Annual Report 2019

Eclipx Group Limited
ACN 131 557 901

About Eclipx Group

Eclipx Group is an established leader in vehicle fleet leasing and management in Australia and New Zealand.

Eclipx Group's primary brands include FleetPartners, FleetPlus and FleetChoice.

For more information visit www.eclipx.com.

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Chairman's Letter

On behalf of the Eclipx Group Board, I present the 2019 Eclipx Group Annual Report for the year ended 30 September 2019.

While the overall performance of the Eclipx Group in FY19 was disappointing, in the second half we made significant changes to our business model and at the executive level, designed to improve the Group's operating and financial performance.

2019 performance and operating environment

In FY19, the Eclipx Core business (FleetPartners, FleetPlus and FleetChoice) combined to deliver Earnings Before Interest, Tax, Depreciation Amortisation (EBITDA) of $81.9m (5% down on FY18 $86.2m) and a Net Profit After Tax excluding Amortisation and One Off Costs (NPATA) of $46.5m (19.3% down on FY18 $57.6m).

In a challenging market, the core businesses, that have a long and successful history, were solid in a year when business confidence was negatively impacted by uncertainty in the political and economic environments, locally and globally. Also we experienced the impact of multiple reviews of the Australian financial services sector and a consequential decrease in demand for credit.

The Australian new car sales market has been in steady decline for the past 18 months, falling by 7.9% in FY19. Importantly, in a weak market for new cars, our novated business experienced strong volume growth. The core business also maintained a solid performance in the sale of vehicles as they came off lease, producing profits well above their residual values with the weakening demand in the new car market benefited used car values.

The Non-Core business units were a substantial drag on earnings, delivering an EBITDA $22.5m loss (FY18 $25.7m EBITDA profit) and an NPATA loss of $22.7m (FY18 $11.5m NPATA profit). We experienced continuing deterioration in performance of GraysOnline, areyouselling.com.au, Eclipx Commercial Australia, Right2Drive and CarLoans.

Commencing in November last year, through to end of March we were working towards the completion of a merger with McMillan Shakespeare (ASX: MMS). This merger was based on sound financial and industrial logic offering a range of attractive synergies, with both businesses contributing complementary capabilities. Unfortunately, we were unable to complete this transaction and early in April 2019 we agreed with MMS to terminate the scheme.

The Board has taken positive action implementing steps to address the negative trends that are evident in our sector, developing and implementing a Simplification Plan with the following core activities:

- Refreshing the senior leadership team (with significant changes made described below)
- Disposal of underperforming Non-Core businesses (GraysOnline, areyouselling.com.au and Commercial Equipment have already been sold)
- Restructure our funding arrangements to de-risk the balance sheet (completed by end October 2019)
- Reducing day to day shared operating costs, setting a target cost to income ratio of 45% to be achieved by end FY21 (by end September, 2019), achievable by a combination of sales of some of our Non-Core businesses and other restructuring initiatives. So far the Group has achieved a 43% reduction in head count from 12 months prior;
- Refocusing on the Core fleet and novated businesses (the Core business has remained solid throughout this period of transition, cost-out programme and consolidation of operations).

While we have made good progress in all areas of the Simplification Plan, the completion of the sale of some of our underperforming Non-Core businesses and our actions to sell the remainder has meant that the Group incurred significant losses on sale.

Our people

Commencing early in 2019, the Board made plans for and earlier this year we implemented significant changes in our executive leadership. May 2019 brought the appointment of a new Chief Executive Officer, Julian Russell. Following his appointment and in conjunction with the Board, Julian refined and commenced execution of the Simplification Plan.

The Board promoted Bevan Guest to Chief Commercial Officer, bringing together a combination of Julian's and Bevan's skills and experience that enabled rapid implementation of the revised Core business strategy including Non-Core business divestments, refreshment of the senior leadership team, cost reductions and balance sheet de-risking.

In addition to the appointment of Julian and Bevan to their new roles, Eclipx has substantially refreshed its senior executive leadership team, with six changes to date amongst its top ten executives.

Sincerely, I express my appreciation to all those making up the Eclipx Group comprising the Board of Directors, our executive leaders and all their team members across Australia and New Zealand. A key priority of our Simplification Plan strategy includes retention and investment in key talent, and I compliment the current team on their commitment, their loyalty and for their engagement to provide exceptional service and outcomes for our customers.

Earlier this year, we all celebrated when the FleetPlus team won both the **"Innovation and Growth Partner"** of the Year award and the coveted **"Partner of the Year"** award at Coca-Cola Amatil's Partner for Growth Awards in May 2019. These achievements are built on everyone in the business doing their best to provide an outstanding customer experience.

Despite all the challenges we faced in FY19; retention of our larger clients for extended periods was another pleasing achievement. This along with new contract wins highlights our capability to consistently deliver customer value in a highly competitive market.

I would also like to express my sincere appreciation to our customers and to investors, as well as our capital market partners for their continuing support and for wise counsel throughout what has been an extremely challenging time.

Environmental, societal and corporate governance

In a busy 12 months, environmental, societal and corporate governance (ESG) has remained a high priority at Eclipx.

Our fleet businesses continued with actions that reduce our environmental impact. FleetPlus again achieved carbon neutral status against the National Carbon Offset Standard, by reducing its carbon emissions with the introduction of efficiencies in electricity use and improved management of both air and road travel. FleetPartners for the first time has achieved 99% compliance in achieving its carbon neutral certification.

Eclipx recently established a Diversity Committee responsible for driving and embedding our diversity strategy across the Group. We continue with our commitment to a diverse workforce, with better conversations and better results for customers.

Across the Eclipx Group, our people continue with their program of commitment to the communities in which we live and work. Again this year we encouraged participation in a range of not-for-profits activities within the Eclipx volunteering program. We also fundraised across the Group for various causes in individual and team fund raising initiatives including "Steptember" and "Movember".

As the Australian regulatory environment continues to undergo substantial change we remain watchful to ensure we meet our responsibilities to both our customers and the communities in which we operate.

Priorities and outlook

The Board sincerely regrets that the proposed merger with MMS did not complete. It is also extremely disappointing that the need to restructure our debt facilities as a result of the poor operating performance of our non-core business units does not allow us to pay an interim and final dividend for FY19.

In this transition phase we are deeply committed to focusing on our Core business to produce stable, predictable earnings growth and to achieve a strong return on capital. We believe our ongoing investment in technology, our attention to achieving operating efficiencies and with a renewed focus on our user experience is already being reflected in significant improvement in our customer engagement.

In FY20 we are continuing with the implementation of the Simplification program, exiting remaining Non-Core businesses, further strengthening the balance sheet, to progress towards a targeted cost to income ratio of 45% by the end of financial year 2021 whilst investing in sustainable Core business growth. All are clear strategic actions, designed to deliver superior long term returns for you, our investors.

The 2019 Annual Report includes the Director's Report and the audited Financial Statements, with comprehensive details of the Group's operations and financial results across each business unit.

Kerry Roxburgh
Chairman

Chief Executive Officer's Letter

Dear shareholders,

It has been just over six months since I joined the team at Eclipx Group. Since then, we have been working intensely on the reduction of business complexity and earnings volatility associated with the recent underperformance of the Group. We refer to this as the Simplification Plan, which is intended to deliver sustainable outcomes for all of our stakeholders, and most importantly, outperformance for you, the Eclipx Group shareholders.

The Simplification Plan has been developed to restore the Group as a market leading fleet and novated leasing platform in Australia and New Zealand. This "Core" fleet business has been producing stable, predictable earnings and a strong return on capital for over 30 years.

The Simplification Plan has four primary objectives being, the divestment of Non-Core businesses; a strengthening of our balance sheet; a sustainable reduction in our operating cost base and a refocus on our core businesses.

Non-Core divestments

The "Non-Core" perimeter includes businesses that had been acquired in recent years. These Non-Core businesses did not reach their potential under Group ownership largely due to the ineffective management of integration. In turn, this resulted in earnings volatility and a weakening of the Group's quality of earnings.

In May 2019, the Group defined the following businesses as Non-Core: GraysOnline, areyouselling.com.au, Eclipx Commercial, Right2Drive and CarLoans. We subsequently commenced a process of preparing these businesses for divestment.

We divested GraysOnline and areyouselling.com.au in July 2019, followed by a sale of Commercial Equipment in September 2019. As we sit here today, we expect to sell Right2Drive and CarLoans during the FY20 year, and like the 2019 divestments, we intend to apply the sale proceeds to the reduction of our corporate debt.

Strengthen balance sheet

A combination of earnings underperformance and a capital drag from the Non-Core businesses led to an overall increase in the Group's corporate debt leverage ratio. In May 2019, we set about restructuring the corporate debt, including the examination of a range of alternative debt structures to tailor the debt facility for a more simplified business. A primary intent of the restructure was to provide the Group with flexibility as we transition to a more simplified end-state.

In September 2019, the Group entered into an agreement with its existing lenders to amend and extend its existing facilities with maturities extending out to a three- and six-year term, with added covenant flexibility reflected in a pricing grid. While we reduce the corporate debt leverage ratio to below 2.0x for two consecutive quarters, we will not be declaring a dividend.

Pleasingly, we have already made progress towards de-leveraging the corporate debt. The Gross Debt was reduced from $350.2 million (net debt: $256 million) in March 2019 to a pro-forma Gross Debt of $265.2 million by 30 September 2019 (net debt: $189 million).

At our FY19 results on 13 November 2019, we announced that we are targeting a further reduction in our Gross Debt to circa $175 million. This is expected to be achieved through a combination of capital release from an Australian securitisation transaction, further business divestments, a $20 million annual debt amortisation and through other portfolio optimisation activities.

The Australian securitisation transaction was completed on 12 December 2019, permanently releasing $15 million of capital which has been applied to the reduction of our Gross Debt. This Australian transaction follows the completion of our second ever securitisation transaction in the New Zealand during September 2019.

With a de-risked balance sheet, including extended warehouse facilities, the Group can now prioritise the execution phase of the Simplification Plan, being cost optimisation and a refocus on the Core.

Refocus on the Core

With the entire refocus of the Group back onto the Core, we intend to develop our go-to-market offering in both fleet leasing and novated. Our dedicated team have earned the Group a reputation for providing an industry leading customer service proposition.

This is reflected in our increasing net promotor score and a strong customer retention rates at circa 97%. Our focus is to generate a sustainable risk adjusted return on capital for our shareholders, and in a responsible manner.

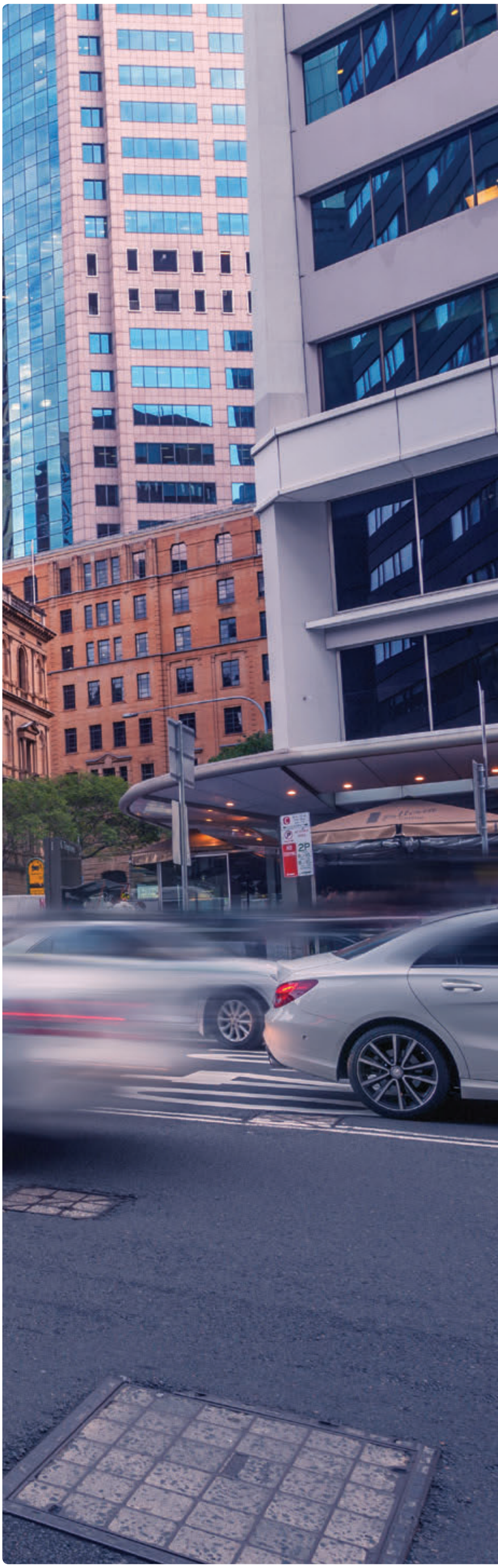
Our novated business has seen good recent wins and experienced strong volume growth in recent times, with circa 12% growth in FY19. This reflects recent investment in the team and processes to develop and broaden our customer penetration.

While we our leaders in the provision of fleet products and services to Corporate market customers, we are examining the feasibility of expanding our addressable market into mid-market and smaller customers, where we can generate a good risk adjusted return on capital and incremental growth. We have been carrying out market-based testing and development of a product more suited to a mid-market customer base. We have also commenced discussions with some strategic partnerships which we will develop over the coming year. At the same time, we have been exiting customers with lower risk adjusted return on capital including funded and managed counterparties.

Conclusion

While FY19 has been a challenging year for the Group and its shareholders, we have put a much stronger executive team in place to execute our Simplification Plan, and bring the business back to its high-performance Core. The entire fleet team is aligned to delivering positive outcomes for all of our stakeholders, including long-term and sustainable performance for our shareholders.

Julian Russell
Chief Executive Officer



Business Overview

Eclipx Group is an established leader in fleet leasing and management in Australia and New Zealand providing:

- Fleet leasing and management
- Vehicle sales, trade-ins and consumer motor finance
- Novated leasing
- Car hire and medium term accident replacement vehicles

Eclipx Group Businesses

During FY19, Eclipx group was divided into Core and Non-Core businesses. The Core being high quality Fleet and Novated businesses. The Non-Core businesses are intended to be sold during FY20.

Core Businesses

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

Operating across both Australia and New Zealand, FleetPartners and FleetPlus are leading providers of fleet management, leasing and salary packaging solutions. Utilising leading technology and decades of expertise, innovative and tailored solutions are provided to a diverse range of customers, including multi-nationals, corporates, small to medium sized businesses and individuals. In addition to its Core fleet services and novated leasing they also provide solutions across accident management, short term rentals, driver education and telematics, including driver behaviour data and car pool bookings.

FleetChoice

FleetChoice provides novated leasing and salary packaging administration services for small to medium sized organisations and their employees across Australia, making reporting easy via a combination of direct contact and online reporting tools to streamline tax and compliance. In addition to its Core fleet and finance services, it also assists customers to access a nation-wide supplier network offering fleet discounts, full vehicle servicing, maintenance and repairs.

Non-Core Businesses

CarLoans.com.au

CarLoans.com.au is an online service that assists individuals to secure the best car loan to suit their needs. The business sources loans from a wide range of Australian lenders and recommends loans that meet the individual requirements of each customer. CarLoans can assist with secured loans, as well as operating and finance leases.

Georgie

Georgie offers a new way to buy new cars. Georgie's team of car buying specialists help customers find a car deal that fits their lifestyle with the bulk buying power of Eclipx Group and its experienced team.

Right2Drive

Operating 24 hours a day, 7 days a week from locations across Australia and New Zealand, Right2Drive provides "not at fault" drivers with like-for-like loan vehicles after an accident. It also supplies rentals to the corporate and leisure sectors and has served more than 100,000 customers during its brief history, with a customer satisfaction rating of NPS +86 (amongst the highest in the world). With a fleet of over 3,000 vehicles, including more than 100 different makes and models (from economy, to luxury SUVs and a wide range of utes and vans), Right2Drive has a large and broad fleet of vehicles to suit every need.

Divested

graysonline.com are you selling.com.au eclipx COMMERCIAL

Year in Review

Whilst the Core financial performance was stable, the residual Non-Core businesses remained a critical constraint on Group performance.

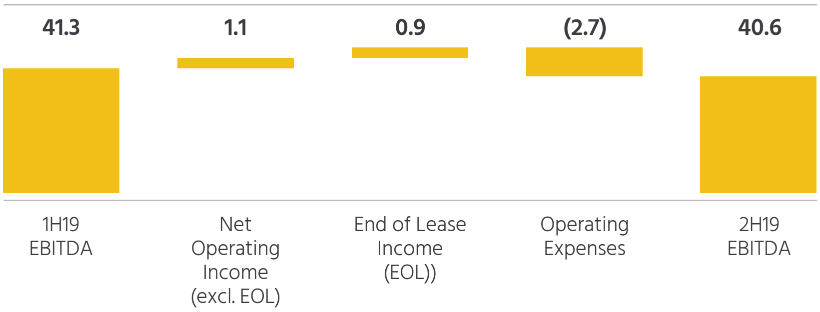
Core

CORE PERFORMANCE WAS RESILIENT HALF ON HALF

- FY19 EBITDA: $81.9 million
- FY19 Cash NPATA: $46.5 million

Go to market brands:

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



- Core operating performance solid driven by NOI and EOL improvement
- Operating expense increase included increased D&O insurance policy premium and overlap between new and previous executive teams

Non-Core

NON-CORE BUSINESSES REMAINED INCONSISTENT PERFORMERS

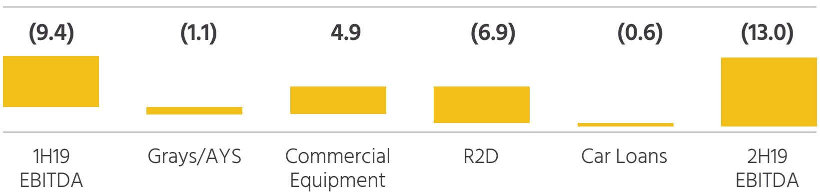
- FY19 EBITDA: ($22.4) million
- FY19 Cash NPATA: ($22.7) million

Sold in 2H19:

eclipx COMMERCIAL | graysonline.com | are you selling.com.au

For Sale in FY20:

CarLoans.com.au | Right2Drive



Environmental, Social & Governance

Corporate responsibility and sustainability is a high priority at Eclipx. Our 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.

- Environment
- Our workforce
- Developing our people
- Health and safety
- Diversity, inclusion & benefits
- Community support
- Corporate governance
- Values and integrity

Environment

At Eclipx we have a number of solutions to help reduce our environmental impact and climate risk.

Eclipx's partnership with the Clean Energy Finance Corporation (CEFC) has continued, with the aim of increasing the uptake of low emissions vehicles across Australia. Our partnership with CEFC provides corporate, government and not-for-profit fleet customers with access to discounted interest rates when choosing eligible low emissions passenger and light commercial vehicles. We have now financed more than $56.2 million worth of vehicles in our clean energy funding facility, since its establishment in 2015.

We also recycle at the majority of our business locations through designated bins which separate paper, organic and plastic waste for collection. Empty toner cartridges and waste containers are also recycled through a third party and e-waste is either redirected or responsibly disposed of.

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

Addressing our fleet businesses' environmental impact

In FY19 Eclipx's fleet businesses continued to focus on playing their part to reduce their environmental impact.

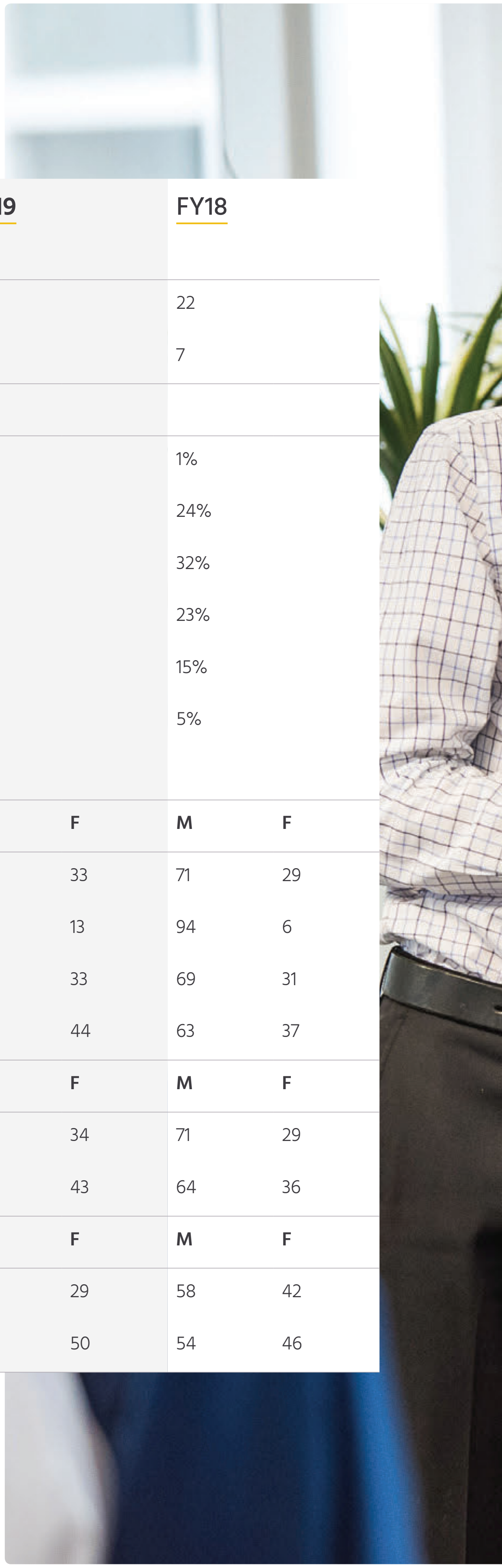
FleetPlus continued to achieve carbon neutral status against the National Carbon Offset Standard, by reducing its carbon emissions through the introduction of efficiencies in electricity use, air and road travel. The business then offset its remaining emissions by investing in renewable energy certificates and carbon credits.

FleetPartners also takes its commitment to the environment seriously and for the first time has achieved 99% compliance in achieving carbon neutral certification.

Volunteering: CUE Haven

FleetPartners donate time via staff volunteer days to undertake conservation work at CUE Haven on Kaipara Harbour on the North Island of New Zealand. Cue Haven is a former dairy farm undergoing restoration by the community into a sustainable native forest reserve. FleetPartners' volunteers have been busy building pathways and boardwalks to assist in the preservation of over 167,000 native trees that have been recently planted. CUE Haven will become a community space for environmental education and exploration when infill planting and infrastructure development are completed.

Our workforce



	FY19		FY18	
TURNOVER (%)				
Voluntary (%)	30		22	
Involuntary (%)	17		7	
AGE DIVERSITY (%)				
<20	1%		1%	
20-29	27%		24%	
30-39	32%		32%	
40-49	22%		23%	
50-59	15%		15%	
60+	3%		5%	
GENDER DIVERSITY				
Group	**M**	**F**	**M**	**F**
Board (%)	67	33	71	29
Group Executive (%)	87	13	94	6
Management (%)	67	33	69	31
Individual (%)	56	44	63	37
Australia Only	**M**	**F**	**M**	**F**
Management (%)	66	34	71	29
Individual (%)	57	43	64	36
New Zealand Only	**M**	**F**	**M**	**F**
Management (%)	71	29	58	42
Individual (%)	50	50	54	46

Developing our people

Eclipx employees are required to carry out compliance and risk related training throughout the year on various topics including:

Anti-money laundering, privacy, fraud awareness, anti-bribery and corruption, workplace health and safety, diversity and equality and cyber security.

In FY19, Eclipx's employees completed approximately 5,000 hours of training on these topics.

Health & Safety

Workplace health and safety management is a very important aspect of Eclipx's operations.

