, effective communication, rewards and recognition. In addition, we regularly conduct employee "Pulse Surveys" to ensure that Eclipx has a channel for obtaining real time feedback and employee insights on various topics.

Approximately 86% of employees receive regular performance and career reviews. The employees that do not receive regular performance and career reviews are casual employees or employees who had less than three months of service at the end of the business year.

Eclipx employees are offered compliance and risk-related training throughout the year. Training courses are provided on the following topics: anti-money laundering, privacy, fraud awareness, anti-bribery and corruption, work health and safety, diversity and equality, cyber security and whistleblower policies and procedures. In FY17, Eclipx's employees completed more than 5,000 hours of training on the above-mentioned topics.

In addition, tailored leadership development programs were run across the business during 2017. It is Eclipx's intention that these foundational units will be built upon during 2018.

Eclipx has also engaged research and advisory firm Corporate Executive Board (now Gartner) to provide all managers with the "Manager Success Workshop Series". This allows Eclipx to accelerate manager development by connecting managers to action-oriented live training, tailored development resources, and a global community dedicated to their success. Eclipx launched an online Manager Success Portal at the end of 2017 to ensure that managers have easy access to valuable resources.

Two of our business units also implemented Lynda.com, which allows employees to learn new business, creative and technology skills with expert-led online video tutorials. Employees have accessed over 650 hours of content since this solution was launched.

Health & Safety

Occupational health and safety management is another very important aspect of Eclipx's operations. Eclipx aims to create and maintain a safe working environment for all employees, contractors, customers and visitors.

In order to achieve this, Eclipx complies with relevant health and safety laws and regulations through a health and safety management system to support planned, orderly and effective control over health and safety issues.

We also ensure that our people are held accountable and responsible for work health safety performance and proactively manage health and safety risks through identifying hazards, reporting near misses and carrying out risk assessments to eliminate or control those hazards.

Community Support

Contributing to the communities in which we operate is also valued by our people. Across our businesses employees dedicate time, skills and knowledge to various not-for-profit activities. Eclipx also provides support through the provision of vehicles at no cost to select organisations or matched giving to chosen community partners. An example of this is September, an initiative of the Cerebal Palsy Alliance, which saw Eclipx rank in the Top 10 Australian companies for our employee fundraising of $25,000, which Eclipx matched.

We also give back to the community by donating to charities throughout our businesses. FleetPlus provides a vehicle to Sydney Story Factory, a not-for-profit creative writing centre for marginalised young people. FleetPartners New Zealand, in conjunction with Mazda, has a longstanding partnership of 15 years with Duffy Books that aims to increase the literacy levels of marginalised children. Right2Drive organised a vintage car tour day for the Bandaged Bear Appeal, which helps raise funds for the patients of the Children's Hospital at Westmead, in association with Westmead Children's Hospital.

Corporate Governance

At Eclipx, our Board is committed to implementing the highest possible standards of corporate governance. The Board's underlying commitment to excellence is enshrined in its approach to governance.

The Board believes that sound governance is fundamental to the ongoing success and growth and wherever possible, that its practices are consistent with the Second Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations. To support these principles, Eclipx has a two-level governance framework which governs policies and procedures. In addition, we have established distinct management committees, each of which has a dedicated charter which outlines the purpose, responsibilities, composition, guidelines and source of decision-making authority.

The Asset Risk Committee reviews and approves the parameters in taking asset risk and residual values. The Risk and Work Health and Safety Committee identifies, assesses and reviews the key enterprise risks and relevant mitigating control activities and their effectiveness in accordance with our Risk Management Framework, including work health and safety and regulatory compliance. The Project Steering Committee governs the approval, scheduling and execution of new project initiatives and has oversight of all discretionary work undertaken.

The Board reviews the governance framework periodically to ensure we continue to uphold the highest governance standards.

As part of our commitment to corporate responsibility and sustainability, Eclipx is also adopting a scorecard to measure our performance and track our progress to this end.

CORPORATE SUSTAINABILITY SCORECARD

CUSTOMERS	FY17	FY16
Net Promoter Score (Average monthly score)	37	31

STAKEHOLDERS	FY17	FY16
Donations and sponsorships ($ thousands)	88.6	39.7
Company-sponsored staff volunteering (hours)	481	106

ENVIRONMENT	FY17	FY16
CEFC eligible vehicles financed (number)	1,123	544
CEFC eligible vehicles financed ($ millions)	29.0	14.5

RESPONSIBLE CORPORATE GOVERNANCE	FY17	FY16
Employee engagement score (%)	70	64
Lost time injury frequency rate (AS1885.1-1990)	2.0	1.7

STAFF TURNOVER	FY17	FY16
Voluntary (%)	18	24
Involuntary (%)	2	4

EMPLOYEE GENDER DIVERSITY

	FY17		FY16	
Group	**M**	**F**	**M**	**F**
Board (%)	86	14	86	14
Group Executive (%)	94	6	100	0
Management (%)	67	33	68	32
Individual (%)	60	40	56	44
Australia Only	**M**	**F**	**M**	**F**
Management (%)	67	33	68	32
Individual (%)	61	39	58	42
New Zealand	**M**	**F**	**M**	**F**
Management (%)	64	36	67	33
Individual (%)	54	46	48	52

EMPLOYEE AGE DIVERSITY (%)

<20	20-29	30-39	40-49	50-59	60+
2.19%	28.59%	30.01%	21.80%	13.69%	3.72%

*FY17 figures are as at 30 September 2017 and exclude GraysOnline

BOARD OF DIRECTORS

KERRY ROXBURGH, BCOM, MBA, MESAA

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

Mr Kerry Roxburgh is a Stockbrokers And Financial Advisers Association of Australia - Practitioner Member.

Kerry is Chairman of Eclipx Group Ltd and of Tyro Payments Ltd. He is the Lead Independent Non-Executive Director of Ramsay Health Care, and a Non-Executive Director and Investment Committee Chairman of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. After 10 years as Chairman of the Charter Hall Group, he retired from that Group at their AGM in November 2014 and after 20 years as Chairman, on 31 December 2015 he retired from the Board of Tasman Cargo Airlines.

In 2000, Kerry completed a 3-year term as CEO of the online stockbroker, E*TRADE Australia (a business that he co-founded in 1997), becoming its Non-Executive Chairman until June 2007, when it was acquired by the ANZ Bank.

Prior to this appointment he was an Executive Director of HSBC Bank Australia where for 10 years from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia.

GAIL PEMBERTON, MA, FAICD

Independent Non-Executive Director since 26 March 2015

Gail Pemberton was appointed to the Eclipx Board as a Non-Executive Director on 26 March 2015.

Gail has more than 35 years' experience in banking and wealth management, and is a specialist in technology and operations.

Gail is currently Chairman of Melbourne IT Ltd and a Non-Executive Director of PayPal Australia Pty Ltd.

She was previously Chairman of OneVue and Onthehouse, and served on the Board of Alleron Funds Management, Air Services Australia, the Sydney Opera House Trust, Harvey World Travel and UXC Ltd.

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

Independent Non-Executive Director since 26 March 2015

Trevor Allen was appointed to the Eclipx Board as a Non-Executive Director on 26 March 2015.

Trevor has more than 40 years of corporate and commercial experience, primarily as a corporate and financial adviser to Australian and international corporates. He is a Fellow of the Australian Institute of Company Directors.

Trevor is currently a Non-Executive Director of Brighte Capital Pty Ltd (after retiring as Chair in November 2017), Freedom Foods Group Ltd, Peet Limited, Peet Funds Management Limited, Peet Flagstone Pty Ltd, Yowie Group Limited and Yowie Hong Kong Holdings Limited. He is a Non-Executive Alternate Director, Company Secretary and Public Officer of Australian Fresh Milk Holdings Pty Limited and Fresh Dairy One Pty Limited.

Trevor was previously a Non-Executive Director of the Juvenile Diabetes Research Foundation, a member of FINSIA's Corporate Finance Advisory Committee for 10 years, and a board member of AON Superannuation Pty Ltd.

RUSSELL SHIELDS, FAICD, SA FIN

Independent Non-Executive Director since 26 March 2015

Russell Shields was appointed to the Eclipx Board as a Non-Executive Director on 26 March 2015.

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

Russell is currently a Non-Executive Director of Aquis Entertainment Limited, Aquis Canberra Limited, Casino Canberra Limited, Holsmere Pty Ltd and Retail Food Group Ltd.

Previously, Russell was the Chairman of Onyx Property Group Pty Ltd.

GREG RUDDOCK, BCOM

Non-Executive Director since 26 March 2015, Chairman to 26 March 2015

Greg Ruddock was appointed to the Eclipx Board as a Non-Executive Director on 26 March 2015, following his previous tenure as Chairman of Eclipx.

Greg has 14 years' private equity experience with Gresham Private Equity and Ironbridge. He is currently the Joint Chief Executive Officer of Ironbridge and co-leads investment and portfolio management activities.

Greg is currently Chairman of Navigator Resources Limited and Non-Executive Director of Carp Advisory B Pty Ltd, Ironmonger Holdings Pty Ltd, Mascot Marine Holdings Pty Ltd, Super A-Mart Acquisitions Pty Ltd, Super A-Mart Finance Pty Ltd, Super A-Mart Holdco Pty Ltd, The Galore Group (Australia) Pty Ltd, Prospa Advance Pty Ltd and IPMB Capital Partners Pty Ltd.

DOC KLOTZ

Chief Executive Officer and Managing Director since 27 March 2014

Doc Klotz was appointed Chief Executive Officer, Managing Director and Executive Director of Eclipx on 27 March 2014.

Doc has over 25 years' experience in senior executive roles in the financial services and travel industries in Australia, New Zealand and the United States.

Prior to joining Eclipx, Doc was Head of Global Operations at FlexiGroup, an ASX 200 company. He also has senior executive experience with Travel Services International, Hotels.com and Expedia, Inc. in the United States.

GARRY McLENNAN, BBUS, CPA, FAICD

Deputy Chief Executive Officer and Chief Financial Officer since 27 March 2014

Garry McLennan was appointed Deputy Chief Executive Officer, Chief Financial Officer and Executive Director of Eclipx on 27 March 2014.

Garry has over 35 years of experience in financial services including five years as Chief Financial Officer at FlexiGroup, an ASX 200 company.

Prior to his time at FlexiGroup, Garry spent 23 years at HSBC Bank Australia where he was Chief Financial Officer and subsequently Chief Operating Officer. He has previously served on the Board of HSBC Bank Australia and The Australian Banking Industry Ombudsman Ltd.

CORPORATE DIRECTORY

Eclipx Group Limited

ACN 131 557 901

Eclipx Group is listed on the Australian Securities Exchange under the ASX code of ECX.

Directors

Kerry Roxburgh – Chairman
Trevor Allen
Doc Klotz
Garry McLennan
Gail Pemberton
Greg Ruddock
Russell Shields

Group General Counsel and Company Secretary

Matthew W. Sinnamon

Registered office and principal administration office

Level 32, 1 O'Connell Street
Sydney, NSW, 2000
Australia
Tel: +61 2 8973 7272
Fax: +61 2 8973 7171

Share registry

Link Market Services Limited
Level 12, 608 George Street,
Sydney South, NSW 2000
Australia
Tel: +61 2 8280 7100
Fax: +61 2 9287 0303

Auditor

KPMG
Tower 3, International Towers Sydney
300 Barangaroo Avenue, NSW 2000
Australia
Tel: +61 2 9335 7000
Fax: +61 2 9335 7001

Corporate Governance Statement

A copy of the Eclipx Corporate Governance Statement is available at:

http://investors.eclipxgroup.com/Investor-Centre/?page=Corporate-Governance

FINANCIAL REPORT

For the year ended 30 September 2017

CONTENTS

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as Group or Eclipx) consisting of Eclipx Group Limited (Company) and the entities it controlled at the end of, or during, the year ended 30 September 2017.

1. Directors

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

KERRY ROXBURGH

BCOM, MBA, MeSAFAA

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

Mr Kerry Roxburgh has more than 50 years' experience in the financial services industry. He is Chairman of Tyro Payments Ltd. He is the Lead Independent Non-Executive Director of Ramsay Health Care Ltd, a Non-Executive Director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. Until 30 September 2016, he was also a member of the Advisory Board of AON Risk Solutions in Australia.

He was previously CEO of E*TRADE Australia and was subsequently Non-Executive Chairman until June 2007, when it was acquired by ANZ Bank. Prior to his time at E*TRADE, Kerry was an Executive Director of HSBC Bank Australia where, for 10 years, he held various positions including Head of Corporate Finance and Executive Chairman of HSBC James Capel Australia.

Prior to HSBC, he spent more than 20 years as a Chartered Accountant with HLB Mann Judd and previously at Arthur Andersen.

He is a Practitioner Member of the Stockbrokers and Financial Advisers Association of Australia.

In addition to Eclipx Group Ltd, during the last three years Kerry also served as a Director for the following listed companies: Ramsay Health Care Ltd (appointed July 1997) and Charter Hall Ltd (retired November 2014).

GAIL PEMBERTON

MA (UTS), FAICD, GCERT FIN

Independent Non-Executive Director since 26 March 2015

Ms Gail Pemberton has more than 35 years' experience in banking and wealth management and is a specialist in technology and operations.

Prior to taking up a Non-Executive Director career, Gail was Chief Operating Officer, UK at BNP Paribas Securities Services and CEO and Managing Director, BNP Paribas Securities Services, Australia and New Zealand. She was previously Group CIO, and subsequently Financial Services Group COO at Macquarie Bank.

Her current board roles include Chairman of OneVue Ltd and Melbourne IT Ltd. She is a Non-Executive Director of PayPal Australia Pty Ltd.

She previously was Chairman of Onthehouse, and served on the board of Alleron Funds Management, Air Services Australia, the Sydney Opera House Trust, Harvey World Travel, UXC Ltd and Queensland Investment Corporation. She has also provided independent consulting services to the NSW Government Department of Premier and Cabinet on their Corporate and Shared Services reform program.

In addition to Eclipx Group Ltd, during the last three years Gail also served as a Director for the following listed companies: OneVue Ltd (appointed 2007) and Melbourne IT Ltd (appointed May 2016).

TREVOR ALLEN

BCOM (HONS), CA, FF, MAICD

Independent Non-Executive Director since 26 March 2015

Mr Trevor Allen has 39 years' of corporate and commercial experience, primarily as a corporate and financial adviser to Australian and international corporates.

He is a Non-Executive Director of Peet Ltd, Freedom Foods Group Ltd and Yowie Group Ltd. He is a Non-Executive Alternate Director, Company Secretary and Public Officer of Australian Fresh Milk Holdings Pty Ltd and Fresh Dairy One Pty Ltd. Trevor is a director of Brighte Capital Pty Ltd. Until August 2016 he was a board member of Aon Superannuation Pty Ltd, the trustee of the Aon Master Trust. He was a member of FINSIA's Corporate Finance Advisory Committee for 10 years up until December 2013.

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

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

In addition to Eclipx Group Ltd, during the last three years Trevor also served as a Director for the following listed companies: Peet Ltd (appointed April 2012), Freedom Food Group Ltd (appointed July 2013) and Yowie Group Ltd (appointed March 2015).

RUSSELL SHIELDS

FAICD, SA FIN

Independent Non-Executive Director since 26 March 2015

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

He is a Non-Executive Director of Aquis Entertainment Ltd and Retail Food Group Ltd. Previously Russell was the Chairman of Onyx Property Group Pty Ltd.

Prior to joining ANZ, he held senior executive roles with HSBC including Managing Director Asia Pacific - Transport, Construction and Infrastructure and State Manager Queensland, HSBC Bank Australia.

In addition to Eclipx Group Ltd, during the last three years Russell also served as a Director for the following listed companies: Aquis Entertainment Ltd (appointed August 2015) and Retail Food Group Ltd (appointed December 2015).

GREG RUDDOCK

BCOM (UWA)

Non-Executive Director since 26 March 2015, Chairman to 26 March 2015

Mr Greg Ruddock is the Joint Chief Executive Officer of Ironbridge and co-leads investment and portfolio management activities. He has 14 years' of private equity experience with Gresham Private Equity and Ironbridge.

Prior to joining Ironbridge, he spent seven years with Wesfarmers in mergers and acquisitions, five years with Kalamazoo Ltd in various senior roles, and four years as Director of Gresham Private Equity.

Greg has represented the Ironbridge Funds on the boards of Stardex, Super Amart, BBQs Galore, Easternwell, ISGM and AOS.

In addition to Eclipx Group Ltd, during the last three years Greg also served as a Director for the following listed company: Navigator Resources Ltd (appointed February 2016).

1. Directors (continued)

IRWIN ('DOC') KLOTZ

Chief Executive Officer and Managing Director since 27 March 2014

Mr Doc Klotz has over 25 years' experience in senior executive roles in the financial services and travel industries in Australia, New Zealand and the United States.

Prior to joining Eclipx in 2014, he was Head of Operations at FlexiGroup, an ASX 200 company (ASX: FXL).

He has senior executive experience with Travel Services International, Hotels.com and Expedia, Inc. in the United States.

GARRY McLENNAN

BBUS (UTS), CPA, FAICD

Deputy Chief Executive Officer and Chief Financial Officer since 27 March 2014

Mr Garry McLennan has over 35 years' of experience in financial services including five years as Chief Financial Officer at FlexiGroup, an ASX 200 company (ASX: FXL).

Prior to his time at FlexiGroup, he spent 23 years at HSBC Bank Australia where he was Chief Financial Officer and subsequently Chief Operating Officer. He has previously served on the board of HSBC Bank Australia and The Australian Banking Industry Ombudsman Ltd.

Garry currently serves on the Board Audit Committee of Intersect, a full-service eResearch support agency.

2. Company Secretary

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

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

3. Directors' Meetings

The table below sets out the numbers of meetings held during the 2017 financial year and the number of meetings attended by each Director. During the year eight Board meetings, six Audit and Risk Committee meetings and four Remuneration and Nomination Committee meetings were held.

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Kerry Roxburgh	8	8	6	6	4	4
Gail Pemberton	8	8	–	–	4	4
Trevor Allen	8	8	6	6	4	4
Russell Shields	8	8	6	6	–	–
Greg Ruddock	8	8	6	6	–	–
Garry McLennan	8	8	–	–	–	–
Doc Klotz	8	8	–	–	–	–

4. Review of operations

Business acquisitions

On 18 November 2016 Eclipx acquired Anrace Pty Ltd trading as Onyx Car Rentals (Onyx). The principal activity of the business acquired is the provision of rental replacement vehicles to "not at fault" drivers that have accident damaged cars requiring repair. The business was acquired to accelerate the expansion in the Victorian medium term vehicle rental market. Onyx recorded a profit before tax of $2.4m for the period under review.

On 11 August 2017 Eclipx acquired Grays eCommerce Group Ltd (Grays). The principal activity of the business acquired is the provision of online auctioneering and valuation services in the industrial B2B sector together with online auctioneering and other online retail services in the B2C sector. The business was acquired to diversify earnings with an organisation that would integrate vertically and allow the Group to cross sell current and future offerings. Grays recorded a profit before tax of $1.7m for the period under review.

Principal activities

Eclipx is a diversified financial services organisation that provides complete fleet management services, corporate and consumer asset backed finance, medium term vehicle rentals and online auctioneering and associated services to the Australian and New Zealand market. As at 30 September 2017 Eclipx managed or financed in excess of 108,000 vehicles across Australia and New Zealand.

In Australia the Group operates under eight primary brands: FleetPartners, FleetPlus, FleetChoice, CarLoans.com.au, Right2Drive, Eclipx Commercial, Onyx and GraysOnline.com.

In New Zealand the Group operates under five primary brands: FleetPartners, FleetPlus, CarLoans.co.nz, Right2Drive and AutoSelect.

Business model

Eclipx generates revenue in different ways across its brands that can broadly be split as below:

- Eclipx-funded model (used primarily by FleetPartners and Eclipx Commercial) is where Eclipx purchases vehicles to lease to customers and earns a spread, or net interest income, being the difference between the interest income it receives from customers and its cost of funds. Eclipx recognises net interest income over the life of the lease;
- Third-party-funded model (used primarily by FleetPlus, FleetChoice and CarLoans) is where Eclipx acts as a broker or agent that arranges vehicle financing for the customer from third party banks and financial institutions. Under this model, as compensation for originating new business, Eclipx earns part of its revenue from upfront brokerage commissions paid by the third-party funders;
- Eclipx earns management and maintenance fees, ancillary revenue from related products and services and end of lease income; and
- Vehicle rental (Right2Drive, Onyx) is where Eclipx rents motor vehicles to "not at fault" drivers that have accident damaged vehicles; and
- Auction proceeds (Grays) would include commissions earned on auctions, recovery of agreed costs associated with the auction and revenue on the sale of goods where Grays acquired the goods for resale purposes.