We aim to create and maintain a safe environment for all employees, contractors, customers and visitors.

Eclipx employs a team of workplace health and safety professionals to guide our compliance to relevant health and safety laws and regulations, through a health and safety management system, which supports planned, orderly and effective control over health and safety issues.

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

Diversity, inclusion and benefits

Eclipx Group offers an inclusive work environment for our diverse mix of employees.

Regardless of our employees gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity we aim to provide an inclusive and diverse culture.

We also provide a supportive and rewarding working environment that offers a range of development opportunities and benefits:

DIVERSITY COMMITTEE

We recently established a Diversity Committee responsible for driving and embedding our diversity strategy across the Group. With a varied and diverse workforce across Australia and New Zealand our life experiences and personal perspectives make us think and react differently, solve problems differently, and see different opportunities. We continue with our commitment to a diverse workforce, with better conversations and better results for customers.

Our Diversity Committee members receive appropriate training through the Diversity Council of Australia and are charged with being advocates of change to ensure diversity and inclusion are ingrained throughout the business.

EMPOWERING WOMEN

Women in Eclipx (WinE) has now been running for over a year. Officially launched in FY18 WinE is an employee led networking group set up to enable women to have the opportunity to meet and learn from each other and to build meaningful connections across the Eclipx Group.

It's also about building our female employees' confidence and independence by providing them with opportunities to learn new skills including wealth building, resilience training and how to juggle family life whilst still having a career.

The Group's vision is to inspire, develop and empower Eclipx's female employees' by creating networking, ideas sharing and mentoring opportunities.

Several WinE events took place over the last year including Women in Leadership Conference and breakfast meetings with Linda Jenkinson from the Eclipx Board.

Women in leadership Conference

"It was a fantastic opportunity to be at the conference to listen to advice from so many inspirational women leaders. The theme that resonated from all the speakers was the importance of being an authentic leader. When we are our authentic self, we are most able to draw from our strengths.

Some of us may feel that one must always wear a professional hat as people leaders, but it was great to have affirmations from a group of outstanding women, that we can be both, the professional and our authentic self."

Christina Quan

Head of Contract Administration,
Client Services. FleetPlus

MENTORING PROGRAM

We launched Supporting Eclipx Talent (SET) Mentoring Program in FY19 with 20 mentees and 20 mentors from different business units across Eclipx. The 10-month program will consist of monthly catch ups between each mentor and mentee, quarterly professional development workshops and mid-program and end of program check ins and evaluations.

SET is an exciting initiative for Eclipx that will help create opportunities for employees to access a broader network and enhance their own personal development. The program will also encourage cross-Group collaboration and sharing of knowledge and experiences.

VOLUNTEER LEAVE

We encourage and support our employees to engage with the communities they live and work in, while also driving engagement and collaboration amongst employees. One day of paid volunteering leave is offered to all permanent and fixed term employees (with a contract term of 12 months or more) on an annual basis, so they can take the time out to support a cause they are passionate about, as an individual or as part of a team. Eclipx provided 286 hours of paid leave to employees volunteering in FY19.

Volunteering: Anglicare

FleetPartners were honoured to present Anglicare Victoria with a $30,000 donation as a part of their community partnership in FY19.

Anglicare Victoria is one of the state's largest providers of out-of-home care for young people and children throughout Victoria, and everything they do focuses on preventing, protecting and empowering disadvantaged Victorian children, young people and families.

FleetPartners employees have regularly volunteered with Anglicare at their breakfasts for people experiencing homelessness, to pack food hampers at Christmas and as participants in Anglicare's annual Altitude Shift - an event which challenges corporate teams, schools and individuals to face their fears and abseil down the St James building in Melbourne (which is 27 floors high).

Graduate program

Our inaugural Graduate Program was launched in FY19, welcoming 7 graduates on-board. Through the 18-month structured program graduates will be completing rotations based on their degree and area of interest, working closely with Eclipx employees who will help champion their development and guide them through the first phases of their career.

The first rotation has now started for the 7 graduates across Risk Analytics, Business Intelligence, Procurement and Product Development, Fleet Australia, FleetPartners NZ, Finance and Human Resources.

Community support

Engagement with and support of the communities we live and work is a priority at Eclipx.

At Eclipx we continuously provide our people with opportunities to participate in the environmental, social and sustainability programs and causes they are passionate about.

Across our businesses employees dedicate time, funds, skills and knowledge to various not-for-profits.

Eclipx employees participated in a number of volunteering and fundraising initiatives throughout FY19, including 'Steptember' for the fourth year running. Steptember is an annual campaign to raise funds and awareness for the Cerebral Palsy Alliance and this year, more than 150 Eclipx employees across Australia and New Zealand raising over $14,500.

FLEXIBLE WORK

We believe that fostering an environment in which our employees can better integrate and balance their work life and personal commitments, will ensure we can attract and retain a diverse and talented workforce now and into the future. We also recognise that this approach leads to greater productivity, wellbeing and job satisfaction.

DRESS FOR YOUR DAY

We understand every day is different for every person within Eclipx. We want our employees to feel comfortable and empowered to their jobs which is why we're embracing 'dress for your day'. The choice is up to our employees based on a common-sense, professional approach and does not apply where mandatory safety uniforms are required.

ENGAGEMENT

We have launched a monthly employee newsletter to share our successes, wins and business updates and to direct employees back to the Group intranet. We also launched an online CEO suggestion box enabling employees to provide feedback, comments and suggestions either directly or anonymously with over 60 submissions in the first six months.

PARENTAL LEAVE

We offer 12 weeks of paid leave for primary carers and one week of paid leave for secondary carers, along with flexible return to work options. We also offer an optional Keeping in Touch Plan to employees on parental leave, including 10 optional Keeping in Touch working days.

This allows employees to transition more smoothly back into their role and team, remain connected to the business, become familiar with new or updated processes, and able to maintain and refresh their skills. Eclipx also provides all employees with access to an Employee Assistance Program.

INTERNAL MOBILITY

We aim to provide employees with meaningful work and development opportunities across the Group's various brands. Internal mobility opportunities may take the form of a secondment, permanent transfer or relocation to a new office, state or country.

STUDY ASSISTANCE

We offer study assistance to employees as an acknowledgement of our most important resource - our employees and the knowledge, skills and values they bring to work. The Group recognises that the personal growth and development of our employees improves individual and organisational capability and is an integral part of the success of our people and business.

Corporate governance

The Eclipx Board believes that sound governance is fundamental to ongoing success and growth.

The Eclipx Group Board is committed to implementing the highest possible standards of corporate governance and its underlying commitment to excellence is enshrined in its approach to governance.

The Eclipx Board ensures that sound governance is fundamental to ongoing success and growth. that its practices are consistent with the Third Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations.

To support these principles, 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, and the Risk Management Committee identifies, assesses and reviews the key enterprise risks and relevant mitigating control activities and their effectiveness in accordance with our Risk Management Framework.

The Workplace Health and Safety Committee addresses workplace health and safety and regulatory compliance, and the Project Steering Committee governs the approval, scheduling and execution of new project initiatives with 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 has also adopted a scorecard to measure our performance and track our progress to this end.

Values and integrity

The Board of Directors, as Eclipx's highest governance body, sets an expectation that Eclipx's values and ethical standards are reflected in our operations.

Eclipx is committed to maintaining the highest ethical standards in the conduct of its business activities and 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.

Board of Directors

Kerry Roxburgh

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

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

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

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

In addition to Eclipx Group Ltd, during the last three years Kerry also served as a non-executive Director of Ramsay Health Care Ltd (appointed in July 1997)".

Gail Pemberton

Independent Non-Executive Director since 26 March 2015

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

Gail's current Board roles include Non-Executive Director of Eclipx (ASX:ECX), the Sydney Metro and Chair of Prospa (ASX:PGL). She previously served on the Boards of Arq Group (ASX:ARQ), OneVue (ASX:OVH), SIRCA and RoZetta Technology and Onthehouse (ASX:OTH) as independent Chair, and as a Candidate Non-Executive Director of the Colonial First State Group (formerly to be demerged from Commonwealth Bank of Australia ASX:CBA) and as Non-Executive Director for PayPal Australia, QIC, UXC (ASX:UXC), Baycorp, Alleron Funds Management, Air Services Australia, the Sydney Opera House Trust and Harvey World Travel (ASX:HWT).

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

Board of Directors

CONTINUED

Trevor Allen

Independent Non-Executive Director since 26 March 2015

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

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

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

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

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

Russell Shields

Independent Non-Executive Director since 26 March 2015

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

Prior to joining ANZ, Russell held senior executive roles with HSBC, including Managing Director Asia Pacific – Transport, Construction and Infrastructure and State Manager Queensland, HSBC Bank Australia. He was previously Chairman of Onyx Property Group Pty Ltd.

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

Linda Jenkinson

Independent Non-Executive Director since 4 January 2018

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

Most recently she was the co-founder of John Paul, a global concierge services and digital solutions company that services some of the world's leading customer facing businesses.

Linda is currently a Director of Guild Group Holdings and Chair of Guild Trustee Services, a Director of Air New Zealand (AIR) in New Zealand, a Director of Harbour Asset Management, Chair of UNICEF New Zealand and the Director and Secretary of the Massey Foundation in the United States. Previously she was a partner at A.T. Kearney in their Global Financial Services Practice and was a leader in A.T. Kearney Global Sourcing Practice.

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

In 2016, Linda was named a World Class New Zealander by Kea and as one of the most influential women in the Bay Area for 2014 by the San Francisco Business Times.

In 2014 Linda was a recipient of Massey University's Sir Geoffrey Peren Award, which recognises a graduate who has reached the highest level of achievement or who has been of significant service to the university, community or nation.

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

Gail Pemberton

Trevor Allen

Russell Shields

Linda Jenkinson

Group General Counsel and Company Secretary

Matthew W. Sinnamon

Registered Office and Principal Administration Office

Level 6, 601 Pacific Highway
St Leonards, NSW 2065, Australia

T: +61 2 8973 7272 F: +61 2 8973 7171

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

T: +61 2 8280 7100 F: +61 2 9287 0303

Auditor

KPMG
Tower 3, International Towers Sydney
300 Barangaroo Avenue
Sydney, NSW 2000

T: +61 2 9335 7000 F: +61 2 9335 7001

Corporate Governance Statement

For a copy of Eclipx's Corporate Governance Statement visit:
investors.eclipxgroup.com/Investor-Centre

Financial Report

for the year ended 30 September 2019

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 2019.

1. DIRECTORS

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

KERRY ROXBURGH
BCOM, MBA, MeSAFAA

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

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

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

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

In addition to Eclipx Group Ltd, during the last three years Kerry also served as a non-executive Director of Ramsay Health Care Ltd (appointed in July 1997).

GAIL PEMBERTON
MA (UTS), FAICD, GCERT FIN

Independent Non-Executive Director since 26 March 2015.

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

Gail's current Board roles include Non-Executive Director of Eclipx (ASX:ECX), the Sydney Metro and Chair of Prospa (ASX:PGL).

She previously served on the Boards of Arq Group (ASX:ARQ), OneVue (ASX:OVH), SIRCA and RoZetta Technology and Onthehouse (ASX:OTH) as independent Chair, and as a Candidate Non-Executive Director of the Colonial First State Group (formerly to be demerged from Commonwealth Bank of Australia ASX:CBA) and as Non-Executive Director for PayPal Australia, QIC, UXC (ASX:UXC), Baycorp, Alleron Funds Management, Air Services Australia, the Sydney Opera House Trust and Harvey World Travel (ASX:HWT).

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

Directors' Report

CONTINUED

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

Independent Non-Executive Director since 26 March 2015.

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

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

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

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

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

LINDA JENKINSON
BBS, MBA

Independent Non-Executive Director since 4 January 2018.

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

Linda is currently a Director of Guild Group Holdings and Chair of the Guild Trustee Services, and a Director of Jaxsta Ltd (JXT-AX).

In New Zealand Linda is a Director of Air New Zealand (AIR), a Director of Harbour Asset Management and the Chair of Unicef New Zealand. In the United States Linda is a Trustee and Secretary of the Massey Foundation.

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

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

RUSSELL SHIELDS
FAICD

Independent Non-Executive Director since 26 March 2015.

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

Prior to joining ANZ, Russell held senior executive roles with HSBC, including Managing Director Asia Pacific - Transport, Construction and Infrastructure and State Manager Queensland, HSBC Bank Australia. He was previously Chairman of Onyx Property Group Pty Ltd.

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

Directors' Report

CONTINUED

IRWIN ('DOC') KLOTZ

Chief Executive Officer and Managing Director resigned 13 May 2019.

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, CPA, FAICD

Deputy Chief Executive Officer and Chief Financial Officer resigned 5 July 2019.

Mr Garry McLennan has over 40 years' of corporate and financial services experience 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.

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 2019 financial year and the number of meetings attended by each Director. During the year a total of 42 Board meetings, 14 Audit and Risk Committee meetings and eight 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	42	41	14	12	8	7
Gail Pemberton	42	40	14	14	8	8
Trevor Allen	42	41	14	14	8	8
Russell Shields	42	39	14	13	-	-
Linda Jenkinson	42	32	-	-	8	5
Garry McLennan	32	32	-	-	-	-
Doc Klotz	34	34	-	-	-	-

Directors' Report

CONTINUED

4. REVIEW OF OPERATIONS

Principal activities

Eclipx provides fleet leasing, management and vehicle rental services to corporate, SME and consumers in Australia and corporate and SME customers in New Zealand.

Group financial performance

Throughout the first half of the year, Eclipx was engaged in executing the Scheme of Arrangement with McMillan Shakespeare (ASX: MMS) a leading salary packaging and novated lease provider. The merger was founded on strong industrial logic, leveraging the Core competencies of both businesses to deliver improved scale and meaningful synergies, thereby delivering improved shareholder value to both sets of shareholders.

Despite the merits of this transaction both parties agreed to terminate the Scheme in April this year. The Eclipx Board had developed the "Simplification Plan" as an alternative option to the proposed merger. Shortly after termination of the merger, the Eclipx Board initiated this plan with the appointment of a new leadership team, notably the new Chief Executive Officer (CEO), Julian Russell and Chief Commercial Officer, Bevan Guest.

In conjunction with the Board, Julian moved to immediately refine and execute the Simplification Plan, including a renewed focus on the Core business, divestment of Non-Core businesses, a comprehensive resizing of the cost base and de-risking of the capital structure.

At the end of September, the Group has made good progress in executing the Simplification Plan with the sale of GraysOnline, areyouselling.com.au and Eclipx Commercial Finance in the second half of FY19. The two remaining Non-Core businesses, CarLoans and Right2Drive are to be offered for sale in 2020 financial year, the latter being classified as held for sale in the financial statements at fair value.

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

- Net operating income - this represents net earnings after direct costs.
- EBITDA - the earnings after non-direct costs and excluding depreciation and amortisation of non-fleet assets, share based payments recognised as equity and the interest expenses on corporate debt excluding any interest expense on debt allocated to fleet assets.
- Cash NPATA - the earnings of the Group excluding significant costs deemed to be non-recurring due to the nature of the cost and the amortisation of all intangibles.
- Cash NPAT - the earnings of the Group excluding significant costs deemed to be non-recurring due to the nature of the cost and the amortisation of acquired intangibles.

Directors' Report

CONTINUED

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

	2019 Core $'000	2018* Core $'000	2019 Non-Core $'000	2018* Non-Core $'000	2019 Group $'000	2018* Group $'000
Net operating income	173,278	182,236	88,578	132,512	261,856	314,748
Bad and doubtful debts	(1,259)	(1,142)	(5,100)	(1,095)	(6,359)	(2,237)
Operating expense	(90,078)	(94,902)	(105,938)	(105,643)	(196,016)	(200,545)
EBITDA	**81,941**	**86,192**	**(22,460)**	**25,774**	**59,481**	**111,966**
Depreciation and amortisation	(3,414)	(2,534)	(1,073)	(1,181)	(4,487)	(3,715)
Share based payments	(2,201)	(351)	(37)	(103)	(2,238)	(454)
Holding company debt interest	(10,473)	(6,980)	(8,048)	(7,844)	(18,521)	(14,824)
Tax	(19,326)	(18,709)	8,914	(5,133)	(10,412)	(23,842)
Cash NPATA	**46,527**	**57,618**	**(22,704)**	**11,513**	**23,823**	**69,131**
Software amortisation post tax	(4,796)	(2,505)	(2,311)	(1,281)	(7,107)	(3,786)
Cash NPAT	**41,731**	**55,113**	**(25,015)**	**10,232**	**16,716**	**65,345**
Reconciling items to statutory profits						
Amortisation of other intangibles	(3,705)	(3,796)	(2,467)	(2,090)	(6,172)	(5,886)
Impairment of intangibles	(27,658)	-	(178,801)	-	(206,459)	-
Loss on disposals	-	-	(116,215)	-	(116,215)	-
Fair value adjustment	-	-	(21,569)		(21,569)	
Significant items	(27,980)	(380)	(6,898)	(11,130)	(34,878)	(11,510)
Tax	17,447	1,208	9,673	4,065	27,120	5,273
Statutory Profit	**(165)**	**52,145**	**(341,292)**	**1,077**	**(341,457)**	**53,222**

* Restated to reflect the full retrospective adoption of AASB 15 and prior period restatement.

Net operating income

The decrease in Core net operating income is mainly attributable to a decrease in the net earnings from ex-fleet vehicles being sold, mainly as a result of the category mix of vehicles being returned. The Group experienced an increase in lease extensions, which impacts the timing of any profits on fleet vehicles as the Group only recognises a profit on vehicles returned and subsequently sold.

The decrease in Non-Core net operating income is due to a decrease in trading performance in Grays' industrial and insolvency sector (GraysOnline was disposed of on 31 July 2019) and a decrease in the trading performance of Right2Drive as this business unit exited the uninsured segment of the market. It also reassessed the new accounting standard's impact of cash collections on revenue recognition.

Directors' Report

CONTINUED

4. REVIEW OF OPERATIONS (continued)

EBITDA

The decline in Core EBITDA is largely attributable to a decrease in net operating income partially offset by savings in operating expenses.

The decline in Non-Core EBITDA is as a result of a decrease in net operating income and a rise in bad and doubtful debts, where Eclipx Commercial Finance recognised impairments against its viewble exposure.

Cash NPATA

Core Cash NPATA was negatively impacted by:

- an increase in depreciation of fixture and fittings as the Group reassessed the useful life of assets in leased premises;
- an increase in share based payments when the previous CEO resigned and unvested grants remain on foot and the issue of new grants to staff; and
- an increase in holding company interest on debt as the Group had a higher level of borrowings compared to the prior comparative period ("pcp").

Cash NPAT

Software previously in development went into production in the last quarter of the 2018 financial year. The first time amortisation charge on these systems negatively impacted Cash NPAT in FY19.

Reconciling items to statutory profit

Set out below is a summary of the major reconciling items between cash NPAT and statutory profit.

The impairment of intangibles in Core of $27.7m relates to the:

- Impairment of the lease system in New Zealand of $12.7m, reviewed following the restructure of the business and the appointment of a new leadership team;
- Impairment of software of $4.9m, following a restructure of the Group and disposals of GraysOnline and of Eclipx Commercial finance;
- Impairment of software across the Core fleet and novated business of $6.6m, arising after the new leadership team reviewed the software in use across the fleet business; and
- Impairment of customer relationships of $3.5m following a review of the profitability of the product being offered in New Zealand and its carrying value.

The significant reconciling items in Core includes the cost associated with the McMillan Shakespeare merger and Core incurred costs associated with the Group restructuring.

The impairment of intangibles in Non-Core of $178.8m relates to:

- The impairments in goodwill previously announced in 1H19 accounts against Right2Drive ($59.2m) and against GraysOnline ($59.2m);
- Further goodwill was written off in Right2Drive ($10.8m) and in CarLoans ($30.2m) following the appointment of the new leadership team;
- Impairment was booked against acquired intangibles at Right2Drive ($12.8m) and at CarLoans ($0.3m); and Impairment of software was also booked in Right2Drive ($4.5m) and in CarLoans ($1.8m).

The Non-Core recognised losses on disposals of GraysOnline and Eclipx Commercial Finance of $116.2m.

Right2Drive has been revalued to fair value. As a result, a non-cash impairment of $21.6m has been recognised in 2019.

Directors' Report

CONTINUED

Segment performance

The Group announced a Senior Executive Leadership Renewal on 13 May 2019, when a new Chief Executive Officer was appointed. The Group subsequently made an announcement to the market on 31 May 2019 of its Simplification Plan, saying:

- Core business would include the fleet and novated leasing management and services to corporate, SME and consumers in Australia and corporate and SME customers in New Zealand.
- Core business segments would be Australia Commercial, Australia Consumer and New Zealand.
- Non-Core business were identified as for disposal, including GraysOnline.

As a result, in the FY19, financial statements segment classifications have changed.

Set out below is a summary of the FY19 segment results, compared with FY18:

Australia Commercial

Net operating income $106.0m (2018: $120.2m)

EBITDA $55.1m (2018: $61.4m)

Cash NPATA $30.3m (2018: $40.7m)

Australia Commercial provides complete fleet management services and associated services to Australian businesses.

The financial performance of the Australia Commercial segment was impacted by:

- lower net income on vehicles being returned at the end of the lease, resulting from a reduction in the number of heavy commercial and light commercial vehicles sold during the period;
- lower margin on maintenance;
- decreased interest margin associated with the ineffective portion of the interest rate swaps and costs to terminate interest rate hedges where customers have settled or changed lease terms;
- increase in the allocation of holding company debt interest;
- increased depreciation and amortisation of leasehold improvements and software;
- increased share based payments expenditure; and
- savings in operating expenditure as the Group began to eliminate duplicated roles with the consolidation of fleet and reduction of costs as unprofitable business relationships are reviewed and discontinued.

Australia Consumer

Net operating income $28.6m (2018: $22.5m)

EBITDA $14.9m (2018: $11.3m)

Cash NPATA $8.8m (2018: $8.3m)

Australia Consumer provides novated leasing and salary packaging to customers in the Australian market.

The financial performance of the Australia Consumer segment was positively impacted by the growth experienced in the novated segment, while minimising operating costs to support this growth.

Directors' Report

CONTINUED

4. REVIEW OF OPERATIONS (continued)

New Zealand

Net operating income $38.7m (2018: $39.6m)

EBITDA $11.9m (2018: $13.5m)

Cash NPATA $7.5m (2018: $8.6m)

New Zealand provides complete fleet management services and associated services and asset finance to the small medium enterprise market in New Zealand.

The financial performance of the New Zealand segment was negatively impacted by:

- lower revenue on vehicles being returned at the end of the lease, where customers extended the period of the lease;
- lower margin on maintenance;
- decreased interest margin associated with the ineffective portion of interest rate swaps;
- an increase in the allocation of holding company debt interest;
- increases in amortisation costs associated with the leasing system, which went live in New Zealand in late calendar 2018; and
- increases in share based payments expenditure.

Non-Core

Net operating income $30.9m (2018: $50.9m)

EBITDA ($22.0m loss) (2018: $7.9m)

Cash NPATA ($17.9m loss) (2018: $1.1m)

Non-Core segment consists of CarLoans, Eclipx Commercial Finance and Right2Drive. Eclipx Commercial Finance was sold on 13 September 2019. Right2Drive has been classified as held for sale and its financial performance is disclosed in discontinued operations. CarLoans is being prepared for sale although at 30 September 2019 the business did not meet the requirements as being held for sale under the accounting standards.

The financial performance of the Non-Core segment was negatively impacted by:

- decreased revenue in Right2Drive, following a decision to exit the uninsured at fault parties segment;
- decreased revenue in Right2Drive as revenue recognition is adjusted to account for the overall level of cash collections; and
- increases in bad debts largely due to the recognition of impairments on the Viewble exposure.