Eclipx believes Net Operating Income is a key measure of financial and operating performance for its businesses as it takes into account the direct costs incurred in generating gross revenue.

The origination of new business is a key driver of profitability and the group targets growth through business-to-business relationships and online and word of mouth business-to-consumer. The Group drives profitability by managing revenue, income generating assets, credit quality and operating expenses.

The core capabilities of Eclipx are:

Vehicle, fleet and asset management	Eclipx supports its core vehicle fleet leasing activities by offering customers a broad range of vehicle management services, including initial vehicle procurement, ongoing maintenance, supply management and contract amendments during and at the end of a lease. Eclipx also enhances the value of its products and quality of service to customers by leveraging economies of scale and relationships with third party suppliers.
Online auctioneering	Eclipx through the Grays acquisition has nearly 17 years of online auctioneering experience, with Grays being the largest industrial and commercial online auction business in the Asia-Pacific region. Grays has national coverage across Australia and an international network which allows Grays to access networks of buyers and sellers in Asia, the Middle East, Africa and Europe. The extensive coverage allows Grays to access a wide client base and achieve in excess of 38.5m visitors to its site annually.
Credit risk assessment and management	Eclipx draws on nearly 30 years of operating experience, a wealth of proprietary data (including customer credit performance, arrears management, loss rates, and recovery rates), and external credit reporting data from local credit bureaus, to assess the credit risk of customers. The proprietary data and experience assists Eclipx in pricing transactions and estimating the quantum of potential credit losses. Eclipx's credit risk assessment team operates independently from the sales teams with established processes to ensure formal credit policies are followed. Technology and credit scorecards are used to enable prompt credit decision making and control the consistency of assessment.
Treasury and access to funding	Eclipx needs access to funding in order to purchase vehicles that it leases to its customers. Eclipx utilises facilities called warehouse facilities (which in turn may be refinanced through the issuance of asset backed securities), corporate debt and cash. In the broker funding model, Eclipx arranges funding for customers from third party banks and other funders (under principal and agency arrangements or introducer arrangements).
Residual value risk management	Eclipx typically sells a vehicle at the end of the lease and seeks to recover net proceeds equal to or greater than the residual value. In order to manage residual value risk, Eclipx seeks to estimate accurately future used car values with the assistance of a proprietary algorithm, actively monitor car usage and maintenance to manage in-life lease modifications and maximise end of lease sale proceeds.
Technology	Customer-focused technology solutions and innovation are critical components of Eclipx's business model. They assist Eclipx in providing a competitive and attractive proposition to customers. Technology solutions are focused both on delivering value or services to customers (e.g. through faster processing times), and on streamlining internal operations to improve efficiency and risk management. Eclipx has commenced and is intending to continue to drive efficiency improvements to make IT innovation a competitive advantage by upgrading and consolidating IT platforms, infrastructure and apps.
Sales and distribution	Eclipx seeks to create a customer-centric, service-driven, culture, supported by aligned commission and incentive structures for staff, and a multi-channel and multi-brand sales and customer acquisition strategy.

4. Review of operations (continued)

Group Financial Performance

The table below shows the key financial performance metrics for the 2016 financial year of the Group and its segments:

	Australia Commercial		Australia Consumer		Total		New Zealand Commercial		Total	
	2017 $'m	2016 $'m	2017 $'m	2016 $'m	2017 $'m	2016 $'m	2017 $'m	2016 $'m	2017 $'m	2016 $'m
Net operating income before operating expenses after impairment charges	135.9	112.4	79.6	45.1	215.5	157.5	39.7	38.8	255.2	196.3
Depreciation and amortisation of non financial assets	(2.5)	(1.7)	(1.4)	(0.6)	(3.9)	(2.3)	(0.5)	(0.3)	(4.4)	(2.6)
Operating expenses	(69.6)	(54.9)	(53.9)	(30.9)	(123.5)	(85.8)	(22.2)	(22.3)	(145.7)	(108.1)
Profit before tax, non-recurring costs and interest	**63.8**	**55.8**	**24.3**	**13.6**	**88.1**	**69.4**	**17.0**	**16.2**	**105.1**	**85.6**
Holding company debt interest	(5.8)	(3.8)	(1.6)	(1.2)	(7.4)	(5.0)	(1.8)	(2.3)	(9.2)	(7.3)
Adjustments and amortisation of intangible assets	(16.4)	(7.6)	(3.0)	(5.4)	(19.4)	(13.0)	(0.6)	(0.5)	(20.0)	(13.5)
Tax	(11.7)	(13.1)	(6.0)	(2.1)	(17.7)	(15.2)	(4.0)	(3.7)	(21.7)	(18.9)
Statutory net profit after tax	**29.9**	**31.3**	**13.7**	**4.9**	**43.6**	**36.2**	**10.6**	**9.7**	**54.2**	**45.9**
Material one-off adjustments not reflecting ongoing operations (post tax)	8.2	2.7	0.2	2.5	8.4	5.2	0.0	0.1	8.4	5.3
Intangibles amortisation (post tax)	3.3	2.6	2.0	1.3	5.3	3.9	0.4	0.2	5.7	4.1
Cash net profit after tax	**41.4**	**36.6**	**15.9**	**8.7**	**57.3**	**45.3**	**11.0**	**10.0**	**68.3**	**55.3**

Whilst a non-IFRS measure, cash net profit after tax (Cash NPATA) reflects net profit after tax adjusted for the after tax effect of the amortisation of intangible assets and material one off adjustments or costs that do not reflect the ongoing operations of the business. The material one off adjustment for 2017 is for costs associated with acquisitions and significant business restructuring. The adjustment for 2016 relates to costs associated with acquisitions and significant debt and business restructuring.

Net operating income before operating expenses after impairment charges

Net operating income before operating expenses after impairment charges is $58.9m favourable to the prior period. The favourable variance has been achieved by: an increase in the volume of new business writings; the growth of Right2Drive and the contribution of Right2Drive for the full financial year; an increase in selling prices of vehicles that have been returned at the end of the lease; and contribution from the Grays acquisition.

Operating expenses

Operating expenditure has increased $37.6m compared to the prior period. The increase in operating expenditure is predominantly as a result of the acquisition of Right2Drive that occurred in May 2016 and resulted in part year consolidation in 2016 and a full year consolidation in 2017, coupled with the growth in Right2Drive. The 2017 operating expenditure includes operating costs of Grays as from the date of acquisition.

4. Review of operations (continued)

Holding company debt interest

The increase of $1.9m to the prior period is as a result of the incremental borrowings under the facility. The amounts drawn under the facility increased from $130.0m to $246.2m. The increase in holding company debt interest of $1.9m would only relate to the portion of holding company debt that was not allocated to the funding of leases through the warehouse funding structure.

Adjustments and amortisation of intangible assets

The Group incurred costs that are not reflective of the Group net profit relating to the ongoing operations of the business. The adjustments for 2017 relate to costs incurred as a result of the business acquisitions of Grays and Onyx and the restructuring of Grays. The table below shows the value of adjustments for 2017 and 2016:

Cost description	2017 $'m	2016 $'m
Transaction and restructuring costs	**12.0**	5.1
Replacement of holding company debt	**–**	2.5
Amortisation of intangibles	**8.0**	5.9
	20.0	13.5

The transaction and restructuring costs for 2017 consists of $3.4m costs associated with the restructuring of Grays as the business exits unprofitable lines and integrates into Eclipx. Eclipx incurred $8.3m of acquisition related costs with the acquisition of Grays and $0.3m associated with the acquisition of Onyx.

The transaction and restructuring costs for 2016 relate to costs incurred as a result of the business acquisitions of Right2Drive and FleetSmart and restructuring of the business. Replacement of holding company debt reflects the costs associated with the early termination of the corporate debt originated in 2015.

Statutory net profit after tax

The statutory profit for 2017 has increased to $54.2m; this represents a growth of $8.3m against the prior period. The predominant factors attributed to this growth are:

- Full period contribution and growth of Right2Drive;
- Expansion through acquisition of Grays;
- Growth in the fleet and equipment finance; and
- Incremental costs associated with the acquisition and restructure of Grays.

Cash net profit after tax

Eclipx has increased Cash NPATA by $13.0m or 23.5%. The growth in Cash NPATA is a result of growth in the fleet and equipment finance, expansion through acquisition of Grays and full period contribution and growth of Right2Drive. The growth in revenue was partially offset by growth in operating expenses and increased bad debts.

4. Review of operations (continued)

Segment results

In the accompanying financial report and consistent with prior periods, Eclipx has identified and disclosed the results of three operating segments:

	Australia Commercial	Australia Consumer	New Zealand Commercial
Description	• Vehicle fleet leasing and management business in Australia. • Commercial equipment finance and leasing. • Auctioneering and valuation services.	• Online broker facilitating consumer financing for vehicles in Australia. • Consumer novated leasing business in Australia. • Medium term rental to "not at fault drivers".	• Vehicle fleet leasing and management business in New Zealand. • Used vehicle retail sales. • Medium term rental to "not at fault drivers".
Brands	• FleetPartners • FleetPlus • Eclipx Commercial • GraysOnlline.com	• FleetPartners • FleetPlus • FleetChoice • CarLoans.com.au • Right2Drive • Onyx	• FleetPartners • FleetPlus • AutoSelect • CarLoans.co.nz • Right2Drive
Net operating income	53.3%	31.1%	15.6%
$ Million	**$135.9m**	**$79.6m**	**$39.7m**
Contribution to Cash NPATA	60.6%	23.3%	16.1%
$ Million	**$41.4m**	**$15.9m**	**$11.0m**

4. Review of operations (continued)

Australia Commercial

The Australia Commercial segment has contributed 60.6% (2016: 66.2%) to the Cash NPATA of the Group. The segment has seen growth in new business writings of 6.0%. The segment has reported a net operating income of $135.9m which is $23.5m favourable to the amount reported for 2016.

Continued focus on the customer, building on our customer relationships and competitive pricing has allowed the business to experience growth in new business writings. The segment has been successful in increasing its market share with large corporates.

The Group acquired Grays on 11 August 2017 and the financial performance of Grays has been included in the Australia Commercial segment from this date. Grays contributed $14.0m to the growth in net operating income before operating expenses after impairment charges and contributed $1.0m to Cash NPATA post allocation of corporate overheads.

Operating expenses has increased predominantly as a result of the Grays acquisition, the operating costs of Grays have been included in the segment from date of acquisition. Cash NPATA for the segment has grown by 13.1% including Grays contribution or 10.4% excluding the contribution from Grays.

Eclipx Commercial has achieved a 4.8% growth in new business writings. Eclipx Commercial has allowed the Group to expand the product offering on financing to include non-vehicle assets; this continues to provide opportunities for cross selling finance and introducing new clients to the Group. On 25 September 2017 Eclipx Commercial entered into a strategic partnership with the Medical Indemnity Protection Society to provide financing solutions to its members.

Australia Consumer

This segment has contributed 23.3% (2016: 15.7%) to the Cash NPATA of the Group. The net operating income of $79.6m (2016: $45.1m) which represents a growth of $34.5m against the prior period was predominantly as a result of the full year contribution and growth in Right2Drive.

The investment in digital marketing has resulted in improved lead conversion and a lower acquisition cost. This has contributed to an increase in new business writings of 17.1% across the consumer segment.

Right2Drive has grown the footprint in Australia and New Zealand to 30 branches and is the largest operator in Australia and New Zealand. The business has grown the credit hire fleet to in excess of 2,000 vehicles.

New Zealand Commercial

The New Zealand Commercial segment has contributed 16.1% (2016: 18.1%) to the Cash NPATA of the Group. The net operating income of $39.7m (2016:$38.8m) represents growth of 2.3% against the prior period. The growth in net operating income is as a result of focusing on the profitability of new business writings and changes to the funding structures. On 6 July 2017 Eclipx issued its first Asset Backed Securitisation in New Zealand which assisted in lowering the cost of funds in New Zealand.

New Zealand continues to grow its strategic relationships so as to provide co-branded operating lease products to new vehicle sales outlets. AutoSelect, the retail sales channel continues to outperform the wholesale disposal options.

5. Financial position

The Group financial position as at 30 September 2017 is summarised below:

Summary of financial position	2017 $'m	2016 $'m
Cash and cash equivalents	**59.1**	60.9
Restricted cash and cash equivalents	**136.2**	117.4
Receivables and inventory	**163.7**	115.9
Leases	**1,496.4**	1,348.4
Intangibles	**806.6**	597.4
Other	**16.9**	20.5
Total assets	**2,678.9**	2,260.5
Borrowings	**1,610.4**	1,415.0
Trade and other liabilities	**123.6**	128.7
Other	**81.6**	58.0
Total liabilities	**1,815.6**	1,601.7
Net assets	**863.3**	658.8

Receivables and inventory

The growth in receivables and inventory is a result of the growth in Right2Drive and Onyx coupled with the assets acquired with the acquisition of Onyx and Grays which equated to $14.6m.

Leases

Leases have increased against the prior period by $148.0m or 11.0%. This increase is attributable to the increased business writings that have been experienced in Australia. The increased business writings and increased income generating assets have created a base for profit in the coming years as the business derives annuity income on these assets over the remaining contractual term. The provision for impairment held against operating leases for 2017 is $3.5m (2016: $5.1m).

Borrowings

Borrowings for 2017 include an amount of $246.2m (2016: $130.0m) relating to corporate debt. The additional borrowings received from the corporate debt was utilised to fund the acquisition of Onyx, replace the lower rated funding notes in the Eclipx warehouse funding structure in Australia and New Zealand, support the growth in Right2Drive and fund the acquisition related costs associated with Grays.

The remaining borrowings balance of $1,364.2m (2016: $1,285.0m) relates to funding directly associated with leases and inventory.

Cash flows

For the financial year ended 30 September 2017, the Group increased the total cash holdings including restricted cash by $17.0m (2016: $13.7m).

The significant items impacting cash flow this year were:

- An increase in finance and operating leases and inventory which were partially funded through cash;
- The payment of dividends;
- Additional investment in software, plant and equipment and fixture and fittings;
- Expansion of Right2Drive; and
- The acquisition of Grays and Onyx.

Funding

Eclipx looks to optimise the funding facilities that it has in place. Eclipx maintains committed funding facilities to cater for the forecast business growth and as at 30 September 2017, Eclipx had undrawn debt facilities of $215.6m (2016: $405.0m).

For leasing finance facilities where Eclipx acts as the funder, funding will be provided by a combination of warehouse and asset backed securitisation funding structures. Funders (major trading banks and institutional investors) provide financing to a special purpose vehicle established by Eclipx which is used to fund the purchase of assets that are to be leased to customers. These facilities are also known as revolving warehouse facilities because they can be drawn and repaid on an ongoing basis up to an agreed limit subject to conditions. A group of assets funded via a warehouse facility can be pooled together and refinanced by issuing securities (backed by those assets) to investors in public wholesale capital markets (such as domestic and international banks and institutional funds).

During the 2017 financial year Eclipx:

- Rolled over warehouse facilities; and
- Issued its first Asset Backed Securitisation in the New Zealand market.

6. Business strategic objectives

Eclipx is focussed on improving business performance through a focus on enhancing and building on customer relationships, enhancement and development of technology, growth in the consumer segment and acquisitions.

Strategic objective	Execution
To grow the market share in the fleet business.	▸ Continued annual growth in the fleet business. ▸ Expanded into the state government and large corporate markets.
Diversify into adjacent markets.	▸ Acquisitions of CarLoans, Right2Drive and GraysOnline which are businesses that are growth opportunities and are complimentary to the Eclipx fleet business. ▸ Diversified earnings from a 100% traditional fleet business to a business deriving approximately 16% from non-fleet activities while continuing to grow the profit from the fleet activities. ▸ Established the Eclipx Commercial business.
Leverage the Group's funding expertise to improve competitiveness.	▸ Standalone warehouses to fund equipment finance, consumers and state government to optimise funding rates and capital structures. ▸ Diversified funding sources to allow expansion. ▸ The Group has issued its first asset backed securitization in the New Zealand market.
Utilisation of efficiencies of scale and cross selling.	▸ Introduction of telematics devices to assist clients in fleet management to reducetheir operating costs. ▸ Cross selling of equipment finance, operating leases and novated leases to clients. ▸ The Group has leveraged the scale of the organisation to realise supply chain improvements.

7. Key risks

The key risks facing Eclipx are those risks that will have an impact on the financial performance and the execution of the strategy.

Key risk	Mitigating Factors
Eclipx may inaccurately set and forecast vehicle residual values and there may be unexpected falls in used vehicle prices.	▸ Eclipx performs a monthly portfolio revaluation using market information on all assets where Eclipx is at risk on the residual value and any impairment identified is immediately recognised. ▸ Eclipx has diversified wholesale and retail disposal channels for vehicles returning at the end of the lease, allowing them to minimise any losses on vehicles where the residual value is above the market value. ▸ Residual values are reviewed regularly by the pricing and risk team and adjusted based on market and actual performance.
Eclipx may be exposed to increased funding costs due to changes in market conditions.	▸ Eclipx has a diversified funding structure which includes multiple funding parties. ▸ Funding margins are negotiated and agreed on an annual basis. ▸ Eclipx will have the ability to charge any margin increase onto new business that is written in the year.
Eclipx is exposed to credit risk.	▸ Eclipx has a dedicated credit team that assesses risk drawing on nearly 30 years of operating experience, a wealth of proprietary data (including customer credit performance, arrears management, loss rates, and recovery rates), and external credit reporting data from local credit bureaus.
Eclipx may be affected by changes in fringe benefits tax legislation in Australia.	▸ Eclipx has diversified the consumer segment to include non-novated services so as to provide alternative product offerings to consumers.
Eclipx may be unable to access funding on competitive terms.	▸ Eclipx has a diversified funding structure which includes multiple funding parties. ▸ Funding facilities are negotiated and agreed on an annual basis. ▸ Eclipx mitigates the interest rate risk by hedging the portfolio and funding is provided based on the contractual maturity of the lease.

8. Outlook

For the financial year ended 30 September 2017 Eclipx has been able to exceed the targets set in terms of its financial performance, growth of assets under management or financed and growth in the customer and client base.

For the 2018 financial year Eclipx is forecasting to achieve growth in Cash NPATA and this will be achieved by:

- Growing the volume of new business writings in all segments;
- Managing the competitive price pressures experienced in the market;
- Consolidation of platforms and processes;
- Realising efficiencies across the Group including the integration of Grays;
- Investing in technology; and
- Growing the presence of Eclipx in the market.

9. Subsequent events

On 7 November 2017 the Board declared a fully franked dividend of 7.75 cents per share.

Except for the matters disclosed above, no other matter or circumstance has occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

10. Changes in state of affairs

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

11. Environmental factors

Eclipx is not subject to any significant environmental regulation under Australian Commonwealth or State Law. Eclipx recognises its obligations to its stakeholders (customers, shareholders, employees and the community) to operate in a way that lowers the impact it and its customers has on the environment. During the course of the year Eclipx has worked with funders and customers to support initiatives on improving their carbon footprint.

12. Dividends

Dividends paid during the financial year were as follows:

	2017 $'000	2016 $'000
Fully franked final dividend for the year ended 30 September 2016 of 7.00 cents per ordinary share paid on 20 January 2017.	**18,514**	15,613
Fully franked interim dividend for the year ended 30 September 2017 of 7.50 cents per ordinary share paid on 7 July 2017.	**19,897**	16,287
	38,411	31,900

On 7 November 2017, the Directors declared a fully franked final dividend for the year ended 30 September 2017 of 7.75 cents per ordinary share, to be paid on 19 January 2018 to eligible shareholders on the register as at 29 December 2017. This equates to a total estimated dividend of $24,334,526 based on the number of ordinary shares on issue as at 30 September 2017. The financial effect of dividends declared after the reporting date are not reflected in the 30 September 2016 financial statements and will be recognised in subsequent financial reports. The Group will offer a Dividend Reinvestment Plan at a 1.5% discount with no participation limits.

13. Indemnification of Directors and Officers

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

14. Non audit services

KPMG, the external auditors of Eclipx provided non-audit services during the financial year end 30 September 2017. The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and that they comply with applicable regulations. The Audit and Risk Committee have implemented processes and procedures to review the independence of the external auditors and to ensure that they may only provide services that are consistent with their role of external auditor.

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

- KPMG Transaction services assisted with the due diligence relating to Grays, Onyx and unsuccessful acquisitions that did not proceed past due diligence;
- KPMG Transaction services provided the Investigating Accountant's report for inclusion in the Grays Ecommerce Group Scheme Booklet; and
- KPMG Debt Advisory services assisted with the debt restructuring of Eclipx in Australia and New Zealand to address the funding impacts of APS 120 Securitisation.

Following review of the services provided by KPMG for the year ended 30 September 2017 the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 in view of the nature and amount of the services provided, and that all non-audit services were subject to the corporate governance procedures adopted by the Company.

The fees paid or payable to KPMG were as follows

Audit and assurance services	2017 $	2016 $
Audit and review of financial statements	**757,087**	746,254
Non-audit services		
Transactional services including IPO	**563,947**	179,134
Debt restructuring	**599,067**	540,000
Total remuneration for non-audit services for KPMG	**1,163,014**	719,134
Total remuneration for KPMG	**1,920,101**	1,465,388

A copy of the auditor's independence declaration is set out on page 45 on this financial report, and forms part of the Directors Report.

15. Rounding of amounts

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

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

Kerry Roxburgh
Chairman

Doc Klotz
Chief Executive Officer

Sydney
7 November 2017

KPMG

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

To the Directors of Eclipx Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Eclipx Group Limited for the financial year ended 30 September 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dean Waters

Partner

Melbourne

7 November 2017

LETTER FROM REMUNERATION AND NOMINATION COMMITTEE (UNAUDITED)

30 September 2017

Dear Shareholders

On behalf of the Board, I am pleased to present Eclipx Group Limited's (Group) FY2017 Remuneration Report.

Eclipx has achieved a growth of 18.2% in net profit after tax (NPAT) and 23.4% in Cash NPATA compared to FY2016. The Group continues to deliver on its strategy to diversify into adjacent markets with the acquisition of Grays eCommerce Group and Onyx. Right2Drive, acquired in 2016, has been successfully integrated into Eclipx and has grown to 30 branches across Australia and New Zealand. The fleet and consumer businesses have seen growth in new business writings over the last 12 months.

Total Shareholder Return (TSR) and Earnings Per Share growth (EPS) are critical metrics to consider when evaluating the performance of the Group and our people. We are proud to have achieved a 95th percentile TSR ranking and EPS compound growth of 13.39% in relation to the first tranche of the LTI awards granted in April 2015. This strong performance is reflected in the LTI Outcomes located on page 54.

Executive Key Management Personnel (Executive KMP) achieved or exceeded all key performance indicator (KPI) targets, which is reflected in their short-term incentive awards. The FY2017 Performance Outcomes table on page 51 outlines the achievements against each KPI. We have been particularly pleased to see significant improvements in customer satisfaction and employee engagement during FY2017 and look forward to continuing our focus on people following the appointment of Michelle Seddon as Human Resources Director for the Group.

I look forward to the opportunity to discuss the Remuneration Report with you at the Group's Annual General Meeting in February 2018.

Yours faithfully

Gail Pemberton
Chair of the Remuneration and Nomination Committee

7 November 2017

REMUNERATION REPORT (AUDITED)

The Remuneration and Nomination Committee (Committee) of the Board presents the Eclipx Group Limited Remuneration Report (Report) for the year ended 30 September 2017 (FY2017).

The Report has been audited as required by section 308(3C) of the *Corporations Act 2001* and is presented in the following sections:

1. Introduction
2. Remuneration governance
3. Link to strategy
4. Remuneration framework
5. Performance against key metrics
6. Non-executive directors fees
7. Service agreements
8. Executive remuneration disclosures
9. Equity instruments
10. Loans
11. Other transactions

1. Introduction

The Report outlines the Group's approach to remuneration, its link to the Group's business strategy, and how performance has been reflected in the remuneration outcomes for Key Management Personnel (KMP).

This report covers the KMP of the Group, who are the people responsible for determining and executing the strategy. This Group is comprised of both Executive KMP (CEO/ MD, Deputy CEO/CFO and COO), and Non-Executive Directors.

For the year ended 30 September 2017, the KMP were:

KMP	Position	Term as KMP
Non-Executive Directors		
Kerry Roxburgh	Independent Chairman	Full Year
Greg Ruddock	Non-Executive Director	Full Year
Gail Pemberton	Independent Non-Executive Director	Full Year
Trevor Allen	Independent Non-Executive Director	Full Year
Russell Shields	Independent Non-Executive Director	Full Year
Executive Directors		
Doc Klotz	Chief Executive Officer and Managing Director	Full Year
Garry McLennan	Deputy Chief Executive Officer and Chief Financial Officer	Full Year
Senior Executive		
Jeff McLean	Chief Operating Officer	Full Year

The FY2017 Remuneration Outcomes are summarised as follows:

Element	**FIXED REMUNERATION**	**SHORT TERM INCENTIVES (STI)**	**LONG TERM INCENTIVES (LTI)**
FY2017 Outcome	There was no change to Fixed Remuneration.	All KPIs were achieved or exceeded. These results, combined with the successful execution of the GraysOnline acquisition, generated a significant uplift in NPATA, EPS and shareholder value, resulting in 100% achievement of the on-target STI awards.	Performance for the first tranche of the FY2015 LTI was tested, with all targets achieved or exceeded: • Eclipx's TSR for the period (79.88%) ranked the Group at the 95th percentile • Eclipx's EPS growth (13.39%) exceeded the compound annual growth target (10%) This resulted in 100% vesting of the first tranche of the FY2015 LTI grant.

2. Remuneration governance

The committee consists of three Independent Non-Executive Directors:

- Ms Gail Pemberton (Committee Chair);
- Mr Kerry Roxburgh; and
- Mr Trevor Allen.

The following diagram demonstrates how the Board, Committee, Remuneration Advisors and Management interact to set the remuneration structure and determine remuneration outcomes for the Group:

Board

The Board oversees the Group's Remuneration Policy

Remuneration and Nomination Committee

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

- Remuneration strategy;
- The appointment, performance and remuneration of Non-Executive Directors, Executive Directors and Senior Executives; and
- The design and positioning of remuneration elements, including fixed and "at risk" pay, equity-based incentive plans and other employee benefits programs.

Remuneration Advisors

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

- Market remuneration practices and trends;
- Regulatory frameworks; and
- The design, valuation and vesting of equity awards.

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

Management

The Chief Executive Officer and Managing Director is responsible for making recommendations to the Remuneration and Nomination Committee in relation to the remuneration of the Deputy CEO and CFO and Senior Executives.

3. Link to strategy

The Group's remuneration strategy supports rewarding performance in areas critical to the achievement of Group strategy. This is achieved by attracting and retaining talented people who are motivated to achieve challenging performance targets aligned with both the business strategy and the long-term interests of shareholders. The following diagram illustrates the link between business strategy and remuneration outcomes:

Strategy

The Eclipx Strategy is to transform our business into a diversified financial services business that:

- Consolidates our market leading position in our core fleet businesses;
- Continues to diversify into finance adjacencies such as consumer finance and commercial equipment finance;
- Leverages our core capabilities to expand into market leading high growth adjacencies (such as the medium term car rental and online auction businesses); and
- Utilises our unique products, services and technology to deliver exceptional value to our customers throughout the asset lifecycle.

This results in delivering exceptional value to shareholders.

Remuneration Strategy

The Eclipx Remuneration Strategy seeks to:

1. Deliver sustainable shareholder value by:
   - Ensuring there is a significant 'at-risk' component of total remuneration;
   - Assessing performance and the short term incentive (STI) plan outcomes against financial and non-financial KPIs linked to the Eclipx Strategy; and
   - Aligning long term incentive (LTI) plan performance hurdles with targeted shareholder returns.
2. Attract, retain and motivate talent by:
   - Ensuring the remuneration strategy is simple, transparent and consistently applied;
   - Offering a competitive total remuneration opportunity and ensuring remuneration is differentiated based on capability and performance; and
   - Incentivising key talent to deliver business performance that accelerates shareholder value creation.

Link to Performance

Remuneration outcomes are linked to performance through:

- Setting fixed remuneration to reflect the individuals experience, capability and the value they bring to the Group ●
- Requiring a significant portion of executive remuneration to be "at risk"; ■ ◆
- Applying a profitability gateway that must be achieved before any STI payment is made to Executive KMP; ■
- Ensuring that KPIs focus on strategic business objectives designed to deliver shareholder value; ■
- Applying challenging financial and non-financial metrics to measure short and long term performance; ■ ◆
- Ensuring that LTI will only vest as a result of achieving earnings per share growth and total shareholder return targets. ◆

● Fixed ■ STI ◆ LTI

4. Remuneration framework

Remuneration components and outcome

(i) Fixed remuneration

What is included in fixed remuneration?	Fixed remuneration comprises base salary, non-monetary benefits and superannuation.
How is fixed remuneration determined?	Fixed remuneration, along with the other elements of Total Remuneration, for the Executive KMP group is determined with reference to comparable roles in companies which have a similar market capitalisation and similar growth aspirations to Eclipx. Fixed remuneration for each individual is set based on their experience, capability and the value they bring to the Group.

(ii) Short term incentives

The following table outlines the major features of the FY2017 STI plan

What is the purpose of the STI?	To motivate and reward participants for achieving specific measurable financial and non-financial results which link pay to performance and hence contribute to the achievement of the Eclipx strategy.
Who is eligible to participate in the STI plan?	Eligibility to participate in the STI plan is determined by the Board. All Executive KMP participated in the FY2017 STI plan.
How is performance evaluated?	The Committee is responsible for making recommendations to the Board regarding the performance and 'at risk' remuneration of Executive KMP.
Is there a minimum profit gateway?	At least 95% of the Group's profitability target must be achieved before any STI award will be payable to Executive KMP. Once this gateway is achieved the percentage achievement of KPIs will determine individual STI outcomes.
What are the FY2016 KPIs?	The FY2017 KPIs were set as follows: ▸ 60% weighting to the Group Financial KPI ▸ 25% weighting to People, Customer and Strategy KPIs ▸ 15% to individual KPIs designed to enhance the sustainability of the business and drive results. All KPIs are set to be challenging and represent a significant achievement.
Why were these KPIs chosen?	The combination of KPIs was chosen because the Board believes that there needs to be a balance between financial measures and those metrics which support the Group's long term strategy and determines future returns for shareholders.
What is the maximum STI opportunity?	Executive KMP may not currently receive more than their target STI amount.
How is the award delivered?	Awards are paid in cash following the finalisation of the audited year-end financial statements.

4. Remuneration framework (continued)

Remuneration components and outcome (continued)

(ii) Short term incentives (continued)

FY2017 Performance Outcomes

The minimum profit gateway (95% of Cash NPATA) was achieved for FY2017, allowing for an individual's STI award to be calculated based on their achievement of certain KPIs.

The table below outlines the KPIs that applied to the Executive KMP in FY2016, and the level of achievement against each respective KPI. 85% of KPIs are shared (i.e., Financial, People, Consumer and Strategy), with the remaining 15% based on individual KPIs.

KPI	Weighting	Target		Level of achievement
Financial	60%	Achievement of Company Financial Target (Cash NPATA)	Exceeded	**Exceeded target** $68.3 m NPATA was achieved
People	10%	Drive employee engagement, performance and development	Exceeded	**Exceeded target** Employee engagement improved by 6 points. All employees set SMART, development and career goals. Leadership Development Programs have been introduced.
Customer	5%	Drive Net Promoter Score (NPS) improvements	Exceeded	**Exceeded target** +6 point improvement in the Group NPS Score
Strategy	10%	Execute strategic M&A opportunities	Exceeded	**Exceeded target** Successful acquisition and integration of GraysOnline.
Individual	15%	KPIs related to new partnerships, acquisitions, service optimisation, cross-company initiatives and talent deliverables	Exceeded / Achieved	**Achieved or Exceeded** Launch of various digital and product initiatives. Ongoing growth of Consumer businesses and implementation of operating efficiencies.

Exceeded   Achieved   Partially achieved   Did not achieve

FY2017 STI Outcomes

The following table outlines the STI awarded to each Executive KMP for FY2017:

Name	Target STI opportunity for FY2017	STI opportunity as % of fixed remuneration		STI earned as % of target	STI forfeited as % of target
		Minimum	Target		
Executive Directors					
Doc Klotz	$850,000	0%	100%	100%	0%
Garry McLennan	$700,000	0%	100%	100%	0%
Senior Executive					
Jeff McLean	$212,500	0%	50%	100%	0%

4. Remuneration framework (continued)

Remuneration components and outcome (continued)

(iii) Long term incentives

The following table outlines the major features of the FY2017 LTI plan

What is the purpose of the LTI plan?	The Group established an LTI plan to assist in the motivation, retention and reward of key employees. The LTI plan is designed to align participants' efforts with the interests of shareholders by providing participants with exposure to Eclipx Group Limited shares.
Who is eligible to participate in the plan?	Eligibility to participate in the LTI plan is determined by the Board. All Executive KMP participated in the FY2017 LTI plan.
When was the grant made?	The FY2017 LTI grant was made to Senior Executives on 4 November 2016. The Executive Director grants were approved at the Annual General Meeting and granted on 17 February 2017.
What performance period applies?	Awards made under the LTI Plan are subject to a three year performance period commencing on the first day of the applicable financial year (Performance Period). The FY2017 LTI performance period commenced on 1 October 2016 and will conclude on 30 September 2019.
How is the LTI delivered?	The LTI is provided through a mix of Rights and Options (Award). The number of Rights and Options granted in respect of each Award is determined by the Board. The exercise price for the FY2017 Options was set at $3.60 which represented the share price on 4 November 2016. The Group currently uses the fair value methodology when calculating the number of rights and options to grant each year. The mix of Rights and Options is determined by the Board on an annual basis. For the FY2017 LTI grant, the ratio of the number of Rights to Options granted to each Executive KMP was approximately one Right to four Options.
Are dividends paid during the performance period?	Dividends are not payable on the Award.
What performance hurdles need to be met?	The Award is subject to the following equally weighted performance hurdles: a) Relative Total Shareholder Return (TSR) versus Comparator Group (50% of total grant); and b) Absolute Earnings per Share (EPS) Growth (50% of total grant). **Relative TSR component** Relative TSR was selected as a performance measure to directly align executive remuneration with returns delivered to shareholders, relative to other ASX-listed companies. TSR is a method of calculating the return shareholders would earn if they held a notional number of shares over a period of time. TSR measures the percentage growth in the company's share price plus the value of dividends received during the period, assuming that all of those dividends are re-invested into new shares. The Group's relative TSR is measured against constituents of the ASX 200 (excluding GICS Industry "Metals & Mining" companies) over the vesting period for each grant. The comparator group was selected to ensure a robust and meaningful comparator group size, given the small number of listed direct competitors in the Australian market. Miraqle Metrics, a division of Orient Capital provides the Group with a periodic TSR Calculation and Ranking Reports which ranks the TSR performance of the Group against the constituents of the comparator group. The percentage of Awards comprising the relative TSR component that vests, if any, will be based on the following:

4. Remuneration framework (continued)

Remuneration components and outcome (continued)

(iii) Long term incentives (continued)

What performance hurdles need to be met? (continued)	**Relative TSR percentile ranking**	**% of relative TSR hurdled Awards that vest**
	Below the 51st percentile	Nil
	At the 51st percentile	50%
	Between the 51st and 75th percentile	Straight line pro rata vesting between 50% and 100%
	At or above the 75th percentile	100%

Absolute EPS component

Absolute EPS was selected as a performance measure as EPS growth is a key strategic objective for the Group. The EPS targets are set annually with consideration to earnings and EPS forecasts, based on the following process.

- Prior to each grant Management will prepare three-year earnings forecasts and calculate the three-year growth rate.
- Forecasts are then converted into a three-year Compound Annual Growth Rate (CAGR) which will represent the growth required to achieve the EPS target by the end of the performance period. The CAGR is referred to in setting the top of the vesting range.
- These forecasts are provided to the Committee who will review the appropriateness of the proposed targets and recommend the final targets to the Board for approval.

For the FY2017 Award, the percentage of Awards subject to the Cash EPS hurdle that vest, if any, will be determined based on the Group's compound annual growth in Cash EPS over the Performance Period by reference to the "base year" Cash EPS. FY16 will be the base year for Awards granted under the FY17 LTI Offer. Accordingly, to determine the growth in Cash EPS, the Cash EPS achieved in FY19 will be compared to Cash EPS achieved in FY16, and the level of compound annual growth (stated as a percentage) will determine the proportion of the Cash EPS hurdled Awards that vest.

The Group's annual compound Cash EPS growth rate	% of Cash EPS hurdled Awards that vest
Below 7% compound annual growth	Nil
At 7% compound annual growth	50%
Between 7% and 10% compound annual growth	Straight line pro rata vesting between 50% and 100%
At or above 10% compound annual growth	100%

How are the performance awards valued?

The TSR hurdled Awards are valued via the Monte-Carlo simulation method.

The Cash EPS hurdle is valued via the Binominal tree method and has been chosen as it provides evidence of the Group's growth in earnings and is directly linked to shareholder returns and the Group's overall strategic objectives.

Is retesting available for any of the performance hurdles?

If, as a result of exceptional circumstances, Awards subject to the 50% TSR component only do not vest in full during the first Performance Period, they have the opportunity for a single retest over an extended performance period ending 12 months after the completion of the first Performance Period.

Retesting was introduced upon listing in 2015 due to the volatility of the share price and the market. The Board reviews the LTI Plan design annually. The Board determined that retesting continued to be appropriate for the FY2017 grant due to the ongoing volatility of the share market. If a retest was determined appropriate for the FY2017 LTI this would only occur over a single extended performance period which would commence on 1 October 2016 and end on 30 September 2020.

4. Remuneration framework (continued)

Remuneration components and outcome (continued)

(iii) Long term incentives (continued)

What happens if an Executive KMP ceases employment?	Where an Executive KMP ceases employment defined by the Group as resignation or termination for cause, any unvested LTI Awards (or vested and unexercised Awards) are forfeited, unless otherwise determined by the Board. Where an Executive KMP ceases employment for any other reason, unvested Awards will continue "on-foot" and will be tested at the end of the original vesting period. Note that the Plan Rules provide the Board with discretion to determine that a different treatment should apply at the time of cessation, if applicable.
What happens if there is a change of control?	A change of control occurs where, as a result of any event or transaction, a new person or entity becomes entitled to a significant percentage of shares in the Group. In the event of a change of control of the Group the following treatment will apply: ▸ Upon a 50% change of control, all unvested Awards will vest in full; ▸ Upon a 30% change of control, all unvested Awards will vest in full, unless, prior to the 30% change of control occurring, the Board determines that the transaction should not be treated as a charge of control for the purposes of the LTI plan.

LTI Outcomes

The table below summarises the performance and outcomes for the IPO FY2015 grant that vested during FY2017.

KMP	Plan	Award Type	Performance Condition	Number of awards granted	Performance outcome	% LTI tranche that vested	% LTI tranche forfeited
Doc Klotz	FY2015 LTI	Loan shares	Relative TSR Component	400,000	95th percentile	100%	0%
	FY2015 LTI	Loan shares	Absolute EPS Component	400,000	13.39% compound annual growth	100%	0%
Garry McLennan	FY2015 LTI	Loan shares	Relative TSR Component	400,000	95th percentile	100%	0%
	FY2015 LTI	Loan Shares	Absolute EPS Component	400,000	13.39% compound annual growth	100%	0%

Loan shares were last used for the IPO FY2015 grant and have not been offered from 2016 onwards.

Remuneration components and outcome (continued)

(iii) Long term incentives (continued)

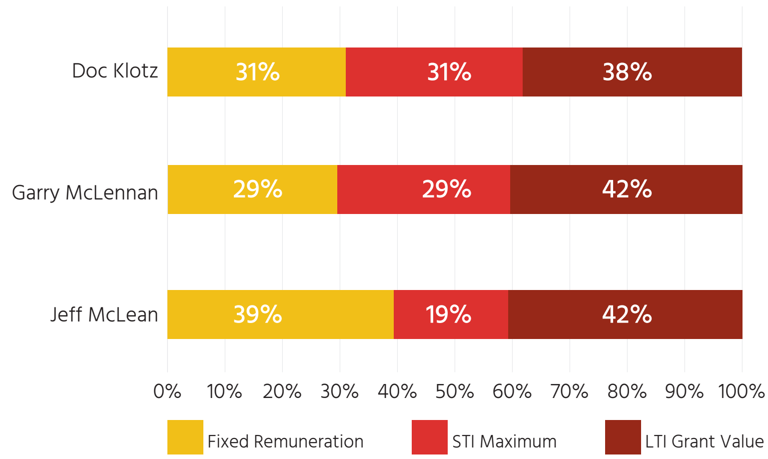
Executive KMP Remuneration Opportunity Mix

Each Executive KMP has a remuneration opportunity mix that consists of fixed and 'at-risk' remuneration. The 'at-risk' remuneration opportunity comprises a STI opportunity and LTI grant.