Grays (including areyouselling.com.au)

Net operating income $57.7m (2018: $81.5m)

EBITDA ($0.4m loss) (2018: $17.9m)

Cash NPATA ($4.8m loss) (2018: $10.5m)

GraysOnline was sold on 31 July 2019. In the 10 months ended 31 July 2019, GraysOnline experienced a decrease in the trading performance in the industrial and insolvency sector, partially offset by an increase in revenue in the auto segment of the business.

Directors' Report

CONTINUED

5. FINANCIAL POSITION

Trade receivables and other assets

Trade and other receivables decreased largely due to the disposal of GraysOnline, Eclipx Commercial Finance and reclassification of Right2Drive as held for sale.

Inventory

Inventory has largely decreased due to the sale of GraysOnline. At the time of disposal, the GraysOnline inventory carrying value was $7.9m.

Finance leases

The level of finance leases written in Core increased in 2019 against the pcp. The carrying value of finance leases decreased as a result of the disposal of Eclipx Commercial Finance and a decrease in the number of finances leases funded through the Eclipx funding structure. The Group has the ability to fund new finance leases through its warehouse structure or through third party funding. The Group increased the level of third party funding increasing cash flows and revenue recognised under brokerage income. Finance leases are predominantly used to fund novated leases.

Operating leases reported as property, plant and equipment

Operating leases reported as property, plant and equipment decreased as a result of a lower number of new operating leases entered into as customers retained existing vehicles and extended leases coupled with an increase in the number of operating leases funded by third parties.

Intangibles

Intangible assets decreased with the write down of goodwill of acquired intangibles and of software coupled with the disposal of GraysOnline and of Eclipx Commercial Finance.

At 31 March 2019 the Group had impaired the carrying value of goodwill associated with GraysOnline and with Right2Drive where the carrying value of those cash generating units (CGU) was compared against their value in use.

Following the appointment of a new leadership team and implementation of the Simplification Plan, all intangible assets were tested for impairment. Additional impairments to intangible assets described above were recognised at 30 September 2019.

Borrowings

Borrowings reported at 30 September 2019 include an amount of $285.7m (2018: $340.2m) relating to corporate debt. The Group used cash generated from the sale of GraysOnline to repay corporate debt. At 25 October 2019, the Group, with the support of its existing corporate debt lenders, entered into an agreement to amend and extend the terms of its corporate funding.

Cash flows

In the financial year ended 30 September 2019, the Group increased its total cash holdings including restricted cash by $31.6m (2018: $12.8m). The significant items impacting cash flow this year were:

- Proceeds from disposal of GraysOnline and Eclipx Commercial Finance $70.8m;
- Payment of a FY18 final dividend of $25.6m;
- Additional investment in software and property, plant and equipment $13.6m;
- Repayment of Corporate debt $54.5m

Directors' Report

CONTINUED

5. FINANCIAL POSITION (continued)

Funding

Eclipx looks to optimise its funding facilities with committed funding facilities that cater for the forecast business growth. At 30 September 2019, Eclipx had undrawn debt facilities of $218.6m (2018: $286.8m).

For leasing finance facilities where Eclipx acts as the funder, funding is 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 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).

6. GOING CONCERN

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

The half-year report included a note to clarify the appropriateness of this treatment, referring to the simplification plan and restructure of its banking facilities that support this view. The Group has executed and delivered against its plan, supporting the preparation of this financial report as a going concern.

For the financial year ended 30 September 2019 the Group:

- Generated net cash inflow from operating activities of $382.6m, which is an improvement of $62.2m compared to the pcp;
- Paid a dividend of $25.6m, relating to final dividends declared for 2018;
- Incurred costs of $16.7m relating to the merger with McMillan Shakespeare Group, that did not proceed;
- Generated cash of $70.8m from the sale of GraysOnline Group and Eclipx Commercial Equipment Finance;
- Reduced its corporate debt borrowings by $54.5m; and
- Increased cash by $31.6m.

Following a strategic review of the business the Group embarked on its Simplification Plan to refocus on its well established, Core business. Since 31 May 2019 the following has been delivered:

- GraysOnline and Eclipx Commercial Equipment Finance have been sold;
- Right2Drive is held for sale, carried at fair value with a sale process underway;
- The Group has refreshed the executive team;
- Reduced operating costs, for example via the relocation of the head office to existing premises;
- On 25 October 2019 the Group extended its corporate debt maturities (to Oct 2022 and July 2025 for the corporate debt facility and US private placement note respectively) and amended the terms of the corporate debt facilities and US private placement note purchase agreement;
- The Group's cash flow forecasts, demonstrate continued compliance with the covenant criteria under the amended corporate debt facilities and US private placement note purchase agreement;
- Extended warehouse funding facilities and issued an asset-backed securities transaction FP Ignition Series 2019-1; and
- Conserved capital by not declaring a dividend.

Directors' Report

CONTINUED

The Group will continue implementing its simplification and optimisation strategy by:

- Focusing on the fleet business and enhancing profitability by reviewing business relationships to maximise returns;
- Growing in the novated leasing product offering; and
- Improving the cost to income ratio of the Core business.

Following the extension and amendment of the corporate debt facilities and US private placement note purchase agreement, successful execution of the simplification initiatives, and by continued focus on simplifying and optimising the Group, the Directors are of the opinion that the preparation of the financial report as a going concern is appropriate.

7. BUSINESS STRATEGIC OBJECTIVES

The strategy of the Eclipx Group is to refocus the Group on its Core businesses which are the provision of fleet leasing, management and vehicle rental services to corporate, SME and consumers in Australia and corporate and SME customers in New Zealand.

The Group successfully executed on the sale of GraysOnline and Eclipx Commercial Finance with work proceeding on the sale of the remaining Non-Core businesses, Right2Drive and CarLoans.

The return to Core means Eclipx is a simpler business where head office infrastructure and costs can be reduced and processes across the Core business can be streamlined as the business moves to a single lease platform.

These initiatives allow the Group to decrease its costs to serve and implement best practice in customer service to grow margins and profits.

The Group continues to be a leader in its funding models and has successfully extended its warehouse funding lines and issued its second ABS in New Zealand. Corporate debt has been reset and $54.4m has been repaid.

Directors' Report

CONTINUED

8. 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 an 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 multiple disposal channels for vehicles returning at the end of the lease, allowing the Company 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 mitigates the interest rate risk by hedging the portfolio and funding is provided based on the contractual maturity of the lease.
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 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.
Disposal of Non-Core businesses	• The Non-Core businesses have been made available for sale with a plan to sell the businesses during FY2020. • Management has appointed experienced advisors and key personnel who have the required knowledge and skill to execute on these transactions.
Reduction in the number of new passenger vehicles sold	• The Core business has a diverse mix of vehicles including, light commercial and heavy commercial vehicles. This mitigates exposure to one segment. • The Group is growing in the consumer segment as it continues to educate customers about novated leases and continues to grow the sale of novated leasing.
Maintaining a high quality employee base	• The Group has a process in place to identify and develop key talent. • Key staff are incentivised through STI and LTI plans • STI and LTI plans have been refreshed to reward individuals for achievements against individual targets which are aligned to the Group targets.

Directors' Report

CONTINUED

9. SUBSEQUENT EVENTS

In September 2019 the Group reached agreements with the funders of the corporate debt facility to extend and amend the facility. The funders provided a waiver for the covenant testing as at 30 September 2019 subject to all parties formalising the new agreement by 31 October 2019. As of 25 October 2019, the Group formalised the agreements with the parties to the corporate debt facility to amend and extend the facility on terms consistent with those agreed in September 2019. The agreement will further support the Group as it continues to deliver on its simplification and optimisation strategy.

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 Directors' Report, 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

Dividend paid during the financial year was:

	2019 $'000	2018 $'000
Final dividends paid		
2018 final dividend paid on 25 January 2019; 8.00 cents per ordinary share franked to 100% (2017: 7.75 cents)	25,571	24,335
Interim dividends paid		
2019 interim dividend - no dividend was declared; (2018: 8.00 cents)	-	25,319
Total dividends paid	**25,571**	49,654
Final dividends proposed but not recognised at year end		
2019 final dividend - no dividend was declared; (2018: 8.00 cents)	-	25,571

No dividends were declared for the year ended 30 September 2019.

Directors' Report

CONTINUED

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 ended 30 September 2019. The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and that they comply with applicable regulations. The Audit and Risk Committee has implemented processes and procedures to review the independence of the external auditors and to ensure that they may only provide services that are consistent with their role of external auditor.

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 provided transactional services and debt advisory services relating to the proposed merger with McMillan Shakespeare Limited, and
- KPMG Debt Advisory services assisted with the roll-over of the corporate debt and the impact of introducing an additional funder to the structure.

Following review of the services provided by KPMG for the year ended 30 September 2019 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:

	2019 $	2018 $
Audit and assurance services		
Audit and review of financial statements	1,502,809	1,032,933
Non-audit services		
Proposed merger with McMillan Shakespeare Limited	968,008	-
Other transactional advisory services	62,259	-
Debt restructuring	353,488	769,520
Total remuneration for non-audit services for KPMG	1,383,755	769,520
Total remuneration for KPMG	**2,886,564**	1,802,453

A copy of the auditor's independence declaration is set out on page 39 of this financial report, and forms part of the Directors Report.

Directors' Report

CONTINUED

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

Sydney
12 November 2019

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 for the financial year ended 30 September 2019 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
12 November 2019

Letter from Remuneration and Nomination Committee (unaudited)

30 SEPTEMBER 2019

Dear Shareholders,

On behalf of the Board, I am pleased to present Eclipx Group Limited's (Eclipx) FY19 Remuneration Report.

The Remuneration Report provides a summary of the Executive KMP Remuneration Framework for FY19, pay outcomes for FY19 and details the objectives of the revised FY20 Remuneration Framework.

Summary of Eclipx Performance

In summary, Eclipx's FY19 financial performance was very disappointing, principally due to the underperformance of our Non-Core businesses of GraysOnline, areyouselling.com.au, Commercial Equipment Finance Australia, Right2Drive and CarLoans. However, the performance of our Core businesses of Fleet and Novated Leasing was solid, notwithstanding a challenging market backdrop.

Further disappointment arose in April 2019 when the proposed merger between McMillan Shakespeare (ASX: MMS) and Eclipx was terminated by mutual agreement. If implemented, the merger would have been highly complementary for the two companies, offering material synergies for the merged entity which would have created the largest salary packaging and fleet management company in Australia.

The Eclipx Simplification Plan

Given these events, the Eclipx Board identified the key structural, people and business changes that would be crucial to Eclipx's future growth and designed the Eclipx Simplification Plan. The four pillars of that Simplification Plan are a renewed focus on our Core business of Fleet and Novated Leasing, divestment of Non-Core businesses, a comprehensive resizing of the cost base and de-risking of the capital structure.

In accordance with the Simplification Plan, in May 2019 the Board agreed with Doc Klotz that he would step down as CEO and on the same day the Board appointed Julian Russell in his place. Also at that time, Bevan Guest was appointed to the newly created role of Chief Commercial Officer. Following Julian's appointment, and with the agreement and support of the Board, Julian immediately accelerated the execution of the Simplification Plan

Former CEO, Doc Klotz, received his contractual entitlement of six months paid notice (provided as gardening leave), with his unvested long term incentives remaining on foot for the time being (subject to their terms of issue). The transition of the CEO was achieved seamlessly, something the Board believes was in the best interests of Eclipx and its shareholders

The Board is delighted with the performance of Julian and Bevan since their appointment. Julian's deep understanding of Eclipx's business and the many ways it interacts with the markets in which it operates, together with Bevan's expertise within the fleet and novated leasing industry, should ensure the success of the revised business strategy of simplification with its focus on our Core business.

In addition to the appointment of Mr Russell and Mr Guest to their new roles, Eclipx has further refreshed the executive leadership team, with six new appointments made to the top ten executive roles since May 2019. These include the appointment of an Acting CFO, Jason Muhs, and the exits from Eclipx of the remaining former KMP executives: CFO, Garry McLennan, and COO, Jeff McLean. The new executive appointments are fundamental to the performance and execution of the revised business strategy of Eclipx. A key priority in this strategy includes a focus on retention and investment in key talent through the future Executive KMP Remuneration Framework

Remuneration outcomes in FY19

While retention payments were made to certain strong performing business-critical staff in FY19, no payments were made or will be made to KMP or senior executives under the Eclipx FY19 STI program. The FY17 long term incentive (LTI) was tested at the end of FY19, and the award did not vest as it failed to meet the required Absolute Cash EPS and TSR performance hurdles for the testing period.

Changes to the Executive KMP Remuneration Framework for FY20

The Remuneration Framework, has been revised for FY20 to align the Executive KMP Remuneration Framework with Eclipx's strategic priorities. Our revised framework is designed to focus on our Core Fleet and Novated Leasing business, to manage Eclipx's capital effectively, and to deliver consistent returns for our shareholders.

Changes to the Executive KMP Remuneration Framework for FY20 include:

- Revising the incentive structure by removing STI and delivering variable remuneration via LTI only.
- Delivering LTI via Options in FY20 (rather than through a mix of Rights and Options) for KMP.
- Changing the performance hurdles for LTI for better alignment with the Eclipx's business simplification strategy.
- Introducing malus forfeiture guidelines to LTI, addressing financial and non-financial matters.
- In addition, Eclipx has introduced greater structure, consistency and alignment of incentives for the non-KMP leadership executives.

No changes to fixed remuneration for Executive KMP are proposed for FY20.

This framework, including the use of options for LTI awards, will be reviewed annually to ensure it remains fit for purpose to drive and reward executive performance and business outcomes required each year.

Further details of the changes to the Executive KMP Remuneration Framework for FY20 are set out in Section 5.

I look forward to the opportunity to answer any questions regarding the Remuneration Report from shareholders at the Eclipx Annual General Meeting in February 2020.

Yours faithfully,

Gail Pemberton
Chair of the Remuneration and Nomination Committee
12 November 2019

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 2019 (FY2019).

The Report is presented in the following sections:

Remuneration Report (audited)

CONTINUED

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 Group's strategy.

The KMP comprises both current Executive KMP (Chief Executive Officer, Chief Commercial Officer), former Executive KMP, and Non-Executive Directors.

For the year ended 30 September 2019, the KMP were:

	Position	Term as KMP
Non-Executive Directors		
Kerry Roxburgh	Independent Chairman	Full Year
Gail Pemberton	Independent Non-Executive Director	Full Year
Trevor Allen	Independent Non-Executive Director	Full Year
Russell Shields	Independent Non-Executive Director	Full Year
Linda Jenkinson	Independent Non-Executive Director	Full Year
Executive KMP		
Current Executives		
Julian Russell	Chief Executive Officer	Appointed 13 May 2019
Bevan Guest	Chief Commercial Officer	Appointed 13 May 2019
Former Executive Directors		
Doc Klotz	Chief Executive Officer and Managing Director	Ceased being a KMP 13 May 2019
Garry McLennan	Deputy Chief Executive Officer and Chief Financial Officer	Ceased employment 5 July 2019
Former Senior Executive		
Jeff McLean	Chief Operating Officer	Ceased employment 31 July 2019

Remuneration Report (audited)

CONTINUED

2. REMUNERATION GOVERNANCE

The committee consists of four Independent Non-Executive Directors:

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

The following diagram summarises 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 KMP; and
- The design and positioning of remuneration elements, including fixed and at risk pay, equity-based incentive plans and other employee compensation arrangements.

Remuneration Advisors

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

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

In FY19 no remuneration recommendations (as defined by the Corporations Act 2001) were requested or provided from EY or by any other advisors.

Management

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

3. LINK TO BUSINESS STRATEGY AND EXECUTIVE RETENTION

The Group's remuneration strategy and framework rewards performance in areas critical to the achievement of Group strategy. This is achieved by attracting and retaining talented people who are motivated to achieve performance targets aligned with both the business strategy and in the long term interests of shareholders. During the year, extraordinary demands were made on a number of executive staff, and the Board therefore implemented a retention scheme deliverable through individual retention payments to non-KMP executives only.

Remuneration Report (audited)

CONTINUED

3. LINK TO BUSINESS STRATEGY AND EXECUTIVE RETENTION (continued)

Business strategy

For most of the first half of FY19, the Group's attention was directed towards a Scheme Implementation Agreement with McMillan Shakespeare (ASX: MMS) a leading salary packaging and novated lease provider. With market consolidation expected to deliver shareholder value, we identified sound industrial logic with MMS that included a range of material synergies.

However, in April 2019 we agreed with MMS to terminate the scheme. For the remainder of the financial year, Eclipx focused immediately thereafter on making significant changes in the executive leadership of the Group and subsequently on revising the Group's strategy to a new focus on Simplification. The diagram below outlines Eclipx's revised strategy and the link between the Group's Remuneration strategy and performance measurement.

Revised Strategy FY19

On 31 May 2019, Eclipx Group introduced a Simplification Plan focusing on the Core fleet and novated business to:

- Concentrate on high quality businesses that produce stable, predictable earnings and generate strong return on capital
- Invest in organic growth of these through Core business units
- Invest in strong executable innovation and product development
- Improve management accountability and ownership of outcomes
- Provide simplicity and transparency
- Deliver superior long-term value to shareholders through profitable growth.

FY19 Executive KMP Remuneration Strategy

The Eclipx Group remuneration strategy seeks to:

1. Deliver sustainable shareholder value by:
   - Ensuring there is a significant at risk component of total remuneration opportunity;
   - Assessing performance and the 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. Deliver sustainable shareholder value 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 rewards them for accelerating shareholder value creation.

Link to Performance

Remuneration outcomes are linked to performance through:

Fixed	Setting fixed remuneration to reflect the individual's experience, capability and the value they bring to the Group;
STI, LTI	Requiring a significant portion of executive remuneration to be at risk;
STI	Ensuring that KPIs focus on strategic business objectives designed to deliver shareholder value;
STI, LTI	Applying challenging financial and non-financial metrics to measure short and long term performance;
LTI	Ensuring that LTI will only vest as a result of achieving earnings per share growth.

Fixed STI LTI

Remuneration Report (audited)

CONTINUED

4. EXECUTIVE KMP REMUNERATION FRAMEWORK

Remuneration components

The diagram below outlines the Group's remuneration elements and purpose of each element. Further detail is outlined in the subsequent sub-sections.

Remuneration framework

		At risk remuneration	
	Fixed remuneration	STI	LTI
Purpose	Reflects the individuals experience, capability and value to the Group.	Motivate and reward individuals for achieving financial and non-financial results linking pay to performance.	Motivate, retain and reward key employees, focusing on sustainable long-term performance, and providing participants with exposure to Eclipx shares.

4.1 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 Executive KMP, is determined with reference to comparable roles in companies which have a similar market capitalisation. Fixed remuneration for each individual is set based on their experience, capability and the value they bring to the Group.

4.2 Short term incentives

The following table outlines the major features of the Executive KMP FY19 STI plan. Note the STI will be eliminated for Executive KMP for FY20. Further detail is provided in Section 5.

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 FY19 STI plan, except for the CEO Julian Russell as he was appointed less than 5 months before the end of the financial year.
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 might be payable to Executive KMP. Once this gateway is achieved the percentage achievement of KPIs will determine individual STI outcomes within an overall STI pool, determined by the Board.

Remuneration Report (audited)

CONTINUED

4. EXECUTIVE KMP REMUNERATION FRAMEWORK (continued)

What are the FY19 KPI's?

All KPIs are set to be challenging and reward a significant achievement. The FY19 KPI weightings follow:

Current Executives

Julian Russell (1)	Ineligible for STI in FY19
Bevan Guest	A balanced sCorecard with a combination of financial, strategic and non-financial KPIs were agreed, such as: • Delivery of FY19 Core forecast EBITDA, • Shared development of the Core strategic direction to position for growth, and • The build out of succession planning through the Core business where gaps exist.

KPI	Financial	People	Customer	Strategy	Individual
Former Executive Directors					
Doc Klotz	60%	5%	5%	15%	15%
Garry McLennan	60%	10%	-	15%	15%
Former Senior Executive					
Jeff McLean	60%	5%	5%	5%	25%

(1) Julian Russell did not participate in the KMP FY19 STI plan. Please refer to the section FY19 Performance Outcomes in Section 4.4 for additional detail.

Why were these KPIs chosen?

The combination of KPIs were chosen because the Board believes there needs to be a balance between financial measures and those metrics which support the Group's strategic initiatives which are linked to long term strategy and drive future returns for shareholders.

What is the target STI opportunity?

Target STI opportunity is set out in Section 4.3

Are executives able to earn more than the target STI opportunity?

Executive KMP are not eligible to receive more than their target STI amount.

How is the Award delivered?

The STI Award is partly paid in cash and a portion is deferred into equity for 12 months, the ratio between cash and equity is at the discretion of the Board. Awards are paid or converted into equity following finalisation of the audited year-end financial statements.

Remuneration Report (audited)

CONTINUED

4.3 FY19 STI Performance Outcomes

The table below outlines the KPIs that applied to the Executive KMP in relation to the FY19 STI, and the extent to which KPIs were achieved. The financial KPI (at least 95% of the Group's profitability target must be achieved) is a gateway to the FY19 KMP STI that was not achieved.

KPI	Weighting (1)	Target	Level of achievement
Financial	Gateway +60%	Achievement of Company Financial Target (Cash NPATA)	**Did not achieve target** ($46.5m Core Cash NPATA was achieved)
People	10-15%	Drive employee engagement, talent management and safety risk management	**Not applicable, as gateway Financial hurdle was not met.**
Customer	0-5%	Drive Net Promoter SCore (NPS) improvements	
Strategy	5-10%	Execute strategic M&A opportunities	
Individual	10-20%	KPIs related to new partnerships, internal and external communication, projects and cross-company initiatives	

(1) The weighting varies for each KMP; these are specified in Section 4.2.

4.4 FY19 STI Payment Outcomes

No Executive KMP received an STI payment for FY19, as the minimum profit gateway (95% of Cash NPATA) was not met. The following table outlines the target STI opportunity and the 100% forfeiture of STI awards for each Executive KMP in FY19.

Name	Target STI opportunity for FY19	STI opportunity as % of fixed remuneration: Minimum	STI opportunity as % of fixed remuneration: Target	STI earned as % of target	STI forfeited as % of target
Current Senior Executives					
Julian Russell (2)	N/A	N/A	N/A	N/A	N/A
Bevan Guest (3)	$125,000 (4)	0%	50%	0%	100%
Former Executive Directors					
Doc Klotz	$900,000	0%	100%	0%	100%
Garry McLennan	$700,000 (5)	0%	100%	0%	100%
Former Senior Executive					
Jeff McLean	$318,250 (5)	0%	67%	0%	100%

(1) Table reflects opportunity as a KMP.
(2) Julian Russell did not participate in the KMP FY19 STI plan.
(3) Bevan Guest was eligible for and received a promotion bonus of $212,500 as part of the terms of his appointment on 20 August 2018 to Managing Director, Fleet conditional on specific performance targets. The cash bonus was paid on 29 August 2019 in recognition of exceeding his performance targets of delivery of profitable business results and high customer satisfaction (NPS) levels. Note that at this time Mr Guest was not a KMP and his bonus was outside the KMP STI bonus scheme/rules.
(4) Amount presented is prorated based on 4.5 months' service as KMP.
(5) Amount presented is based on full year target STI opportunity for FY19 (not prorated).

Remuneration Report (audited)

CONTINUED

4. EXECUTIVE KMP REMUNERATION FRAMEWORK (continued)

4.5 FY19 Long term incentives (LTI)

The key current executives (Julian Russell and Bevan Guest) commenced as KMP partway through FY19, and are therefore participating in transitional LTI arrangements for FY19. As a result, some of the terms relating to vesting and exercising of these options are differ slightly from the former Executive Directors and Senior Executive (these differences are noted in the table below).