The relative mix of the three remuneration components is determined by the Board on the recommendation of the Committee.

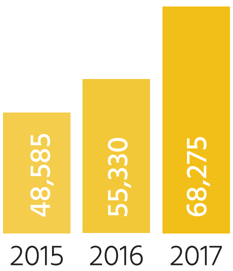
The components are reviewed on an annual basis and quantum set to recognise the responsibilities of each role. The remuneration opportunity mix that applied for FY2017 is set out below. This incorporates the FY2017 STI Maximum Opportunity and the actual FY2017 LTI grant value.

Executive KMP Remuneration Opportunity Mix

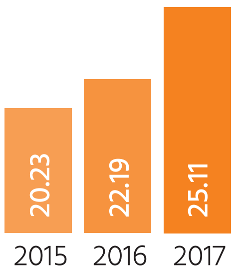


5. Performance against key metrics

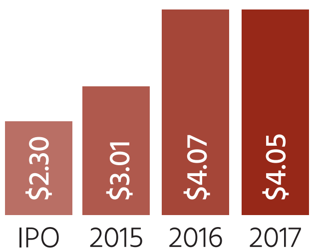
The following table provides information on FY2017 and historical performance against key metrics:



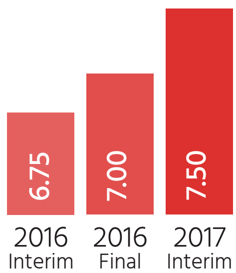
Cash NPATA ($'000)



Cash EPS (cents)



Share price at the end of the year



Dividend paid (cents)

6. Non-executive director fees

Fees paid to Non-Executive Directors reflect the demands and responsibilities of each position. Fees are benchmarked against an appropriate group of comparator companies and determined within the approved aggregate Directors' fee pool limit of $1.4 million per annum. Non-Executive Directors do not receive variable remuneration and base fees are inclusive of mandatory superannuation contributions.

There were no changes to Non-Executive Director fees during FY2017 and the following fee structure was applicable for the full year:

Base fees (per annum)	
Chairman (K Roxburgh)	$250,000
Other Non-Executive Directors	$125,000
Additional fees (per annum)	
Audit and Risk Committee – Chair (T Allen)	$25,000
Audit and Risk Committee – Member (K Roxburgh, R Shields, G Ruddock)	$12,500
Remuneration and Nomination Committee – Chair (G Pemberton)	$20,000
Remuneration and Nomination Committee – Member (K Roxburgh, T Allen)	$10,000

As required by Mr Ruddock's conditions of employment with Ironbridge Capital Management Pty Ltd ("Ironbridge"), Non-Executive Director fees for Mr Greg Ruddock were paid to Ironbridge from 1 October 2016 to 3 February 2017. On 3 February 2017 Ironbridge ceased to be a shareholder in the Group and as such from 4 February 2017 to 30 September 2017 Non-Executive Director Fees for Mr Ruddock were paid directly to Mr Ruddock.

Share Rights Contribution Plan

The Share Rights Contribution Plan was established to facilitate Non-Executive Director shareholdings in the Company and improve the alignment of Non-Executive Director interests with those of shareholders.

Under the plan, Non-Executive Directors may elect to sacrifice, on a pre-tax basis, up to 50% of base Director fees (excluding Committee fees) to acquire share rights. The share rights will not be subject to performance conditions. However, if a participant ceases to hold office before their share rights convert to shares, all share rights will lapse and the fee amount sacrificed under the Share Rights Contribution Plan will be returned to the participant.

During FY2016, all Non-Executive Directors elected to sacrifice the maximum of 50% of base Director fees to acquire share rights. Subject to the Company's Securities Trading Policy, the salary sacrifice contributions were converted into Share Rights on 20 December 2016 and subsequently converted to Ordinary Shares in Eclipx Group Limited on 21 December 2016.

During FY2017, Mr Kerry Roxburgh elected to sacrifice the maximum of 50% of base Director fees to acquire share rights and Mr Trevor Allen elected to sacrifice 25% of base Director fees to acquire share rights. Subject to the Company's Securities Trading Policy, the salary sacrifice contributions were converted into Share Rights on 28 December 2016 and subsequently converted to Ordinary Shares in Eclipx Group Limited on 17 February 2017.

Non-Executive Directors (Cash and Share based payments)

The following table shows details of fees received by the Non-Executive Directors:

	Short term benefits			Post-employment benefits	Share based payments	
	Salary and fees – cash $	Salary and fees – value of share rights $[1]	Non-monetary $	Super-annuation $[1]	Equity settled $[4]	Total $
Kerry Roxburgh (Chairman)						
FY2017	**135,709**	**125,000**	**-**	**11,791**	**-**	**272,500**
FY2016	135,787	125,000	-	11,713	-	272,500
Russell Shields						
FY2017	**125,571**	**-**		**11,929**	**-**	**137,500**
FY2016	68,493	62,500	-	6,507	-	137,500
Trevor Allen						
FY2017	**118,169**	**31,250**		**10,581**	**-**	**160,000**
FY2016	89,470	62,500	-	8,030	-	160,000
Gail Pemberton						
FY2017	**132,420**	**-**		**12,580**	**-**	**145,000**
FY2016	75,342	62,500	-	7,158	-	145,000
Greg Ruddock[2]						
FY2017	82,144	-	--	7,804	-	89,948

1 Salary sacrifice contributions made in respect of the Share Rights Contributions Plan are included as salary and fees. Superannuation contributions do not apply to the salary sacrifice component.

2 Non-Executive Director fees for Mr Greg Ruddock were paid to Ironbridge Capital Management Pty Ltd and not to Mr Ruddock directly until 4 February 2017.

6. Non-Executive driector fees (continued)

7. Service agreements

The Group's Executives are employed under ongoing common law contracts. The table below outlines the employment and termination terms for each Executive.

Service agreement	Employing Entity	Notice period	Serious misconduct	Termination entitlement	Restraint of Trade
Chief Executive Officer and Managing Director	Fleet Holdings (Australia) Pty Ltd	Six months by either party	Immediate termination	When termination is initiated by the Company, up to six month's fixed remuneration may be paid in lieu of notice. Payments are capped at 12 months' remuneration per relevant legislative requirements	12 months following expiry of notice period
Deputy Chief Executive Officer and Chief Financial Officer					
Chief Operating Officer	FleetPartners Pty Ltd				Six months following expiry of notice period

8. Executive remuneration disclosures

Statutory Remuneration for Executive KMP

The following table shows details of the remuneration received by Executives during FY2016 and FY2017:

	Short term benefits				Long term benefits			
	Salary and fees $	Non-monetary $[1]	Movement in annual leave provision $[2]	Cash bonus payable in respect of current year $	Non-monetary $[3]	Super-annuation $	Share based payments equity settled $	Total $
Executive Directors								
Doc Klotz								
FY2017	**830,261**	**142,940**	**51,798**	**850,000**	**7,134**	**19,735**	**796,468**	**2,698,336**
FY2016	830,236	137,036	14,400	799,000	2,301	19,764	517,546	2,320,283
Garry McLennan								
FY2017	**680,261**	**5,856**	**26,753**	**700,000**	**5,845**	**19,735**	**796,468**	**2,234,918**
FY2016	680,236	5,628	(36,631)	665,000	1,872	19,764	517,546	1,853,415
Senior Executive								
Jeff McLean								
FY2017	**405,261**	**9,358**	**(3,281)**	**212,500**	**3,199**	**19,735**	**287,837**	**934,609**
FY2016	405,236	8,463	22,612	199,750	1,136	19,764	121,059	778,020

1 Amount represents car parking, medical insurance, flights home, visa application fees, sponsorship fees and fringe benefits tax.

2 Amount represents annual leave provisions. Negative movement indicates leave taken during the year exceeded leave accrued during the current year. This is to be read in conjunction with Salary and Fees column.

3 Amount represents long service leave provisions.

8. Executive remuneration disclosures (continued)

Actual Remuneration Received

The following table shows details of the actual remuneration received by Executive KMP in FY2017:

	Short term benefits		Long term benefits		
	Salary and fees $[1]	Cash bonus paid in current year $	Superannuation $	Equity that vested during 2017[2]	Total $
Executive Directors					
Doc Klotz					
FY2017	**830,261**	**799,000**	**19,735**	**1,288,000**	**2,936,996**
FY2016	862,930	850,000	19,765	-	1,732,695
Garry McLennan					
FY2017	**680,261**	**665,000**	**19,735**	**1,312,000**	**2,676,996**
FY2016	707,161	700,000	19,765	-	1,426,926
Senior Executive					
Jeff McLean					
FY2017	**405,261**	**199,750**	**19,735**	**-**	**624,746**
FY2016	418,750	200,000	19,765	-	638,515

1 Salary and superannuation are paid fortnightly and may vary depending on the number of pay cycles within any given year. In 2016, there was one additional fortnightly pay.

2 Represents the value of loan shares granted in previous years that vested during the year, calculated as the number of loan shares that vested multiplied by the closing market price of Eclipx shares on the vesting date, less the loan amount outstanding.

Details of outstanding awards

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

KMP	Plan	Award type	Performance condition	Number of awards granted	Exercise price	Fair value per award (at grant date) $	Fair value of award (at grant date) $ exercise date	Vesting date/first	Expiry date
Doc Klotz	FY2015 LTI	Loan shares	TSR tranche 2	400,000	$2.30	0.63	252,000	21 April 2018	21 April 2020
			EPS tranche 2	400,000	$2.30	0.63	252,000	21 April 2018	21 April 2020
Garry McLennan	FY2015 LTI	Loan shares	TSR tranche 2	400,000	$2.30	0.63	252,000	21 April 2018	21 April 2020
			EPS tranche 2	400,000	$2.30	0.63	252,000	21 April 2018	21 April 2020

8. Executive remuneration disclosures (continued)

The minimum value of the outstanding Awards is nil if no performance hurdles are met. The maximum value of Awards that may vest in future years that will be recognised as share-based payments in future years is set out in the table below. The amount reported is the value of share-based payments calculated in accordance with AASB2 Share-based payment over vesting period:

KMP	Plan	Award type	Performance condition	Number of awards granted	Exercise price	Fair value per award (at grant date) $	Fair value of award (at grant date) $	Vesting date/first exercise date	Expiry date
Doc Klotz	FY2017 LTI	Rights	TSR tranche	71,500	-	2.28	163,020	10 November	10 November
			EPS tranche	71,500	-	3.46	247,390	2019	2021
		Options	TSR tranche	440,000	$3.60	0.68	299,200		
			EPS tranche	440,000	$3.60	0.72	316,800		
	FY2016 LTI	Rights	TSR tranche	92,500	-	1.34	123,950	10 November	10 November
			EPS tranche	92,500	-	2.38	220,150	2018	2020
		Options	TSR tranche	400,000	$3.06	0.35	140,000		
			EPS tranche	400,000	$3.06	0.36	144,000		
Garry McLennan	FY2017 LTI	Rights	TSR tranche	71,500	-	2.28	163,020	10 November	10 November
			EPS tranche	71,500	-	3.46	247,390	2019	2021
		Options	TSR tranche	440,000	$3.60	0.68	299,200		
			EPS tranche	440,000	$3.60	0.72	316,800		
	FY2016 LTI	Rights	TSR tranche	92,000	-	1.34	123,950	10 November	10 November
			EPS tranche	92,000	-	2.38	220,150	2018	2020
		Options	TSR tranche	400,000	$3.06	0.35	140,000		
			EPS tranche	400,000	$3.06	0.36	144,000		
Jeff McLean	FY2017 LTI	Rights	TSR tranche	39,000	-	2.18	85,020	10 November	10 November
			EPS tranche	39,000	-	3.13	122,070	2019	2021
		Options	TSR tranche	237,500	$3.60	0.53	125,875		
			EPS tranche	237,500	$3.60	0.55	130,625		
	FY2016 LTI	Rights	TSR tranche	70,000	-	1.86	130,200	10 November	10 November
			EPS tranche	70,000	-	2.75	192,500	2018	2020
		Options	TSR tranche	350,000	$3.06	0.58	203,000		
			EPS tranche	350,000	$3.06	0.60	210,000		

9. Equity instruments

This table shows details of share and option holdings of KMP:

	Held at 1 October 2016			Net Change			Held as at 30 September 2017		
	Shares	Rights	Options[2]	Shares	Rights	Options	Shares	Rights	Options
Non-Executive Directors									
Kerry Roxburgh (Chairman)	133,695	–	200,000	1,305	–	-	135,000	–	200,000
Russell Shields	69,347	–	200,000	157,430	–	(100,000)	228,777	–	100,000
Trevor Allen	69,347	–	200,000	26,984	–	-	96,331	–	200,000
Gail Pemberton	79,347	–	200,000	17,294	–	-	96,641	–	200,000
Greg Ruddock	600,000	–	200,000	-	–	-	600,000	–	200,000
Executive Directors									
Doc Klotz	3,802,954	185,000	800,000	38,407	143,000	880,000	3,841,361	328,000	1,680,000
Garry McLennan	3,821,432[1]	185,000	800,000	50,000	143,000	880,000	3,871,432	328,000	1,680,000
Senior Executive									
Jeff McLean	1,678,200	140,000	700,000	(145,000)	78,000	475,000	1,533,200	218,000	1,175,000

1. 43,478 of these shares are held by a close family member of the Executive KMP.

2. Options for Non-Executive Directors were purchased at IPO at an issue price of $0.24 per option. Each option is exercisable over one share with an exercise price of 264.50 cents, immediately vested and exercisable, and with an expiry date of 21 April 2020.

10. Loans

Loan shares issued under the Group's LTI plans prior to FY2016 were funded by the Group. Recourse under the loans is limited to the shares and proceeds of any sale of the shares. The loan is interest free and must be repaid by the expiry date.

Mr Klotz, Mr McLennan and Mr McLean were offered loan shares under the share ownership plan prior to the IPO that are not subject to vesting conditions. Details of these loans are as follows:

KMP	Opening loan balance $	Closing loan balance $	Number of vested loan shares not yet exercised	Exercise price	Loan expiry date
Doc Klotz	5,854,967	5,854,967	3,539,118	$1.65	September 2021
Garry McLennan	5,854,967	5,854,967	3,539,118	$1.65	September 2021
Jeff McLean	2,234,770	2,077,403[1]	1,416,931	$1.47	September 2019

1 Loan repayments apply to Mr McLean only and equate to dividends paid less tax applicable on dividends.

Mr Klotz and Mr McLennan were granted loan shares under the FY2015 LTI plan for which loans are still outstanding and subject to vesting conditions or yet to be exercised. Details of these loans are as follows:

KMP	Grant date	Opening loan balance $	Closing loan balance $[1]	Number of unvested loan shares relating to loan	Number of vested loan shares relating to loan	Exercise price	Loan expiry date
Doc Klotz	22 April 2015	3,551,960	3,411,840	800,000	800,000	$2.30	April 2020
Garry McLennan	22 April 2015	3,525,670	3,353,300	800,000	800,000	$2.30	April 2020

1. Loan repayments relate to dividends paid on the relevant shares less tax applicable on dividends. A higher tax rate applies to Mr Klotz as a result of his United States citizenship and resulting tax obligations.

11. Other transactions

Transactions with other related parties are made on normal commercial terms and conditions. Refer to Note 6.3 related party for more information.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Consolidated	Note	2017 $'000	2016 $'000
Revenue from continuing operations	2.2	**604,517**	504,837
Cost of revenue	2.2	**(276,973)**	(241,537)
Lease finance costs	2.3	**(67,993)**	(65,097)
Net operating income before operating expenses and impairment charges		**259,551**	198,203
Impairment losses on loans and receivables		**(4,295)**	(1,989)
Employee benefit expense		**(96,883)**	(71,835)
Depreciation, amortisation and impairment expense	2.3	**(12,372)**	(8,526)
Operating overheads	2.3	**(60,935)**	(41,259)
Total overheads		**(170,190)**	(121,620)
Operating finance costs	2.3	**(9,192)**	(9,828)
Profit before income tax		**75,874**	64,766
Income tax expense	2.6(i)	**(21,664)**	(18,898)
Profit for the year		**54,210**	45,868
Other comprehensive income			
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**7,225**	(643)
Exchange differences on translation of foreign operations		**(5,089)**	5,290
Other comprehensive income for the year, net of tax		**2,136**	4,647
Total comprehensive income for the year		**56,346**	50,515
Profit attributable to:			
Owners of Eclipx Group Limited		**54,210**	45,868
Total comprehensive income for the year attributable to:			
Owners of Eclipx Group Limited		**56,346**	50,515

		Cents	Cents
Earnings per share			
Basic earnings per share	2.4	**20.31**	**18.88**
Diluted earnings per share	2.4	**19.79**	**18.55**

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

STATEMENT OF FINANCIAL POSITION

as at 30 September 2017

Consolidated	Note	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents	4.3	**59,078**	60,922
Restricted cash and cash equivalents	4.3	**136,157**	117,376
Trade receivables and other assets	3.3	**138,533**	95,321
Inventory		**25,171**	20,532
Finance leases	3.2	**444,544**	349,139
Operating leases reported as property, plant and equipment	3.1	**1,051,848**	999,251
Deferred tax assets	2.6(ii)	**2,671**	9,519
Property, plant and equipment	3.1	**14,304**	11,050
Intangibles	3.5	**806,609**	597,369
Total assets		**2,678,915**	2,260,479
LIABILITIES			
Trade and other liabilities	3.4	**123,591**	128,719
Provisions		**19,879**	7,205
Derivative financial instruments	4.4	**9,715**	20,700
Other		**2,784**	1,744
Deferred tax liabilities Other	2.6(ii)	**49,276**	28,257
Borrowings	4.1	**1,610,407**	1,415,039
Total liabilities		**1,815,652**	1,601,664
Net Assets		**863,263**	658,815
EQUITY			
Contributed equity	4.5	**635,246**	455,484
Reserves	6.1	**12,357**	3,470
Retained earnings		**215,660**	199,861
Total equity		**863,263**	658,815

*The presentation format of the Consolidated Statement of Financial Position has been changed from a current/non-current basis to order of liquidity. See Note 1 for additional disclosures.

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 September 2017

		Attributable to owners of Eclipx Group Limited			
Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 October 2015		375,005	(8,776)	185,893	**552,122**
Profit for the year		–	–	45,868	**45,868**
Cash flow hedges		–	(643)	–	**(643)**
Foreign currency translation		–	5,290	–	**5,290**
Total comprehensive income for the year		–	4,647	45,868	**50,515**
Issue of new shares and rights for acquisition of Right2Drive Pty Ltd		73,819	3,708	–	**77,527**
Transactions with owners in their capacity as owners:					
Employee share schemes	5.1	-	2,860	-	**2,860**
Movement in treasury reserve		-	1,031	-	**1,031**
Issue of shares under the Dividend Reinvestment Plan*	4.5	6,660	-	-	**6,660**
Dividends paid	4.8	-	–	(31,900)	**(31,900)**
Balance at 30 September 2016		**455,484**	**3,470**	**199,861**	**658,815**
Balance at 1 October 2016		455,484	3,470	199,861	**658,815**
Profit for the year		-	-	54,210	**54,210**
Cash flow hedges		-	7,225	-	**7,225**
Foreign currency translation		-	(5,089)	-	**(5,089)**
Total comprehensive income for the year		–	2,136	54,210	**56,346**
Issue of new shares and rights for acquisition of Grays eCommerce Group Ltd	2.5	170,906	-	–	**170,906**
Transactions with owners in their capacity as owners:					
Employee share schemes	5.1	–	4,462	–	**4,462**
Movement in treasury reserve		–	2,289	–	**2,289**
Issue of shares under the Dividend Reinvestment Plan**	4.5	8,591	–	–	**8,591**
Issue of shares on exercise of options	4.5	265	–	–	**265**
Dividends paid	4.8	–	–	(38,411)	**(38,411)**
Balance at 30 September 2017		**635,246**	**12,357**	**215,660**	**863,263**

* The issuance of shares under the Dividend Reinvestment Plan included the issuing of 1,084,412 shares on 29 January 2016 and 958,099 ordinary shares on 30 June 2016.

** The issuance of shares under the Dividend Reinvestment Plan included the issuing of 816,908 shares on 20 January 2017 and 1,511,759 ordinary shares on 7 July 2017.

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 September 2017

Consolidated	Note	2017 $'000	2016 $'000
Cash flows from operations			
Receipts from customers		**872,124**	744,193
Payments to suppliers and employees		**(418,230)**	(303,479)
		453,894	440,714
Income tax paid		**(8,861)**	(8,125)
Interest received		**2,199**	2,561
Interest paid		**(65,099)**	(64,633)
Net cash inflow from operating activities	6.6	**382,133**	370,517
Cash flows from investing activities			
Purchase of items reported under operating leases	3.1	**(444,329)**	(431,452)
Purchase of items reported under finance leases		**(226,350)**	(221,435)
Purchase of property, plant and equipment and intangibles		**(17,436)**	(10,174)
Payment for acquisitions (net of cash acquired) (Note 2.5)		**(13,857)**	(388)
Proceeds from sales of items reported under operating leases		**172,136**	159,487
Net cash outflow from investing activities		**(529,836)**	(503,962)
Cash flows from financing activities			
Proceeds from borrowings		**858,222**	811,156
Repayments of borrowings		**(664,443)**	(640,721)
Dividends paid		**(29,820)**	(25,240)
Proceeds from settlement of long term incentive plans		**2,194**	-
Net cash inflow from financing activities		**166,153**	145,195
Net increase in cash and cash equivalents		**18,450**	11,750
Cash and cash equivalents at the beginning of the financial year, net of overdraft		**178,298**	164,565
Exchange rate variations on New Zealand cash and cash equivalent balances		**(1,513)**	1,983
Cash and cash equivalents at end of the year, net of overdraft	4.3	**195,235**	178,298

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

NOTES TO THE FINANCIAL STATEMENT

for the year ended 30 September 2017

1.0 Introduction to the report

Statement of compliance

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

The financial report was authorised for issue by the Board of Directors on 7 November 2017.

Basis of preparation

These Financial Statements have been prepared under the historical cost convention, except for the financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

Rounding of amounts

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

Critical accounting estimates and assumptions

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Accounting estimates and judgements	Note	Page
Impairment of goodwill	3.5	87
Income taxes	2.6	80
Leased property	3.1	82

Significant accounting policies

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

(i) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Eclipx Group Limited as at 30 September 2017 and the results of all controlled entities for the year ended. Eclipx Group Limited and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

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

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

(ii) Foreign currency translation

Functional and presentation currency

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

1.0 Introduction to the report (continued)

(ii) Foreign currency translation (continued)

Foreign currency transactions and balances

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

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

Foreign operations

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

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

Changes in accounting policies

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

(i) AASB 101 Presentation of Financial Statements

During 2017, management have elected to disclose the Statement of Financial Position in order of Liquidity in accordance with paragraph 60 of Accounting Standards AASB 101 Presentation of Financial Statements. Previously, the Statement of Financial Position was prepared on a current/non-current basis.

The Directors believe the presentation of the Statement of Financial Position in order of liquidity provides information that is more reliable and is consistent with the manner in which the broader financial services industry reports. As a consequence, the comparative period (2016) has been represented to be consistent with the current year order of liquidity.

New and revised standards and interpretations adopted by the Group

The Group has adopted, for the first time, certain standards that made changes to a number of existing Australian Accounting Standards and they have not had any material effect on the Group's financial position or performance. These standards have been set out below.

AASB 2015-2: Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101

AASB 2014-4: Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

AASB 2015-1: Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012-2014 Cycle

1.0 Introduction to the report (continued)

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

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 September 2017 and are set out below.

Reference	Description	Application of Standard	Application by Group
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses. Amends AASB 112 Income Taxes to clarify when deductible temporary differences arise, estimation of probable future taxable profits and where an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	1 January 2017	1 October 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 October 2017
AASB 9 Financial Instruments	AASB 9 Financial Instruments will replace AASB 139 Financial Instruments: Recognition and Measurement. The new standard results in changes to accounting policies for financial assets and financial liabilities covering classification and measurement, impairment and hedge accounting. For impairments AASB 9 replaces the incurred loss model of AASB 139 with an expected loss model, resulting in an acceleration of impairment recognition. Hedge accounting under AASB 9 is more closely aligned with financial risk management, and may be applied to a greater variety of hedging instruments and risks. AASB 9 is effective for the Group for the annual periods beginning 1 October 2018. The Group is expected to apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The implementation of the new standard will result in an increase in the impairments held against trade receivables. The Group is in the process of assessing the impact on impairments as a result of AASB 9 and is not yet able to quantify the impact on its financial statements.	1 January 2018	1 October 2018

1.0 Introduction to the report (continued)

New and revised standards and interpretations not yet adopted by the Group (continued)

Reference	Description	Application of Standard	Application by Group
AASB 15 Revenue from Contracts with Customers Instruments	AASB 15 Revenue from Contracts with Customers replaces all current guidance on revenue recognition from contracts with customers. It requires identification of performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed. The Group will first apply AASB 15 in the financial year beginning 1 October 2018 and is expected to apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The adoption of AASB 15 by the Group will result in a change in the recognition of certain revenue streams from upfront to over time. The Group is in the process of estimating the impact of these revenue streams on its financial statements.	1 January 2018	1 October 2018
AASB 16 Leases	AASB 16 Leases replaces the current AASB 117 Leases standard and sets out a comprehensive model for identifying lease arrangements and the subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from the lessee perspective within the scope of AASB 16 will require the recognition of a 'right-of-use' asset and a related lease liability, being the present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense. Accounting for leases from the Group's perspective as lessor remains unchanged under AASB 16. AASB 16 is effective for the Group for the annual periods beginning 1 October 2019 with the option to early adopt in the financial year beginning 1 October 2018. The Group is expected to apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The adoption of AASB 16 by the Group will result in the Group recognising assets and liabilities for its operating leases over premises and equipment as well as recognition of interest and depreciation replacing operating lease expense.	1 January 2019	1 October 2019

NOTES TO THE FINANCIAL STATEMENT

for the year ended 30 September 2017

2.0 Business result for the year

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

2.1 Segment information
2.2 Revenue
2.3 Expenses
2.4 Earnings per share
2.5 Business combinations
2.6 Taxation

2.1 Segment information

Identification of reportable segments

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

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Makers to make strategic decisions. The Chief Operating Decision Makers are the Chief Executive Officer and the Deputy Chief Executive Officer.

Three reportable segments have been identified: Australia Commercial, Australia Consumer and New Zealand Commercial. The segments are based on the class of customer to which services are provided. Included in all segments are services related to the provision of lease finance and fleet management to customers. Australia Commercial includes auctioneering services and Australia Consumer includes the credit hire business.

In addition to statutory profit after tax, the business is assessed on a Cash Net Profit After Tax (Cash NPATA) basis. Whilst a non-IFRS measure, Cash NPATA is defined as statutory profit after tax, adjusted for the after tax effect of material one-off items that do not reflect the ongoing operations of the Group and amortisation of intangible assets. Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches.

2017

	Australia Commercial $'000	Australia Consumer $'000	Australia Total $'000	New Zealand Commercial $'000	Total $'000
Net operating income before operating expenses and impairment charges	**139,053**	**80,276**	**219,329**	**40,222**	**259,551**
Depreciation and amortisation of non-financial assets	(2,504)	(1,415)	(3,919)	(449)	(4,368)
Bad and doubtful debts	(3,095)	(705)	(3,800)	(495)	(4,295)
Operating expenses	(69,616)	(53,931)	(123,547)	(22,244)	(145,791)
Profit before tax, non-recurring costs and interest	**63,838**	**24,225**	**88,063**	**17,034**	**105,097**
Holding company debt interest	(5,791)	(1,563)	(7,354)	(1,838)	(9,192)
Adjustments[1]	(16,458)	(2,973)	(19,431)	(600)	(20,031)
Tax	(11,707)	(5,932)	(17,639)	(4,025)	(21,664)
Statutory net profit after tax	**29,882**	**13,757**	**43,639**	**10,571**	**54,210**
Intangibles amortisation including tax impact	3,312	1,898	5,210	432	5,642
One-off costs including tax impact	8,209	215	8,424	-	8,424
Cash net profit after tax	**41,403**	**15,870**	**57,273**	**11,003**	**68,276**

1 *Adjustments relate to acquisition related costs ($8,632,000), amortisation of intangible assets ($8,004,000) and restructuring costs ($3,395,000).

2.0 Business result for the year (continued)

2.2 Segment information (continued)

2016

	Australia Commercial $'000	Australia Consumer $'000	Australia Total $'000	New Zealand Commercial $'000	Total $'000
Net operating income before operating expenses and impairment charges	**113,885**	**45,052**	**158,937**	**39,266**	**198,203**
Depreciation and amortisation of non-financial assets	(1,663)	(568)	(2,231)	(336)	(2,567)
Bad and doubtful debts	(1,531)	-	(1,531)	(458)	(1,989)
Operating expenses	(54,870)	(30,874)	(85,744)	(22,289)	(108,033)
Profit before tax, non-recurring costs and interest	**55,821**	**13,610**	**69,431**	**16,183**	**85,614**
Holding company debt interest	(3,828)	(1,216)	(5,044)	(2,295)	(7,339)
Adjustment[1]	(7,606)	(5,450)	(13,056)	(453)	(13,509)
Tax	(13,099)	(2,083)	(15,182)	(3,716)	(18,898)
Statutory net profit after tax	**31,288**	**4,861**	**36,149**	**9,719**	**45,868**
Intangibles amortisation including tax impact	2,651	1,313	3,964	214	4,178
Restructure and acquisition costs including tax impact	2,669	2,502	5,171	113	5,284
Cash net profit after tax	**36,608**	**8,676**	**45,284**	**10,046**	**55,330**

1 Adjustments relate to acquisition related costs, corporate debt restructuring costs, amortisation of intangibles and other restructuring costs.

2.2 Revenue

Recognition and measurement

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Finance income

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.

Operating lease rentals

Rental revenue arising from operating lease contracts is brought to account in the period it is earned. The operating lease rentals are recognised on a straight line basis over the lease term. The instalments are classified and presented in finance income and operating lease rentals.

Maintenance and management income

Maintenance income is recognised over the life of the contract with reference to the stage of completion. Management income and management fees are recognised on a straight line basis over the term of the contract.

2.0 Business result for the year (continued)

2.2 Revenue (continued)

Sale of goods

Sale of goods revenue is recognised when there is persuasive evidence that the goods have passed to the consumer. Evidence is usually in the form of a delivery docket issued at the time of the delivery of goods to the customer. The delivery of goods docket indicates that there has been a transfer of the risk and rewards of ownership. Amounts disclosed as revenue are net of sales returns and trade discounts.

Auction commission

Commissions including handling, buyers' premiums and valuation fees are recognised once the auction or valuation has been completed.

Recovery of expenses

Recovery of expenses are recognised, to the extent that they are recoverable once the auction or valuation has been completed.

Brokerage, commissions and advice services income

Income is recognised when the relevant services have been provided and a reliable estimate of the income can be made.

End of lease income

End of lease income includes profits on the sale of vehicles from terminated lease contracts and other revenue generated at the end of a lease.

Rental hire income

Rental hire income is brought to account in the period it is earned.

Cost of revenue

Cost of revenue comprises the cost associated with providing the service components of the lease instalments and rental hire income. Cost of revenue is recognised for each reporting period by reference to the stage of completion when the outcome of the services contracts can be estimated reliably. The stage of completion of services contracts is based on the proportion that costs incurred to date bear to total estimated costs. Rental hire expense includes amounts paid to third parties for vehicles under operating leases.

	Consolidated	
	2017 $'000	2016 $'000
From continuing operations:		
Finance income	**104,880**	101,642
Maintenance and management income	**102,501**	97,484
Sale of goods	**3,938**	-
Recovery of expenses	**2,952**	-
Auction commissions	**13,127**	-
Related products and services income	**33,387**	30,011
Operating lease rentals	**204,196**	200,461
Brokerage income	**18,051**	16,695
Sundry income	**8,916**	7,672
End of lease income	**36,093**	31,876
Rental hire income	**76,476**	18,996
Total revenue from continuing operations	**604,517**	504,837

2.0 Business result for the year (continued)

2.2 Revenue (continued)

	Consolidated	
	2017 $'000	2016 $'000
Cost of revenue:		
Maintenance and management expense	**39,430**	41,629
Related products and services expense	**5,234**	4,797
Recoverable expenses	**3,293**	-
Changes in inventories of finished goods and work	**2,603**	-
Impairment on operating leased assets	**309**	(118)
Depreciation on operating leased assets	**204,190**	189,413
Rental hire expense	**21,914**	5,816
Total cost of revenue	**276,973**	241,537

NOTES TO THE FINANCIAL STATEMENT
for the year ended 30 September 2017

2.0 Business result for the year (continued)

2.3 Expenses

Recognition and measurement

Depreciation

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

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

Interest expense

Interest expense is recognised in the statement of comprehensive income using the effective interest method.

Amortisation

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years for non-core costs, and seven to 10 years for core system software costs.

	Consolidated	
	2017 $'000	2016 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Plant and equipment - fixture and fittings	**4,368**	2,567
Amortisation - Intangible assets	**4,830**	3,711
Software	**3,174**	2,248
Total depreciation and amortisation expense	**12,372**	8,526
Lease finance costs		
Interest and finance charges - Third parties	**68,424**	64,633
Hedge (gain)/loss	**(431)**	464
Total lease finance costs	**67,993**	65,097
Operating finance costs		
Facility finance costs	**9,192**	9,828
Total operating finance costs	**9,192**	9,828
Operating overheads		
Rental of premises	**10,199**	6,668
Technology costs	**9,956**	7,301
Restructuring costs	**3,395**	1,760
Acquisition related costs	**5,517**	3,301
Other overheads	**31,868**	22,229
Total operating overheads	**60,935**	41,259

2.0 Business result for the year (continued)

2.4 Earnings per share

Basic earnings per share

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

	Consolidated	
	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the company	**20.31**	18.88
Total basic earnings per share attributable to the ordinary equity holders of the company	**20.31**	18.88

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated	
	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the company	**19.79**	18.55
Total diluted earnings per share attributable to the ordinary equity holders of the company	**19.79**	18.55

Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2017 $'000	2016 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:	**54,210**	45,868
From continuing operations	**54,210**	45,868
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**54,210**	45,868
From continuing operations	**54,210**	45,868

Weighted average number of shares used as the denominator

	Consolidated	
	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**266,879,322**	242,954,968
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**273,993,890**	247,295,831

2.0 Business result for the year (continued)

2.5 Business combinations

Recognition and measurement

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a controlled entity comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the controlled entity. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interests in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the controlled entity acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent and deferred consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Summary of acquisition – Grays eCommerce Group Limited

On 11 August 2017, the Group completed the 100% acquisition of Grays eCommerce Group Limited (Grays) that consisted of the following entities: GEG No 1 Pty Ltd, Grays (Aust) holdings Pty Ltd, GEG No 3 Pty Ltd, GEG No 2 Pty Ltd, Grays (NSW) Pty Ltd, Graysonline (SA) Pty Ltd, Grays (VIC) Pty Ltd, GLC Fine Wines & Liquor, Grays Auctions Ltd (NZ), Grays Eisdell Timms (WA) Pty Ltd, Grays Eisdell Timms (QLD) Pty Ltd, CM Pty Ltd and GEM Trust. Grays' principal activity is the provision of online auctioneering and valuation services in the B2B sector together with online auctioneering and other online retail services in the B2C sector. Grays was acquired to diversify earnings from an organisation that would integrate vertically and allow the Group to cross sell current and future offerings.

The Group acquired all the share capital of Grays for an initial consideration of $170,906,000 settled by the issue of 47,081,636 Eclipx ordinary shares to the existing shareholders of Grays.

Provisional goodwill of $161,561,000 is primarily related to growth expectations, monetisation of certain consumer segments and a significant reduction in corporate overheads by leveraging Eclipx infrastructure. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

The purchase price allocation is provisional and may be revised within 12 months of acquisition date.

Grays recorded revenue of $20,161,000 and a profit before tax of $1,724,000 for the period from 11 August 2017 to 30 September 2017. If Grays had been acquired on 1 October 2016, revenue of the Group for the year would have increased by $117,046,000, and profit before tax for the year would have increased by $1,814,000.

Summary of acquisition – Onyx

On 18 November 2016, the Group acquired 100% of Anrace Pty Ltd trading as Onyx Car Rentals (Onyx). Onyx's principal activity is the provision of accident replacement vehicles and was acquired to accelerate the expansion of our accident replacement business in the Victorian medium term vehicle rental market.

The Group acquired all the share capital of Onyx for consideration of $9,515,000 which was settled with available cash (inclusive of a deferred amount of $515,000 held in escrow).

Provisional goodwill of $9,241,000 is primarily related to growth expectations, expected future profitability and the expertise of Onyx's workforce. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

The purchase price allocation is provisional and may be revised within 12 months of acquisition date.

2.0 Business result for the year (continued)

2.5 Summary of acquisition - Onyx (continued)

Onyx recorded revenue of $9,487,000 and a profit before tax of $2,376,000 for the period from 18 November 2016 to 30 September 2017. If Onyx had been acquired on 1 October 2016, revenue of the Group for the year would have increased by $886,000 and profit before tax for the year would have increased by $392,000.

The following tables summarise the consideration paid, the fair values of assets acquired and liabilities assumed at the acquisition date.

	Grays 2017 $'000	Onyx 2017 $'000
Purchase consideration		
Cash paid	-	9,000
Deferred consideration	-	515
Issue of shares in Eclipx Group Limited	170,906	–
Total	**170,906**	**9,515**
Acquisition-related costs are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses. The expense recognised during the period is:	8,287	345

	Grays Provisional Fair value $'000	Onyx Provisional Fair value $'000
Fair values of assets acquired and liabilities assumed:		
Cash and cash equivalents	(4,770)	428
Trade and other receivables	11,242	1,216
Inventory	2,107	-
Property, plant and equipment	831	4,540
Intangible asset - Brand name	18,931	1,167
Intangible asset - Software	11,630	-
Intangible asset - Customer relationships	2,865	-
Trade and other liabilities	(16,574)	(1,093)
Borrowings	(3,568)	(5,316)
Provisions	(11,514)	(318)
Deferred tax liabilities	(1,835)	(350)
Total identifiable net assets	**9,345**	**274**
Provisional goodwill on acquisition	161,561	9,241
Purchase consideration	**170,906**	**9,515**

	Grays $'000	Onyx $'000
Purchase consideration - cash (outflow)/inflow		
Cash consideration	-	(9,000)
Deferred consideration[1]	-	(515)
Less: Balances acquired	(4,770)	428
(Outflow)/inflow of cash – Investing activities	**(4,770)**	**(9,087)**

1 Deferred consideration on the Onyx acquisition represents amounts paid on acquisition being held in escrow which is expected to be released to the vendor within the next 12 months.