The following table outlines the major features of the Executive KMP FY19 LTI plan. Note, the LTI will be revised from FY20. Further detail on the FY20 remuneration framework changes is provided in Section 5.

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 FY19 LTI plan.
What Executives received a FY19 LTI grant?	**Current Executives** In FY19, LTI arrangements were offered by Eclipx in the form of Options. **Former Executives** In FY19, an LTI grant was made to Executive Directors and Senior Executives (Mr Klotz, Mr McLennan and Mr McLean). The Executive Director grants were approved by shareholders at the Annual General Meeting.
What performance period applies?	Awards made under the LTI Plan are subject to a three-year performance period. **Current Executives** Awards made to the current executives will vest three years from the date of grant and be exercisable for a one-year period after vesting. **Former Executives** Awards made to former Executive Directors and Senior Executive will vest three years from the first day of the applicable financial year (Performance Period).
How was the FY19 LTI delivered?	The LTI is provided through a Rights and/or Options (Award). The number of Rights and/or Options granted in respect of each Award is determined by the Board subject to shareholder approval for any "executive director". The Group uses the fair value methodology when calculating the number of Rights and/or Options to grant each year. The mix of Rights to Options is determined by the Board annually. To ensure consistency and simplicity, the Group continues to allocate the number of Rights and Options using a fair value methodology. To increase transparency for our shareholders a comparison of the fair value and face value of the Rights and Options for the Executive KMP is set out below:

	Vehicle	Number Granted	Fair Value	Face Value [1,2]
Current Executives				
Julian Russell	Options	6,363,636	$1,400,000	N/A
Bevan Guest	Options	2,840,911	$625,000	N/A

(1) Because Options have an exercise price, there is no simple approach to represent the face value of Options.

(2) On the date the Options were granted (24 May 2019) the Options were "underwater", as the exercise price of the Options ($1.20) was 32% higher than the closing share price of $0.91 on 24 May 2019. These Options were granted under the existing LTI plan as a transitional service award following the exit of a former KMP Executive and the appointment of the two new KMP Executives.

Remuneration Report (audited)

CONTINUED

How is the LTI delivered? (continued)

	Vehicle	Number Granted	Fair Value	Face Value [1,2]
Former Executive Directors				
Doc Klotz	Options	1,160,000	$272,600	N/A
	Rights	290,000	$474,150	$696,000
Garry McLennan	Options	1,160,000	$290,000	N/A
	Rights	290,000	$474,150	$696,000
Former Senior Executive				
Jeff McLean	Options	600,000	$151,200	N/A
	Rights	150,000	$241,500	$360,000

(1) Because Options have an exercise price, there is no simple approach to present the face value of Options.
(2) The face value of Rights is calculated using a share price of $2.40, being the closing share price on the date the Rights were granted (11 February 2019). The face value of the Rights does not take into account the performance hurdles that must be met before the Rights may vest.

Are dividends paid during the performance period?

No

What performance hurdles need to be met?

Current Executives

The Award is subject to an 'in-built' share price hurdle (i.e., the 'out-of-the money' strike price of the option acts as an absolute share price hurdle). On the date the Options were granted (24 May 2019) the Options were "underwater", as the exercise price of the Options ($1.20) was 32% higher than the closing share price of $0.91 on 24 May 2019.

Former Executives

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).
The TSR and EPS performance hurdles are applied independently such that the portion of an Award subject to one hurdle can vest regardless of whether the other hurdle is met.

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:

Relative TSR percentile ranking	Financial
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%

Remuneration Report (audited)

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4. EXECUTIVE KMP REMUNERATION FRAMEWORK (continued)

What performance hurdles need to be met? (Continued)

Absolute Cash EPS component

Absolute Cash 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 FY19 Award, the percentage of Awards subject to the Absolute Cash EPS hurdle that vest, if any, will be determined based on the Group's compound annual growth in Absolute Cash EPS over the Performance Period by reference to the "base year" Absolute Cash EPS. FY18 will be the base year for Awards granted under the FY19 LTI Offer. Accordingly, to determine the growth in Absolute Cash EPS, the Absolute Cash EPS achieved in FY21 will be compared to Absolute Cash EPS achieved in FY18, and the level of compound annual growth (stated as a percentage) will determine the proportion of the Absolute 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?

Current Executives

The Options granted to current Executives on 24 May 2019 are subject to a service condition. These awards are valued by using the Binomial Tree methodology.

Former Executives

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

The Absolute Cash EPS hurdle Awards are 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?

Grants made from FY19 onwards

There is no retesting for grants from FY19 onwards, to better align with market practice.

Grants made prior to FY19

If 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. There is no retesting for the Absolute EPS tranche.

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 appropriate.

Remuneration Report (audited)

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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.

Grants made in FY19

Given the proposed transaction with Mcmillan Shakespeare was current when the FY19 LTI Awards were granted, special rules applied:

- In the event of a 50% change of control of the Group by 30 June 2019, all unvested Awards will lapse.
- In the event of a 50% change of control of the Group on or after 1 July 2019, all unvested Awards will vest in full and be automatically exercised, subject to the Board determining that an alternative treatment should apply.
- Where a transaction or event, other than a 50% Change of Control, occurs after 30 June 2019 that in the opinion of the Board should be treated as a change of control for the purposes of the Plan, the Board can determine the appropriate treatment of unvested Awards.

Grants made prior to FY19

In the event of a 30% change of control of the Group, all unvested Awards will vest in full.

4.6 LTI Outcomes

The TSR portion of the FY16 LTI Award was retested for the last time at the end of FY19. The corresponding portion of the award did not meet the required performance hurdle for TSR and the award forfeited.

The FY17 LTI was tested at the end of FY19. The award:

- Failed to meet the required performance hurdle for EPS growth and thus the corresponding portion of the award forfeited.
- Failed to meet the required performance hurdle for TSR. The corresponding portion of the award (50%) will be eligible for a one-time retest in FY20.

The FY17 LTI was tested at the end of FY19 and failed to meet the required performance hurdle for EPS growth and thus the corresponding portion of those grants (50%) have lapsed. The TSR target set for 50% of the FY17 grant was also not met and as a result that portion will be eligible for a one-time retest in FY20.

The table below summarises the performance and outcomes for the LTI grants that were subject to performance testing during FY19.

Plan	Award Type	Performance Condition	Number of awards granted	Performance outcomes	% LTI tranche that vested	% LTI tranche forfeited
FY16 LTI (retest TSR component) (1)	Rights	TSR tranche	92,500	Relative TSR performance hurdle not achieved	0%	100%
	Options	TSR tranche	400,000	Relative TSR performance hurdle not achieved		
FY17 LTI	Rights	TSR tranche	71,500	Relative TSR performance hurdle not achieved	0%	50%
		EPS tranche	71,500	Absolute EPS cash performance hurdle not achieved		100%
	Options	TSR tranche	440,000	Relative TSR performance hurdle not achieved		50%
		EPS tranche	440,000	Absolute EPS cash performance hurdle not achieved		100%

(1) If Awards subject to the 50% TSR hurdle do not vest in full during the initial three-year Performance Period, 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 to mitigate the impact of potential share price volatility and was removed for grants from FY19 grants onwards.

Remuneration Report (audited)

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4. EXECUTIVE KMP REMUNERATION FRAMEWORK (continued)

4.7 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 for FY19.

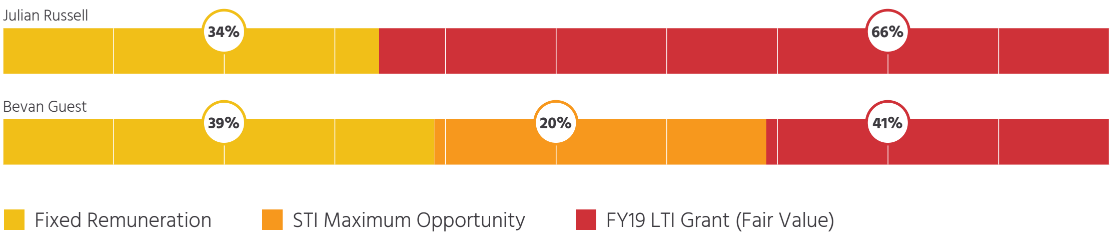
The relative mix of the three remuneration components is determined by the Board on the recommendation of the Committee.

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 FY19 is set out below. This incorporates the FY19 Target STI Opportunity and the actual FY19 LTI grant value.

Note the below is the target remuneration mix for Executive KMP. Executive KMP are not eligible to receive more than their target STI amount.

FY19 Remuneration mix for current executives

Executive KMP Remuneration Opportunity Mix



Remuneration mix for former Executives

	Fixed Remuneration	STI maximum Opportunity	FY19 LTI Grant (Fair Value)
Former Executive Directors			
Doc Klotz	36%	36%	27%
Garry McLennan	33%	33%	34%
Former Senior Executive			
Jeff McLean	40%	27%	33%

5. REMUNERATION FRAMEWORK FOR FY20

Eclipx Group has introduced a Simplification Plan which places a sole focus on the Core fleet business. To support delivery of the Group's new strategy, Eclipx has revised the Group's remuneration framework for FY20.

Our revised remuneration framework for FY20 is designed to be simple and transparent for both our employees and to our shareholders. The diagram below outlines our remuneration objectives and framework for FY20.

FY20 Remuneration Objectives

Support the business strategy and shareholder alignment	Simple and transparent remuneration framework	Consistent approach to the way we reward all Executives	Drive a culture of rewarding high performance and engagement	Reward and retain key successors

Remuneration Report (audited)

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5.1 FY20 Executive Remuneration Framework for Executive KMP

Fixed Remuneration

- Remains unchanged based on FY2020.
- Comprises base salary, non-monetary benefits and superannuation.
- 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.

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Variable Remuneration

All variable remuneration will be delivered via LTI only.

Vehicle

- The LTI Award will be provided through Options (number of Options granted in respect to each Award will be determined by the board) based on target remuneration mix.

Performance hurdles

- The award will be subject to one performance hurdle, growth, the quantum of which will be reviewed annually by the board.
- Malus forfeiture guidelines will be introduced to address financial and non-financial matters.

5.2 FY20 Remuneration Framework for non-KMP Executive Leadership team

The non-KMP Executive leadership team will participate in an LTI Plan (similar in structure to the KMP Executive LTI plan). Delivering 100% of variable remuneration via equity across the STI and LTI components of remuneration and providing alignment between the Executive KMP (LTI), Executive leadership team (STI/LTI) and shareholders.

This framework, including the award of options will be reviewed annually to ensure it remains fit for purpose to encourage and reward behavior and business outcomes required each year.

6. PERFORMANCE AGAINST KEY METRICS

The following table provides information on performance against key metrics over the past five years:

	IPO	2015	2016	2017	2018	2019
Cash NPATA ($'000)	-	48,585	55,330	68,275	78,108	23,823
Cash EPS (cents)	-	20.23	22.19	25.11	24.69	7.45
Share Price at the end of the year	$2.30	$3.01	$4.07	$4.05	$2.57	$1.79

	2015	2016	2016	2017	2017	2018	2018	2019	2019
	final	interim	final	interim	final	interim	final	interim	final
Dividend paid (cents)	6.50	6.75	7.00	7.50	7.75	8.00	8.00	0.00	0.00

Remuneration Report (audited)

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7. NON-EXECUTIVE DIRECTOR FEES

7.1 Policy 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.

Following are the Non-Executive Director fees for FY19 and Committee membership as at 30 September 2019:

	2019 Fee p.a. $		
Committee	**Board**	**Audit & Risk Committee**	**Remuneration & Nomination Committee**
Chairman fee (C)	$250,000	$25,000	$25,000
Member fee (Y)	$125,000	$12,500	$12,500
Kerry Roxburgh	C	Y	Y
Trevor Allen	Y	C	Y
Linda Jenkinson	Y	-	Y
Gail Pemberton	Y	Y	C
Russell Shields	Y	Y	-

In certain circumstances (such as periods of merger and acquisition activity), Non-Executive Directors may also be eligible for an additional "special service payment". Due to the substantially increased workload for Directors as a result of the proposed merger with McMillan Shakespeare in FY19, the Board determined that special circumstances applied. Accordingly, in November 2018, an amount of $30,000 was paid to each non-executive director. This amount is disclosed as cash in the table in Section 7.3.

7.2 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 FY19, there were no salary sacrifice deductions to acquire share rights.

Remuneration Report (audited)

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7.3 Non-Executive Directors (Cash and Share based payments)

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

	Salary and Fees		Short term benefits	Post-employment benefits	Share based payments	
	Cash $ (1)	Value of share rights $ (2)	Non-monetary $	Superannuation $ (2)	Equity settled $	Total $
Kerry Roxburgh (Chairman)						
FY19	284,350	-	-	20,650	-	305,000
FY18	135,750	125,000	-	14,250	-	275,000
Russell Shields						
FY19	153,420	-	-	14,080	-	167,500
FY18	125,571	-	-	11,929	-	137,500
Trevor Allen						
FY19	176,793	-	-	15,634	-	192,500
FY18	118,781	31,250	-	12,469	-	162,500
Gail Pemberton						
FY19	176,793	-	-	15,707	-	192,500
FY18	83,935	62,500	-	8,773	-	155,208
Linda Jenkinson						
FY19	153,420	-	-	14,080	-	167,500
FY18	89,641	-	-	8,516	-	98,157

(1) The Board use discretion to make a one-off "special service payment" in the amount of $30,000 to each Non-Executive Director (paid in November 2019) due to the proposed McMillan Shakespeare and Eclipx merger and in recognition of the total number of Board Meetings which occurred during FY19 (64 in total - 42 Board, 14 ARC and 8 RemCo). The additional payment is included as a cash payment.
(2) FY18-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.

Remuneration Report (audited)

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8. 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.

<table>
<tr><th>Service agreement</th><th>Employing Entity</th><th>Notice period</th><th>Serious misconduct</th><th>Termination entitlement (1)</th><th>Restraint of Trade</th></tr>
<tr><td colspan="6">Current Senior Executives</td></tr>
<tr><td>Julian Russell</td><td>FleetPartners Pty Ltd</td><td>Nine months by either party</td><td rowspan="2">Immediate termination</td><td rowspan="2">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.</td><td rowspan="2">12 months following expiry of notice period</td></tr>
<tr><td>Bevan Guest</td><td>FleetPartners Pty Ltd</td><td>Nine months by Executive; Six months by Company</td></tr>
<tr><td colspan="6">Former Executive Directors / Senior Executive</td></tr>
<tr><td>Doc Klotz</td><td rowspan="2">Fleet Holdings (Australia) Pty Ltd</td><td rowspan="3">Six months by either party</td><td rowspan="3">Immediate termination</td><td rowspan="3">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</td><td rowspan="2">12 months following expiry of notice period</td></tr>
<tr><td>Garry McLennan</td></tr>
<tr><td>Jeff McLean</td><td>FleetPartners Pty Ltd</td><td>Six months following expiry of notice period</td></tr>
</table>

(1) All termination entitlements are capped at 12 months' remuneration, per relevant legislative requirements.

Remuneration Report (audited)

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9. EXECUTIVE REMUNERATION DISCLOSURES

Statutory Remuneration for Executive KMP

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

	Short term benefits				Long term benefits				
	Salary and fees $ (1)	Non-monetary $ (2)	Movement in annual leave provision $ (3)	Cash bonus payable in respect of current year $ (4)	Non-monetary $ (5)	Super-annuation $	Share based payments equity settled $ (12)	Total $	Termination Payments $ (6)
Current Senior Executives									
Julian Russell (7)									
FY19	270,411	2,177	20,744	-	225	8,113	164,931	466,601	-
Bevan Guest (8)									
FY19	223,667	-	14,466	281,473	25,414	8,113	196,760	749,893	-
Former Executive Directors									
Doc Klotz (9)									
FY19	991,847	97,425	24,836	-	19,528	12,947	799,165	1,945,748	450,000
FY18	867,139	161,531	28,425	-	18,101	20,196	1,394	1,096,786	-
Garry McLennan (10)									
FY19	517,154	46,891	(33,886)		16,045	15,997	(261,670)	300,531	-
FY18	679,553	5,297	(10,501)	-	13,393	20,196	9,091	717,029	-
Senior Executive									
Jeff McLean (11)									
FY19	378,124	10,358	(7,381)	-	10,499	17,493	(138,802)	270,291	-
FY18	441,667	10,146	(4,528)	-	8,975	20,196	26,704	503,160	-

(1) Salary and Fees is pro-rated for the period that the executives are KMP and also include termination fees.
(2) Amount represents car parking, medical insurance, flights home, tax services and fringe benefits tax.
(3) Amount represents annual leave provisions. Negative movement indicates leave taken during the year exceeded leave accrued during the current year.
(4) FY19 amount represents the cash incentives earned from 13 May 2019 and includes the agreed incentives in place prior to the appointment as KMP.
(5) Amount represents long service leave provisions.
(6) Termination Payments to Doc Klotz reflects the 6 month notice period from 13 May 2019 to 12 November 2019.
(7) Appointed as Chief Executive Officer on 13 May 2019.
(8) Appointed as Chief Commercial Officer on 13 May 2019.
(9) Ceased as KMP on 13 May 2019.
(10) Ceased employment on 5 July 2019.
(11) Ceased employment on 31 July 2019.
(12) The expense reflected in share based payments equity settled for Doc Klotz relates to his LTI instruments issued during FY17 to FY19, which were approved at the relevant annual general meetings. The LTI instruments are subject to the plan rules and will only vest based on the performance hurdles of these instruments. The expense of $799,165 is the fair value of remaining unvested instruments subject to TSR and eligible for retesting which had not been expensed at the time he ceased his role as a KMP. The face value of the instruments on foot for Doc Klotz as at 13 May 2019 was $635,655. The share based payments equity settled for Garry McLennan and Jeff McLean relates to unvested LTI instruments which have been forfeited and the expense recognised has been reversed in FY19 where the service period condition has not been satisfied.

Remuneration Report (audited)

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9. EXECUTIVE REMUNERATION DISCLOSURES (continued)

Actual Remuneration Received

The table below provides shareholders with a view of remuneration that was received by Executive KMP in FY19 and FY18. The Board believes that presenting information in this manner enhances clarity and transparency for shareholders. Remuneration detailed prepared in accordance with statutory obligations and accounting standards are contained above in Section 9.1.

	Salary and fees $ (1)	Cash bonus paid in current year $ (3)	Superannuation $	Equity that vested $ (2)	Total $
Current Executive Directors					
Julian Russell					
FY19	259,996	-	10,788	-	270,783
Bevan Guest					
FY19	216,762	212,500	8,576	-	437,839
Former Executive Directors					
Doc Klotz					
FY19 (4)	879,468	-	20,532	-	900,000
FY18	864,139	850,000	20,196	1,204,514	2,938,849
Garry McLennan					
FY19	558,445	-	16,054	-	574,499
FY18	697,748	700,000	20,196	1,204,514	2,622,458
Former Senior Executive					
Jeff McLean					
FY19	384,496	-	19,889	-	404,385
FY18	435,888	212,500	20,196	-	668,584

(1) Salary and superannuation are paid fortnightly and may vary depending on the number of pay cycles within any given year.
(2) Represents the value of loan shares granted pre IPO 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.
(3) FY19 amount represents the bonus paid in relation to the KMP period 13 May 2019 to 27 August 2019. FY18 amounts represent bonus in respective to the performance of FY17, paid in FY18.
(4) FY19 payments to Doc Klotz include the pro-rated amount from 13 May 2019 to 30 September 2019 as part of his agreed 6 months gardening leave.

Remuneration Report (audited)

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Details of outstanding awards

The minimum value of the outstanding Awards is nil if no performance for the Absolute Cash EPS hurdled options 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 the 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
Julian Russell	FY19 Transitional LTI	Options	Service	6,363,636	$1.20	0.22	1,400,000	23 May 2022	23 May 2023
Bevan Guest	FY19 Transitional LTI	Options	Service	2,840,911	$1.20	0.22	625,000	23 May 2021	23 May 2023
	FY19 LTI	Rights	TSR tranche	50,000	-	1.22	69,000	10 November 2021	10 November 2023
			EPS tranche	50,000	-	2.07	103,500		
			Service	50,000	-	2.07	103,500		
		Options	TSR tranche	200,000	$2.54	0.26	52,000		
			EPS tranche	200,000	$2.54	0.28	56,000		
	FY18 LTI	Rights	TSR tranche	22,500	-	2.47	55,575	10 November 2020	10 November 2022
			EPS tranche	22,500	-	3.70	83,250		
		Options	TSR tranche	90,000	$4.18	0.65	58,500		
			EPS tranche	90,000	$4.18	0.68	61,200		
	FY2018	Rights	Service	200,000	-	2.26	452,000	17 August 2021	Converts at vesting
		Options	TSR tranche	150,000	$2.05	0.29	43,500	10 November 2020	17 August 2022
			EPS Tranche	150,000	$2.05	0.55	82,500		
	FY2017 LTI	Rights	TSR tranche	22,500	-	2.18	49,050	10 November 2019	10 November 2021
			EPS tranche	22,500	-	3.13	70,425		
		Options	TSR tranche	137,500	$3.60	0.53	72,875		
			EPS tranche	137,500	$3.60	0.55	75,625		
	FY2016 LTI	Rights	TSR tranche	20,000	-	1.86	37,200	10 November 2018	10 November 2020
		Options	TSR tranche	75,000	$3.06	0.35	43,500		

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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	FY19 LTI	Rights	TSR tranche	145,000	-	1.22	176,900	10 November 2021	10 November 2021
			EPS tranche	145,000	-	2.05	297,250		
		Options	TSR tranche	580,000	$2.54	0.23	133,400		
			EPS tranche	580,000	$2.54	0.24	139,200		
	FY18 LTI	Rights	TSR tranche	79,000	-	1.99	157,210	8 November 2020	8 November 2022
			EPS tranche	79,000	-	3.34	263,860		
		Options	TSR tranche	316,000	$4.18	0.41	129,560		
			EPS tranche	316,000	$4.18	0.41	129,560		
	FY17 LTI	Rights	TSR tranche	71,500	-	2.28	163,020	4 November 2019	4 November 2021
			EPS tranche	71,500	-	3.46	247,390		
		Options	TSR tranche	440,000	$3.60	0.68	299,200		
			EPS tranche	440,000	$3.60	0.72	316,800		
	FY16 LTI	Rights	TSR tranche	92,500	-	1.34	123,950	10 November 2018	10 November 2020
		Options	TSR tranche	400,000	$3.06	0.35	140,000		

10.1 Equity instruments

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

	Held as at 30 September 2019			Net Change			Held as at 30 September 2019		
	Shares	Rights	Options (1)	Shares	Rights	Options	Shares	Rights	Options
Non-Executive Directors									
Kerry Roxburgh (Chairman)	239,611	-	200,000	-	-	-	239,611	-	200,000
Russell Shields	285,647	-	50,000	-	-	-	285,647	-	50,000
Trevor Allen	179,846	-	185,000	-	-	-	179,846	-	185,000
Gail Pemberton	428,545	-	50,000	-	-	-	428,545	-	50,000
Linda Jenkinson	3,258	-	-	-	-	-	3,258	-	-
Executives									
Julian Russell	-	-	-	-	-	6,363,636	-	-	6,363,636
Bevan Guest	400,745	330,000	905,000	-	130,000	3,165,911	400,745	460,000	4,070,911
Former Executive									
Doc Klotz (2)	3,878,954	486,000	2,312,000	-	197,500	760,000	3,878,954	683,500	3,072,000
Garry McLennan (3)	3,971,432(4)	486,000	2,312,000	(40,000)(5)	(486,000)(6)	(2,312,000)(6)	3,931,432	-	-
Jeff McLean (7)	910,809	303,000	1,515,000	-	(303,000)(6)	(1,515,000)(6)	910,809	-	-

(1) 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

(2) Doc Klotz resigned as an Executive KMP on 13 May 2019. The net change represents his holdings at the time of resignation.