NOTES TO THE FINANCIAL STATEMENT

for the year ended 30 September 2017

2.0 Business result for the year (continued)

2.6 Taxation

Recognition and measurement

Current tax

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

Deferred tax

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

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

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

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

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

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

Offsetting deferred tax balances

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

Tax consolidation legislation

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

2.0 Business result for the year (continued)

2.6 Taxation (continued)

(i) Reconciliation of income tax expense

	Consolidated	
	2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	**75,874**	64,766
Prima facie tax rate of 30.0% (2015 - 30.0%)	**22,762**	19,430
New Zealand tax rate differentials	**(294)**	(327)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments not deductible	**331**	434
Contingent consideration	**(674)**	(210)
Finance income on convertible notes	**(610)**	(489)
Other	**149**	60
Income tax expense	**21,664**	18,898

Income tax expense comprises of:		
Current tax	**8,600**	15,391
Deferred tax	**13,064**	3,507
Income tax expense	**21,664**	18,898
Effective tax rate	**28.6%**	29.2%

(ii) Movement of deferred tax

2017	Opening balance $'000	Charged to profit or loss $'000	Charged to other comprehensive income and equity $'000	Reclassification between current tax payable $'000	Acquired through business combination $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Doubtful debt provision	2,157	(1,407)	-	-	141	891	891	-
Deferred revenue	179	(16)	-	-	433	596	596	-
Hedging assets and liabilities	5,929	(930)	(2,241)	-	-	2,758	2,758	-
Accruals, employee provisions and other	14,973	(8,066)	-	(5,506)	5,098	6,499	50,336	(43,837)
Leasing adjustments	(30,122)	(9,343)	-	-	-	(39,465)	-	(39,465)
Acquisition cost	612	-	-	-	2,125	2,737	2,737	-
Intangible assets	(12,466)	6,698	-	(4,871)	(9,982)	(20,621)	-	(20,621)
	(18,738)	(13,064)	(2,241)	(10,377)	(2,185)	(46,605)	57,318	(103,923)
Set off DTL against DTA							(54,647)	54,647
Net tax assets/(liabilities)						(46,605)	2,671	(49,276)

2.0 Business result for the year (continued)

2.6 Taxation (continued)

2016	Opening balance $'000	Charged to profit or loss $'000	Charged to other comprehensive income and equity $'000	Reclassification between current tax payable $'000	Acquired through business combination $'000	Closing balance $'000	Deferred tax asset $'000	Deferred tax liability $'000
Doubtful debt provision	775	746	–	–	636	2,157	2,157	–
Deferred revenue	139	40	–	–	–	179	179	–
Hedging assets and liabilities	5,547	114	268	–	–	5,929	5,929	–
Accruals, employee provisions and other	29,241	(4,262)	–	(10,443)	437	14,973	41,722	(26,749)
Leasing adjustments	(37,703)	(2,862)	–	10,443	–	(30,122)	–	(30,122)
Acquisition cost	–	612	–	–	–	612	612	–
Intangible assets	(8,734)	2,105	–	–	(5,837)	(12,466)	–	(12,466)
	(10,735)	(3,507)	268	-	(4,764)	(18,738)	50,599	(69,337)
Set off DTL against DTA							(41,080)	41,080
Net tax assets/(liabilities)						(18,738)	9,519	(28,257)

(iii) Franking credits

	Consolidated 2017 $'000	Consolidated 2016 $'000
Franked dividends (Australia)		
Franking credits available for subsequent financial years based on a tax rate of 30%	**(1,797)**	9,144
	(1,797)	9,144

The decrease in franking credits in 2017 resulted from the utilisation of $16,462,000 franking credits for the payment of dividends to shareholders, which was greater than Australian tax amounts paid during the year. Eclipx paid a franking deficit tax of $1,800,000 on 31 October 2017 resulting in the franking credit balance no longer being in deficit at that date. The franking deficit tax paid will be utilised against future required tax payments for the Australian tax consolidated group.

Key estimate and judgement: Taxation

The Group is subject to income taxes in Australia and New Zealand. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

3.0 Operating assets and liabilities

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

3.1 Property, plant and equipment

Recognition and measurement

Property, plant and equipment

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

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

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

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

Leased property

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

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

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

Consolidated	Plant and equipment $'000	Fixture and fittings $'000	Motor vehicles and equipment $'000	Total $'000
2016				
Opening net book amount	4,328	5,637	919,811	929,776
Acquired as part of business combinations	512	139	-	651
Additions	1,717	1,240	431,452	434,409
Transfers to inventory	-	-	(175,282)	(175,282)
Impairment charge	-	-	118	118
Depreciation charge	(1,574)	(993)	(189,413)	(191,980)
Foreign exchange variation	14	30	12,565	12,609
Closing net book amount	4,997	6,053	999,251	1,010,301
2016				
Cost	13,093	10,188	1,487,900	1,511,181
Accumulated depreciation and impairment	(8,096)	(4,135)	(488,649)	(500,880)
Net book amount	4,997	6,053	999,251	1,010,301

3.0 Operating assets and liabilities (continued)

3.1 Property, plant and equipment (continued)

Consolidated	Plant and equipment $'000	Fixture and fittings $'000	Motor vehicles and equipment $'000	Total $'000
2017				
Opening net book amount	4,997	6,053	999,251	**1,010,301**
Acquired as part of business combinations (note 2.5)	4,684	687	-	**5,371**
Additions	1,326	947	444,329	**446,602**
Transfers to inventory	-	-	(176,560)	**(176,560)**
Impairment charge	-	-	(309)	**(309)**
Depreciation charge	(2,819)	(1,549)	(204,190)	**(208,558)**
Foreign exchange variation	(4)	(18)	(10,673)	**(10,695)**
Closing net book amount	**8,184**	**6,120**	**1,051,848**	**1,066,152**
2017				
Cost	19,011	11,747	1,741,071	**1,771,829**
Accumulated depreciation and impairment	(10,827)	(5,627)	(689,223)	**(705,677)**
Net book amount	**8,184**	**6,120**	**1,051,848**	**1,066,152**

	Consolidated	
	2017 $'000	2016 $'000
Motor vehicle and equipment operating leases reported as property, plant and equipment		
Operating leases terminating within 12 months	**246,408**	212,268
Operating leases terminating after more than 12 months	**805,440**	786,983
	1,051,848	999,251
Net book amount of property, plant and equipment		
Plant and equipment	**8,184**	4,997
Fixture and fittings	**6,120**	6,053
	14,304	11,050
Total property, plant and equipment	**1,066,152**	1,010,301

Key estimate and judgement: Leased property

The Group reviews the value of leased property at regular intervals. Determining the residual value and any fair value adjustment on leased motor vehicles requires the use of assumptions, including the future value of motor vehicles, economic and vehicle market conditions and dynamics.

3.0 Operating assets and liabilities (continued)

3.2 Finance leases

Recognition and measurement

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

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

	Consolidated	
	2017 $'000	2016 $'000
Gross investment	**503,662**	399,406
Unearned income	**(59,118)**	(50,267)
	444,544	349,139
Amount expected to be recovered within 12 months	**139,291**	104,645
Amount expected to be recovered after more than 12 months	**305,253**	244,494
	444,544	349,139

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

3.3 Trade receivables and other assets

Recognition and measurement

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

The amount of the impairment loss is recognised in profit or loss within impairment losses on loans and receivables. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment losses on loans and receivables in profit or loss.

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

	Consolidated	
	2017 $'000	2016 $'000
Net trade receivables		
Trade receivables	**98,708**	57,335
Provision for doubtful debts	**(9,025)**	(5,242)
	89,683	52,093
Sundry debtors	**24,635**	17,005
Prepayments	**21,329**	17,720
Other assets	**34**	34
Current tax receivable	**2,852**	8,469
Total trade receivables and other assets	**138,533**	95,321

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

3.0 Operating assets and liabilities (continued)

3.3 Trade receivables and other assets (continued)

All of the Group's trade receivables and other assets have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of $9,025,357 (2016: $5,242,195) has been recorded accordingly.

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

	Consolidated	
	2017 $'000	2016 $'000
At 1 October	**5,242**	3,332
Acquired as part of business combinations	**1,693**	2,121
Provision for doubtful debts recognised/(released) during the year	**2,090**	(211)
At 30 September	**9,025**	5,242

The creation and release of the provision for impaired receivables has been included in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

3.4 Trade and other liabilities

Recognition and measurement

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

	Consolidated	
	2017 $'000	2016 $'000
Trade payables	**46,871**	40,010
Lease liability	**6,854**	7,927
Accrued expenses	**16,480**	17,102
Current tax liabilities	**-**	16,834
Maintenance income received in advance	**11,452**	11,793
Contingent and deferred consideration[a]	**3,821**	6,145
Other payables	**38,113**	28,908
Total trade and other liabilities	**123,591**	128,719

	Consolidated	
	2017 $'000	2016 $'000
Amount expected to be settled within 12 months	**120,362**	123,509
Amount expected to be settled after more than 12 months	**3,229**	5,210
Total trade and other liabilities	**123,591**	128,719

a Under the terms of the sale agreement on the acquisition of FleetSmart during the year ended 30 September 2016, a further cash component of consideration may be payable over a period of eight years of up to $5,233,000, based on achievement of certain performance conditions. The contingent consideration was an estimate of the probable consideration that was to be paid as at the end of the reporting period. As at 30 September 2017, $2,512,000 of this balance remains as contingent. Deferred consideration of $793,000 (2016: $912,000) is recognised at 30 September 2017, payable over a remaining period of four years. The remaining balance of $515,500 relates to deferred consideration of the acquisition of Onyx (refer to note 2.5) which is expected to be released to the vendor within the next 12 months.

3.0 Operating assets and liabilities (continued)

3.5 Intangibles

Recognition and measurement

Goodwill

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

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

Customer relationships and brand names

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

Software

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

	Brand names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2016					
Opening net book amount	4,132	25,848	8,792	466,012	504,784
Acquired as part of business combination (note 2.5)	14,373	5,083	-	62,828	82,284
Additions	34	-	11,487	-	11,521
Amortisation charge	(457)	(3,254)	(2,248)	-	(5,959)
Foreign exchange variation	3	256	46	4,434	4,739
Closing net book amount	18,085	27,933	18,077	533,274	597,369
2016					
Cost	18,751	34,681	28,377	533,274	615,083
Accumulated amortisation and impairment	(666)	(6,748)	(10,300)	-	(17,714)
Net book amount	18,085	27,933	18,077	533,274	597,369

3.5 Intangibles (continued)

	Brand Names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2017					
Opening net book amount	18,085	27,933	18,077	533,274	597,369
Acquired as part of business combination (note 2.5)	20,098	2,865	11,630	170,802	205,395
Additions	-	-	15,164	-	15,164
Amortisation charge	(1,172)	(3,658)	(3,174)	-	(8,004)
Foreign exchange variation	(2)	(19)	(220)	(3,074)	(3,315)
Closing net book amount	37,009	27,121	41,477	701,002	806,609
2017					
Cost	38,847	37,520	54,847	701,002	832,222
Accumulated amortisation and impairment	(1,838)	(10,399)	(13,370)	-	(25,613)
Net book amount	37,009	27,121	41,477	701,002	806,609

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Australia Commercial	**280,780**	280,780
Australia Consumer	**145,871**	136,567
New Zealand Commercial	**112,790**	115,927
Unallocated	**161,561**	-
Goodwill allocation at 30 September	**701,002**	533,274

3.0 Operating assets and liabilities (continued)

3.5 Intangibles (continued)

(i) Impairment of assets (continued)

Unallocated goodwill relates to goodwill on the acquisition of Grays which has not been allocated to a CGU at 30 September 2017 as the final assessment of the benefits to the relevant CGU's was yet to be finalised.

Goodwill is reviewed on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment. There is no impairment recognised in 2017 (2016: $nil). The impairment test is applied consistently for all CGUs that have goodwill allocated and is based on value in use. The value in use was determined by discounting future cash flows generated from the businesses. Cash flows were projected based on a three-year forecast prepared by management for the applicable CGU, with an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management.

- Long term growth rate: Australia 2.00% (2016: 2.50%)
- Long term growth rate: New Zealand 2.00% (2016: 3.00%)
- Discount rates (post tax) 11.00% (2016: 11.00%)

Growth rates are reviewed on an annual basis and adjusted based on forecasted expectations of the industry performance, historical data and risks to these expectations. Long term growth rates are based on forecast economic data from the Reserve Bank Australia and the Reserve Bank New Zealand.

The discount rate takes into consideration the capital and financing structure of the business going forward and adjusted to factor in the changes to the cash flow model which considers the net cash flows and the distribution of these cash flows to equity investors.

Key estimate and judgement: Impairment of assets

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

4.0 Capital management

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

4.1 Borrowings

Recognition and measurement

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The secured borrowings may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the borrowing facilities may be drawn at any time and have an average maturity of 16 months (2016: 12 months).

	Consolidated	
	2017 $'000	2016 $'000
Bank loans	**254,768**	130,000
Notes payable	**1,359,442**	1,290,242
Borrowing costs	**(7,704)**	(5,203)
Chattel mortgages	**3,901**	-
Total secured borrowings	**1,610,407**	1,415,039
Amount expected to be settled within 12 months	**337,410**	303,713
Amount expected to be settled after more than 12 months	**1,272,997**	1,111,326
Total secured borrowings	**1,610,407**	1,415,039

Bank loans

Bank loans are secured by fixed and floating charge over the assets of the Company and all wholly owned subsidiaries. The carrying amount of assets pledged as security was $237,085,000 (2016: $187,825,000).

Notes payable

Notes payable are secured by fixed and floating charge over the motor vehicles and equipment that are leased to customers. The carrying amount of assets pledged as security was $1,632,549,000 (2016: $1,465,766,000).

Financing arrangements

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

	Consolidated	
	2017 $'000	2016 $'000
Loan facilities used at reporting date	**1,618,111**	1,420,242
Loan facilities unused at reporting date	**215,621**	404,961
Total loan facilities available	**1,833,732**	1,825,203

Financial covenants

The Group has complied with financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods.

4.0 Capital management (continued)

4.2 Financial risk management

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

Risk management

The Group's capital management objectives are to:

- ensure the Group's ability to continue as a going concern; and
- provide an adequate return to shareholders, by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in other comprehensive income.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure whilst avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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 debt.

	Consolidated	
	2017 $'000	**2016 $'000**
Net debt	**1,415,172**	1,236,741
Total equity	**863,263**	658,815
Capital-to-overall financing ratio	**61%**	53%

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand dollar.

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

For sensitivity measurement purposes, a +/- 10% (2016:10%) sensitivity in foreign exchange rates to the Australian dollar has been selected as this is considered realistic given the current levels of exchange rates, the recent levels of volatility and market expectations for future movements in exchange rates. Based on the financial instruments held at 30 September 2017, had the Australian dollar weakened/strengthened by 10% (2016:10%) against the New Zealand dollar compared to year-end rates, with other variables held constant, the consolidated entity's after-tax profits for the year and equity would have been $889,824 (2016: $1,159,074) higher/lower, as a result of exposure to exchange rate fluctuations of foreign currency operations. All foreign exchange risk is due to the translation of the New Zealand entities on consolidation.

4.0 Capital management (continued)

4.2 Financial risk management (continued)

(ii) Interest rate risk

	2017		2016	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Borrowings	**3.838%**	**1,610,407**	4.011%	1,415,039
Interest rate swaps (notional principal amount)	**2.665%**	**(1,514,210)**	2.900%	(1,263,911)
Unhedged variable debt		**96,197**		151,128

Interest rate sensitivity analysis

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

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

Sensitivities have been based on an increase in interest rates by 100 bps (2016: 100 bps) and a decrease by 100 bps (2016: 100 bps) across the yield curve.

	Interest rate risk		
2017	Carrying amount $'000	–100 bps Profit/equity $'000	+100 bps Profit/equity $'000
Financial assets			
Cash and cash equivalents	195,235	(1,952)	1,952
Finance leases			
– Fixed interest rate	444,544	-	-
Total (decrease)/increase	**639,779**	**(1,952)**	**1,952**
Financial liabilities			
Borrowings			
– Floating rate	1,610,407	16,104	(16,104)
Trade and other liabilities	123,591	-	-
Derivatives used for hedging	9,715	(15,142)	15,142
Total increase/(decrease)	**1,743,713**	**962**	**(962)**

4.0 Capital management (continued)

4.2 Financial risk management (continued)

2016	Carrying amount $'000	Interest rate risk –100 bps Profit/equity $'000	+100 bps Profit/equity $'000
Financial assets			
Cash and cash equivalents	178,298	(1,783)	1,783
Finance leases			
– Fixed interest rate	349,139	–	–
Total (decrease)/increase	527,437	(1,783)	1,783
Financial liabilities			
Borrowings			
– Floating rate	1,415,039	14,150	(14,150)
Trade and other liabilities	128,719	-	-
Derivatives used for hedging	20,700	(12,639)	12,639
Total increase/(decrease)	1,564,458	1,511	(1,511)

Credit risk

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For amounts due under leases, delinquency would be for amounts more than 30 days overdue. Receivables due under credit hire have different indicators for impairment due to the nature of the product. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The credit quality of financial assets is managed by the Group using internal indicators based on their current probability of default. These indicators are compared to market benchmarks to enable wider comparisons.

Finance leases are secured against individual assets. The carrying values of the assets held as security approximate the written down value of the finance leases.

	Consolidated 2017 $'000	2016 $'000
Unimpaired past due loans and receivables		
Past due under 30 days	**10,137**	7,887
Unimpaired past due loans and receivables		
Past due 30 days to under 60 days	**5,593**	4,418
Past due 60 days to under 90 days	**4,715**	2,852
Past due 90 days and over	**23,696**	8,479
Total unimpaired past due loans and receivables	**44,141**	23,636
Total unimpaired loans and receivables	**89,683**	52,093
Unimpaired past due as a percentage of total unimpaired loans and receivables	**49%**	45%
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables	**38%**	30%

4.0 Capital management (continued)

4.2 Financial risk management (continued)

Trade receivables includes amounts associated with the credit hire business, Right2Drive and Onyx. The credit hire business looks to recover costs from the party at fault or their insurance company. The ageing of credit hire receivables would, by its nature, be materially higher than non-credit hire receivables. The period of ageing is not the main characteristic that defines an impairment for credit hire.

Liquidity risk

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

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

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

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

Contractual maturities of financial liabilities 2017	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives						
Trade and other liabilities	**(120,362)**	**(940)**	**(1,951)**	**(338)**	**(123,591)**	**(123,591)**
Borrowings	**(380,030)**	**(362,596)**	**(915,377)**	**(60,836)**	**(1,718,839)**	**(1,610,407)**
Provisions	**(16,404)**	**(3,475)**	**-**	**-**	**(19,879)**	**(19,879)**
Total non-derivatives	**(516,796)**	**(367,011)**	**(917,328)**	**(61,174)**	**(1,862,309)**	**(1,753,877)**
Derivatives						
Interest rate swaps	**(8,765)**	**(1,798)**	**557**	**212**	**(9,794)**	**(9,715)**
Total derivatives	**(8,765)**	**(1,798)**	**557**	**212**	**(9,794)**	**(9,715)**

Contractual maturities of financial liabilities 2016	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives						
Trade and other liabilities	(123,509)	(1,890)	(2,851)	(469)	(128,719)	(128,719)
Borrowings	(351,084)	(345,897)	(779,918)	(62,782)	(1,539,681)	(1,415,039)
Provisions	(5,712)	(1,493)	-	-	(7,205)	(7,205)
Total non-derivatives	(480,305)	(349,280)	(782,769)	(63,251)	(1,675,605)	(1,550,963)
Derivatives						
Interest rate swaps	(10,123)	(6,563)	(4,512)	(255)	(21,453)	(20,700)
Total derivatives	(10,123)	(6,563)	(4,512)	(255)	(21,453)	(20,700)

4.0 Capital management (continued)

4.2 Financial risk management (continued)

Fair value risk

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

2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivatives used for hedging	-	9,715	-	9,715
Total financial liabilities	-	9,715	-	9,715

2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivatives used for hedging	-	20,700	-	20,700
Total financial liabilities	-	20,700	-	20,700

There were no transfers between levels for recurring fair value measurements during the year.

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

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

Valuation techniques used to determine fair values

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

4.3 Cash and cash equivalents

Recognition and measurement

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Restricted cash, that represents cash held by the entity as required by funding arrangements, is disclosed separately on the statement of financial position and combined for the purpose of presentation in the statement of cash flows.

4.0 Capital management (continued)

4.3 Cash and cash equivalents (continued)

	Consolidated	
	2017 $'000	2016 $'000
Unrestricted		
Operating accounts	**59,078**	60,922
	59,078	60,922
Restricted		
Collections accounts	**77,009**	31,933
Liquidity reserve accounts	**30,648**	**42,707**
Vehicle servicing and maintenance reserve accounts	**28,500**	42,736
Cash at bank and on hand	**136,157**	117,376
Total as disclosed in the statement of cash flows	**195,235**	178,298

The weighted average interest rate received on cash and cash equivalents for the year was 0.76% (2016: 1.10%).