(3) Garry McLennan resigned as an Executive KMP on 5 July 2019. The net change represents his holdings at the time of resignation.

(4) Includes 43,478 shares held by a close family member of the Former Executive KMP

(5) The net change of (40,000) refers to shares held by a close family member of the Former Executive KMP

(6) The outstanding LTI Awards for Mr McLennan and Mr McLean lapsed on resignation.

(7) Jeff McLean resigned as an Executive KMP on 31 July 2019. The net change represents his holdings at the time of resignation.

Remuneration Report (audited)

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10.2 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.

Pre-IPO loan share plan

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. Treatment of the loan shares upon cessation of employment are as follows:

- Mr Klotz's and Mr McLennan's loan shares vested and loan is required to be repaid by 1 October 2021, unless shares sold earlier.
- Mr McLean's loan shares were settled 15 October 2019.
- Mr Guest loan shares are to be settled 14 days post the release of the financial report for 2019.

Details of these loans are as follows:

KMP	Opening loan balance $ 1 October 2018	Closing loan balance $ 30 September 2019	Number of vested loan shares	Loan value per vested loan share	Loan expiry date
Doc Klotz	5,854,967	5,854,967	3,539,118	$1.65	September 2021
Garry McLennan	5,854,967	5,854,967	3,539,118	$1.65	September 2021
Jeff McLean	1,186,666	1,131,512	866,985	$1.37	September 2019
Bevan Guest	124,315	118,216	94,700	$1.25	September 2019

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

IPO loan share plan (FY15)

Mr Klotz and Mr McLennan were granted loan shares under the FY15 LTI plan. The loan shares under the FY15 LTI plan vested and the loan will be required to be repaid within 90 days of cessation of employment.

Details of these loans are as follows:

KMP	Grant date	Opening loan balance $ 1 October 2018	Closing loan balance $ 30 September 2019 (1)	Number of unvested loan shares relating to loan	Number of vested loan shares relating to loan	Loan value per vested loan share	Loan expiry date
Doc Klotz	22 April 2015	3,253,080	3,172,440	-	1,600,000	$1.98	April 2020
Garry McLennan	22 April 2015	3,162,550	3,065,660	-	1,600,000	$1.92	April 2020
Bevan Guest	22 April 2015	593,000	574,840	-	300,000	$1.92	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

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Consolidated 2019 $'000	2018* $'000
Revenue from continuing operations	2.3	713,029	690,534
Cost of revenue	2.3	(460,695)	(433,226)
Lease finance costs	2.4	(73,390)	(66,552)
Net operating income before operating expenses and impairment charges		**178,944**	190,756
Impairment losses on loans and receivables		(1,281)	(1,143)
Goodwill Impairment	3.5	(30,218)	-
Software Impairment	3.5	(25,994)	-
Other Intangible Impairment	3.5	(3,815)	-
Fixture and fittings Impairment	3.1	(1,613)	-
		(62,921)	(1,143)
Employee benefit expense		(72,578)	(72,967)
Depreciation, amortisation and impairment expense	2.4	(14,926)	(9,450)
Operating overheads	2.4	(63,985)	(42,918)
Total overheads		**(151,489)**	(125,335)
Operating finance costs	2.4	(18,521)	(14,185)
(Loss)/profit before income tax from continuing operations		**(53,987)**	50,093
Income tax benefit / (expense)	2.6	6,634	(12,923)
(Loss)/profit from continuing operations		**(47,353)**	37,170
(Loss)/profit after tax from discontinued operations	2.2	(294,104)	16,052
(Loss)/profit for the year		**(341,457)**	53,222
Other comprehensive income			
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		(13,759)	171
Exchange differences on translation of foreign operations		2,580	(2,055)
Other comprehensive (loss)/income for the year, net of tax		**(11,179)**	(1,884)
Total comprehensive income for the year		**(352,636)**	51,338
(Loss)/profit attributable to:			
Owners of Eclipx Group Limited		(341,457)	53,222
Total comprehensive (loss)/income for the year attributable to:			
Owners of Eclipx Group Limited		(352,636)	51,338
Earnings per share from continuing and discontinuing operations			
Basic earnings per share	2.5	(107.0)	16.9
Diluted earnings per share	2.5	(107.0)	16.6

* Restated to reflect the adoption of AASB 15, discontinued operations and a prior period restatement. Comparatives have not been restated for the adoption of AASB 9 as permitted under the standard. Refer to Note 1 for the impact to the Group on the initial adoption of AASB 9 and AASB 15.

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 2018

		Consolidated		
		2019	**2018***	**2017****
	Note	**$'000**	**$'000**	**$'000**
ASSETS				
Cash and cash equivalents	4.3	97,134	62,078	59,078
Restricted cash and cash equivalents	4.3	142,544	146,180	136,157
Trade receivables and other assets	3.3	81,718	188,180	129,283
Inventory		33,983	38,565	25,171
Assets classified as held for sale	2.2	41,516	-	-
Finance leases	3.2	407,542	541,438	440,772
Operating leases reported as property, plant and equipment	3.1	959,187	1,052,114	1,051,848
Deferred tax assets	2.6	2,176	2,771	2,671
Property, plant and equipment	3.1	8,600	13,845	14,304
Intangibles	3.5	475,302	829,631	806,609
Total assets		**2,249,702**	2,874,802	2,665,893
LIABILITIES				
Trade and other liabilities	3.4	111,227	138,934	143,002
Provisions		9,283	13,713	19,879
Liabilities classified as held for sale	2.2	3,457	-	-
Derivative financial instruments	4.4	31,369	9,037	9,715
Other		3,413	3,538	2,784
Borrowings	4.1	1,604,705	1,814,320	1,610,407
Deferred tax liabilities	2.6	5,143	27,161	39,783
Total liabilities		**1,768,597**	2,006,703	1,825,570
Net assets		**481,105**	868,099	840,323
EQUITY				
Contributed equity	4.5	654,765	654,765	635,246
Reserves	6.1	167,797	17,046	12,357
Retained earnings		(341,457)	196,288	192,720
Total equity		**481,105**	868,099	840,323

* Restated to reflect the adoption of AASB 15 and a prior period restatement. Comparatives have not been restated for the adoption of AASB 9 as permitted under the standard. Refer to Note 1 for the impact to the Group on the initial adoption of AASB 9 and AASB 15.

** 2017 Statement of Financial Position has been restated to reflect the adoption of AASB 15 and a prior period restatement. Refer to Note 6.7 for the impact on the initial adoption AASB 15 and a prior period restatement.

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 2019

		Attributable to owners of Eclipx Group Limited			
		Contributed equity	Reserves	Retained earnings	Total equity
Consolidated	Note	$'000	$'000	$'000	$'000
Balance at 30 September 2017, as previously reported		635,246	12,357	215,660	863,263
Adjustment on initial application of AASB 15 and restatement (net of tax)*		-	-	(22,940)	(22,940)
Re-stated balance as at 30 September 2017		635,246	12,357	192,720	**840,323**
Profit for the year*		-	-	53,222	53,222
Cash flow hedges		-	171	-	171
Foreign currency translation		-	(2,055)	-	(2,055)
Total comprehensive income for the year		-	(1,884)	53,222	**51,338**
Issue of rights for acquisition of CarBuyers		-	1,581	-	1,581
Transactions with owners in their capacity as owners:					
Employee share schemes	5.1	-	454	-	454
Movement in treasury reserve		-	4,538	-	4,538
Issue of shares under the Dividend Reinvestment Plan		18,421	-	-	18,421
Issue of shares on exercise of Options		1,098	-	-	1,098
Dividends paid	4.7	-	-	(49,654)	(49,654)
Balance at 30 September 2018		654,765	17,046	196,288	**868,099**
Restated balance at 30 September 2018		654,765	17,046	196,288	**868,099**
Adjustment on initial application of AASB 9 **		-	-	(12,511)	(12,511)
Re-stated balance as at 1 October 2018		654,765	17,046	183,777	**855,588**
Transfer to dividend reserve		-	183,777	(183,777)	-
(Loss) / profit for the year		-	-	(341,457)	(341,457)
Cash flow hedges		-	(13,759)	-	(13,759)
Foreign currency translation		-	2,580	-	2,580
Total comprehensive income for the year		-	(11,179)	(341,457)	**(352,636)**
Transactions with owners in their capacity as owners:					
Employee share schemes	5.1	-	2,238	-	2,238
Movement in treasury reserve		-	1,486	-	1,486
Dividends paid	4.7	-	(25,571)	-	(25,571)
Balance at 30 September 2019		654,765	167,797	(341,457)	**481,105**

* The Group applied AASB 15 under a full retrospective method and the Group has restated prior period for the items reflected under note 1.0.

** The Group applied AASB 9 retrospectively with the cumulative effect recognised as an adjustment to the opening statement offinancial position as at 1 October 2018.

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operations			
Receipts from customers		1,081,912	1,018,588
Payments to suppliers and employees**		(596,206)	(595,497)
		485,706	**423,091**
Income tax paid		(19,279)	(23,743)
Interest received		2,811	2,553
Interest paid**		(86,676)	(81,554)
Net cash inflow from operating activities	6.6	**382,562**	**320,347**
Cash flows from investing activities			
Purchase of items reported under operating leases	3.1	(307,296)	(391,936)
Purchase of items reported under finance leases		(184,732)	(251,689)
Purchase of property, plant and equipment and intangibles		(13,574)	(32,896)
Payment for transaction cost on disposed groups		(7,449)	-
Payment for acquisitions (net of cash acquired)		-	(7,298)
Proceeds from sale of discontinued operations		70,764	-
Proceeds from sales of items reported under operating leases		219,159	202,596
Net cash outflow from investing activities		**(223,128)**	**(481,223)**
Cash flows from financing activities			
Proceeds from borrowings		453,635	915,965
Repayments of borrowings		(556,678)	(713,975)
Dividends paid		(25,571)	(31,233)
Proceeds from settlement of long term incentive plans		811	2,961
Net cash inflow from financing activities		**(127,803)**	**173,718**
Net increase in cash and cash equivalents		31,631	12,842
Cash and cash equivalents at the beginning of the Financial Year, net of overdraft		208,257	195,235
Exchange rate variations on New Zealand cash and cash equivalent balances		(210)	181
Cash and cash equivalents at end of the year, net of overdraft	4.3	**239,678**	**208,258**

** Cash flows relating to operating finance costs was previously included in "Payments to suppliers and employees". To better reflect the nature this expense incurred from finance costs, the cash flows have been reclassified to "Interest paid".

As a result of this reclassification, for the year ended 30 September 2018, cash outflow relating to "Payments to suppliers and employees" has decreased to $595,497,000 from $609,682,000, and cash outflow relating to "Interest paid" has increased to $81,554,000 from $67,369,000 previously.

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

1.0 Introduction to the Report

Statement of compliance

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

The financial report was authorised for issue by the Board of Directors on 12 November 2019.

Basis of preparation

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

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements.

Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Critical accounting estimates and assumptions

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

Significant accounting policies

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

(i) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Eclipx Group Limited as at 30 September 2019 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.

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

1.0 Introduction to the Report

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using the exchange rates at the date of transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

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

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

Going concern

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

For the financial year ending 30 September 2019 the Group:

- Generated net cash inflow from operating activities of $382.6m, which is an improvement of $62.2m compared to the pcp;
- Paid a dividend of $25.6m, relating to final dividends declared for 2018;
- Incurred costs of $16.7m relating to the merger with McMillan Shakespeare Group, that did not proceed;
- Generated cash of $70.8m from the sale of GraysOnline Group and Eclipx Commercial Equipment Finance;
- Reduced its corporate debt borrowings by $54.5m; and
- Increased cash by $31.6m.

Following a strategic review of the business the Group embarked on its Simplification Plan to refocus on its well established, Core business. Since 31 May 2019 the following has been delivered:

- GraysOnline and Eclipx Commercial Equipment Finance have been sold;
- Right2Drive is held for sale, carried at fair value with a sale process underway;
- The Group has refreshed the executive team;
- Reduced operating costs, for example via the relocation of the head office to existing premises;
- On 25 October 2019 the Group extended its corporate debt maturities (to Oct 2022 and July 2025 for the corporate debt facility and US private placement note respectively) and amended the terms of the corporate debt facilities and US private placement note purchase agreement;
- The Group's cash flow forecasts, demonstrate continued compliance with the covenant criteria under the amended corporate debt facilities and US private placement note purchase agreement;
- Extended warehouse funding facilities and issued an asset-backed securities transaction FP Ignition Series 2019-1; and
- Conserved capital by not declaring a dividend.

The Group will continue to deliver on the simplification and optimisation strategy by:

- Focusing on the fleet business and enhancing profitability by reviewing business relationships to maximise returns;
- Growing in the novated leasing product offering; and
- Improving the cost to income ratio of the Core business.

Following the extension and amendment of the corporate debt facilities and US private placement note purchase agreement, successful execution of the simplification initiatives, and by continued focus on simplifying and optimising the Group, the Directors are of the opinion that the preparation of the financial report as a going concern is appropriate.

1.0 Introduction to the Report

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Changes in significant accounting policies

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

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

AASB 16 Leases

AASB 16, which was issued in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases.

It will replace the existing accounting requirements for leases, under AASB 117, effective from 1 October 2019 for the Group.

Accounting for leases as a lessee

AASB 16 requires lessees to recognise most leases on the balance sheet in the form of a right-of-use asset (ROUA) and a corresponding lease liability. The standard allows exemptions for short-term leases (less than 12 months) and for leases on low value assets. The new standard is expected to impact leases which are currently classified as operating leases, which are predominantly property.

As a result of the adoption of AASB 16, the Group will recognise depreciation expense on ROUAs, on a straight-line basis over the lease term, and interest expense on lease liabilities.

On transition to AASB 16, the Group has applied a modified retrospective approach to leases previously measured as operating leases under AASB 117. The modified retrospective approach applied is to measure the ROUA as an amount equal to the lease liability adjusted for any prepaid or accrued lease payments.

As at 1 October 2019, the Group is expecting to recognise lease liability of $21.3 million and ROUAs of $20.9 million. The Group has applied the modified retrospective approach on adoption of the standard. Under this approach, the cumulative effect of adoption is recognised as an adjustment to opening retained earnings as at 1 October 2019, with no restatement of comparative information.

Accounting for leases as a lessor

The Groups accounting as a lessor is substantially unchanged under AASB 16.

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

AASB 9 Financial Instruments

Financial assets

AASB 9 has three classification categories for financial assets; amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification is based on the business model under which the financial instrument is managed and its contractual cash flows.

The Group has applied the following policies for the newly adopted classification categories under AASB 9:

Amortised cost - A financial asset will be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

FVTOCI - A financial asset will be measured at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

FVTPL - All financial assets that are not measured at amortised cost or FVTOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless the Group irrevocably elects to present subsequent changes in the fair value in other comprehensive income. The Group has not made this election.

1.0 Introduction to the Report

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Impairment

AASB 9 has replaced the incurred loss model of AASB 139 with an expected loss model, resulting in an acceleration of impairment loss recognition. The impairment requirements apply to the Group's net investment in finance lease receivables, trade and other receivables and the Group will recognise impairments using the simplified approach and record lifetime expected credit losses, as allowed under AASB 9 for lease receivables and trade and other receivables.

Measurement

To measure the expected credit loss (ECL) the Group applies probability of default (PD) x exposure at default (EAD) x loss given default (LGD). The Group has applied the simplified approach, measuring ECL equal to the discounted lifetime expected credit losses.

Macroeconomic scenarios

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

Hedging

The Group has applied the revised hedge accounting disclosures required by AASB 7 Financial Instruments: Disclosures for the year ending 30 September 2019.

1.0 Introduction to the Report

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AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 October 2018. AASB 15 replaced the previous revenue recognition criteria applied under AASB 118.

AASB 15 establishes a single comprehensive model which is based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 provides significantly more guidance particularly with respect to the identification of performance obligations, determination of the transaction price, and allocation of value within multiple element arrangements. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments and leases. A material component of the Group's revenue arises from financial instruments (refer to the finance income revenue recognition policy for further information).

In accordance with the transition provisions of AASB 15, the Group has adopted the new standard using the full retrospective method of adoption and has restated comparatives for the 2018 financial year.

The Group's policies for the identification of performance obligations, determination of the transaction price and the resulting recognition of revenue were already largely aligned with the requirements of AASB 15, however after completing a detailed review of the Group's revenue streams, the major changes are shown in the adjustment tables on the following pages.

The impact of adopting new accounting standards AASB 9, AASB 15 and prior period restatement in the Consolidated Statement of Financial Position as summarised in the table below:

	Ref.	30 Sep 18 Reported $'000	Adjustments for AASB 15 $'000	Prior period Restatements $'000	30 Sep 18 Restated $'000	Adjustments for AASB 9 $'000	1 Oct 18 Restated $'000
Statement of Financial Position							
ASSETS							
Cash and cash equivalents		62,078	-	-	62,078	-	62,078
Restricted cash and cash equivalents		146,180	-	-	146,180	-	146,180
Trade receivables and other assets	1,2,5,6	208,870	(11,177)	(9,513)*	188,180	(7,930)	180,250
Inventory		38,565	-	-	38,565	-	38,565
Finance leases	1,2,6	545,486	(4,048)	-	541,438	(9,942)	531,496
Operating leases reported as property, plant and equipment		1,052,114	-	-	1,052,114	-	1,052,114
Deferred tax assets		2,771	-	-	2,771	-	2,771
Property, plant and equipment		13,845	-	-	13,845	-	13,845
Intangibles		829,631	-	-	829,631	-	829,631
		2,899,540	**(15,225)**	**(9,513)**	**2,874,802**	**(17,872)**	**2,856,930**
LIABILITIES							
Trade and other liabilities	4	118,246	20,272	416	138,934	-	138,934
Provisions		13,713	-	-	13,713	-	13,713
Derivative financial instruments		9,037	-	-	9,037	-	9,037
Other		3,538	-	-	3,538	-	3,538
Borrowings		1,814,320	-	-	1,814,320	-	1,814,320
Deferred tax liabilities		40,670	(10,530)	(2,979)	27,161	(5,361)	21,800
		1,999,524	**9,742**	**(2,563)**	**2,006,703**	**(5,361)**	**2,001,342**
EQUITY							
Contributed equity		654,765	-	-	654,765	-	654,765
Reserves		17,046	-	-	17,046	-	17,046
Retained earnings	1,2,4,5,6	228,205	(24,967)	(6,950)	196,288	(12,511)	183,777
		900,016	**(24,967)**	**(6,950)**	**868,099**	**(12,511)**	**855,588**

* Restatement comprises of $6.4m relating to 2018 and $3.1m relating to 2017. The restatement relates to adjustments to Right2Drive regarding judgements made in respect to the amount of revenue to recognise and processing errors.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

1.0 Introduction to the Report

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The impact of adopting new accounting standards AASB 15 and the prior period restatement in the Consolidated Statement of Profit or Loss as at 30 September 2018 are summarised in the table below:

Statement of profit or Loss and Other Comprehensive Income Revenue from continuing operations	Ref.	Sep 18 Reported $'000	Adjustments for AASB 15 $'000	Prior period Restatements $'000	Sep 18 Adjustments for AASB and Prior period $'000	Discontinued Operations Restatement $'000	Sep 18 Restated $'000
Finance income	2	111,149	5,104	-	116,253	(10,484)	105,769
Maintenance and management income	4	102,958	-	-	102,958	2,768	105,726
Related products and services income	1	33,566	(979)	-	32,587	1,954	34,541
Operating lease rentals		205,405	-	-	205,405	4,305	209,710
Brokerage income	2	20,785	(8,442)	-	12,343	(814)	11,529
Sundry income		7,481	-	-	7,481	(4,618)	2,863
End of lease income - vehicle sales	3	19,078	183,518	-	202,596	202	202,798
End of lease income - other		17,598	-	-	17,598	-	17,598
Rental hire income	5	82,238	(12,279)	(6,401)	63,558	(63,558)	-
Auction commissions		68,846	-	-	68,846	(68,846)	-
Recovery of expenses		15,800	-	-	15,800	(15,800)	-
Sale of goods		73,622	-	-	73,622	(73,622)	-
		758,526	**166,922**	**(6,401)**	**919,047**	**(228,513)**	**690,534**
Cost of revenue							
Maintenance and management expense		39,932	-	-	39,932	-	39,932
Related products and services expense		6,927	-	-	6,927	(38)	6,889
Cost of goods sold - vehicles	3	-	183,518	-	183,518	-	183,518
Impairment on operating leased assets		402	-	-	402	-	402
Depreciation on operating leased assets		203,868	-	-	203,868	(1,383)	202,485
Rental hire expenses	5	29,248	(10,173)	-	19,075	(19,075)	-
Recoverable expenses		17,423	-	-	17,423	(17,423)	-
Cost of goods sold - other	3	61,984	-	-	61,984	(61,984)	-
		359,784	**173,345**	**-**	**533,129**	**(99,903)**	**433,226**

(1) AASB 15: Loan establishment fees: Loan establishment fees disclosed within related products and services, are recognised over the life of the contract as the performance obligation is satisfied. Loan establishment fees were previously recognised upfront with the performance of a significant piece of work.

(2) AASB 15: Brokerage income: The Group receives brokerage income representing commissions received for the origination of contracts. Upon application of AASB 15, a select number of brokerage deals are required to be accounted for as finance income.

(3) AASB 15: Income from the sale of fleet vehicles: The Group recognises income from the sale of fleet vehicles at the end of the lease term. Historically, any gain or loss on disposal was recognised on a net basis. On application of AASB 15, the Group has determined it is acting as a principal in the transaction, primarily due to holding the inventory risk of the vehicles. This change has resulted in the disclosure of a separate line item, End of lease income - vehicle sales. The Group has recognised a corresponding increase in the cost of goods sold.

1.0 Introduction to the Report

CONTINUED

There is no net impact to the statement of profit or loss.

AASB 15 Revenue from Contracts with Customers (continued)

(4) AASB 15: Maintenance income: Historically, the Group recognised maintenance income by applying the percentage of completion method to a portfolio of contracts. Under AASB 15, the Group is required to apply the recognition criteria against individual leases. The Group is required to maintain the vehicle in accordance with the manufacturers requirements and therefore the performance obligation is satisfied over the term of the contract. In applying the principles of AASB 15, the Group performed a review of all lease contracts and determined the revenue attributable to each individual lease using a maintenance profile supported by market data of expected service costs and intervals. In applying the principles of AASB 15, the Group was required to recognise an additional deferred revenue liability. The corresponding adjustment was to retained earnings representing the performance obligation that existed at the beginning of the comparative period. Refer to the maintenance and management revenue recognition policy for further information.

(5) AASB 15: Variable rental consideration: The Group provides motor vehicles to not-at-fault individuals and the amounts are recovered from the at fault individuals. The Group has historically accounted for any discounts or credits as a cost of revenue expense. Applying the principles of AASB 15, discounts or credits meet the definition of variable consideration. On transition, the Group has included amounts expected to be received net of any discount or credit, and only to the extent that these are highly probable that the cumulative amount of revenue recognised will not be subject to significant reversal in the future.

(6) AASB 9: Impairment provisions: The Group adopted AASB 9 on 1 October 2018, without restatement of comparative financial information, resulting in a one-off reduction to opening retained earnings post tax of $12.5m and an increase to impairment provisions as compared to that recognised under AASB 139. This includes an increase in provisions of $9.9m net investment in finance lease receivables, $4.3m in trade and other receivables and $3.6m contract receivables measured at amortised cost. These increases are as a result of impairment provisions in prior year being recognised using AASB 139's incurred loss model. In contrast, AASB 9 introduces the expected loss model, removing the requirement for a credit event to have occurred before credit losses are recognised.

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

Identification of reportable segments

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

The Group announced a Senior Executive Leadership Renewal on 13 May 2019, where a new Chief Executive Officer was appointed. The Group subsequently made an announcement to the market on 31 May 2019, that the Group will be simplifying and identified Core and Non-Core business segments. Core businesses would include fleet leasing management and services to corporate SME and consumers in Australia and corporate SME customers in New Zealand. Core business segments would be Australia Commercial, Australia Consumer and New Zealand Core. Non-Core relates to business that are available for divestment and Grays which was disposed. The segments have been identified on how the Chief Operating Decision Maker monitors performance and allocates resources.

The segments disclosures for the prior period have been restated to reflect the changes for the segment classification. The segment information for the reportable segments for the year ended 30 September 2019 is as below:

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

2.1 SEGMENT INFORMATION (continued)

Identification of reportable segments (continued)

2019	Australia Commercial $'000	Australia Consumer $'000	New Zealand $'000	Non-Core* $'000	Grays^ $'000	Total $'000
Net operating income	**105,975**	**28,638**	**38,665**	**30,869**	**57,709**	**261,856**
Bad and doubtful debts	(1,087)	72	(244)	(5,420)	320	**(6,359)**
Operating expenses	(49,773)	(13,799)	(26,506)	(47,494)	(58,444)	**(196,016)**
EBITDA	**55,115**	**14,911**	**11,915**	**(22,045)**	**(415)**	**59,481**
Depreciation and amortisation	(4,881)	(1,319)	(3,976)	(2,318)	(2,145)	**(14,639)**
Share Based Payments	(1,659)	(448)	(94)	(37)	-	**(2,238)**
Holding company debt interest	(8,046)	(840)	(1,587)	(5,029)	(3,019)	**(18,521)**
Amortisation acquired intangibles	(2,811)	(343)	(551)	(913)	(1,554)	**(6,172)**
Impairments and write-offs	(9,091)	(2,457)	(16,110)	(119,670)	(59,131)	**(206,459)**
Significant material non-recurring items	(25,045)	(1,761)	(1,174)	(42,823)	(101,859)	**(172,662)**
Tax	(1,160)	(2,703)	3,950	17,590	2,076	**19,753**
Statutory net profit after tax	**2,422**	**5,040**	**(7,627)**	**(175,245)**	**(166,047)**	**(341,457)**
Post tax add back impairments and write-offs	6,363	1,720	11,599	113,831	59,131	**192,644**
Post tax add back amortisation acquired intangibles	1,968	240	397	639	1,088	**4,332**
Post tax add back significant material non-recurring items	17,532	1,233	844	41,596	99,992	**161,197**
Cash net profit after tax including amortisation of software	**28,285**	**8,233**	**5,213**	**(19,179)**	**(5,836)**	**16,716**
Software amortisation (post tax)	1,997	540	2,259	1,319	992	**7,107**
Cash net profit after tax	**30,282**	**8,773**	**7,472**	**(17,860)**	**(4,844)**	**23,823**

^ The disposal of GraysOnline and areyouselling.com was completed as at and effective from 31 July 2019
* Non-Core includes the entities associated with CarLoans, Right2Drive (which is held for sale) and Eclipx Commercial Finance which was sold on 13 September 2019.

2.0 Business Result for the Year

CONTINUED

2.1 SEGMENT INFORMATION (continued)

Identification of reportable segments (continued)

2018	Australia Commercial $'000	Australia Consumer $'000	New Zealand $'000	Non-Core* $'000	Grays^ $'000	Total $'000
Net operating income	**120,155**	**22,520**	**39,561**	**50,992**	**81,520**	**314,748**
Bad and doubtful debts	(498)	-	(644)	(1,125)	30	**(2,237)**
Operating expenses	(58,249)	(11,239)	(25,414)	(41,991)	(63,652)	**(200,545)**
EBITDA	**61,408**	**11,281**	**13,503**	**7,876**	**17,898**	**111,966**
Depreciation and amortisation	(3,445)	(1,835)	(833)	(1,015)	(1,996)	**(9,124)**
Share Based Payments	(271)	(54)	(26)	(19)	(84)	**(454)**
Holding company debt interest	(5,285)	(499)	(1,196)	(5,015)	(2,829)	**(14,824)**
Amortisation acquired intangibles	(2,913)	(355)	(528)	(504)	(1,620)	**(5,920)**
Significant material non-recurring items	(277)	-	(103)	(3,333)	(7,796)	**(11,509)**
Tax	(11,789)	(1,609)	(3,029)	304	(790)	**(16,913)**
Statutory net profit after tax	**37,428**	**6,929**	**7,788**	**(1,706)**	**2,783**	**53,222**
Post tax add back impairments and write-offs	-	-	-	-	-	**-**
Post tax add back amortisation acquired intangibles	2,068	252	380	353	1,010	**4,063**
Post tax add back significant material non-recurring items	194	-	74	2,333	5,459	**8,060**
Cash net profit after tax including amortisation of software	**39,690**	**7,181**	**8,242**	**980**	**9,252**	**65,345**
Software amortisation (post tax)	980	1,135	390	86	1,195	**3,786**
Cash net profit after tax	**40,670**	**8,316**	**8,632**	**1,066**	**10,447**	**69,131**

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

2.0 Business Result for the Year

CONTINUED

2.2 DISCONTINUED OPERATIONS

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

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

Details of the sales are as follows:

	2019 $'000
Loss on sale of disposed groups	
Proceeds from disposal of discontinued operations	75,957
Less cash and cash equivalents disposed of (including restricted cash):	(5,193)
	70,764
Net carrying value of assets of discontinued operations at date of disposal (excluding cash)	(181,028)
Amount receivable per completion accounts	1,498
Transaction costs, net of tax	(7,449)
	(186,979)
Tax expense	-
Loss on disposal of discontinued operations after tax	**(116,215)**

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

	2019 $'000
Financial position of the disposed groups as at the date of the sale:	
Cash and Cash equivalents (including restricted cash)	5,193
Trade and Other receivables	34,756
Inventory	7,925
Property, Plant and equipment	3,896
Finance Leases	96,551
Operating leases reported as PP&E	5,848
Intangibles	142,061
Trade and other liabilities	(2,531)
Provisions	(3,978)
Borrowings	(114,583)
Deferred tax asset	11,083
	186,221
Less cash and cash equivalents disposed:	(5,193)
Net carrying value of assets excluding cash and cash equivalents	**181,028**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

(i) Results of discontinued operations

The financial performance and cash flow information presented are for the period to the effective date of disposal (2019 column) and the year ended 30 September 2018. The effective date of disposal for GraysOnline and areyouselling.com was 31 July 2019 and the effective date for Eclipx Commercial was 13 September 2019. The financial performance and cash flow information below includes Right2Drive.

	2019 $'000	2018 $'000
Revenue	169,075	228,513
Cost of revenue	(88,798)	(99,903)
Impairment losses on loans and receivables	(5,078)	(1,095)
Fair value adjustment	(21,569)	-
Goodwill impairment	(129,120)	-
Software impairment	(4,524)	-
Other intangible impairment	(12,787)	-
Employee benefit expense	(56,211)	(60,552)
Depreciation and amortisation	(5,882)	(5,547)
Operating expenses	(36,114)	(41,374)
(Loss)/profit from operating activities	**(191,008)**	**20,042**
Income tax	13,119	(3,990)
Loss on sale of discontinued operations	(116,215)	-
Total comprehensive (loss)/profit from discontinued operations	**(294,104)**	**16,052**
Earnings per share from discontinued operations		
Basic Earnings per share, from discontinued operations - cents per share	(92.16)	5.11
Diluted earnings per share, from discontinued operations - cents per share	(92.16)	5.00
Cash flow from discontinued operations		
Net cash flows from operating activities	39,465	(21,000)
Net cash flows from investing activities	(5,182)	(9,355)
Net cash flows from financing activities	(34,804)	36,442
Net cash flows from discontinued operations	**(521)**	**6,087**

2.0 Business Result for the Year

CONTINUED

2.2 DISCONTINUED OPERATIONS (continued)

(ii) Asset held for sale

As at 30 September 2019, the assets and liabilities that were classified as held for sale relates to Right2Drive Group, which consists of Right2Drive Australia, Right2Drive New Zealand and Onyx Car rentals. No comparatives are disclosed as these assets were not deemed held for sale in the prior year. The Right2Drive Group sale process has commenced with a financial adviser being appointed, information pack distributed and process letters being delivered to interested parties The Group is expecting the sale process to be completed in financial year 2020.

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

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

2.3 REVENUE

Recognition and measurement

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

Finance income

The Group purchases vehicles to lease to customers and earns a spread, or net interest income, being the difference between the interest component of the lease rental income it receives from customers and its cost of funds. The Group recognises net interest income over the life of the lease. Interest income from finance lease contracts is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the future asset. Payments collected from the lease are allocated between reducing the net investment in the lease and recognising interest income.

Operating lease rentals

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

The instalments are classified and presented in 'Operating lease rentals'.

2.0 Business Result for the Year

CONTINUED

Maintenance and management income

The Group earns maintenance and management fees from related products and services. Income related to maintenance and management services is recognised over the term of the lease contract based on the percentage of completion method. The allocation of income over the term is based on a maintenance profile supported by market data of expected service costs and intervals. The difference between the amounts received and amounts recognised as income is accounted for as deferred revenue disclosed within trade and other liabilities.

Sale of goods

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

Brokerage, commissions and advice services income

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

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

End of lease income - Vehicle sales

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

End of lease income - other

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

2.3 REVENUE (continued)

Sale of goods (continued)

Cost of revenue

Cost of revenue comprises the cost associated with providing the service components of the lease. 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.

	2019 $'000	2018* $'000
Revenue from continuing operations:		
Finance income	109,034	105,769
Maintenance and management income**	103,339	105,726
Related products and services income**	39,216	34,541
Operating lease rentals	201,851	209,710
Brokerage income**	19,106	11,529
Sundry income**	3,873	2,863
End of lease income - Vehicle Sales**	219,441	202,798
End of lease income - other	17,169	17,598
Total revenue from continuing operations	**713,029**	**690,534**
Cost of revenue:		
Maintenance and management expense	43,713	39,932
Related products and services expense	11,631	6,889
Cost of goods sold	207,742	183,518
Impairment on operating leased assets	485	402
Depreciation on operating leased assets	197,124	202,485
Total cost of revenue	**460,695**	**433,226**

* Comparatives have been restated for the transition to AASB 15 and prior period restatement. Refer to Note 1.0

** The above amounts totalling $384,975,000 (2018: $357,457,000) represents the Group's revenue derived from contracts with customers, in accordance with AASB15.

2.0 Business Result for the Year

CONTINUED

2.4 EXPENSES

Recognition and measurement

Depreciation

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

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

Interest expense

Interest expense is recognised in the statement of profit or loss and other 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 ten years for Core system software costs.

	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Plant and equipment - fixture and fittings	3,472	2,828
Amortisation - Intangible assets	3,741	3,420
Software	7,713	3,202
Total depreciation and amortisation expense	**14,926**	**9,450**
Lease finance costs		
Interest and finance charges - Third parties	70,131	66,910
Hedge loss/(gain)	3,259	(358)
	73,390	**66,552**
Operating finance costs		
Facility finance costs	18,521	14,185
Total operating finance costs	**18,521**	**14,185**
Operating overheads		
Rental of premises	7,793	7,576
Technology costs	10,105	7,607
Restructuring costs	7,888	1,135
Acquisition related costs	-	2,682
Merger Related Costs	16,658	-
Other overheads	21,541	23,918
Total operating overheads	**63,985**	**42,918**

2.0 Business Result for the Year

CONTINUED

2.5 EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

	Consolidated	
	2019	2018 Restated
	Cents	Cents
Continuing and discontinuing earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	(107.0)	16.9
Total diluted earnings per share attributable to the ordinary equity holders of the company	(107.0)	16.6

Reconciliation of earnings used in calculating Basic and Diluted earnings per share

	Consolidated	
	2019	2018 Restated
	$'000	$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share and diluted earnings per share:	(341,457)	53,222
From continuing and discontinuing operations	**(341,457)**	**53,222**

Weighted average number of shares used as the denominator

	Consolidated	
	2019	2018
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	319,111,693	321,085,520
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	319,111,693	314,209,530

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

	Consolidated	
	2019 $'000	2018 Restated $'000
Impact of discontinued operations, new accounting standards and prior period restatement		
(Loss)/profit from discontinued operations	(294,104)	16,052
Post tax impact of applying AASB15	-	(4,518)
Post tax impact of prior period restatement	-	(4,481)

	Consolidated	
	2019 Cents	2018 Cents
Impact of discontinued operations		
Basic earnings per share	(92.2)	5.0
Diluted earnings per share	(92.2)	5.1
Impact of new accounting standards		
Basic earnings per share	-	1.4
Diluted earnings per share	-	1.4
Impact of prior period restatement		
Basic earnings per share	-	1.4
Diluted earnings per share	-	1.4

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.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

(i) Reconciliation of income tax expense

	Consolidated	
	2019	**2018 Restated**
	$'000	**$'000**
(Loss)/profit from continuing operations before income tax expense	(53,987)	50,093
(Loss)/profit from discontinuing operations before income tax expense	(307,223)	20,042
	(361,210)	70,135
Prima facie tax rate of 30.0% (2018 - 30.0%)	(108,363)	21,041
New Zealand tax rate differentials	169	(247)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments not deductible	-	101
Grays loss on disposal	28,237	-
ECF loss on disposal	4,393	-
Contingent consideration	(35)	(476)
Finance income on convertible notes	-	(582)
Goodwill Impairment	47,801	-
Tax losses utilised	-	(2,963)
FV adjustment	6,471	-
Transaction costs	1,207	-
Other	367	39
Income tax (benefit)/expense	**(19,753)**	16,913
Income tax expense comprises of:		
Current tax	6,586	20,553
Deferred tax	(26,339)	(3,640)
	(19,753)	16,913
Income tax (benefit)/expense is attributable to:		
(Loss)/profit from continuing operations	(6,634)	12,923
(Loss)/profit from discontinuing operations	(13,119)	3,990
Income tax (benefit)/expense	**(19,753)**	16,913
Effective tax rate	5.4%	24.1%

The effective tax rate for 2019 is impacted by the impairment of goodwill, loss of disposal groups and fair value adjustments which is not deductible and decreases the effective benefit on the loss from continuing and discontinuing operations.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

2.6 TAXATION (continued)

(ii) Movement of deferred tax

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

2.0 Business Result for the Year

CONTINUED

2018	Opening balance $'000	Adjustment for AASB 15 $'000	Adjustment for prior year restatement $'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	891	625	2,854	3,014	-	150	-	7,534	7,534	-
Deferred revenue	596	5,254	-	(88)	-	(433)	-	5,329	5,329	-
Hedging assets and liabilities	2,758	-	-	(180)	53	-	-	2,631	2,631	-
Accruals, employee provisions and other	6,499	-	125	131	-	(3,558)	(38)	3,159	9,169	(6,010)
Leasing adjustments	(39,465)	4,651	-	(498)	-	6,822	-	(28,490)	-	(28,490)
Acquisition cost	2,737	-	-	(789)	-	2,213	-	4,161	4,161	-
Intangible assets	(20,621)	-	-	2,050	-	(143)	-	(18,714)	-	(18,714)
	(46,605)	**10,530**	**2,979**	**3,640**	**53**	**5,051**	**(38)**	**(24,390)**	**28,824**	**(53,214)**
Set off DTL against DTA									(26,053)	26,053
Net tax assets/ (liabilities)								(24,390)	2,771	(27,161)

(ii) Franking credits

	Consolidated	
	2019 $'000	2018 $'000
Franked dividends (Australia)		
Franking credits available for subsequent financial years based on a tax rate of 30%	5,523	11
	5,523	**11**

KEY ESTIMATE AND JUDGEMENT: TAXATION

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

3.0 Operating Assets and Liabilities

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

3.1 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Property, plant and equipment

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

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

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

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

Leased property

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

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

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

Consolidated	Plant and equipment $'000	Fixture and fittings $'000	Motor vehicles and equipment $'000	Total $'000
2019				
Opening net book amount	6,227	7,618	1,052,114	1,065,959
Additions	2,328	2,477	307,296	312,101
Transfers to inventory	-	-	(207,311)	(207,311)
Depreciation charge - discontinued operations	(351)	(752)	-	(1,103)
Disposal - discontinued operations	(2,020)	(1,876)	-	(3,896)
Impairment charge	-	(1,613)	(485)	(2,098)
Depreciation charge - continuing operations	(1,955)	(1,517)	(197,124)	(200,596)
Foreign exchange variation	7	27	4,697	4,731
Closing net book amount	4,236	4,364	959,187	967,787
2019				
Cost	18,151	13,467	1,457,805	1,489,423
Accumulated depreciation and impairment	(13,915)	(9,103)	(498,618)	(521,636)
Net book amount	4,236	4,364	959,187	967,787

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

3.0 Operating Assets and Liabilities

CONTINUED

Consolidated	Plant and equipment $'000	Fixture and fittings $'000	Motor vehicles and equipment $'000	Total $'000
2018				
Opening net book amount	8,184	6,120	1,051,848	1,066,152
Finalisation as part of business combination	(528)	-	-	(528)
Disposals	(3,098)	-	-	(3,098)
Additions	4,102	2,882	391,936	398,920
Transfers to inventory	-	-	(185,334)	(185,334)
Impairment charge	-	-	(402)	(402)
Depreciation charge	(2,434)	(1,381)	(203,868)	(207,683)
Foreign exchange variation	1	(3)	(2,066)	(2,068)
Closing net book amount	6,227	7,618	1,052,114	1,065,959
2018				
Cost	19,475	14,618	1,944,831	1,978,924
Accumulated depreciation and impairment	(13,248)	(7,000)	(892,717)	(912,965)
Net book amount	6,227	7,618	1,052,114	1,065,959

	Consolidated	
	2019 $'000	2018 $'000
Motor vehicle and equipment operating leases reported as property, plant and equipment		
Operating leases terminating within 12 months	268,656	262,731
Operating leases terminating after more than 12 months	690,531	789,383
	959,187	1,052,114
Net book amount of property, plant and equipment		
Plant and equipment	4,236	6,227
Fixture and fittings	4,364	7,618
	8,600	13,845
Total property, plant and equipment	**967,787**	1,065,959

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.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

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	
	2019 $'000	2018 Restated $'000
Gross investment	475,508	629,622
Unearned income	(56,101)	(88,184)
Provision for Doubtful debt / expected credit allowance	(11,865)	-
	407,542	541,438
Amount expected to be recovered within 12 months	153,484	178,060
Amount expected to be recovered after more than 12 months	254,058	363,378
	407,542	541,438

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.

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

	Consolidated	
	2019 $'000	2018 Restated $'000
Net trade receivables		
Trade receivables	54,618	69,079
Credit hire receivables	-	56,009
Provision for doubtful debts/expected credit allowance	(1,187)	(4,458)
	53,431	120,630
Sundry debtors	7,933	38,235
Prepayments	17,415	24,595
Other assets	47	67
Current tax receivable	2,892	4,653
Total trade receivables and other assets	**81,718**	188,180

3.0 Operating Assets and Liabilities

CONTINUED

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

The movement in credit hire receivables is due to the classification of Right2Drive being deemed held for sale and is disclosed under note 2.2.

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	
	2019 $'000	2018 Restated $'000
Trade payables	32,513	44,418
Lease liability	4,726	4,824
Accrued expenses	20,927	15,678
Current tax liabilities	-	7,677
Maintenance income received in advance	7,776	8,970
Contingent and deferred consideration	483	814
Other payables	26,311	36,168
Deferred Revenue	18,491	20,385
Total trade and other liabilities	**111,227**	138,934

	Consolidated	
	2019 $'000	2018 Restated $'000
Amount expected to be settled within 12 months	111,227	138,542
Amount expected to be settled after more than 12 months	-	392
Total trade and other liabilities	**111,227**	138,934

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.

3.0 Operating Assets and Liabilities

CONTINUED

3.5 INTANGIBLES (continued)

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
2019					
Opening net book amount	36,050	23,152	62,084	708,345	829,631
Additions	-	-	8,769	-	8,769
Amortisation charge - continuing operations	(194)	(3,547)	(7,713)	-	(11,454)
Impairment charge - continuing operations	-	(3,815)	(25,994)	(30,218)	(60,027)
Impairment charge - discontinued operations	(12,787)	-	(4,524)	(129,120)	(146,431)
Amortisation charge - discontinued operations	(1,702)	(263)	(2,814)	-	(4,779)
Disposed as part of discontinued operation	(19,530)	(2,266)	(10,713)	(109,552)	(142,061)
Foreign exchange variation	-	40	250	1,364	1,654
Closing net book amount	1,837	13,301	19,345	440,819	475,302

	Brand names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2019					
Cost	18,721	29,342	71,165	538,907	658,135
Accumulated amortisation and impairment	(16,884)	(16,041)	(51,820)	(98,088)	(182,833)
Net book amount	1,837	13,301	19,345	440,819	475,302

3.0 Operating Assets and Liabilities

CONTINUED

	Brand names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2018					
Opening net book amount	37,009	27,121	41,477	701,002	806,609
Acquired as part of business combination (note 2.5)	1,018	-	-	8,237	9,255
Additions	-	-	25,912	-	25,912
Amortisation charge	(1,976)	(3,944)	(5,262)	-	(11,182)
Foreign exchange variation	(1)	(25)	(43)	(600)	(669)
Finalisation as part of business combination	-	-	-	(294)	(294)
Closing net book amount	36,050	23,152	62,084	708,345	829,631

	Brand names $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
2018					
Cost	39,864	37,492	80,697	708,345	866,398
Accumulated amortisation and impairment	(3,814)	(14,340)	(18,613)	-	(36,767)
Net book amount	36,050	23,152	62,084	708,345	829,631

(i) Impairment of assets

The Group noticed an indicator of impairment for goodwill and testing was performed in March 2019. Goodwill held against Right2Drive and Grays was impaired at March comparing carrying value to value in use.

The Group and McMillan Shakespeare mutually terminated the Scheme Implementation Agreement on 3 April 2019. Following this the Board initiated its Simplification Plan with the appointment of a new Chief Executive Officer.

The simplification plan was a renewed focus on the Core business, which is the fleet and novated business and a strategy to dispose of Non-Core businesses.

A new leadership team was recruited and Non-Core businesses were disposed of. This leadership renewal and focus on Core resulted in the carrying value of intangible assets to be re-assessed and impairments were recognised. The impairments related to Non-Core assets where the value in use model calculated a value below the carrying value. The disposals of the Grays and Eclipx Commercial finance resulted in impairment of software. Software in the Core was assessed and an impairment was recognised against the carrying value.

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.

3.0 Operating Assets and Liabilities

CONTINUED

3.5 INTANGIBLES (continued)

(i) Impairment of assets (continued)

	Consolidated	
	2019 $'000	2018 $'000
Australia Commercial	282,493	330,707
Australia Consumer	46,475	154,896
New Zealand Commercial	111,851	110,511
Grays	-	112,231
Goodwill allocation at 30 September	440,819	708,345

The recoverable amount of each of the Group's CGUs were determined based on value-in-use calculations, consistent with the methods used as at 30 September 2018. These calculations require the use of assumptions, which includes business unit's approved budget, using three year projected cash flows.

Goodwill is reviewed on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment.

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 projected future cash flows generated from the businesses. Cash flows were projected based on budget approved by the Board for the applicable CGU, with an extrapolation of expected cash flows into perpetually using the growth rates determined by management.