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

4.4 Derivative financial instruments

Recognition and measurement

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

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

(i) Cash flow hedges

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

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

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

4.0 Capital management (continued)

4.4 Derivative financial instruments (continued)

(ii) Derivatives that do not qualify for hedge accounting

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

(iii) Derivatives

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

	Consolidated	
	2017 $'000	2016 $'000
Interest rate swaps - cash flow hedges	**9,715**	20,700
Total derivative financial instrument liabilities	**9,715**	20,700
Amount expected to be settled within 12 months	**8,843**	10,643
Amount expected to be settled after more than 12 months	**872**	10,057
Total derivative financial instrument liabilities	**9,715**	20,700

4.5 Contributed equity

Recognition and measurement

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

	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Share capital				
Fully paid ordinary shares	**310,518,887**	258,058,584	**635,246**	455,484
Other equity securities				
Treasury shares	**3,475,000**	6,425,000	**–**	–
Total issued equity	**313,993,887**	264,483,584	**635,246**	455,484

4.0 Capital management (continued)

4.5 Contributed equity (continued)

Movements in ordinary share capital

Date	Details	Number of shares	$'000
1 October 2015	Opening balance	233,781,298	375,005
29 January 2016	Issue of shares under the Dividend Reinvestment Plan - 2015 final dividend	1,084,412	3,381
19 May 2016	Issue of new shares for acquisition of Right2Drive Pty Ltd	22,234,775	73,819
30 June 2016	Issue of shares under the Dividend Reinvestment Plan - 2016 interim dividend	958,099	3,279
30 September 2016	Closing balance	258,058,584	455,484
20 January 2017	Issue of shares under the Dividend Reinvestment Plan – 2016 final dividend	816,908	3,129
22 April 2017	Loan shares vested	2,950,000	-
7 July 2017	Issue of shares under the Dividend Reinvestment Plan – 2017 interim dividend	1,511,759	5,462
11 August 2017	Issue of new shares for acquisition of Grays eCommerce Group	47,081,636	170,906
1 September 2017	Issue of shares on exercise of options	100,000	265
30 September 2017	Closing balance	310,518,887	635,246

Treasury shares

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

Details	Number of shares 2017	Number of shares 2016
Opening balance	**6,425,000**	6,425,000
Loan shares vested	(2,950,000)	-
Closing balance	**3,475,000**	6,425,000

4.6 Commitments

a. Telecommunication commitments

Telecommunication commitments contracted for at the end of the reporting period but not recognised as liabilities, are as follows:

	Consolidated	
	2017 $'000	2016 $'000
Telecommunication commitments	**2,673**	5,686

4.0 Capital management (continued)

4.6 Commitments (continued)

b. Lease commitments: Group as lessee

i. Operating leases

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

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

	Consolidated	
	2017 $'000	2016 $'000
Within one year	**17,548**	12,000
Later than one year but not later than five years	**23,493**	20,167
Later than five years	**8,109**	-
	49,150	32,167

ii. Finance leases

The Group leases fixed assets which lease expires within the next five years.

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

	Consolidated	
	2017 $'000	2016 $'000
Within one year	**920**	607
Later than one year but not later than five years	**1,864**	1,137
	2,784	1,744

c. Lease commitments: Group as lessor

i. Finance leases

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

	Consolidated	
	2017 $'000	2016 $'000
Commitments in relation to finance leases are receivable as follows:		
Within one year	**162,525**	123,624
Later than one year but not later than five years	**340,364**	275,660
Later than five years	**773**	122
	503,662	399,406

4.0 Capital management (continued)

4.6 Commitments (continued)

c. Lease commitments: Group as lessor (continued)

ii. Operating leases

Minimum lease payments receivable on leases of motor vehicles are as follows:

	Consolidated	
	2017 $'000	2016 $'000
Minimum lease payments under non-cancellable operating leases of motor vehicles notrecognised in financial statements are receivable as follows:		
Within one year	**299,323**	314,676
Later than one year but not later than five years	**354,554**	360,229
Later than five years	**22,826**	25,080
	676,703	699,985

d. Contractual commitments for the acquisition of property, plant or equipment

The Group had contractual commitments for the acquisition of property, plant or equipment totalling $50,739,551 (2016: $62,535,510). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

4.7 Contingent liabilities

On the acquisition of Grays eCommerce Group Limited, the Group acquired a bank guarantee facility. As at 30 September 2017, $3,188,000 of the bank guarantee facility has been utilised with $1,812,000 of this facility remaining unused.

	Consolidated	
	2017 $'000	2016 $'000
Bank guarantees	**3,188**	–

During the course of its business, Grays Group may issue to its customers guarantees relating to the future financial outcomes of auction sales events. Internal controls are in place to ensure that there are no potential future losses arising from these guarantees. At the end of the financial year, the maximium exposure is $5,000,000 of guarantee commitments of this nature on issue, all of which are expected to be settled within 12 months from balance date. The Group does not expect that any of these guarantees will result in losses.

4.0 Capital management (continued)

4.8 Dividends

Recognition and measurement

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

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

	Consolidated	
	2017 $'000	2016 $'000
Final dividends paid		
2016 final dividend paid on January 2017: 7.00 cents per ordinary share franked to 100% (2016: 6.50 cents)	**18,514**	15,613
Interim dividends paid		
2017 interim dividends paid on 7 July 2017: 7.50 cents per ordinary share franked to 100% (2016: 6.75 cents)	**19,897**	16,287
Total dividends paid	**38,411**	31,900
Final dividends proposed but not recognised at year end		
2017: 7.75 cents (2016: 7.00 cents) per ordinary share franked to 100%	**24,335**	18,514

On 07 November 2017, the Directors declared a fully franked final dividend for the year ended 30 September 2017 of 7.75 cents per ordinary shares, to be paid on 19 January 2018 to eligible shareholders on the register as at 29 December 2017. This equates to a total estimated distribution of $24,334,526 based on the number of ordinary shares on issues as at 30 September 2017. The final 2017 dividend has not been declared at the reporting date and therefore is not reflected in the financial statements.

5.0 Employee remuneration and benefits

Recognition and measurement

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

The Group makes payments to employees' superannuation funds in line with the relevant superannuation legislation. Contributions made are recognised as expenses when they arise.

Termination benefits

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

Bonus plans

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

5.1 Share based payments

Share based payments

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

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

The fair value at grant date is independently determined using a Binomial tree option pricing model and Monte-Carlo simulation 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. The fair value of the options granted is then adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to become exercisable.

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

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

5.0 Employee remuneration and benefits (continued)

5.1 Share based payments (continued)

Loan shares

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

Options

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

Rights

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

The loan shares, options and rights are subject to the same performance hurdles. Refer to remuneration report for details of these performance hurdles.

(i) Long Term Incentive Plan

For the year ended 30 September 2017, the following awards were provided under the following employee share ownership plans:

Options and rights

Each award is subject to testing against certain total shareholder return (TSR) and earnings per share (EPS) conditions on the third year anniversary of the grant.

5.0 Employee remuneration and benefits (continued)

5.1 Share based payments (continued)

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

Loan shares

Grant date	Expected vesting date	Exercise price	Weighted average exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Unvested balance at end of the year Number	Vested option not exercised Number
2017									
25-Sep-08		$0.90	$0.90	787,500	–	–	–	–	787,500
08-May-13		$2.03	$2.03	129,744	–	–	–	–	129,744
25-Sep-14		$1.47-$1.65	$1.60	11,190,775	–	–	(577,803)	–	10,612,972
10-Mar-15		$2.30	$2.30	450,000	–	–	(168,644)	–	281,356
22-Apr-15		$2.30	$2.30	2,950,000	–	–	(50,000)	–	2,900,000
22-Apr-15	21–Apr–18	$2.30	$2.30	2,950,000	–	–	–	2,950,000	–
2016									
25-Sep-08		$0.90	$0.90	787,500	–	–	–	–	787,500
08-May-13		$2.03	$2.03	129,744	–	–	–	–	129,744
25-Sep-14		$1.47-$1.65	$1.60	11,190,775	–	–	–	–	11,190,775
10-Mar-15		$2.30	$2.30	450,000	–	–	–	–	450,000
22-Apr-15	21–Apr–17	$2.30	$2.30	3,100,000	–	(150,000)	–	2,950,000	–
22-Apr-15	21–Apr–18	$2.30	$2.30	3,100,000	–	(150,000)	–	2,950,000	–

5.1 Share based payments (continued)

Options

Grant date	Expected vesting date	Exercise price	Weighted average exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Unvested balance at the end of the year Number	Vested option not exercised Number
2017									
22-Apr-15	21-Apr-17	$2.30	$2.30	725,000	–	–	(275,000)	–	450,000
22-Apr-15	21-Apr-18	$2.30	$2.30	725,000	–	–	–	725,000	–
10-Nov-15	30-Sep-18	$3.06	$3.06	3,875,000	–	(145,000)	–	3,730,000	–
19-Feb-16	30-Sep-18	$3.06	$3.06	1,625,000	–	–	–	1,625,000	–
5-Sep-16	30-Sep-19	$3.80	$3.80	1,000,000	–	–	–	1,000,000	–
4-Nov-16	30-Sep-19	$3.60	$3.60	–	4,745,000	(140,000)	–	4,605,000	–
4-Nov-16	30-Sep-19	$3.60	$3.60	–	1,760,000	–	–	1,760,000	–
2016									
22-Apr-15	21-Apr-17	$2.30	$2.30	800,000	–	(75,000)	–	725,000	–
22-Apr-15	21-Apr-18	$2.30	$2.30	800,000	–	(75,000)	–	725,000	–
10-Nov-15	30-Sep-18	$3.06	$3.06	–	4,025,000	(150,000)	–	3,875,000	–
19-Feb-16	30-Sep-18	$3.06	$3.06	–	1,625,000	–	–	1,625,000	–
5-Sep-16	30-Sep-19	$3.80	$3.80	–	1,000,000	–	–	1,000,000	–

Rights

Grant date	Expected vesting date	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
2017					
10-Nov-15	30–Sep–18	935,000	–	(70,000)	865,000
19-Feb-16	30–Sep–18	400,000	–	–	400,000
4-Nov-16	30–Sep–19	–	489,000	–	489,000
17-Feb-17	30–Sep–19	–	286,000	–	286,000
2016					
10-Nov-15	30–Sep–18	–	970,000	(35,000)	935,000
19-Feb-16	30–Sep–18	–	400,000	–	400,000

5.0 Employee remuneration and benefits (continued)

5.1 Share based payments (continued)

(i) Fair value of options granted

The fair value for awards granted under Relative TSR vesting conditions is independently determined using the Monte-Carlo simulation pricing model, whilst the fair value for awards granted under EPS Hurdle vesting conditions is independently determined using the Binomial tree pricing model. The models take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The model inputs for options granted are as follows:

Grant date	17 February 2017	17 February 2017	4 November 2016	4 November 2016	5 September 2016
Award type	Options	Rights	Options	Rights	Options
First test date	30 September 2019	30 September 2019	30 September 2019	30 September 2019	30 September 2019
Retest date	30 September 2020	30 September 2020	30 September 2020	30 September 2020	30 September 2020
First vesting date	4 November 2019	4 November 2019	4 November 2019	4 November 2019	4 November 2019
Loan repayment date/expiry date	17 February 2022	17 February 2022	4 November 2021	4 November 2021	4 November 2021
Share price at the grant date	$3.90	$3.90	$3.60	$3.60	$3.80
Loan/exercise price	$3.60	Nil	$3.60	Nil	$3.80
Expected life	3.9 years	2.8 years	4.0 years	3.1 years	4.1 years
Volatility	28.5%	28.5%	28.5%	28.5%	29%
Risk free interest rate	2.12%	1.96%	1.78%	1.70%	1.53%
Dividend yield (p.a)	4.42%	4.42%	4.67%	4.67%	4.15%
Average assessed fair value per instrument	$0.70	$2.87	$0.54	$2.66	$0.60

Grant date	19 February 2016	19 February 2016	10 November 2015	10 September 2015
Award type	Options	Rights	Rights	Options
First test date	30 September 2018	30 September 2018	30 September 2018	30 September 2018
Retest date	30 September 2019	30 September 2019	30 September 2019	30 September 2019
First vesting date	10 November 2018	10 November 2018	10 November 2018	10 November 2018
Loan repayment date/expiry date	10 November 2020	10 November 2020	10 November 2020	10 November 2020
Share price at the grant date	$2.62	$2.62	$3.06	$3.06
Loan/exercise price	$3.06	Nil	$3.06	Nil
Expected life	3.8 years	3.0 years	4.0 years	3.0 years
Volatility	30%	30%	30%	30%
Risk free interest rate	1.85%	1.78%	2.06%	1.93%
Dividend yield (p.a)	3.50%	3.50%	3.50%	3.50%
Average assessed fair value per instrument	$0.36	$1.86	$0.59	$2.31

5.1 Share based payments (continued)

(i) Fair value of options granted (continued)

The expected price volatility is representative of the level of uncertainty expected in the movements of the Company's share price over the life of the award. The price volatility was determined considering:

- the tendency of newly listed entities to show decreasing volatility early in their life;
- volatility of comparable listed companies; and
- the mean reversion tendency of volatilities.

(ii) Expenses arising from share-based payment transactions

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

	Consolidated	
	2017 $'000	2016 $'000
Awards issued to employees of controlled entities during the year	**4,462**	2,860

(iii) Terms and conditions of Share Schemes

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

5.2 Key management personnel disclosure

	Consolidated	
	2017 $'000	2016 $'000
Short-term employee benefits	**4,662**	4,505
Post-employment benefits	**114**	93
Long-term employee benefits	**16**	5
Share-based payments	**1,881**	1,156
	6,673	5,759

6.0 Other

6.1 Reserves

Recognition and measurement

Share-based payment reserve

The share based payment reserve is used to recognise:

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

Cash flow hedge reserve

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

Treasury reserve

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

Foreign currency translation reserve

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

	Consolidated	
	2017 $'000	2016 $'000
Reconciliation of reserves		
Hedging reserve - cash flow hedges	**(6,110)**	(13,335)
Treasury reserve	**991**	(1,298)
Foreign currency translation reserve	**(124)**	4,965
Share based payments reserve	**17,600**	13,138
Total reserves	**12,357**	3,470

Movements in reserves		
Hedging reserve - cash flow hedges		
Balance 1 October	**(13,335)**	(12,692)
Revaluation	**10,204**	(911)
Deferred tax	**(2,979)**	268
Balance 30 September	**(6,110)**	(13,335)
Share based payments reserve		
Balance 1 October	**13,138**	6,570
Rights issued as part of the Right2Drive Pty Ltd acquisition	**–**	3,708
Awards issued to employees of controlled entities during the year	**4,462**	2,860
Balance at 30 September	**17,600**	13,138

6.0 Other (continued)

6.2 Parent entity information

(i) Summary financial information

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

	Consolidated	
	2017 $'000	2016 $'000
Statement of financial position		
Current assets	**8,566**	1,232
Non-current assets	**1,027,961**	778,612
Total assets	**1,036,527**	779,844
Current liabilities	**(6,338)**	(12,829)
Non-current liabilities	**(244,256)**	(127,609)
Total liabilities	**(250,594)**	(140,438)
Shareholders equity		
Issued share capital	**635,246**	455,484
Reserves	**10,412**	5,144
Retained earnings	**140,275**	178,778
	785,275	639,406
Profit for the year	**(92)**	1,285

(ii) Guarantees entered into by the parent entity

There are cross guarantees given by Eclipx Group Limited, Pacific Leasing Solutions (Australia) Pty Limited, Leasing Finance (Australia) Pty Limited, Fleet Holding (Australia) Pty Limited, PLS Notes (Australia) Pty Limited, Fleet Partners Pty Limited, Fleet Aust Subco Pty Limited, Fleet Partners Franchising Pty Limited, CLFC Pty Limited, Car Insurance Pty Limited, FleetPlus Holdings Pty Limited, CarLoans.com.au Pty Ltd, Fleet Choice Pty Ltd, CLFC Media Holdings Pty Limited, FleetPlus Pty Limited, Eclipx Commercial Pty Ltd, FleetPlus Novated Pty Limited, PackagePlus Australia Pty Limited, Eclipx Insurance Pty Ltd, CarInsurance.com.au Pty Ltd, Right2Drive Pty Ltd, Anrace Pty Ltd, Eclipx MMF Finance Pty Ltd, Grays eCommerce Group Limited, GEG No 1 Pty Ltd, Grays (Aust) Holdings Pty Ltd, GEG Capital Pty Ltd, GEG International Pty Ltd, Grays (NSW) Pty Ltd, Graysonline (SA) Pty Ltd, Grays (VIC) Pty Ltd, GLC Fine Wines Liquor Pty Limited, Grays Eisdell Timms (WA) Pty Limited, Grays Eisdell Timms (QLD) Pty Limited and C M Pty Limited.

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

(iii) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 September 2017 or 2016. For information about guarantees given by the parent entity, see above.

6.0 Other (continued)

6.3 Related party transactions

(i) Transactions within the wholly owned Group

The following transactions occurred with related parties:

The related party payables among Australian entities are interest free and are not due for payment within the next 12 months.

(ii) Controlling entity

The parent entity of the Group is Eclipx Group Limited.

(iii) Interest in other entities

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

Australia	
Fleet Aust Subco Pty Ltd	FP Turbo Trust 2007-1 (Australia)
Pacific Leasing Solutions (Australia) Pty Ltd	FP Turbo Series 2014-1 Trust
Leasing Finance (Australia) Pty Ltd	FP Turbo Warehouse Trust 2014-1 (Australia)
PLS Notes (Australia) Pty Ltd	Fleet Partners Franchising Pty Ltd
Fleet Holding (Australia) Pty Ltd	Eclipx Insurance Pty Ltd
Fleet Partners Pty Ltd	CarInsurance.com.au Pty Ltd
FleetPlus Holdings Pty Limited	Car Insurance Pty Ltd
FleetPlus Pty Ltd	CLFC Pty Ltd
FleetPlus Novated Pty Ltd	CarLoans.com.au Pty Ltd
PackagePlus Australia Pty Ltd	Fleet Choice Pty Ltd
CLFC Media Holdings Pty Ltd	FP Turbo Series 2015-1 Equipment Trust
Eclipx Commercial Pty Ltd	FleetPlus Asset Securisation Pty Ltd[c]
Right2Drive Pty Ltd[b]	FP Turbo Government Lease Trust 2016-1
Grays eCommerce Group Ltd[a]	GEG No. 1 Pty Ltd[a]
Grays (Aust) Holdings Pty Ltd[a]	GEG Capital Pty Ltd[a]
GEG International Pty Ltd[a]	Grays (NSW) Pty Ltd[a]
Grays (NSW) Pty Ltd[a]	GraysOnline (SA) Pty Ltd[a]
Grays (VIC) Pty Ltd[a]	GLC Fine Wines & Liquor Pty Ltd[a]
Gray Eisdell Timms (WA) Pty Ltd[a]	Gray Eisdell Timms (QLD) Pty Ltd[a]
CM Pty Ltd[a]	GEM Trust[a]
Anrace Pty Ltd[d]	Eclipx MMF Finance Pty Ltd[e]

(a) On 11 August 2017, the Group concluded the 100% acquisition of Grays eCommerce Group Limited.
(b) On 19 May 2016, the Group concluded the 100% acquisition of the Right2Drive Group.
(c) The Group does not have control of FleetPlus Asset Securisation Pty Ltd.
(d) On 18 November 2016, the Group concluded the 100% acquisition of Anrace Pty Ltd.
(e) On 22 November 2016, the Group established Eclipx MMF Finance Pty Ltd.
(f) On 15 August 2017, Fleet Holding (NZ) Limited changed its name to Eclipx Fleet Holding (NZ) Limited.
(g) On 15 August 2017, Pacific Leasing Solutions (NZ) Limited changed its name to Eclipx Pacific Leasing Solutions (NZ) Limited.
(h) On 15 August 2017, Leasing Finance (NZ) Limited changed its name to Eclipx Leasing Finance (NZ) Limited.
(i) On 28 September 2017, the Group established Eclipx NZ Limited.

6.0 Other (continued)

6.3 Related party transactions (continued)

(iii) Interest in other entities (continued)

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

(a) On 11 August 2017, the Group concluded the 100% acquisition of Grays eCommerce Group Limited.
(b) On 19 May 2016, the Group concluded the 100% acquisition of the Right2Drive Group.
(c) The Group does not have control of FleetPlus Asset Securisation Pty Ltd.
(d) On 18 November 2016, the Group concluded the 100% acquisition of Anrace Pty Ltd.
(e) On 22 November 2016, the Group established Eclipx MMF Finance Pty Ltd.
(f) On 15 August 2017, Fleet Holding (NZ) Limited changed its name to Eclipx Fleet Holding (NZ) Limited.
(g) On 15 August 2017, Pacific Leasing Solutions (NZ) Limited changed its name to Eclipx Pacific Leasing Solutions (NZ) Limited.
(h) On 15 August 2017, Leasing Finance (NZ) Limited changed its name to Eclipx Leasing Finance (NZ) Limited.
(i) On 28 September 2017, the Group established Eclipx NZ Limited.

6.0 Other (continued)

6.3 Related party transactions (continued)

(iv) Transactions with other related parties

(a) Relationship with Ironbridge

During the year, Eclipx Group Limited has incurred $51,900 in fees (2016: $137,500) from Ironbridge Capital Management PLC in relation to Director Fees for G Ruddock. Refer to the remuneration report for further information.

(b) Logbook Me Pty Limited

Eclipx Group Limited is party to a contract with Logbook Me Pty Limited (LogbookMe) which supplies a software product that utilises GPS tracking devices which Eclipx on sells to its customers. This product allows Eclipx fleet customers to manage their fringe benefits and fuel tax costs on their fleet as well as fulfilling key driver safety monitoring obligations under workplace health and safety legislation. LogbookMe has agreed not to distribute its product to other fleet management and vehicle finance providers for the term of the contract, subject to minimum subscriber volumes. The term of the contract is 10 years from 15 October 2014. The device, freight and subscription fees paid to LogbookMe amounted in 2017 to $536,388 (2016: $219,571); the increase resulting from incremental product sales to Eclipx customers.

The LogbookMe tool provided to Eclipx has been instrumental in securing corporate and government tenders.

The Chief Executive Officer and Deputy Chief Executive Officer have a direct equity interest in LogbookMe.

The contract with LogbookMe has been negotiated on an arms length basis with Board oversight.

6.4 Remuneration of auditors

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

	Consolidated	
	2017 $	2016 $
(a) Audit and assurance services		
Audit Services		
KPMG Australian firm:		
Audit and review of financial statements	**757,087**	746,254
(b) Non-audit services		
KPMG Australian firm:		
Debt restructuring	**599,067**	540,000
Transactional services	**563,947**	179,134
Total remuneration for non-audit services for KPMG	**1,163,014**	719,134
Total remuneration for KPMG	**1,920,101**	1,465,388

6.0 Other (continued)

6.5 Deed of cross guarantee

Eclipx Group Limited, Pacific Leasing Solutions (Australia) Pty Limited, Leasing Finance (Australia) Pty Limited, Fleet Holding (Australia) Pty Limited, PLS Notes (Australia) Pty Limited, Fleet Partners Pty Limited, Fleet Aust Subco Pty Limited, Fleet Partners Franchising Pty Limited, CLFC Pty Limited, Car Insurance Pty Limited, FleetPlus Holdings Pty Limited, CarLoans.com.au Pty Ltd, Fleet Choice Pty Ltd, CLFC Media Holdings Pty Limited, FleetPlus Pty Limited, Eclipx Commercial Pty Ltd, FleetPlus Novated Pty Limited, PackagePlus Australia Pty Limited, Eclipx Insurance Pty Ltd, CarInsurance.com.au Pty Ltd, Right2Drive Pty Ltd, Anrace Pty Ltd, Eclipx MMF Finance Pty Ltd, Grays eCommerce Group Limited, GEG No 1 Pty Ltd, Grays (Aust) Holdings Pty Ltd, GEG Capital Pty Ltd, GEG International Pty Ltd, Grays (NSW) Pty Ltd, Graysonline (SA) Pty Ltd, Grays (VIC) Pty Ltd, GLC Fine Wines & Liquor Pty Limited, Grays Eisdell Timms (WA) Pty Limited, Grays Eisdell Timms (QLD) Pty Limited and C M Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

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

	Consolidated	
	2017 $'000	2016 $'000
Statement of profit or loss and other comprehensive income		
Revenue from continuing operations	**461,870**	412,201
Cost of revenue	**(191,479)**	(166,171)
Lease finance costs	**(44,018)**	(41,861)
Net operating income before operating expenses and impairment charges	**226,373**	204,169
Impairment losses on loans and receivables	**(3,800)**	(1,530)
Net operating income before operating expenses	**222,573**	202,639
Employee benefit expense	**(79,955)**	(58,073)
Depreciation and amortisation expense	**(11,240)**	(7,894)
Operating overheads	**(57,463)**	(32,062)
Total overheads	**(148,658)**	(98,029)
Operating finance costs	**(5,903)**	(6,515)
Profit before income tax	**68,012**	98,095
Income tax expense	**(17,552)**	(13,812)
Profit for the year	**50,460**	84,283
Other comprehensive income/(loss), net of tax	**2,136**	4,647
Total comprehensive income for the year	**52,596**	88,930

NOTES TO THE FINANCIAL STATEMENT

for the year ended 30 September 2017

6.0 Other (continued)

6.5 Deed of cross guarantee (continued)

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

	Consolidated	
	2017 $'000	2016 $'000
ASSETS		
Cash and cash equivalents	**35,374**	49,326
Restricted cash and cash equivalents	**90,490**	72,371
Trade and other receivables	**118,814**	73,768
Inventory	**11,369**	10,673
Finance leases	**424,568**	331,899
Operating leases reported as property, plant and equipment	**655,780**	621,406
Property, plant and equipment	**12,761**	9,938
Receivables - advances to related parties	**99,731**	55,764
Deferred tax assets	**29,657**	3,737
Intangibles	**681,127**	471,182
Total assets	**2,159,671**	1,700,064
LIABILITIES		
Trade and other liabilities	**30,594**	29,020
Provisions	**18,427**	6,410
Derivative financial instruments	**5,992**	14,162
Other	**2,784**	1,744
Borrowings	**1,214,069**	1,017,663
Payables - Advances from related parties	**715**	4,250
Deferred tax liabilities	**49,276**	-
Total liabilities	**1,321,857**	1,073,249
Net assets	**837,814**	626,815
EQUITY		
Contributed equity	**635,246**	455,484
Reserves	**15,771**	(1,282)
Retained earnings	**186,797**	172,613
Total equity	**837,814**	626,815

* The presentation format of the Consolidated Statement of Financial Position has been changed from a current/non-current basis to order of liquidity. See Note 1 for additional disclosures.

6.0 Other (continued)

6.6 Reconciliation of cash flow from operating activities

	Consolidated	
	2017 $'000	2016 $'000
Profit after tax for the year	**54,210**	45,868
Depreciation and amortisation	**216,562**	197,939
Doubtful debts	**4,295**	1,989
Share based payments expense	**4,467**	2,860
Fleet and stock impairment	**309**	(118)
Corporate debt restructuring costs	**-**	1,615
Unwind on contingent consideration	**(2,840)**	(778)
Net (gain)/loss on sale of non-current assets	**(24,972)**	(16,234)
Hedging gain	**(431)**	464
Exchange rate variations on New Zealand cash and cash equivalents	**1,513**	(1,983)
Net cash inflow from operating activities before change in assets and liabilities	**253,113**	231,622
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(39,886)**	7,975
Increase in finance leases	**130,945**	106,370
Decrease/(increase) in deferred tax assets/liabilities	**29,375**	2,437
Increase in trade and other liabilities	**(5,128)**	23,186
Decrease in current provisions	**12,674**	(2,010)
Increase in other current liabilities	**1,040**	937
Net cash inflow from operating activities	**382,133**	370,517

6.7 Events occurring after the reporting period

Except for the matters disclosed above, no other matter or circumstance has occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

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

(a) The consolidated Financial Statements and notes of the Group that are set out on pages 62 to 113 are in accordance with the *Corporations Act 2001*, including:

  (i) Giving a true and fair view of the Group's financial position as at 30 September 2017 and of its performance for the financial year ended on that date; and

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

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

(c) There are reasonable grounds to believe that the Group and the group entities identified in Note 6.5 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

(d) The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 September 2017.

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

Signed in accordance with a resolution of the Directors:

Kerry Roxburgh
Chairman

Doc Klotz
Chief Executive Officer

Sydney
7 November 2017

KPMG

Independent Auditor's Report

To the shareholders of Eclipx Group Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 30 September 2017 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 the:

- Consolidated statement of financial position as at 30 September 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- 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;
- Determination of vehicle residual values;
- Revenue recognition; and
- Acquisition of Grays eCommerce Group Liited (GEG).

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.

KPMG

Valuation of goodwill – ($701.0m)	
Refer to Note 3.5 in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
Valuation of the Group's goodwill is a Key Audit Matter due to: • the size of the balance (being 25% of total assets); and • the high level of judgment 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 rates, which are complex in nature and may vary according to the conditions and environment the specific cash generating units (CGUs) are subject to from time to time. The Group also made a significant acquisition during the year, resulting in $161.6m of provisional goodwill arising from the acquisition of Grays eCommerce Group Limited. We involved valuation specialists to supplement our senior auditors in assessing this Key Audit Matter.	Working with our valuation specialists, our procedures included: • evaluating the approach to the value in use valuation methodology adopted against the AASB 136 *Impairment of Assets* accounting standard, • assessing the integrity of the value in use model used, 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 and the impact of acquisitions during the year. We analysed how independent cash inflows of the Group were generated against the requirements of the relevant accounting standards; • analysing the significant acquisition of Grays eCommerce Group Limited during the year and the Group's internal reporting to assess the Group's monitoring and management of activities and the consistency of the allocation of goodwill to CGUs; • assessing the Group's discount rates against publicly available data for a group of comparable entities and independently developing discount rate ranges considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGU and the industry and geography they operate in; • challenging the Group's cash flow forecast and growth assumptions, including those relating to the fleet size of new customer wins using our knowledge of the Group, its industry and the Group's past performance, and industry growth projections and inflation expectations across different geographies. We also compared the Group's long-term growth and inflation assumptions to published studies of industry trends and expectations across different geographies, and considered differences experienced across the Group's operations; • assessing the Group's historical forecasting accuracy by checking prior actuals to prior forecasts to inform our assessment of forecasts incorporated in the model; • considering the sensitivity of the model by varying key assumptions such as discount rates and forecast growth rates, within a reasonably possible range, 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 relevant accounting standards.

KPMG

Determination of vehicle residual values	
Refer to Critical Accounting Estimates and Assumptions and disclosures over residual values in the context of property, plant and equipment in Notes 1.0 and 3.1 in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
Understanding the process for, and robustness of, residual value setting is considered a Key Audit Matter due to the significant audit effort required and the high degree of judgement applied by us in assessing the Group's valuation of the residual value of their fleet and the impact residual value setting has on a number of key accounts. We focused on vehicle impairment and vehicle trading profit as an indicator of the Group's ability to set accurate residual values. We considered the Group's following significant judgements: – expected forecast residual value at the end of the lease term; – periodical future lease-related fee cash flow assumptions; and – assumptions on the timing and future condition of vehicles returned at the end of the lease, and associated cash flows. Residual value setting has the following impacts within the Financial Report: • Vehicle depreciation ($204.2m) over the lease term is calculated with reference to the residual value as the terminating value; and • Vehicle impairment ($0.3m) recognised where residual values exceed estimated future sales prices. The timing of revenue recognition across the term of a lease may be affected by aggressive or conservative residual value setting as it impacts the level of revenue recognised during the term of the lease compared to at the end of the lease.	Our procedures included: • Understanding the process by which residual values are calculated; • Testing the key controls for the Group's residual valuation process such as the bi-annual review and approval of residual value changes by senior management to assess residual value settings on existing vehicles; • Assessing the Group's judgement on future lease-related fee cash flows and end of lease cash flow assumptions based on timing and future condition of returned vehicles used in the vehicle impairment model by comparing to historical cash flow experience for a sample of previous leases; • Assessing the Group's ability to forecast vehicle residual values by selecting a statistical sample of vehicles disposed of during the year and comparing the sale price to sales invoices and written down values; and • Comparing a sample of the current residual values of vehicles against the current market value of those vehicles sourced from an independent external database of used vehicle valuations.

<table>
<tr><th colspan="2">Revenue recognition ($604.5m)</th></tr>
<tr><td colspan="2">Refer to Note 2.2 in the Financial Report.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's operations include a number of unique revenue streams, including but not limited to: finance and operating lease related revenue, rental hire income, maintenance and other service revenue, auction sales revenue and commission revenue.

Some of these revenue streams include a high level of estimation or accounting complexity, resulting in the measurement and recognition of those revenue streams being considered a Key Audit Matter due to the audit effort arising from:

• The estimation of maintenance revenue using a stage of completion method and key assumptions of the average age, term and useage of the vehicle fleet as well as cost of maintenance performed;

• The de-recognition of certain maintenance cash flows due to principal or agent considerations;

• The dependence of the Group on the automation of lease invoicing and, thus its revenue recognition, necessitates the involvement of our information technology (IT) specialists; and

• The significant judgement required by the Group in assessing the recoverability of rental hire receivables, and therefore the additional audit effort required to assess the quantum of the revenue associated with those receivables.</td><td>Our procedures included:

• Assessing the Group's revenue recognition policies in accordance with relevant accounting standards;

• Testing key controls in the sales system, in particular the matching control of invoices, lease receipt allocation and cash receipts;

• Recalculating and assessing the reasonableness of the Group's estimates of the stage of completion of the contracted maintenance of leased assets by checking the mathematical accuracy of the stage of completion model and checking the average age, term and distance assumptions for consistency with internal system generated lease portfolio statistics. These are tested on a sample basis;

• Challenging the Group's judgement in determining the key assumptions by comparing the average cost of maintenance activities performed to publicly available market rates and costs;

• Assessing the Group's judgement on principal or agent maintenance revenue recognition in accordance with AASB 118 Revenue;

• With assistance from IT specialists, testing key automated controls within the leasing database; and

• Challenging the Group's judgement on the rental hire revenue recorded based on the historical and expected recoverability of rental hire receivables, we test a statistical sample of rental hire receivables to subsequent receipts of cash and evaluate trends in recoverability of rental hire revenue.</td></tr>
</table>

KPMG

Acquisition of Grays eCommerce Group Limited (GEG) ($170.9m)	
Refer to Note 2.5 in the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
The acquisition of Grays eCommerce Group Limited (GEG) for $170.9m is considered a Key Audit Matter due to the size of the acquisition and the audit complexity arising from the Group's estimation process in the purchase price allocation (PPA). The process involved in accounting for the acquisition is complex, requiring us to assess the Group's judgement in determining the fair value of acquired assets and liabilities, in particular the valuation of goodwill and separately identifiable intangible assets, such as brand names and customer relationships. The valuation of intangible assets (including brand names and customer relationships) requires us to assess the Group's judgement in selecting appropriate valuation models and the key assumptions such as growth rates, projected cash flows, discount rates and royalty rates underpinning this. The Group engaged an independent expert to assist with this. We involved our valuation specialists to supplement our senior auditors in assessing this Key Audit Matter.	Our procedures included: • Assessing the acquisition against the criteria of a business combination in the relevant accounting standards by reading the key transaction documents to understand key terms and conditions; • Working with our valuation specialists to assess and challenge the key assumptions used in the PPA to identify and value intangible assets. This involved: o Assessing the competence, objectivity and scope of the Group's independent expert; o Challenged the key inputs used by the Group's independent valuation expert to determine the value of intangible assets, including growth rates, projected cash flows, discount rates and royalty rates, we did this by comparing the key inputs against approved business forecasts, published studies of economic growth and inflation expectations and an external, independent database of comparable royalty rates; and o Challenged the Group's judgmental assumptions such as the identification of separable identifiable intangible assets and the Group's independent valuation expert's approach and methodology of valuing these assets by comparing to accepted industry practice and accounting standards requirements. • Assessing the fair value of other significant assets and liabilities recorded in the purchase price allocation, by performing procedures including independently confirming cash balances acquired, performing subsequent receipts and settlement testing on trade receivables and payables; and • Assessing the Group's disclosures in respect of the acquisition in accordance with relevant accounting standards.

KPMG

Other Information

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

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
- assessing the Group's ability to continue as a going concern. 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_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Eclipx Group Limited for the year ended 30 September 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Director's 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 contained within the Director's report for the year ended 30 September 2017.

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

7 November 2017

SHAREHOLDER INFORMATION

Investor information

Additional information required by the ASX and not shown elsewhere in this report is as follows, and is current as at 19 December 2017.

Distribution of holders of quoted equity securities

Fully paid ordinary shares

Range of holdings	Number of share holders	% of share holders	Shares held	% of shares
1 – 1,000	2,386	52.15	317,072	0.10
1,001 – 5,000	1,256	27.45	3,526,974	1.12
5,001 – 10,000	430	9.40	3,244,092	1.03
10,001 – 100,000	430	9.40	10,807,335	3.44
100,001 and over	73	1.60	296,098,414	94.30
Total	**4,575**	**100.00**	**313,993,887**	**100.00**

Distribution of holders of unquoted equity securities

Non-executive Director Options

Range of holdings	Number of option holders	% of option holders	Options held	% of options
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	1	20	100,000	11.1
100,001 and over	4	80	800,000	88.9
Total	**5**	**100**	**900,000**	**100**

LTI Options

Range of holdings	Number of option holders	% of option holders	Options held	% of options
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	13	12.6	130,000	0.7
10,001 – 100,000	55	53.4	2,500,000	14.3
100,001 and over	35	34	14,895,000	85
Total	**103**	**100**	**17,525,000**	**100**

LTI Rights

Range of holdings	Number of rights holders	% of rights holders	Rights held	% of rights
1 – 1,000	-	-	-	-
1,001 – 5,000	5	7	25,000	0.8
5,001 – 10,000	21	29.6	210,000	6.7
10,001 – 100,000	38	53.5	1,418,000	45.5
100,001 and over	7	9.9	1,467,000	47
Total	**71**	**100**	**3,120,000**	**100**

SHAREHOLDER INFORMATION

Substantial Shareholder Notices (as disclosed to the ASX)

Shareholders	Ordinary shares held	% of issued shares	Date of notice
Vinva Investment Management	16,062,430	5.12%	25/08/2017
Bennelong Funds Management Group Pty Ltd	21,986,089	7.2507%	11/12/2017

Twenty largest shareholders

	Shareholders	Ordinary shares held	% of ordinary shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	91,270,403	29.07
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	64,394,793	20.51
3	CITICORP NOMINEES PTY LIMITED	33,122,285	10.55
4	NATIONAL NOMINEES LIMITED	28,927,871	9.21
5	BNP PARIBAS NOMS PTY LTD <DRP>	16,127,819	5.14
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	9,171,711	2.92
7	SOLIUM NOMINEES (AUSTRALIA) PTY LTD ALLOCATED A/C>	6,252,581	1.99
8	GMCM INVESTMENTS PTY LTD (MCLENNAN FAMILY TRUST)[1]	3,777,954	1.20
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL >	3,598,000	1.15
10	MR IRWIN DAVID KLOTZ	3,538,954	1.13
11	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,867,546	0.91
12	BAINPRO NOMINEES PTY LIMITED	1,711,747	0.55
13	G HARVEY NOMINEES PTY LTD <HARVEY 1995 DISC A/C>	1,630,434	0.52
13	YOOGALU PTY LTD	1,630,434	0.52
14	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,538,558	0.49
15	AMP LIFE LIMITED	1,469,228	0.47
16	RITCHIE INVESTMENTS PTY LTD (THE RITCHIE TRUST)	1,460,809	0.47
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,448,235	0.46
18	MR NICHOLAS ANDREW JOHNSON & MRS JANE ELIZABETH JOHNSON <NA & JE JOHNSON S/F A/C>	1,400,000	0.45
19	MR NICHOLAS ANDREW JOHNSON	1,101,766	0.35
20	GEOFFREY KELVIN GRAY	1,037,815	0.33
Total		**277,478,943**	**88.37**
Balance of register		**36,514,944**	**11.63**
Grand total		**313,993,887**	**100.00**

1 shares held on trust for Garry McLennan, Director of Eclipx Group Limited

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 0.

123 shares comprise a marketable parcel at Eclipx Group's closing share price of $4.07.

Securities subject to escrow arrangements

No securities remain subject to escrow arrangements..

SHAREHOLDER INFORMATION

Unquoted equity securities

Non-executive Director Options

There are 900,000 unquoted options, with a $2.65 exercise price on issue to five option holders. Further details of the Non-executive Director Options are outlined as follows:

Option holder	Options held	% of options
Kerry Roxburgh	200,000	22.2
Gail Pemberton	200,000	22.2
Trevor Allen	200,000	22.2
Russell Shields	100,000	11.1
Gregory Ruddock	200,000	22.2

On-market buy-back

There is no current on-market buy-back in relation to Eclipx Group securities.

On-market purchases

During FY2017, the Company purchased 101,059 ordinary shares on-market for the purposes of its Non-Executive Director Salary Sacrifice Share Rights Plan, at an average price per ordinary share of $3.71.

Voting Rights

Ordinary Shares – 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 ordinary share shall have one vote.

Options – No voting rights.

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

Level 32, 1 O'Connell Street
Sydney NSW 2000

T +61 2 8973 7272
E info@eclipx.com

F +61 2 8973 7171
W www.eclipx.com