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

	30 September 2019				30 September 2018			
	Australia Commercial	Australia Consumer	New Zealand	Non-Core	Australia Commercial	Australia Consumer	New Zealand	Grays
Long term growth rate	2.5%	2.5%	2.0%	2.5%	2.6%	2.6%	2.6%	2.6%
Post-tax discount rate	11.0%	12.0%	11.5%	12.0%	11.0%	11.0%	11.0%	11.0%

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 International Monetary Fund. 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 GOODWILL

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.

3.0 Operating Assets and Liabilities

CONTINUED

Significant estimate: Impact of possible change in key assumptions

The goodwill associated with acquisition of Carloans and Right2Drive was tested following the restructure of the Group into Core and Non-Core business segments. The budget for these business segments did reflect a change in the expected future cash flows due to the change in internal and external factors associated with a business being defined as Non-Core. These changes reflected in the budget for FY20, resulted in an impairment being recognised in goodwill across Carloans and Right2Drive.

The recoverable amount in New Zealand Commercial, Australia Commercial and Australia Consumer was higher than the carrying amount and therefore no impairment was recognised.

The following sensitivity change to the New Zealand CGU is deemed to be reasonably possible and would result in an impairment charge, assuming all other assumptions are held constant:

Key Assumptions	Sensitivity	Impact of sensitivity
Discount Rate	+ 28 bps	Result in value in use being equal to carrying value
Terminal Growth Rate	- 27 bps	

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 (2018: 19 months).

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Bank loans	285,700	340,200
Notes payable	1,331,640	1,484,115
Borrowing costs	(12,635)	(9,995)
Total secured borrowings	**1,604,705**	1,814,320
Amount expected to be settled within 12 months	369,537	345,878
Amount expected to be settled after more than 12 months	1,235,168	1,468,442
	1,604,705	1,814,320

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 $221,433,000 (2018: $323,358,000).

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 $1,509,273,000 (2018: $1,739,732,000).

Financing arrangements

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Loan facilities used at reporting date	1,617,340	1,824,315
Loan facilities unused at reporting date	218,587	286,790
Total loan facilities available	**1,835,927**	2,111,105

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

4.0 Capital Management

CONTINUED

Financial covenants

The Group has complied with financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

The financial covenant testing for the bank loans at 30 September 2019 were waived as a result of the amendments to the facility.

The Group reached an agreement as of 25 October 2019 with its borrowers under the Bank loans facilities to amend the financial covenants and to extend the term of the facility.

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

Liabilities arising from financing activity	Borrowing $'000
Borrowing balance 30 Sep 2018	**1,814,320**
Proceeds from borrowings	453,635
Repayments of borrowings	(556,678)
Non cash movements	
Borrowing as part of discontinued operations	(114,583)
Foreign exchange	5,091
Amortisation of capital borrowing cost	2,920
Borrowing balance 30 Sep 2019	**1,604,705**

4.2 FINANCIAL RISK MANAGEMENT

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

Risk management

The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group is exposed to a variety of financial risks: market risk (this includes foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing analysis for credit risk.

Market risk

(i) Foreign exchange risk

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

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

For sensitivity measurement purposes, a +/- 10% (2018:10%) 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 2019, had the Australian dollar weakened/strengthened by 10% (2018:10%) 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 $529,736 (2018: $850,039) 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

	2019		2018	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Borrowings				
- Fixed interest rate	6.350%	65,000	6.350%	65,000
- Floating interest rate	3.456%	1,539,705	4.000%	1,749,320
Interest rate swaps (notional principal amount)	2.141%	(1,416,929)	2.417%	(1,636,120)
Unhedged variable debt		122,776		113,200

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

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

The Group settles monthly net interest receivable or payable. The Group remeasures the hedging instruments at fair value and recognises a gain or loss in other comprehensive income and deferred to the hedging reserve, where the hedge is effective. It is reclassified into the Income Statement if the hedging relationship ceases. In the year ended 30 June 2019, an expense of $3.8m was reclassified into profit and loss (2018: $nil). The Group recognised a loss on hedge ineffectiveness of $2.3m (2018: profit of $0.3m)

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

Interest rate sensitivity analysis

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

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

Sensitivities have been based on an increase in interest rates by 100 bps (2018: 100 bps) and a decrease by 100 bps (2018: 100 bps) across the yield curve.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

4.0 Capital Management

CONTINUED

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

		Interest rate risk	
	Carrying amount	-100 bps Profit/ equity	+100 bps Profit/ equity
2018	**$'000**	**$'000**	**$'000**
Financial assets			
Cash and cash equivalents	208,258	(2,083)	2,083
Finance leases			
- Fixed interest rate	541,438	-	-
Total (decrease)/increase	**749,696**	**(2,083)**	**2,083**
Financial liabilities			
Borrowings			
- Fixed interest rate	65,000	-	-
- Floating rate	1,749,320	17,493	(17,493)
Trade and other liabilities	138,934	-	-
Derivatives used for hedging	9,037	(16,361)	16,361
Total increase/(decrease)	**1,962,291**	**1,132**	**(1,132)**

4.0 Capital Management

CONTINUED

4.2 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The recoverability of trade receivables is reviewed on an ongoing basis. A loss allowance account (provision for impairment of trade receivables) is recognised when there is a difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows the Group expects to receive (ie all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Previously, a provision for impairment of trade receivables was recognised when there was objective evidence that the Group would 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 would enter bankruptcy or financial reorganisation, and default or delinquency in payments were considered indicators that the trade receivable is impaired. For amounts due under leases, delinquency would be for amounts more than 30 days overdue. Credit hire contract assets due have different indicators for impairment due to the nature of the product.

AASB 9 affects the following assets that have been grouped based on shared credit risk characteristics and the days past due:

- Net investment in finance lease receivables
- Trade and other receivables
- Credit hire contract assets

For the above asset classes, the Group has applied the AASB 9 simplified approach to measuring expected credit losses, resulting in the recognition of a lifetime expected loss allowance. AASB 9 requires the Group to consider forward-looking information in measuring credit losses, as well as different macroeconomic scenarios. As a result, the impairment provisions recognised reflect expected credit losses as a result of possible default events that could occur over the expected life of the financial instruments.

This macroeconomic information is used to calculate and apply an overlay to calculated impairment provisions.

Definition of default

Based on the disaggregation above, the Group has defined default as:

- For all assets excluding contract receivables: default occurs no later than when a payment is 90 days past due.
- For credit hire assets: the Group determines default to have occurred based on management judgement as informed by exhibited recovery behaviours, overall portfolio performance, and counterparty type.

A breach of contract as a result of non-payment (ie. default) would result in an asset being credit-impaired.

Write-off

Balances are written off, either partially or in full, against the related allowance when there is no reasonable expectation of recovery.

For all balances, write-off takes place only at the completion of collection procedures, or where it no longer becomes economical to continue attempts to recover. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

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

4.0 Capital Management

CONTINUED

Impairment provisions

The Group's total impairment provisions from 1 October 2018 to 30 September 2019 is set out below, reconciling the opening loss allowance to the closing loss allowance. No significant changes to estimation techniques or assumptions were made during the reporting period.

	Net investment in finance lease receivables	Trade and other receivables	Credit hire receivables
	$'000	$'000	$'000
Closing loss allowance as at 30 September 2018 – calculated under AASB 139	**1,544**	**3,049**	**-**
Amounts restated through opening retained earnings	9,941	4,247	3,683
Opening loss allowance as at 1 October 2018 - calculated under AASB 9	**11,485**	**7,296**	**3,683**
Increase / Decrease in allowance	5,984	(495)	1,532
Write-offs	(2,477)	(3,539)	(3,997)
Balance derecognised at disposal and held for sale	(3,127)	(2,075)	(1,218)
Closing loss allowance as at 30 September 2019 – calculated under AASB 9	**11,865**	**1,187**	**-**

Note that the above periods reflect the Group's position since adoption of AASB 9. In accordance with the transition provisions, there is no requirement to restate comparatives. Therefore, the above amounts as at 1 October 2018 will not reconcile to the amounts disclosed in the Statement of Financial Position's comparative provisions.

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.

4.0 Capital Management

CONTINUED

4.2 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

Contractual maturities of financial liabilities 2018	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	(138,542)	(268)	(124)	-	(138,934)	(138,934)
Borrowings	(391,478)	(392,650)	(1,085,937)	(64,666)	(1,934,731)	(1,814,320)
Provisions	(9,711)	(4,002)	-	-	(13,713)	(13,713)
Total non-derivatives	**(539,731)**	**(396,920)**	**(1,086,061)**	**(64,666)**	**(2,087,378)**	**(1,966,967)**
Derivatives						
Interest rate swaps	(7,273)	(2,305)	(117)	436	(9,259)	(9,037)
Total derivatives	**(7,273)**	**(2,305)**	**(117)**	**436**	**(9,259)**	**(9,037)**

4.0 Capital 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.

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

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Derivatives used for hedging	-	9,037	-	9,037
Total financial liabilities	**-**	9,037	**-**	9,037

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

The fixed term loan has a carrying value of $65,000,000 and a fair value of $67,878,545.

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.

4.0 Capital Management

CONTINUED

4.3 CASH AND CASH EQUIVALENTS

Recognition and measurement

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

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

	Consolidated	
	2019 $'000	2018 $'000
Unrestricted		
Operating accounts	97,134	62,078
	97,134	62,078
Restricted		
Collections accounts	61,909	82,776
Liquidity reserve accounts	47,263	32,920
Vehicle servicing and maintenance reserve accounts	33,372	30,484
Cash and bank and on hand	**142,544**	**146,180**
Total as disclosed in the statement of cash flows	**239,678**	**208,258**

The weighted average interest rate received on cash and cash equivalents for the year was 1.25% (2018: 1.32%).

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

4.4 DERIVATIVE FINANCIAL INSTRUMENTS

Recognition and measurement

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

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

4.0 Capital Management

CONTINUED

(i) Cash flow hedges

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

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

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

(ii) Derivatives that do not qualify for hedge accounting

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

(iii) Derivatives

Derivatives are only used for economic hedging purposes (to hedge interest rate risk) and not as trading or speculative instruments.

The Group has the following derivative financial instruments:

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Interest rate swaps - cash flow hedges	31,369	9,037
Total derivative financial instrument liabilities	**31,369**	9,037
Amount expected to be settled within 12 months	14,908	7,353
Amount expected to be settled after more than 12 months	16,461	1,684
Total derivative financial instrument liabilities	**31,369**	**9,037**

4.0 Capital Management

CONTINUED

4.5 CONTRIBUTED EQUITY

Recognition and measurement

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

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Share capital				
Fully paid ordinary shares	319,111,693	319,111,693	654,765	654,765
Other equity securities				
Treasury shares	525,000	525,000	-	-
Total issued equity	**319,636,693**	319,636,693	**654,765**	654,765

Movements in ordinary share capital

Date	Details	Number of shares	$'000
1 October 2017	Opening balance	310,518,887	635,246
19 January 2018	Issue of shares under the Dividend Reinvestment Plan - 2017 final dividend	2,080,270	8,121
22 April 2018	Loan shares vested	2,950,000	-
28 May 2018	Issue of shares on exercise of options	415,000	1,098
2 July 2018	Issue of shares under the Dividend Reinvestment Plan - 2018 interim dividend	3,147,536	10,300
	Closing balance	**319,111,693**	**654,765**

Treasury shares

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

Details	Number of shares 2019	Number of shares 2018
Opening balance	525,000	3,475,000
Loan shares vested	-	(2,950,000)
Closing balance	**525,000**	**525,000**

4.0 Capital Management

CONTINUED

4.6 COMMITMENTS

a. 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	
	2019 $'000	2018 $'000
Within one year	7,281	16,309
Later than one year but not later than five years	15,323	27,524
Later than five years	12,453	23,525
	35,057	**67,358**

ii. Finance leases

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

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

	Consolidated	
	2019 $'000	2018 $'000
Within one year	1,664	1,046
Later than one year but not later than five years	1,749	2,492
	3,413	**3,538**

b. Lease commitments: Group as lessor

i. Finance leases

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

	Consolidated	
	2019 $'000	2018 $'000
Commitments in relation to finance leases are receivable as follows:		
Within one year	175,242	209,185
Later than one year but not later than five years	300,173	419,017
Later than five years	93	1,420
	475,508	**629,622**

4.0 Capital Management

CONTINUED

4.6 COMMITMENTS (continued)

b. Lease commitments: Group as lessor (continued)

ii. Operating leases

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

	Consolidated	
	2019 $'000	2018 $'000
Minimum lease payments under non-cancellable operating leases of motor vehicles not recognised in financial statements are receivable as follows:		
Within one year	287,288	309,259
Later than one year but not later than five years	361,753	366,859
Later than five years	13,394	19,285
	662,435	**695,403**

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

The Group had contractual commitments for the acquisition of property, plant or equipment totalling $50,885,687 (2018: $50,740,320). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

4.7 DIVIDENDS

Recognition and measurement

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

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

	Consolidated	
	2019 $'000	2018 $'000
Final dividends paid		
2018 final dividend paid on 25 January 2019; 8.00 cents per ordinary share franked to 100% (2017: 7.75 cents)	25,571	24,335
Interim dividends paid		
2019 interim dividend - no dividend was declared; (2018: 8.00 cents)	-	25,319
Total dividends paid	**25,571**	**49,654**
Final dividends proposed but not recognised at year end		
2019 final dividend - no dividend was declared; (2018: 8.00 cents)	-	25,571

5.0 Employee Remuneration & Benefits

Recognition and measurement

Long service leave

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

Retirement benefit obligations

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

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, Monte-Carlo simulation pricing model and Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. 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 & 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 2019, the following awards were provided under the following employee share ownership plans:

Options and rights

The awards granted will be subject to testing against total shareholder return (TSR), earnings per share (EPS) or they will only be subject to remaining in the service of the Group at the time of vesting. 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	Granted during the year	Forfeited during the year	Vested and exercised during the year	Unvested balance at end of the year	Vested balance not exercised
				Number	Number	Number	Number	Number	Number
2019									
25 Sep 08	-	$0.90	$0.90	33,645	-	-	-	-	33,645
08 May 13	-	$2.03	$2.03	129,744	-	-	-	-	129,744
25 Sep 14	-	$1.25-$1.65	$2.30	9,307,311	-	-	(639,104)	-	8,668,207
10 Mar 15	-	$2.30	$2.30	330,000	-	-	(80,000)	-	250,000
22 Apr 15	-	$2.30	$2.30	5,200,000	-	-	(200,000)	-	5,000,000
2018									
25 Sep 08	-	$0.90	$0.90	787,500	-	-	(753,855)	-	33,645
08 May 13	-	$2.03	$2.03	129,744	-	-	-	-	129,744
25 Sep 14	-	$1.47-$1.65	$2.30	10,474,328	-	-	(1,167,017)	-	9,307,311
10 Mar 15	-	$2.30	$2.30	420,000	-	-	(90,000)	-	330,000
22 Apr 15	-	$2.30	$2.30	5,850,000	-	-	(650,000)	-	5,200,000

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

5.0 Employee Remuneration & Benefits

CONTINUED

Options

Grant date	Expected vesting date	Exercise price	Weighted average exercise price	Balance at start of the year	Granted during the year	Forfeited during the year	Vested and exercised during the year	Unvested balance at end of the year	Vested balance not exercised
				Number	Number	Number	Number	Number	Number
2019									
22-Apr-15	-	$2.30	$2.30	775,000	-	(75,000)	-	-	700,000
10-Nov-15	30-Sep-18	$3.06	$3.06	3,455,000	-	(2,460,000)	-	995,000	-
19-Feb-16	30-Sep-18	$3.06	$3.06	1,625,000	-	(1,225,000)	-	400,000	-
5-Sep-16	30-Sep-19	$3.80	$3.80	1,000,000	-	-	-	1,000,000	-
4-Nov-16	30-Sep-19	$3.60	$3.60	4,210,000	-	(1,470,000)	-	2,740,000	-
17-Feb-17	30-Sep-19	$3.60	$3.60	1,760,000	-	(880,000)	-	880,000	-
08-Nov-17	30-Sep-20	$4.18	$4.18	3,640,000	-	(1,390,000)	-	2,250,000	-
22-Feb-18	30-Sep-20	$4.18	$4.18	1,264,000	-	(632,000)	-	632,000	-
24-Aug-18	30-Sep-20	$4.18	$4.18	300,000	-	-	-	300,000	-
8-Jan-19	30-Sep-21	$2.54	$2.54	-	4,100,000	(1,580,000)	-	2,520,000	-
11-Feb-19	30-Sep-21	$2.54	$2.54	-	2,320,000	(1,160,000)	-	1,160,000	-
31-May-19	23-May-20	$1.20	$1.20	-	3,448,275	-	-	3,448,275	-
24-May-19	24-May-22	$1.20	$1.20	-	9,204,547	-	-	9,204,547	-
18-Jul-19	17-Jul-22	$1.60	$1.60	-	1,690,822	-	-	1,690,822	-
2018									
22-Apr-15	-	$2.30	$2.30	1,175,000	-	-	(400,000)	-	775,000
10-Nov-15	30-Sep-18	$3.06	$3.06	3,730,000	-	(275,000)	-	3,455,000	-
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	4,605,000	-	(395,000)	-	4,210,000	-
17-Feb-17	30-Sep-19	$3.60	$3.60	1,760,000	-		-	1,760,000	-
08-Nov-17	30-Sep-20	$4.18	$4.18	-	3,750,000	(110,000)	-	3,640,000	-
22-Feb-18	30-Sep-20	$4.18	$4.18	-	1,264,000	-	-	1,264,000	-
24-Aug-18	30-Sep-20	$4.18	$4.18	-	300,000	-	-	300,000	-

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

5.0 Employee Remuneration & Benefits

CONTINUED

5.1 SHARE BASED PAYMENTS (continued)

(i) Long Term Incentive Plan (continued)

Rights

Grant date	Expected vesting date	Balance at start of the year	Granted during the year	Forfeited during the year	Unvested balance at end of the year
		Number	Number	Number	Number
2019					
10-Nov-15	30-Sep-18	835,000	-	(582,500)	252,500
19-Feb-16	30-Sep-18	370,000	-	(277,500)	92,500
4-Nov-16	30-Sep-19	479,000	-	(158,000)	321,000
17-Feb-17	30-Sep-19	286,000	-	(143,000)	143,000
08-Nov-17	30-Sep-20	1.050,000	-	(425,000)	625,000
22-Feb-18	30-Sep-20	316,000	-	(158,000)	158,000
24-Aug-18	17-Aug-21	200,000	-	-	200,000
08-Jan-19	30-Sep-21	-	1,820,000	(640,000)	1,180,000
11-Feb-19	30-Sep-21	-	580,000	(290,000)	290,000
31-May-19	31-May-20	-	312,500	-	312,500
2018					
10-Nov-15	30-Sep-18	865,000	-	(30,000)	835,000
19-Feb-16	30-Sep-18	400,000	-	(30,000)	370,000
4-Nov-16	30-Sep-19	489,000	-	(10,000)	479,000
17-Feb-17	30-Sep-19	286,000	-	-	286,000
08-Nov-17	30-Sep-20	-	1,090,000	(40,000)	1,050,000
22-Feb-18	30-Sep-20	-	316,000	-	316,000
24-Aug-18	17-Aug-21	-	200,000	-	200,000

5.0 Employee Remuneration & Benefits

CONTINUED

(i) Fair value of options granted

The fair value for awards granted under Relative TSR vesting conditions is independently determined using the Monte-Carlo simulation pricing model, whilst the fair value for awards granted under EPS Hurdle vesting conditions is independently determined using the Binomial tree pricing model. Fair value of awards granted subject only to service conditions is independently determined using the Black-Scholes pricing model. The models take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option. The model inputs for options and rights granted during current and previous years are as follows:

Grant date	18 Jul 2019	31 May 2019	31 May 2019	24 May 2019	11 Feb 2019	11 Feb 2019	8 Jan 2019	8 Jan 2019	8 Jan 2019	23 Aug 2018	22 Feb 2018	22 Feb 2018	8 Nov 2017	8 Nov 2017
Award type	Options	Rights	Options	Options	Options	Rights	Options	Rights	Rights	Options	Options	Rights	Rights	Options
First test date	N/A	N/A	N/A	N/A	30 Sep 2021	30 Sep 2021	30 Sep 2021	N/A	30 Sep 2021	30 Sep 2020	30 Sep 2020	30 Sep 2020	30 Sep 2020	30 Sep 2020
Retest date	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	N/A	30 Sep 2021	30 Sep 2021	30 Sep 2021	30 Sep 2021
Vesting date	18 Jul 2022	17 Nov 2019	17 Nov 2019	23 May 2022	30 Nov 2021	30 Nov 2021	30 Nov 2021	30 Nov 2021	30 Nov 2021	4 Nov 2020	4 Nov 2020	4 Nov 2020	4 Nov 2020	4 Nov 2020
Expiry date	18 Jul 2023	31 May 2021	31 May 2021	23 May 2023	8 Jan 2024	8 Jan 2024	8 Jan 2024	8 Jan 2024	8 Jan 2024	23 Aug 2023	23 Aug 2023	23 Aug 2023	8 Aug 2022	8 Aug 2022
Share price at grant	$1.49	$1.12	$1.12	$0.91	$2.40	$2.40	$2.43	$2.43	$2.43	$2.69	$3.78	$3.78	$4.18	$4.18
Exercise price	$1.60	Nil	$1.20	$1.20	$2.54	Nil	$2.54	Nil	Nil	$2.05	$4.18	Nil	Nil	$4.18
Expected life	3.5 years	1.2 years	1.2 years	3.5 years	2.8 years	2.8 years	2.9 years	4.0 years	4.0 years	3.6 years	3.8 years	2.8 years	4.1 years	4.5 years
Volatility	50%	50%	50%	50%	27%	27%	27%	27%	27%	26%	28%	28%	28%	28%
Risk free interest rate	0.91%	1.12%	1.12%	1.12%	1.64%	1.64%	1.88%	1.88%	1.88%	2.09%	2.23%	2.09%	2.06%	2.11%
Dividend yield (p.a)	2.60%	2.60%	2.60%	2.60%	5.71%	5.71%	5.67%	5.67%	5.67%	6.01%	4.59%	4.59%	4.06%	4.06%
Average assessed fair value per instrument	$0.43	$1.12	$0.20	$0.22	$0.24	$1.64	$0.27	$2.07	$1.73	$0.42	$0.44	$2.67	$2.99	$0.67

N/A: Not Applicable

5.0 Employee Remuneration & Benefits

CONTINUED

5.1 SHARE BASED PAYMENTS (continued)

(ii) Expenses arising from share-based payment transactions

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

	Consolidated	
	2019 $'000	2018 $'000
Awards issued to employees of controlled entities during the year	**2,238**	454

(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	
	2019 $'000	2018 $'000
Short-term employee benefits	3,333	3,047
Post-employment benefits	143	123
Termination benefits	450	-
Long-term employee benefits	72	40
Share-based payments	760	37
	4,758	3,247

6.0 Other

6.1 RESERVES

Recognition and measurement

Share-based payment reserve

The share based payment reserve is used to recognise:

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

Cash flow hedge reserve

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

Treasury reserve

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

Foreign currency translation reserve

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

Dividend reserve

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

6.0 Other

CONTINUED

6.1 RESERVES (continued)

	Consolidated	
	2019	2018
	$'000	$'000
Reconciliation of reserves		
Hedging reserve - cash flow hedges	(19,698)	(5,939)
Treasury reserve	7,015	5,529
Foreign currency translation reserve	401	(2,179)
Share based payments reserve	21,873	19,635
Dividend reserve	158,206	-
Total reserve	**167,797**	17,046
Movements in reserves		
Hedging reserve - cash flow hedges		
Balance 1 October	(5,939)	(6,110)
Revaluation	(19,655)	244
Deferred tax	5,896	(73)
Balance as at 30 September	**(19,698)**	(5,939)
Share based payments reserve		
Balance 1 October	19,635	17,600
Rights issued as part of the Car buyers acquisition	-	1,581
Awards issued to employees of controlled entities during the year	2,238	454
Balance at 30 September	**21,873**	19,635
Dividend reserve		
Balance 1 October	-	-
Transfer from retained earnings	183,777	-
Dividend paid	(25,571)	-
Balance at 30 September	**158,206**	-

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

6.0 Other

CONTINUED

6.2 PARENT ENTITY INFORMATION

(ii) Summary financial information

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

	Consolidated	
	2019 $'000	2018 $'000
Statement of financial position		
Current assets	299	239
Non-current assets	702,197	1,140,140
Total assets	**702,496**	1,140,379
Current liabilities	(8,043)	(38,415)
Non-current liabilities	(280,296)	(336,984)
Total liabilities	**(288,339)**	(375,399)
Shareholders equity		
Issued share capital	654,765	654,765
Reserves	76,189	13,766
Retained earnings	(316,739)	96,449
	414,215	764,980
Profit/(loss) for the year	**(316,739)**	(67)

(iii) Guarantees entered into by the parent entity

As at 30 September 2019 there were cross guarantees given by Eclipx Group Limited, Pacific Leasing Solutions (Australia) Pty Limited, Leasing Finance (Australia) Pty Limited, Fleet Holding (Australia) Pty Limited, PLS Notes (Australia) Pty Limited, Fleet Partners Pty Limited, Fleet Aust Subco Pty Limited, Fleet Partners Franchising Pty Limited, 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, 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 and Accident Services Pty Ltd No liability was recognised by the parent entity or the consolidated entity in relation to the above guarantee as the fair value of the guarantee is immaterial.

(iv) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 September 2019 or 2018. For information about guarantees given by the parent entity, see above.

6.0 Other

CONTINUED

6.3 RELATED PARTY TRANSACTIONS

(i) Controlling entity

The parent entity of the Group is Eclipx Group Limited.

(ii) Interest in other entities

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

Australia

Fleet Aust Subco Pty Ltd
Pacific Leasing Solutions (Australia) Pty Ltd
Leasing Finance (Australia) Pty Ltd
PLS Notes (Australia) Pty Ltd
Fleet Holding (Australia) Pty Ltd
Fleet Partners Pty Ltd
FleetPlus Holdings Pty Limited
FleetPlus Pty Ltd
FleetPlus Novated Pty Ltd
PackagePlus Australia Pty Ltd
CLFC Media Holdings Pty Ltd
Eclipx Commercial Pty Ltd (a)
Right2Drive Pty Ltd (d)
Anrace Pty Ltd (d)
ECX Turbo 2017-1
Eclipx - MIPS Member Finance Trust
FP Turbo Series 2016-1 Trust
Accident Services Pty Ltd
GEG No. 1 Pty Ltd (b)
Grays (NSW) Pty Ltd (b)
Gray Eisdell Timms (QLD) Pty Ltd (b)
Grays Finance Pty Ltd (b)
FP Turbo Trust 2007-1 (Australia)
FP Turbo Series 2014-1 Trust
FP Turbo Warehouse Trust 2014-1 (Australia)
Fleet Partners Franchising Pty Ltd
Eclipx Insurance Pty Ltd
CarInsurance.com.au Pty Ltd
Car Insurance Pty Ltd
CLFC Pty Ltd
CarLoans.com.au Pty Ltd
Fleet Choice Pty Ltd
FP Turbo Series 2015-1 Equipment Trust (a)
FleetPlus Asset Securisation Pty Ltd (c)
FP Turbo Government Lease Trust 2016-1
Eclipx MMF Finance Pty Ltd
GEG International Pty Ltd (b)
GraysOnline (SA) Pty Ltd (b)
Grays (VIC) Pty Ltd (b)
Gray Eisdell Timms (WA) Pty Ltd (b)
GEG Capital Pty Ltd (b)
GLC Fine Wines & Liquor Pty Ltd (b)
GEM Trust (b)

New Zealand

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

(a) On 13 September 2019, the Group completed the 100% disposal of Eclipx Commercial Pty Ltd and the FP Turbo Series 2015-1 Equipment Trust.

(b) On 31 July 2019, the Group completed the 100% disposal of Grays eCommerce Group Limited and Areyouselling.com.au.

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

(d) Right2Drive Pty Ltd and Right2Drive (New Zealand) Ltd are subject to a committed sale process that is expected to be completed by 30 September 2020 and as a consequence all assets, liabilities, revenue and expenses of both companies have been have been reclassified to Held for Sale and Discontinued Operations.

6.0 Other

CONTINUED

(iii) Transactions with other related parties

(a) 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, which have been achieved. The term of the contract is 10 years from 15 October 2014. The device, freight and subscription fees paid to LogbookMe amounted in 2019 to $925,576 (2018: $668,049); 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.

Mr Doc Klotz (Chief Executive Officer to 13 May 2019) and Mr Garry McLennan (Deputy Chief Executive Officer and Chief Financials Officer to 5 July 2019) acquired shares in LogbookMe in 2013, prior to becoming employed by Fleet Holdings (Australia) Pty Ltd.

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

(b) WorkSCore Pty Ltd

Discontinued operations of Grays eCommerce Group Limited and Right2Drive Pty Ltd are parties to a contract with WorkSCore Pty Ltd (WorkSCore), which provides access to their software to measure the ongoing wellbeing of people in the organisation. During the year, license fees and services paid to WorkSCore amounted to $47,543.

Mr Jeff McLean (Chief Operating officer to 31 July 2019) is a Co-founder and non-executive Director of WorkSCore.

The contract with WorkSCore has been negotiated on an arms length basis.

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	
	2019	**2018**
	$	**$**
(a) Audit and assurance services		
Audit Services		
KPMG Australian firm:		
Audit and review of financial statements	1,502,809	1,032,933
(b) Non-audit services		
KPMG Australian firm:		
Proposed merger with McMillan Shakespeare Limited	968,008	-
Transactional services	62,259	-
Debt restructuring	353,488	769,520
Total remuneration for non-audit services for KPMG	**1,383,755**	769,520
Total remuneration for KPMG	**2,886,564**	1,802,453

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, 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 and Accident Services Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, 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	
	2019 $'000	**2018* $'000**
Statement of profit or loss and other comprehensive income		
Revenue from continuing operations	332,661	531,170
Cost of revenue	(158,329)	(344,293)
Lease finance costs	(35,926)	(46,305)
Net operating income before operating expenses and impairment charges	**138,406**	140,572
Impairment losses on loans and receivables	(1,326)	(493)
Goodwill Impairment	(30,218)	-
Software Impairment	(13,342)	-
Other Intangible Impairment	(357)	-
Fixture and fittings Impairment	(965)	-
	(46,208)	(493)
Employee benefit expense	(48,597)	(51,100)
Depreciation and amortisation expense	(10,337)	(8,097)
Operating overheads	(88,218)	(32,740)
Total overheads	**(147,152)**	(91,937)
Operating finance costs	(17,427)	(10,913)
(Loss)/profit before income tax	**(72,381)**	37,229
Income tax expense	4,416	(9,924)
(Loss)/profit for the year from continuing operations	**(67,965)**	27,305
Discontinued operations	(294,104)	16,052
(Loss)/Profit for the year, net of tax	(362,069)	43,357
Other comprehensive (loss), net of tax	(11,179)	(1,884)
Total comprehensive (loss)/ income for the year	**(373,248)**	41,473

* Restated to reflect the adoption of AASB 15 and a prior period restatement.

6.0 Other

CONTINUED

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

	Consolidated	
	2019 $'000	**2018* $'000**
ASSETS		
Cash and cash equivalents	74,788	54,271
Restricted cash and cash equivalents	102,908	96,567
Trade and other receivables	55,488	152,844
Asset held for sale	41,516	-
Inventory	21,267	22,145
Finance leases	366,672	509,120
Operating leases reported as property, plant and equipment	563,384	644,727
Property, plant and equipment	6,991	12,160
Receivables - advances to related parties	173,290	117,478
Deferred tax assets	37,563	30,388
Intangibles	350,423	691,683
Total assets	**1,794,290**	2,331,383
LIABILITIES		
Trade and other liabilities	68,218	37,420
Provisions	8,169	12,819
Derivative financial instruments	22,231	5,049
Liabilities held for sale	3,457	-
Other	2,828	3,538
Borrowings	1,180,755	1,393,030
Payables - Advances from related parties	15,401	13,978
Deferred tax liabilities	38,597	29,606
Total liabilities	**1,339,656**	1,495,440
Net assets	**454,634**	835,943
EQUITY		
Contributed equity	654,765	656,569
Reserves	161,938	15,712
Retained earnings	(362,069)	163,662
Total equity	**454,634**	835,943

* Restated to reflect the adoption of AASB 15 and a prior period restatement.

6.0 Other

CONTINUED

6.6 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2019 $'000	**2018 Restated $'000**
(Loss)/profit after tax for the year	(341,457)	53,222
Loss from disposal of discontinued operations	294,104	-
Depreciation and amortisation	212,050	218,865
Amortisation of capitalised borrowing costs	2,920	-
Doubtful debts	1,281	2,237
Impairment expenses	61,640	-
Share based payments expense	2,238	454
Fleet and stock impairment	485	402
Unwind on contingent consideration	-	(3,007)
Net gain on sale of non-current assets	(21,039)	(26,702)
Hedging loss / (gain)	2,314	(358)
Exchange rate variations on New Zealand cash and cash equivalents	212	(182)
Net cash inflow from operating activities before change in assets and liabilities	**214,748**	244,931
Change in operating assets and liabilities:		
Increase in trade and other receivables	(6,143)	(57,936)
Principal settlement of finance leases	209,565	150,748
Increase in deferred tax assets/ liabilities	(11,963)	(8,715)
Increase/(decrease) in trade and other liabilities	(22,867)	429
Decrease in current provisions	(443)	(6,626)
Decrease in other current liabilities	(335)	(2,484)
Net cash inflow from operating activities	**382,562**	320,347

6.0 Other

CONTINUED

6.7 RESTATEMENT OF 2017 BALANCES

The Group retrospectively applied AASB 15 and restated amounts associated with Right2Drive processing errors and estimates made regarding the recognition of revenue.

	30 September 2017 Reported	Increase / (decrease)	30 September 2017 Restated
	$'000		$'000
Statement of Financial Position (extract)			
Trade receivables and other assets	138,533	(9,250)	129,283
Finance leases	444,544	(3,772)	440,772
Trade and other liabilities	123,591	19,411	143,002
Deferred tax liabilities	49,276	(9,493)	39,783
Net assets	863,263	(22,940)	840,323
Retained earnings	215,660	(22,940)	192,720
Total Equity	863,263	(22,940)	840,323

6.8 EVENTS OCCURRING AFTER THE REPORTING PERIOD

In September 2019 the Group reached agreements with the funders of the corporate debt facility to extend and amend the facility.

The funders provided a waiver for the covenant testing as at 30 September 2019 subject to all parties formalising the new agreement by 31 October 2019. On 25 October 2019 the Group formalised the agreements with the parties to the corporate debt facility to amend and extend the facility on terms consistent with those agreed in September 2019. The agreement will further support the Group as it continues to deliver on its simplification and optimisation strategy.

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 67 to 124 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 2019 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 2019.

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

Signed in accordance with a resolution of the Directors:

Kerry Roxburgh
Chairman

Sydney
12 November 2019

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 2019 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:

- Statement of Financial Position as at 30 September 2019
- 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 of 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 intangible assets
- Setting of vehicle residual values
- Revenue recognition

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 intangible assets – ($475.3m)

Refer to Note 3.5 in the Financial Report.

The key audit matter

Valuation of the Group's intangible assets is a Key Audit Matter due to the size of the balance (being 21% of total assets) and conditions impacting the Group such as operating results not meeting budget in 2019; and a re-set of the Group's strategy to focus on Core businesses and develop a divestment plan for Non-Core businesses. This resulted in:

- reallocation of intangible assets across new Cash Generating Units (CGUs) during the year;
- impairment write-downs of $159.3m against goodwill across the Grays, Australian Consumer, Right2Drive and CarLoans CGUs during the year;
- impairment write-downs of $47.1m against brand names, customer relationships and software intangible assets during the year; and
- a high level of judgement involved by us in assessing the re-allocation of goodwill and intangible assets across new CGUs, inputs into the valuation models underlying the Group's assessment for impairment of goodwill and intangible assets during the year and triggers of impairment indicators for intangible assets.

We focused on the identification of new CGUs and the reallocation of goodwill and intangible assets including the events and changes in conditions that lead to a change of CGUs and the method used to reallocate goodwill and intangible assets.

We also focused on the significant forward-looking assumptions the Group applied to its value in use models, including:

- forecast growth rates for the Group's underlying cash flows, which can vary based on a range 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 dynamics, which increases the risk of inaccurate forecasts; and
- discount rates, which are complex in nature and may vary according to the conditions and the environment the specific CGUs are subject to from time to time.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures relating more specifically to goodwill included:

- We considered the Group's determination of their new CGUs based on our understanding of changes to the operations of the Group's business and how independent cash flows were generated, against the requirements of the accounting standards.
- We analysed the Group's internal reporting to assess changes to the Group's monitoring and management of activities and assessed the reallocation of goodwill and intangible assets on this basis.
- We analysed the Group's assessment of impairment prior to the reallocation of goodwill.
- We evaluated the value in use valuation methodology adopted by the Group with reference to the requirements of accounting standard AASB 136 Impairment of Assets.
- We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.
- We assessed the Group's discount rates against publicly available data for a group of comparable entities. We also independently developed discount rate ranges considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGUs and the industry and geography they operate in.
- We compared the forecast cash flows contained in the value in use models to Board approved budgets.
- We challenged 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. We also used our knowledge of the Group's industry and past performance, industry growth projections and inflation expectations across different geographies to assess the cash flow forecast. We 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.

Valuation of intangible assets – ($475.3m)

Refer to Note 3.5 in the Financial Report.

The key audit matter

In addition to value in use models, we considered other valuation techniques and models used by the Group to determine recoverable values of individual intangible assets including software intangible assets.

We involved valuation specialists to supplement our senior audit team members in assessing this Key Audit Matter.

How the matter was addressed in our audit

- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.
- We considered the sensitivity of the models 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.
- We recalculated the impairment charge in the Grays, Australia Consumer, Right2Drive and CarLoans CGU models and compared it against the recorded amount disclosed.
- We assessed 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.

Our procedures relating more specifically to brand names, customer relationships and software intangible assets included:

- We considered the Group's determination of impairment indicators for intangible assets based on our understanding of changes to the operations and performance of the Group's business, against the requirements of the accounting standards.
- We evaluated the valuation methodology adopted by the Group to assess impairment of intangible assets, being the relief of royalty method, against the requirements of the accounting standards.
- We assessed the integrity of the models used, including the accuracy of the underlying calculation formulas.
- We assessed the consistency of inputs used in the models to those used in the goodwill value in use models.
- We recalculated the impairment charge against intangible assets and compared it against the recorded amount disclosed.

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Setting of vehicle residual values

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

The key audit matter

Residual value setting relating to fleet vehicles is a Key Audit Matter due to:

- the significant audit effort required and the high degree of judgement applied by us in assessing the Group's valuation of residual values;
- the flow on impact residual value setting has on a number of key accounts in the Group's Financial Report, including vehicle depreciation and impairment; and
- the timing of revenue recognition across the term of a lease may be affected by 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.

We focused on vehicle impairment and vehicle trading profit as well as the robustness of the process as indicators of the Group's ability to set accurate residual values.

We considered the Group's following significant judgements used in the vehicle impairment model:

- expected forecast residual value at the end of the lease term;
- 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.

How the matter was addressed in our audit

Our procedures included:

- Understanding the process by which residual values are set by the Group.
- Testing a sample of key controls for the Group's residual valuation process such as the monthly review and approval of residual value changes by senior management to assess residual value setting on fleet vehicles.
- Comparing a sample of approved residual value changes to the updated residual values in the lease system.
- Assessing the Group's judgement on future lease-related fee cash flows and end of lease cash flow assumptions. This is based on the 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. We compared the sale price to sales invoices and written down values to assess the ability of the Group to accurately value assets at the end of the lease term.
- Comparing a sample of the current residual values of vehicles against the current market value of those vehicles sourced from an independent database of used vehicle valuations.

Revenue recognition ($713.0m)

Refer to Note 2.3 in the Financial Report.

The key audit matter

Some of the Group's revenue streams include a high level of estimation or accounting complexity. Measurement and recognition of these revenue streams is a Key Audit Matter due to the audit effort arising from:

- The estimation of maintenance revenue using a stage of completion method. We focussed on the key assumptions of the average age, term and usage of the vehicle fleet as well as the proportion of maintenance costs incurred compared to expected for the vehicle type;
- The dependence of the Group on the automation of lease invoicing including the allocation of revenue to different revenue streams;
- The significant judgement required by the Group in assessing the revenue recorded in relation to rental hire income. The historical collectability rates of this income increases our audit effort in this area.

In addition to the above, the transition to the new accounting standard AASB 15 Revenue from Contracts with Customers resulted in additional disclosure of the transition adjustments. We focused on the transitional disclosures as a key audit matter due to the audit effort required from the:

- complex nature of the changes to the accounting standard and the impact on accounting for services revenue requiring senior team involvements.

How the matter was addressed in our audit

Our procedures included:

- Assessing the Group's revenue recognition policies against relevant accounting standards.
- Recalculating and assessing the Group's estimates of the stage of completion of the contracted maintenance of leased assets by checking the mathematical accuracy of the stage of completion model. We checked the average age, term and usage assumptions for consistency with internal system generated lease portfolio statistics.
- 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.
- With the assistance of our IT specialists, testing key automated controls within the leasing database, including the automated system allocation of revenue to different revenue streams.
- Challenging the Group's judgement on the net rental hire revenue recorded based on the historical and expected recoverability of rental hire income and associated credit hire contract assets. This is used by the Group to determine the amount of revenue expected to be received net of any discount or credit, and only to the extent that it is highly probable that the cumulative amount recognised will not be subject to significant reversal in the future. We assess historical collectability rates, test a sample of cash receipts and evaluate trends in recoverability of rental hire revenue.
- We evaluated disclosures relating to AASB 15 as follows:
  - we selected a sample of revenue streams assessed by the Group to determine the transitional impacts of the new standard and we evaluated the conclusions reached by the Group using our understanding of the contracts obtained in the procedures noted above, in the context of the requirements of AASB 15; and
  - we compared these disclosures to:
    - amounts included in the Group's underlying calculations for consistency; and
    - o our understanding of the various transitional adjustments and the disclosure requirements of the accounting standards.

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Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report. The Chairman's Letter, Managing Director's Report, Our History, Eclipx Group Positioning. Financial Highlights, Business Overview, Corporate Sustainability, Board of Directors, Corporate Directory and Shareholder Information sections of the Annual Report are expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Eclipx Group Limited for the year ended 30 September 2019, complies with Section 300A of the Corporations Act 2001.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2019.

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

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Dean Waters
Partner

Melbourne
12 November 2019

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 9 December 2019.

Distribution of holders of quoted equity securities

Fully paid ordinary shares

Range of holdings	Number of shareholders	% of shareholders	Ordinary shares held	% of ordinary shares
1 – 1,000	2,696	46.78	542,088	0.17
1,001 – 5,000	1,605	27.85	4,497,594	1.41
5,001 – 10,000	701	12.16	5,407,927	1.69
10,001 – 100,000	681	11.82	17,828,931	5.58
100,001 and over	80	1.39	291,360,153	91.15
Total	**5,763**	**100**	**319,636,693**	**100**

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	2	50	100,000	20.6
100,001 and over	2	50	385,000	79.4
TOTAL	**4**	**100**	**485,000**	**100**

Shareholder Information

CONTINUED

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	5	9.4	50,000	0.1
10,001 – 100,000	21	39.6	1,082,500	2.7
100,001 and over	27	51.0	39,061,301	97.2
TOTAL	**53**	**100**	**40,193,801**	**100**

LTI Rights

Range of holdings	Number of rights holders	% of rights holders	Rights held	% of rights
1 – 1,000	-	-	-	-
1,001 – 5,000	2	4.3	10,000	0.2
5,001 – 10,000	5	10.6	50,000	1.2
10,001 – 100,000	28	59.6	1,076,312	25.2
100,001 and over	12	25.5	3,132,204	73.4
TOTAL	**47**	**100**	**4,268,516**	**100**

Substantial Shareholder Notices (as disclosed to the ASX)

Shareholders	Ordinary shares held	% of issued shares	Date of notice
Yarra Funds Management Limited; Yarra Capital Management Holdings Pty Ltd; Yarra Management Nominees Pty Ltd; AA Australia Finco Pty Ltd; TA SP Australia Pty Ltd; TA Universal Investment Holdings Ltd	36,267,531	11.3465	12/11/2019
Maso Capital Investments Limited Blackwell Partners LLC – Seires A Star V Partners Maso Capital Arbitrage Fund Limited Maso Capital Partners Limited	18,475,660	5.78	03/10/2019
H.E.S.T Australia Ltd as Trustee for Health Employees Superannuation Trust Australia	16,014,505	5.01	30/09/2019
Dimensional Entities	16,012,535	5.01	25/09/2019

Shareholder Information

CONTINUED

Twenty largest shareholders

Rank	Name	9 Dec 2019	%IC
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	67,108,281	21.00
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,705,581	19.93
3	CITICORP NOMINEES PTY LIMITED	49,451,352	15.47
4	NATIONAL NOMINEES LIMITED	31,027,623	9.71
5	ARGO INVESTMENTS LIMITED	14,086,416	4.41
6	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	9,678,183	3.03
7	BNP PARIBAS NOMS PTY LTD <DRP>	5,199,562	1.63
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,311,554	1.35
9	G HARVEY NOMINEES PTY LTD <HARVEY 1995 DISC A/C>	3,947,616	1.24
10	SOLIUM NOMINEES (AUSTRALIA) PTY LTD <ALLOCATED A/C>	3,803,975	1.19
11	GMCM INVESTMENTS PTY LTD <MCLENNAN FAMILY TRUST>	3,539,118	1.11
12	MR IRWIN DAVID KLOTZ	3,538,954	1.11
13	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,249,200	1.02
14	UBS NOMINEES PTY LTD	2,658,038	0.83
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,036,385	0.64
16	SOLIUM NOMINEES (AUSTRALIA) PTY LTD <UNALLOCATED A/C>	1,904,435	0.60
17	YOOGALU PTY LTD	1,630,434	0.51
18	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,168,669	0.37
19	MR NICHOLAS ANDREW JOHNSON & MRS JANE ELIZABETH JOHNSON <NA & JE JOHNSON S/F A/C>	1,130,000	0.35
20	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,005,954	0.31
	Total	**274,181,330**	**85.78**
	Balance of register	**45,455,363**	**14.22**
	Grand total	**319,636,693**	**100.00**

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,991.

314 shares comprise a marketable parcel at Eclipx Group's closing share price of $1.61 as at 9 December 2019.

Securities subject to escrow arrangements

No securities remain subject to escrow arrangements.

Shareholder Information

CONTINUED

Unquoted equity securities

Non-Executive Director Options

There are 485,000 unquoted options, with a $2.65 exercise price on issue to four 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	41.2
Gail Pemberton	50,000	10.3
Trevor Allen	185,000	38.2
Russell Shields	50,000	10.3

On-market buy-back

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

On-market purchases

There were no on-market purchases by the Company during FY19.

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.

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